

WOOD MADE

ISSUE 1

STORIES

MAY 2019

SONAE ARAUCO WORLD STORIES



THE NIGHT FEAR WAS THE LOSER

How Sonae Arauco's factories in Portugal resisted one of the worst forest fires in memory.

INNOVUS MATCHING LIFE

The new collection presented by those who thought out and worked on the details of the brand.

DESTINATION: SOUTH AFRICA

A trip to Johannesburg and Cape Town guided by Sonae Arauco Employees.

KIM CARSTENSEN

The FSC director writes about creating value in the construction and furniture sectors.

Director
Joana Martins

Editorial Committee
Joana Castro Pereira
LLYC

Editorial
Rui Correia

Special Participation
Kim Carstensen

Contributors
Alberto Alcântara
Alfonso Del Rio
António Marques Rodrigues
Cidália Vasconcelos Fernandes
Dirk Eiyneck
Elisabete Cabral
Fernanda Almeida
Fernando Oliveira
Isolino Valiño
Jana Teessen
Joana Faria Resende
Jóni Lopes
Jorge Trigo
José Bernardo Lobo
Laura da Silva
Luís F. Santos
Luís Reinas
Michelle Quintão
Pedro Marújo
Sebastian Prieto

Acknowledgments
António Castro
Edite Barbosa
Jan Bergmann
João Berger
Rui Correia

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Wood Made Stories,
Sonae Arauco World Stories

Author
Sonae Arauco

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Tanja Nagazi
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Editorial

We have been the Sonae Arauco brand for two years

Rui Correia,
CEO Sonae Arauco

We have been the Sonae Arauco brand for two years. We are all to be congratulated, and this magazine is part of the celebrations. It is a reflection on what we've accomplished – a celebration of our conquests, a tribute to our resilience, the theme of this first edition – but it is also a reflection on the path ahead of us, full of challenges.

The joint venture between Sonae Indústria and Arauco came at a crucial time and with a clear strategy: to transform ourselves into a point of reference for our clients, employees and suppliers. In these two years, we have started following this path – at a good pace.

Each of us – each of you –, regardless of your position, has made a very significant contribution to ensuring that the plan that was initially laid out was put into practice: we have been optimizing our industrial processes, increasing the production capacity of our industrial plants and improving the distribution model of our products.

We have also invested in our people, the pivotal elements of our success, through training programmes held, and in our clear bet on their safety, a factor that is in the

centre of our attentions every day and one that we will never, under any circumstances, compromise on – the safety of our people is always our main priority.

For us to become more flexible and better able to meet the needs of our clients, we have rationalised our portfolio and prepared the new collection Innovus (which will be officially presented at Interzum, the world's largest trade fair of the sector), with five finishes, two of which – and for the first time – only offered on the market by Sonae Arauco.

We are stronger today, better prepared, but at the same time more focused on our ambitions for the future, a future in which our client is placed right in the centre of all that we do.

With the approval of our shareholders, we outlined a plan of investments for Germany, Spain, Portugal and South Africa, in other words, all those places where we have industrial plants. These investments of over €100 million euro (a clear sign of the Company's commitment to long-term business) will make the company truly competitive in a changing market that

increasingly demands more from all its participants.

Our focus is on the development of quality products that are innovative, different, and have greater added value, adapted to the actual needs of our clients, and backed by a service of quality.

We want a place on the cutting edge of the offer of these decorative wood products that are sustainably and attractively designed with an unassailable consistency, that stand out for their commercial value and conquer the trust and loyalty of the clients in the interior decoration and construction industries. We want to reinforce our positioning as a partner, a company that genuinely moves forward through long-term partnerships.

We will also be working to become a global reference in a setting where there is a greater demand for sustainable solutions, in which wood asserts itself as an optimal alternative to other materials. We want to contribute to the affirmation of wood as a raw material that fully responds to the goals of sustainable development. Among its environmental advantages, I call attention

“We are stronger today, better prepared, but at the same time more focused on our ambitions for the future...”

to the fact that it is a material that retains carbon dioxide, promotes energy efficiency, is renewable and recyclable, and capable of being continually incorporated in the industrial process. In this context, we are also focusing on the development of construction systems using wood, and the potential of this purpose is only beginning to be fully appreciated.

To our shareholders, Sonae Indústria and Arauco, we express our vote of confidence

in the Management Team, which is fully committed to creating more and better in the future.

To our employees we extend a big Thank You, to you, who are Sonae Arauco's main asset. We value your commitment, professionalism and ethics, for these are the values of the company we represent. In so doing, we hope to continue listening to you and working with you to continue deserving your dedication.

We are on the right path – but still at the start of the journey. Continue walking with us with the same energy, every day. We believe that, with you, our legacy – like that of wood – will be lasting.

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Refresh

Overview

Awards

Best Big Data Business Initiative

Spain - D&S Awards

Creation of the factory of the future, the development of industry 4.0.

BGHM Occupational Award

Germany

Prestigious Award of the German employers' liability insurance association for wood and metal (BGHM) has distinguished the Nettgau's Plant for an innovative and unique occupational safety measure.

Innovation in Construction Award

Portugal - Portuguese Engineers Association

In the materials and products category with the new Innovus decorative product finishes: Stucco and Fusion.

AVK Innovation Award

Germany

The innovative products / composites or applications category: 3D moldable wood fibre composites, a product developed by Sonae Arauco and Basf.

Sonae Arauco in numbers



Corporate HSE & Risk Management

BeST

stands for

BEST BEHAVIOURAL SAFETY TRANSFORMATION

Every Sonae Arauco business activity is committed to a systematic approach to health and safety management, designed to:

- Reduce and control risk with the aim of preventing incidents, injuries and occupational illnesses;
- Provide and maintain safe plant and equipment;
- Achieve continuous improvement.

In order to achieve this strategic goal, we have designed and started the global implementation of the BeST Program, contemplating several initiatives:

1. Life Saving Rules

The purpose of the Life-Saving Rules (LSR) creation was to define the critical safety rules that, if not followed, have the potential to result in life changing injury or exposure to life threatening hazards. These apply to all employees (own and contractors).

2. STOP Program

The Safety Observation program – STOP – is a training program on Safety Observations & Dialogues for leadership (managers, supervisors, team leaders...), that enables constructive discussions with all employees and contractors about safe and unsafe work practices.

Goals:

- Increase Risk Awareness /
- Learn to identify risk
- Engagement from the top to shop floor
- Consistent reinforcing vision & beliefs

IOW Stands for improving our work

Our IOW journey

Over the last two years, we have:

- Developed the skills of the IOW team, promoting networking and sharing of good practices;
- Started the IOW Leaders program to reinforce the involvement of the top management;
- Adjusted the IOW model to make it more flexible, adapted to the teams problems and more focused on results;
- Moved from a rigid audit system by level (1 to 4) of IOW-Daily to a self-assessment model, thus focusing on the tools with more potential to improve results;
- Introduced the Benefits Tracking. This has leveraged the autonomy of the teams, and its impact on results.

In 2017, €1,3 M of Benefit Tracking

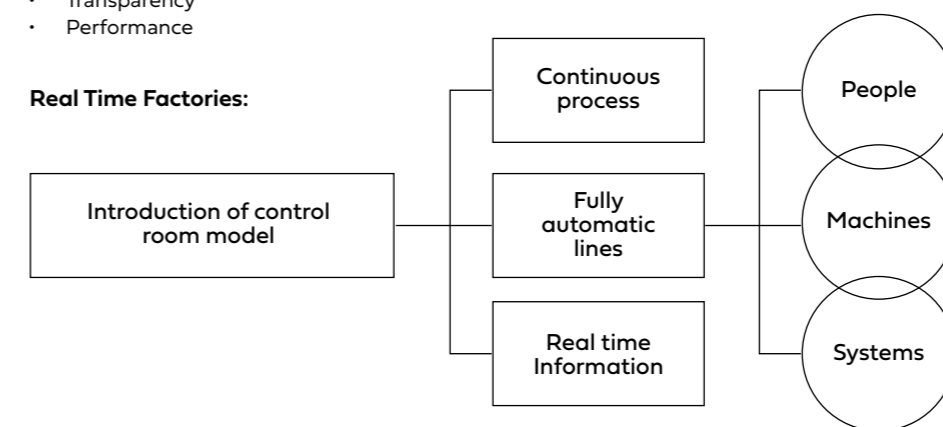
In 2018, €3,3 M of Benefit Tracking

In 2019, the journey continues ... taking IOW with you!

Industry 4.0

- Connecting people, machines and systems
- 24 hours a day, 7 days a week
- On time reaction
- Transparency
- Performance

Real Time Factories:



This process, which began in 2015 in Valladolid, with the model factory will be implemented in all of the company's plants by the end of the year.

In the future, we will be able to work in a predictive way, that is, through the use of machine learning technology, we will be able to anticipate the problems.

BIG DATA Project

This Global Project aims to set the foundations for a more Data-Driven Industrial Management.

Big Data Viewer – to visualize any variable of our process.

Big Data Set – to extract data set and being able to apply advance analytics.

Production Manager – to automatically track all the consumptions and shutdowns.

IOW KPI Viewer – to define and track the most important KPI of the plant on line.

Visual and Smart Notifications – to alert of any deviation from the technical sheets during production.

Mobile App – to have from any point the Performance of the Plants in real time and the alarms defined for each profile and following the concept of "Chain of Help".

Now,

the challenge is to **incorporate the Big Data tools in the Daily Plants Management** and to **improve Efficiency** using this system.

An important **success factor will be the training of our people** in the Big Data tools and in the Basics of Statistics and Data Analytics. Actually, we are already preparing these contents, aiming to initiate training in the plants in the second half of the year.

Career website

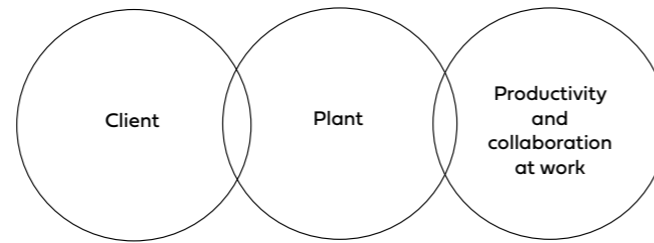
Release date: November 2018



Views: 4.000
Applications received: 1.000

Digital Agenda

Our strategy takes us to a relevant transformation of business processes in order to become a **Customer Centric Company**. Our digital agenda is focused on three areas of intervention:



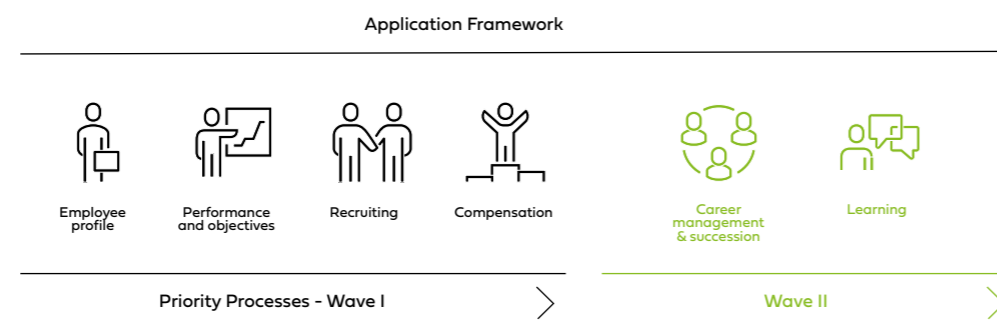
New Digital Workplace based on new cloud technologies, providing a new way of working: users migration to Microsoft cloud, new email service, new office version, new team collaboration tools:

40 project members 11.500 km travelled 1.400 users

In the end of 2018 we launched a new employee portal - **4People** - that allows a new way of relationship between employees and the company.

4PEOPLE - Success Factors

Implementation Scope



In numbers

1.300 Employees (on the scope of project)	4 Languages (PT; EN; SP; DE)
7.500 Working Hours	8 Countries (Portugal, Spain, Germany, South Africa, United Kingdom, France, Netherlands, Switzerland)
185 Litres of Coffee	4 RH Employees (Project team)
25 Presentational training session (4 Countries)	

Wellbeing

In Maia, Portugal
PROGRAMA TAKING ME FURTHER

Ambition

A dedicated program to develop a balanced, high performance and healthy work environment. The program promotes equilibrium between mind, emotions, body and health.

Expected results

- Healthier employees
- Committed teams
- Happier company environment
- Sport activities to promote team spirit
- Cooperation spirit between experienced practitioners and beginners
- Being proud of Sonae Arauco

4 TEAMS, engaging dozens of employees



Marketing

Optimization of contacts, database management flows and impact on marketing email actions

- Automatic synchronization of Salesforce (CRM tool) and Mailchimp (e-mail marketing tool)
- Communication for Database of 24.000 different stakeholders
- In 2018, over 80 email marketing actions were sent, totaling 92.518 global emails sent
- Newsletter launch, to present products, projects and Sonae Arauco initiatives (to about 6 thousand people)
- Implementation of an annual satisfaction survey targeting Clients

Dematerialization of marketing materials

Implementation of a new model of Marketing materials' stock management, sustained by the Salesforce digital platform:

- Controls the entry of requests and output of the items automatically
- Informs the person responsible on stock available
- Registers all user activity

Actually, the platform has 51 Marketing Materials, 140 orders were submitted in the last quarter of 2018, shipped to 7 different countries.

In South Africa

Our range of decorative products is sold under the Novolam collection, contemplating woodgrains and unicolour decors. Yet, in 2018, and in collaboration with the global marketing team, we have launched a new category of products. For the first time in our history in South Africa, we presented a new range of fantasy decors to the market, positioning us as market leaders in this area.

In collaboration with the global marketing team and benefitting from the Innovus collection developments, we were able to identify 5 fantasies and 2 unicolours, that received great results in our market research. We also invested in the new Stucco finish which was launched into the Innovus collection in 2017.

novolam™

KEY NUMBERS

8 New Decors
1 New Finish
36 Launch events in 3 months.

Anniversaries

Congratulations to our industrial units! In 2018...



20 YEARS Valladolid
50 YEARS Oliveira do Hospital

Opinion

Safety is not an option, it is a critical condition for sustainability

Jan Bergmann
CITO

In recent days, we all have seen and read news regarding the horrible plane crash of Ethiopian Airlines. Many people lost their lives and many more family members were affected. We don't know the causes of this tragedy yet, but the plane is suspected to be at least a contributing factor. By now all planes of this type are grounded until clarification of the root causes, due to similarities with the plane crash of Lion Air a few months ago. Deliveries of new planes have been stopped by the supplier until

the results of the incident investigation are available. Image, trust in the company and its products as well as the financial standing have already been severely damaged and it will be a long journey to conquer trust and reputation again.

Why should this be relevant to us?

Let's look at similarities. A plane like this costs about €100 Million, very similar to one of our production lines at Sonae Arauco. In case of a crash, it is very likely to

have fatalities. If we have an explosion or a fire at one of our sites, it is possible to have fatalities as well. Rebuilding a factory takes long and it is expensive. There's also a risk that clients move on to other suppliers and we know that they are difficult to gain back. The image of our company is at risk.

Everyone remembers the case of Knowsley in the UK, after the fatalities and fires. Last but not least, this kind of accident negatively impacts everyone in

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“At Sonae Arauco we aim to achieve zero injuries and zero serious process related incidents.”

the industrial units but specially the families, who suffer pain and sorrow, as unfortunately we have seen in the severe incidents we had in the last two years.

Given the consequences of this kind of accidents, we need to reduce in every single way possible the chance of this kind of event taking place. We need to “drive safety” every day. But, beyond the health & safety issues, nowadays companies are obliged to act in accordance with

compliance aspects. If there are incidents with people damages, authorities will scrutinize the case very deeply. If gross negligence has been the root cause or a strong contributing factor, the companies and the responsible persons will be prosecuted by law. Clearly today, safety is not an option, it is a critical condition for sustainability. Putting it all together, but specially highlighting the wellbeing of everyone at our company, we have the pillars that sustain our Safety Vision:

“At Sonae Arauco we aim to achieve zero injuries and zero serious process related incidents.”

We are working towards this vision through:

- leadership acting as role models,
- knowledgeable employees, able to identify risks and empowered to execute work only in a safe way,
- the commitment of all employee and service providers to safety as condition of employment,
- development of a safety culture and management system, which allow continuous safety improvements.

If we look at the efforts we put into this topic and the results over the years, we see a positive trend, yet with some set-backs. This is a long journey, but the target is worthwhile to pursue as the prize is big for our employees and their families, our clients, neighbors, suppliers and finally for our shareholders. We will be resilient on this, it is up to us, to make it happen.

Stay safe!

Featured
Photography



The Control Room of the Future already exists – and it looks like this. This is from the Oliveira do Hospital plant, in Portugal. Since 2015, Sonae Arauco has had real-time factories, with people, infrastructure, and systems permanently connected.

Our plants are equipped with technology that allows us to analyse information from the production process 24 hours a day, 7 days a week. These resources are indispensable to ensure transparency and speed in decision-making, and they have a very positive impact on our performance and competitiveness.

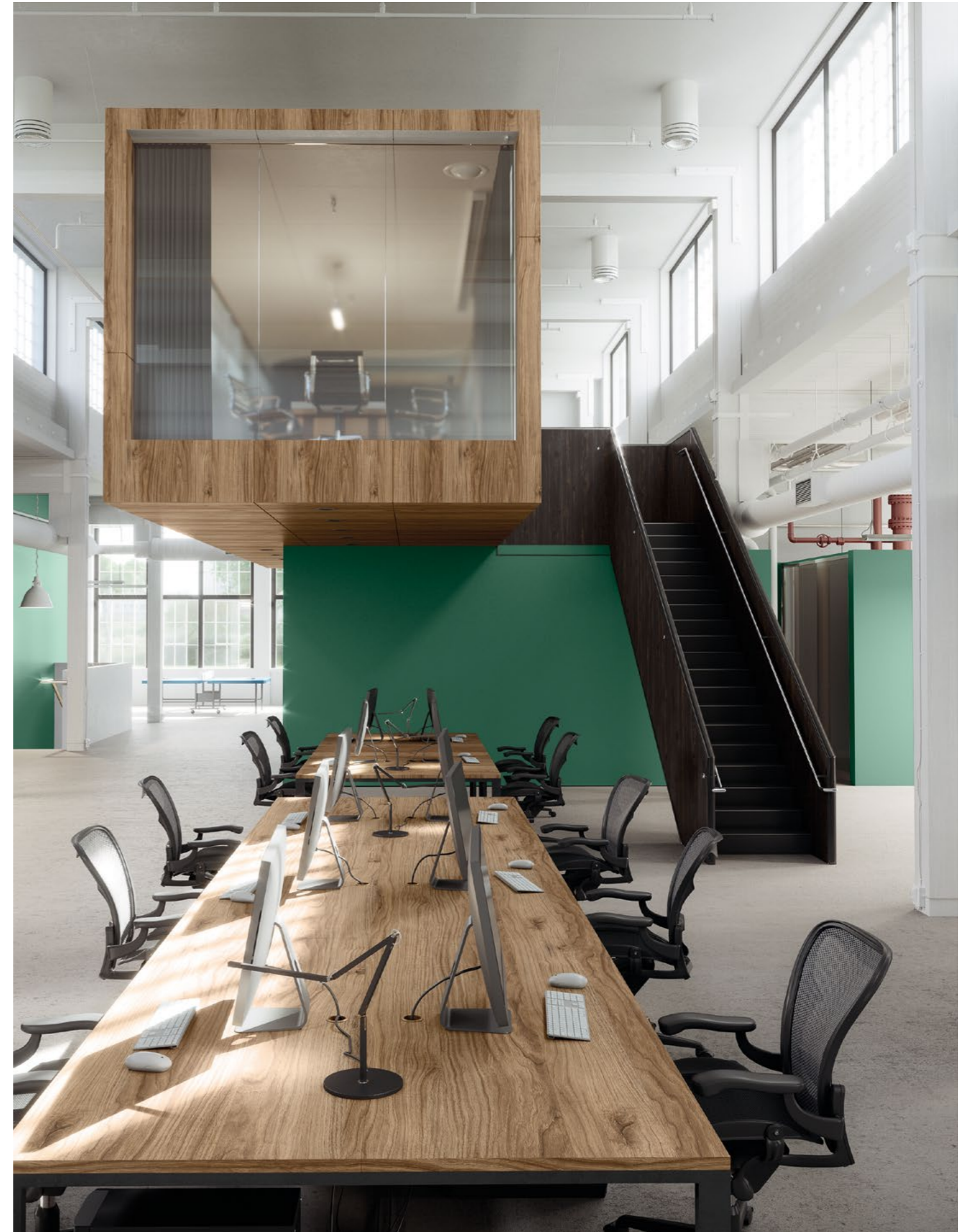
Control Room
Oliveira do Hospital, Portugal.

Interview

Innovus and your life: a perfect match

The new Innovus collection is a premiere line from Sonae Arauco – the first to be presented after the constitution of the company. It mirrors the modernity, innovation, inspiration and boldness of the brand, without forgetting its past and keeping its focus on the customer and market trends.

It introduces five new finishes, two new exclusive finishes, as a result of the strategy of creating innovative, sustainable and differentiating products that contribute to people's well-being, helping to establish long-term partnerships with customers and partners. This new Innovus collection carries the tagline matching life. Because our people are also partners of choice, we decided to talk with those who conceived and develop the details of our new creations.





Michelle Quintão



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Joana Faria Resende



Michelle Quintão

Global Marketing Director

What features make Innovus one of Sonae Arauco's best-known brands?

Today, the Innovus brand is one of the company's most important assets, which naturally stems from the quality of the product, but also from the strength of the brand – it's easy to say, it's positive, and the logo is good. This, combined with a very solid marketing strategy, made the decorative melamine product reach our customer and our customer's customer. The Innovus brand is known and used in several countries in Europe and beyond, such as Morocco, Israel, Lebanon, and China. Today there is a direct association

between the brand and the product; people are already saying, "I'd like Innovus".

What defines the new collection?

Besides being absolutely fantastic, Innovus is the visible and tangible mirror of a modern Sonae Arauco, inspiring and intensely focused on customers and market trends. It reflects an investment in the training of employees, in the improvement of factories and in state-of-the-art decorative elements (following the new wood, stone, and cement-based decoration and architecture trends). We have: five new finishes; a renovation of 40% of the collection; a new portfolio strategy for the complete product; a price positioning suited to each market where we operate; a clear company strategy to improve the customer service regarding quality, innovation and delivery of the product; and a major investment in marketing and communication.

How is this reflected in the brand communication?

The Innovus collection is promoted in all the channels where we operate and communicate. This includes what we communicate to our customers and to the final consumers of our products, be it on the website, on social media, on flyers, on the packaging and on other forms of advertising. Each of the Innovus collections has an image and a slogan. However, the genesis of Innovus remains: it is a tool to help the creator, the builder, the architect or the designer to bring their imagination, their creation, to life.

What are the main challenges of communicating in this market?

The biggest challenge is that we do not have a direct connection with the final customer – we sell through distributors who, in turn, sell to the final customers. We reach the

final customer through packaging and especially through recommendations, which enable us to promote our products.

What are the macrotrends that will influence the business?

The business is greatly influenced by the macroeconomic cycles, and we know a quality collection with a quality product is paramount to show our customers that we are solid, even in moments of worrying economic downturn. We will make all efforts to guarantee the best collection, the best product, and the best customer service, to ensure that, when the time comes, customers choose Innovus and Sonae Arauco.

Joana Faria Resende

Collection Management, Portugal

Where does Sonae Arauco begin when it starts working on a new collection?

It begins by analysing the sales, mapping the previous collection, and benchmarking the competition. To identify new market trends, we continuously scout macrotrends, we visit the main furniture and decoration exhibitions, we meet with customers, and we maintain close contact with our main suppliers.

What were the greatest challenges in this process?

Having the best collection of decorative products in the market – balanced and

global, but responding to the regional specificities, modern and innovative, without relinquishing the best-sellers – and without losing industrial feasibility and trade competitiveness.

What was the inspiration for the new Innovus?

We drew inspiration from macrotrends, from the environment, from technology and from generations. The environment is linked to the need to reengage with nature in this period of life that is more agitated; technology is linked to the way we integrate it into our day-to-day life, making it more sensory, more "intelligent" and more appealing in its design. And the generations are linked to a more cooperative and tolerant world, but one which is also more extreme and radical, where everything is shared and multidimensional. At the product level, the importance of

the structure and natural texture of the materials in which the visual appearance and the touch complement each other; the importance of colour – the greys continue to be the most important base colour, with a trend towards darker tones, accentuated by intense but not vibrant colours (blue, green, crimson red) and/or pastel shades (violet and pink); wood as one of the main natural materials; cements and stones as a confirmed trend in furniture and decoration applications; and the growing use of metals and oxides in these applications.

What makes this collection so special?

Innovus 2019 is a collection that is so special for responding to all the main trends and market needs, the most distinctive element being the three new textures – Cosmos, Spirit and Flow – and the enhancing of the two textures introduced in 2017 – Fusion and Stucco.

Isolino Valiño

Collection Management, Spain

What are the steps that mark the four years between each collection?

A collection is a product cycle, but it is in continuous renewal. There are two ways of working: on the one hand, the launch and promotion of the collection.

On the other hand, we work on renewing the collection, whether for the upgrade we will make two years from now, or on the next new collection. To do this, we have two very useful tools, which are the capture and the presentation of trends, which we carry out through Impulse (such as the launch of the Art Work collection – an annual selection exclusively for industrialists). This allows us, through customer feedback,

to adjust the final portfolio that will be made available to the market.

How have the finishes developed and what evolution do they represent in relation to the previous collection?

The process was based on research, innovation, design (quality-oriented), efficiency and trends. For the first time, we have developed a complete texture, creating exclusive finishes from original materials.

We have an offer that, from a qualitative point of view, has never been present in our catalogue. And this involved countless challenges, trips, adaptations, tests, modifications and a lot of stress [laughter].

Dirk Eiyneck

Collection Management, Germany

What makes this collection so special?

In addition to the avant-garde surface finishes, the new Innovus includes very elegant decorative wood-based products, not as extraordinarily rustic as in the previous collections, but still very natural in appearance.

The colouring of the wood goes from the light Nordic tones to the noble dark brown, almost comparable to Italian walnut. Added to this, there are shades of grey that perfectly reflect the current trend. In the line of unicolours, the bet is on the range of greys to dark anthracite. At the other extreme, white is not as bluish, but warmer, and it blends nicely with naturally warm wood tones. These are

united by nice pastel tones and continuous tone colours that accentuate the trend for greater comfort in the design of rooms and furniture.

What new decors would you highlight?

The solid colours Anthracite L4054 and Urban Stone Graphite F2282, with Cosmos finish, demonstrate well the possibilities of the new surface finish. Both can be seen as a new generation of melamine surfaces.

The special sensation of Cosmos, smooth, warm and still with the impression of solidity, is in complete harmony with the decoration. With Spirit, the second extraordinary surface finish, the Elegance Brown M6315 and the Exquisite Light M6314 show the surprising variety of this line. In dark tones, Spirit, with its natural pattern, is in the foreground. If the

design is lighter, the shade of the décor will dominate the first impression. When the observer then puts his hand on it, he will feel a gentle ripple and the feel of a natural wood surface.



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Isolino Valiño



Dirk Eiyneck



Cidália Vasconcelos Fernandes



Cidália Vasconcelos Fernandes

Communication Manager,
SWE Markets

How do you feel you have contributed to the building of this brand?

The Innovus brand is crafted by various channels in the company, from the Marketing and Product Development team to the teams of Sales and Specification & Contracting. However, it is up to the Marketing team to ensure that the dissemination of the brand in numerous developed materials – printed and digital – reinforces the positioning of the brand with

the preferred target audiences. The last few months were also marked by the renewal of the visual elements of the brand, in order to create a strong narrative through the main elements of visual identity: Icon, Colour and Brand Signature.

How was the concept Innovus Matching Life developed?

The renewal of the brand was inspired by our daily life and the places where we live and work, which become part of who we are. Our goal is to communicate modernity without losing the connection to the past, and to convey a message about renewal and about the global amplitude of Innovus, which is present in every moment of our life: in our home, in the office, in shops, in hotels, among others. Matching is a common expression in the decors world. When comparing different references of

the collection, we use expressions such as “this wood matches this unicolour” or “perfect match”.

The evolution of the visual identity also involved the addition of colour to the original logo, which means life and well-being. We coloured the “O” and incorporated the texture of wood. We used primary colours and opted for the open circular form, which conveys continuity and evolution. The key message is that the Innovus collection follows the cycle of life.

innovus®
Decorative Products

New Innovus Collection





Executive Committee of Sonae Arauco

Insight

Customer Focus: Our Strategy

In 2017, Sonae Arauco defined a new strategy in its business approach, the goal of which is to make us the preferred company for our customers, employees and suppliers, as well as for all the entities we engage with. In a very competitive business with very few differentiating elements, we want to be the first choice.

We are aware of the immense challenge, but completely focused on achieving this goal. In order to do this, our company must continually evolve, positioning itself ahead of our competitors. This strategy is based on three fundamental pillars of business development:

1) **Develop decorative solutions**

We cannot continue to be seen as simply another supplier of panels. All our competitors make panels. To set ourselves apart, we must develop an integrated offer of decorative solutions that involve placing, on the market, panels coated with modern and attractive visuals and textures, as well as offering high-pressure laminates that link the displayed panels with their corresponding borders.

2) **Increase partnerships with industrial clients**

The link with one of the largest producers/suppliers of

furniture in the world is often referred to as an excellent example of a mutually beneficial relationship. We need more long-term partnerships with industrial customers that make furniture, kitchens or other construction solutions/components. We believe that we can and should work towards designing specific solutions for large direct or indirect customers that will respond immediately to their needs.

3) **Investing on our construction systems proposals**

We have an excellent brand of wood-based construction solutions – AGEPAN. Therefore, and given the current global trends for a greater use of wood in construction, as it is a renewable, reusable, recyclable material that stores CO₂, we must work on developing an offer that makes us suppliers of integrated wood-based construction solutions.

Committed to the implementation of this strategy, at Sonae Arauco, we are making a very significant set of investments on several fronts:

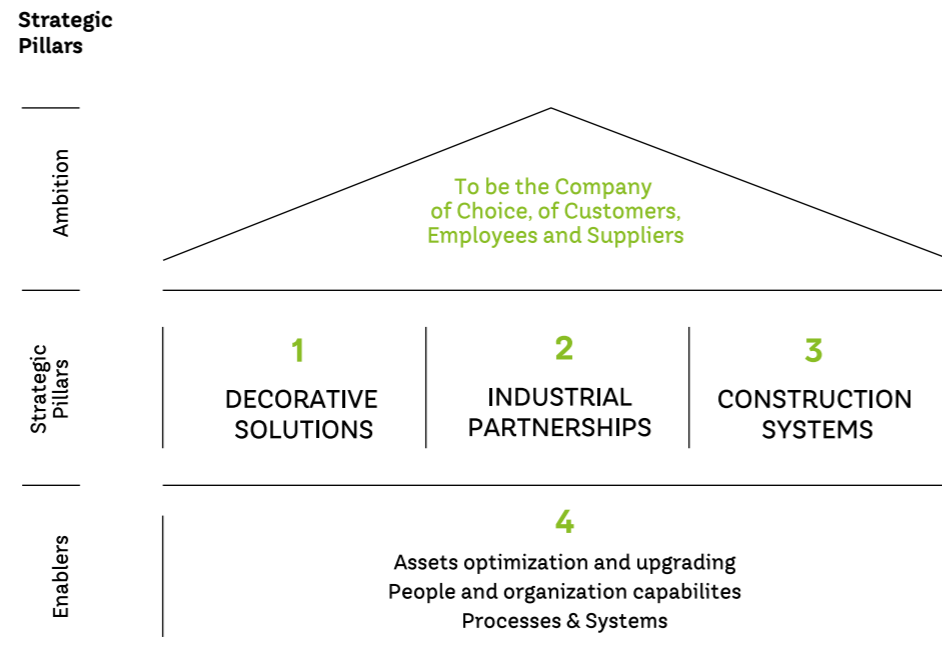
- the optimization of our industrial assets (investments in factories, new equipment, improvements in existing systems);
- the training of our people; the recruitment of new skills; the simplification and improvement of our information processes and systems.

We want to be a company that is easy to work with; we want to simplify, facilitate and improve the customer experience at Sonae Arauco; we want to be reliable (to deliver what we promise, when we promise), recognized for our attractive and innovative offer. We are moved by the ambition to create, with our customers and suppliers, winning partnerships that will stand for future generations of employees. After all, we are working for the future.

In the past year, we have been working on streamlining our product offer and improving our pricing strategy. We have also implemented a new organization and new logistics processes, which will allow us to serve our customers with the desired speed, meeting the established delivery deadlines.

In line with the defined strategy, we have improved our organization of KAM (Key Account Managers) to respond to our goal of increasing industrial partnerships. We are investing and will continue to invest in factories – Beeskow, Meppen, Oliveira do Hospital, Mangualde, White River and Linares are some of the examples of plants that have already been impacted by these heavy industrial investments.

Since people are fundamental to the implementation of this strategy, investments were made in recruitment, employee management processes, training and information systems. In the coming months, in addition to reinforcing the aforementioned



investments, we will concentrate our efforts on: simplifying the management of orders and complaints; creating distribution centres in the Iberian Peninsula and Germany; improving the internal and external communication; optimizing the industrial consumption; investing in automation processes.

We are not working only on the factories of the future, an area in which we are recognised as an industry leader in the manufacture of wood-based panels. We are building a company, a brand, with eyes focused on the future, striving to always be the first choice of our customers, employees and suppliers.

We know this vision still has a long way to go, but we believe it's the way forward: improving the quality of our products, improving our customer service, and simplify our processes. We will never cease to believe in continuous improvement, because we know that the world does not stop, and we must anticipate the challenges this will bring us.

We will never compromise the safety of our workers or our values. Together, we'll take Sonae Arauco further.

SONAE ARAUCO VALUES

PROUD INDUSTRIAL SOUL

Wood-based experience
Long-term business Vision
Solid growth ambition

WOOD-BASED LIFE IMPROVEMENT

Sustainable and renewable
Innovative
Fit for purpose

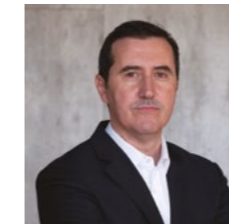
WOOD-LASTING ALLIANCES

Ethics and transparency
Long-lasting partnerships
Safety and good citizenship



"Every one of us represents Sonae Arauco. We all need to be aware that every connection and touch point with our clients, suppliers and business partners shapes Sonae Arauco's business relationships with them. I count on you all to help us make Sonae Arauco the Company of Choice of our business partners."

Rui Correia
CEO



"We have already ensured the financial resources required to implement the defined strategy and carry out the envisaged investments. The focus will now be on an effective execution, underpinned by some on-going cultural and organizational shifts, and on the delivery of the expected benefits."

António Castro
CFO



"We are executing the largest investment program in the last 12 years in line with our strategic direction and core values. Special focus is on re-engineering our production and supply chain processes and building capabilities to enable the growth of our decorative solutions in Europe and South Africa."

Jan Bergmann
CITO



"In order to enable a successful and sustainable implementation of our strategy, we are already working in developing the competences of our people, bringing onboard new employees with the skills we need to anticipate the evolutions of the business and we are defining or optimizing organizational processes aligned with the strategy. We will further invest in adequate training to develop our human capital strengths."

Edite Barbosa
CCDO



"The strategy is clear and there is a strong sense of purpose and energy across all areas in the organization. The launch of the new Innovus collection in Europe and unanimous positive feedback is a tangible result of the collective effort of all areas. Above all it shows that when we work as a TEAM we are a formidable force. I am proud of what we are achieving and confident that true team work will bring us victory."

João Berger
CMSO

"We are building a company, a brand, with eyes focused on the future, striving to always be the first choice of our customers, employees and suppliers."

We know this vision still has a long way to go but we believe it's the way forward"

Special Report

The Night Fear Was the Loser

Between the night of 15 October 2017 and the early morning hours of the following day, the Sonae Arauco factories in Mangualde and Oliveira do Hospital were affected by one of the worst forest fires in Portugal that anyone can remember. The only reason they were not completely consumed by flames was that the employees decided to disobey the authorities and fight the fire, risking their lives. During the six months of recovery, in which everyone participated, the company guaranteed all their jobs and paid their salaries. The reconstruction and operating improvement programmes resulted in more modern, more efficient and safer factories, which have already beaten previous production records.

The dawn revealed a terrifying scenario. The heat, which itself was unusual for the month of October, was made worse by the fire that still remained. The smoke and ashes still in the air made breathing difficult. It would take several days to assess the damage to the Sonae Arauco factories in Mangualde and Oliveira do Hospital, located about 50 kilometres apart in the middle of Portugal, caused by one of the worst forest fires in the history of the country. The losses would total tens of millions of euros in equipment and infrastructure, plus other tens of millions due to the time the plants would be out of operation. Despite all this, the CEO of Sonae Arauco, Rui Correia, says the company was “privileged”. Other factories in the area were completely destroyed by the fires.

At the Mangualde and Oliveira do Hospital plants, it was different – the employees decided to stay, risking their lives. They battled the fire and saved the factories, in many cases knowing that their families and

houses were in danger. “We owe it to them, but both Paulo Azevedo [Chairman of the Sonae Arauco Board of Directors] and I have mixed feelings. On the one hand, we are grateful that they protected the factory; on the other hand, it distresses us to think they put their lives at risk. We were very fortunate to see they all were well,” adds Rui Correia.

The fire took everyone by surprise. “We work with combustible material. We had procedures and resources to deal with localised fires that result from the process. But what happened was different. Several areas of the factories were burning simultaneously. Up until that day, no one was aware of the risk presented by the exterior surroundings. No one was prepared,” recalls the CEO. On the weekend of 14 and 15 October, there were over 400 forest fires, 33 of which were major fires, mainly in the Central Region of the country. There were 49 fatalities and 70 injured people. More than 500 companies and around 1,500 homes were completely destroyed. Many Sonae Arauco employees in Portugal were affected, the CEO points out. “Life changed for a lot of people that day. Some were left with just the clothes they were wearing; some lost their family, too. As a company, we had a great challenge ahead of us, of course, but it was only a matter of rebuilding assets. It could all be recovered.

We also focused on helping people face the future, so they would feel that they were not alone.” After that night, “Sonae Arauco changed, but so did the country.”

The longest night of all

The fire at the Mangualde plant started at 10:00 p.m. on the 15th; it would only begin at the Oliveira do Hospital plant nearly two hours later, at 11:45 p.m. By that time, the flames were out of control and surrounded the entire factory at Mangualde, despite the assistance from a fire truck for half an hour, from 10:30 to 11:00 p.m., and the efforts of nearly 40 employees who were inside the plant, who disconnected equipment, activated the fire protection network of the wood yard, turned on the sprinkler system and wet down the perimeter that was at risk.

The Municipal Civil Protection office and the mayor telephoned and gave the plant evacuation order to the Occupational Health & Safety and Environmental Manager, Elisabete Cabral. These instructions were reissued to the Plant Director, Luís Santos, at 11:30 p.m. and at 12:15 a.m., to no avail. The decision to disobey the evacuation order was “difficult”, Elisabete Cabral recalls. “I feared for the life of my colleagues, but they all wanted to continue the battle and, deep down, they had some hope they could save the factory.” The team believed that it was possible to protect the main nave, at least – and they did. Besides, leaving was also dangerous. “The factory was surrounded by fire. There were highways closed. The smoke was so intense that it was difficult to breathe”, she added.



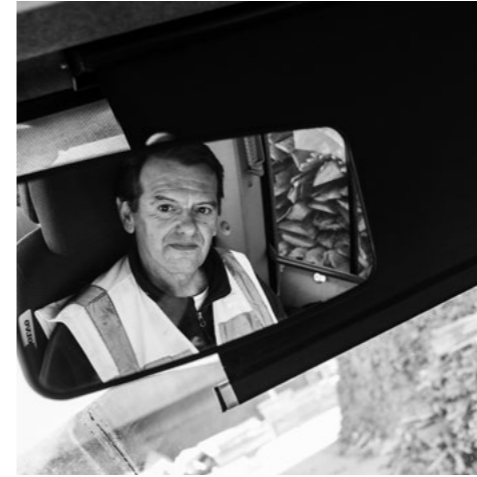
Fernanda Almeida,
Operational Human Resources Manager,
Mangualde and Castelo de Paiva



José Bernardo Lobo,
Mechanical Maintenance Manager, Oliveira do Hospital



Luis Fernando Santos,
Maintenance Director, Mangualde



Alberto Alcântara,
Factory operator, Oliveira do Hospital



António Marques Rodrigues,
Factory operator, Mangualde



Elisabete Cabral,
Occupational Health & Safety and Environmental Manager

António Marques Rodrigues and Carlos Silva, operators, were not on duty, but they decided to go to the factory when they realised what was going on, says the former. “At the gatehouse, where I left the car, I found my sisters and nephews in panic. Little wonder – the roar of the fire, the strong wind, the flames in the air...” Inside the factory, there was “genuine chaos”. António had on shorts and a T-shirt, and was wearing flip-flops.

He prepared the best he could before his first contact with the flames: “I put on a fire brigade jacket and a helmet, but my legs were burning from that whirlwind of flames,” he recalls. Like his other colleagues, he says he got to the point of “fearing for his life” and thought about quitting. He and his colleague Carlos even went back to the gate, but they ran into other colleagues and ended up going back inside the factory. “We went to the dressing rooms; I forced open the door of my locker and took out my boots. [António José] Gouveia [metalworker] loaned me some trousers, and we went to face the fire.”

The maintenance director, Luís F. Santos, was also among the group. “No one weakened. We kept our spirits up and

got involved to save what we could with the means at our disposal. With each passing hour, the better we understood the catastrophe, the greater our will to continue on. We had a lot of will power.”

Some employees only left the plant nearly 24 hours after entering it, “completely exhausted, with red eyes and soot-covered faces from the smoke”, remembers Fernanda Almeida, Operational Human Resources Manager of Mangualde and Castelo de Paiva’s plants. The same was true at Oliveira do Hospital. Luís Reinas, shift supervisor at the Mangualde plant, guards the memory of the “spirit of union” in the defence of the factory, which the employees, true “heroes”, defended “as if it were their house”, and “the sense of dismay at seeing the trail of destruction caused by the fire.”

At the Mangualde plant, the flames had damaged the emulsion factory building and destroyed the internal railway line, the wood yard, the debarker and chipper, the control systems and electrical cabling of the boilers, the chip silos, the chip washing operation, the chip conveyor system between the storage lot and the silos and from the silos to the washers, the aspiration systems, the fibre bin, and the electrical substation.

At Oliveira do Hospital, the employees – which were even fewer than those in Mangualde, little more than a dozen – fought the flames on their own for over four hours. The firefighters had their hands full. The first truck only arrived at 4:00 a.m. Up to that time, those who remained inside the factory gathered up and used all the extinguishers there were.

The water in the reservoir – 1.3 million litres (enough to fill about one half of an Olympic-size swimming pool) – was used up in under three hours. Initially, the employees concentrated their efforts on containing the first and main outbreak of the fire, in the wood yard. Afterwards, when the fire came through the roof and affected the continuous press, that became the priority.

Alberto Francisco – who everyone calls Mr. Alcântara –, 54 years old, was on his shift when the fire came in. “It looked like a horror film to me, or a war film. The factory is located next to a warehouse for gas bottles. They were genuine bombs – large and small – falling on the roofs here”, he recalls. Jorge Trigo, Occupational Health & Safety and Environment Director, 66 years old, also remembers the constant failures in communications. “I got tired of trying

to call the Chief Fireman. When I finally got through, I told him: ‘If you don’t come now, the factory is gone!’ They were at their limit. “We had already been surrounded by various fire fronts at other times, but we had never seen a fire cover kilometres in a few hours.” The adrenaline was running so high that Engineer Trigo, as everyone calls him, who has had knee problems for years, only noticed the pain on the following day at 8:00 a.m. when he got home and sat down on the sofa.

Some employees only left the plant nearly 24 hours after entering it...

The damage was very extensive – the reconstruction cost tens of millions of euros, to which the losses from the business interruption must be added. The fire destroyed roofs, the roundwood, the floors of the wood yard, the chipper, chip warehouses/silos, green particles, conveyors, 100% of the electrical cabling

and panels in the field, the electrical substation, transformer post number 4, lines for cleaning recycled products and for feeding dryers, a dryer and metal belts of the continuous press, the external dry paper warehouse, 10 machines of the fleet and forklifts, firefighting systems, the internal video circuit, and fencing.

Bernardo Lobo, Mechanical Maintenance Manager, joined his colleagues later. He arrived an hour before the firefighters. Until 3:00 a.m. he was trying to guarantee the safety of his family. He took his children and wife to his in-laws’ house and saved his parents and the house where they lived, always thinking about the factory, to where his brother agreed to give him a lift, repeating that he was “crazy” – and he wasn’t the only one to do it. To get to the factory, Bernardo Lobo had to convince an officer of the Republican National Guard who blocked his way. “I told him: ‘I work in maintenance, and from what I can see from here, the factory is all ablaze. In that case, neither you nor I are safe. Therefore, either you let me pass, and I can go and make a difference, or you aren’t safe here, either.’”

He had no doubts. He says the factory is his life. All those who fought the fire shared that

feeling. “Many employees didn’t come to help only because the accesses were cut.” He only went home on the following day, after 5:00 p.m

The anguish and fear arising from fighting such a violent fire with so few means was joined by the anguish and fear regarding the safety of family and friends. While Alberto Alcântara helped save the factory (and some of the neighbors), his house, 500 metres away, burned down completely. Jorge Trigo only learned of the whereabouts of his wife at 5:30 a.m., when the factory fire was more under control.

Rolling up the sleeves and rebuilding

While an assessment was being made regarding the state of the two factories (the plants would only be completely free of hotspots one week later), it was necessary to notify the customers of the impacts these events would have on the programmed deliveries. “This analysis took several weeks. It was only in the following month that we began to move the material out in force to the customers. We redid the production plan and brought in material from other factories. The contribution of the other Sonae Arauco plants was crucial,” says the CEO.

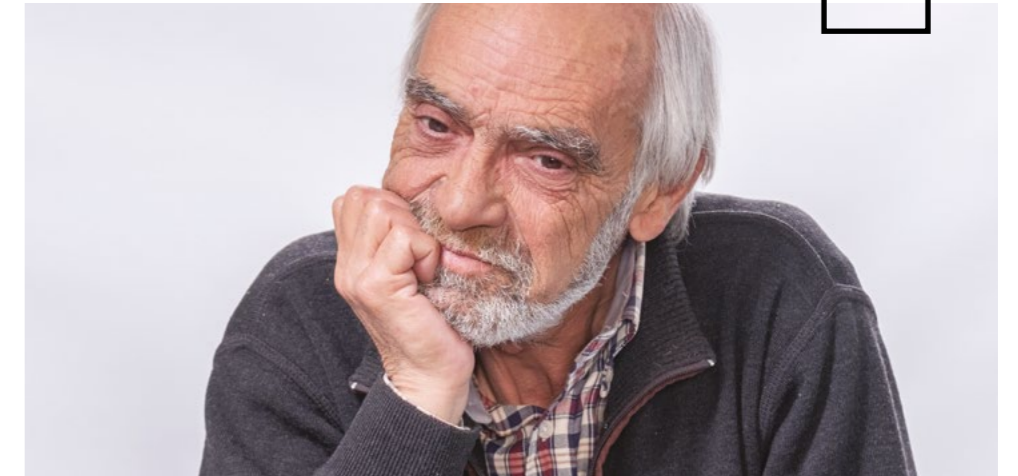
“The big lesson one learns from these events is the feeling of being a Team – with a capital ‘T’. We completed a one-year project in six months.”

Luis Reinas
Shift supervisor, Mungalde



“...the first priority was to put the melamine lines back in operation. It was necessary to ensure there was a regular supply to the customers.”

Jorge Trigo,
HSE Director, Oliveira do Hospital



In Mungalde, some standard-size MDF was purchased to continue to supply customers during the recovery period; priority was given to the recovery of finishes, so that we could process all the stock in progress on the date of the fire and ship it; some boilers and steam generators were rented, which allowed us to work more quickly with the Mungalde’s Emulsions Plant and veneer presses; and, as the recovery works were concluded area by area, the teams returned to their production shift work.

At Oliveira do Hospital, the first priority was to put the melamine lines back in operation. It was necessary to ensure there was a regular supply to the customers. To do this, the back-up boiler of this area was reactivated, and steps were taken to restore the supply of electricity to the presses. With the effort of everyone – and resorting to the purchase of particle board from factories of the Group (White River, Linares and Nettgau) and external producers – we were able to resume part of the activity in December.

Simultaneously, and from the very first hour, the attention was on the people.

Fernanda Almeida, highlights the “great campaign of solidarity that was quickly organised throughout the Sonae Group, including the collection of goods, to help the employees who had lost everything”. She remembers “the smiles of workers with their eyes full of tears, who had lost everything, at the moment they received the items to help in the reconstruction of their lives”.

Alberto Alcântara never forgets that help (“they were untiring with me”), and also remembers what came to mind – the same question that would pass through the minds of all those who worked at the plant – while he was still fighting the flames.

“What is going to happen to the jobs of these people?” Sonae Arauco ensured all the jobs and the pay of all the employees, even during the months of reconstruction, and did it during a phase when it was not yet certain how much time would be needed to make the factories operational. Rui Correia went to tell this to all the employees in person (and would praise them months later in the company of Paulo Azevedo), instructing them to report for work, as usual, to help in the reconstruction and in the resumption of the activity of supplying the customers.

At the Mungalde factory, 10 work groups were formed to recover the equipment (five for electrical work and five for mechanical work), focused on the most affected areas. The work on the debarking line and in the wood yard were managed by another group, seeing that there were modifications the company wanted to make. Each of these groups had a leader for the internal maintenance team. Additionally, another 10 groups were composed to work during the daytime, focused on operating improvements.

They were made up of members from production, quality, safety and other departments, except from maintenance. This was Sonae Arauco’s way of keeping all the employees making a positive contribution to the factory and united as a team. The logic was the same at Oliveira do Hospital – all the employees took part. Alberto Francisco, for example, helped paint. “A person would die of boredom if they didn’t have something to keep them busy. And with everyone making an effort, this was done in no time. It took half a year to rebuild”, he says.

For Bernardo Lobo, “The big lesson one learns from these events is the feeling of

being a Team” – with a capital “T”. “We completed a one-year project in six months. Three days after the fire, when some parts of the factory were still burning, we were already working on rebuilding other parts. We still didn’t have a real notion of all that would have to be done. I don’t think it would

have been done like this anywhere else,” he declares. Sonae Arauco took advantage of the rebuilding process to make improvements in the two plants, specifically in the fire protection systems. Rui Correia, CEO, is proud of what was accomplished – the

factories affected have already beaten production records –, but safety still continues to be one of their main priorities: “Today we are better prepared, but we still have a long way to go.”

Employees who fought the fires at each factory

Mungalde

Alberto Ramos
Alexandre Ribeiro
Amadeu Costa
António Gouveia
António Fonseca
António Francisco
António Maravalhas
António Rodrigues
António Santos
António Silva
Armando Polónio

Carlos Marques
Carlos Rodrigues
Carlos Silva
Eduardo Domingos
Elisabete Cabral
Emanuel Cruz
Francisco Grilo
Hélder Albuquerque
João Alexandre
Jorge Amaral
Jorge Cabral

José Carlos Almeida
José Ramos
José Salvador
Luís F. Santos
Luís Peixoto
Luís Reinas
Manuel Amaral
Marcelo Lopes
Paulo Henriques
Raul Matos
Rui Silva

Sérgio Costa
Sílvio Teixeira
Tiago Costa
Tiago Lopes

Oliveira do Hospital

Alberto Alcântara
Bernardo Lobo
Bruno Peres
Carlos Peres
Fernando Correia
Fernando Tavares
José Carvalho
José Luis Bras
Jorge Trigo
Óscar Teixeira
Paulo Pinto



Profile

Fernando Oliveira

On time,
on budget,
on quality

He is demanding, strict and a perfectionist. His team describes him as a stubborn man. He doesn't deny it, but he prefers to say he has a "fierce determination". In the 90s, he was fascinated by Mr. Belmiro de Azevedo and wanted to be a Sonae Man. He has been with the Group for a quarter of a century. Today, he is the Global Technology Director of Sonae Arauco.

There is a phrase that, in all probability, describes any team meeting led by Fernando Oliveira: "On time, on budget, on quality" – within the deadline, within budget, with quality. The Global Technology Director of Sonae Arauco has been with the Company for 25 years and is very demanding and very strict – in the words of those who work with him. "That phrase is law in the department. So much so that it appears in the key indicators of the individual evaluation of each team member", says Sebastian Prieto, Senior Technology Process Engineer.

Fernando Oliveira is such a perfectionist that he never rushes into celebrations. “When the first board came off the new Mangualde assembly line – a project of this team, approved after several years of failed attempts and having to overcome a lot of mishaps – we called him to celebrate. He replied: “We don’t celebrate the first board! Celebrate when we have the first truck leaving, headed for the customer!”, he recalls, laughing. And he explains, “Actually, he was right. It sometimes happens that the production line has so many problems that, after the first board comes out, it takes months to optimize the process.”

The Department he heads is responsible, for example, for the analysis of the engineering of industrial processes and the optimization and reliability of the equipment in the production chain. “We develop diagnostics, define action plans to be implemented, and prepare the technological plan and Master Plans for at least five years for all the factories”, explains Fernando Oliveira. The team also participates in the preparation and execution of budgets, planning and performance of all major investments – this is the office where the analyses and recommendations of approval or disapproval for all the investments requested by all the industrial plants are made (see box).

Few things upset Fernando more than having to correct information – and it doesn’t matter if it’s an update on a project, a deadline, or a budget item. “He reviews the presentations letter by letter, word by word”, says Alfonso Del Rio, Reliability and Equipment Optimization Engineer. He is also a methodical and organized man. Although he can’t do without his iPad at the start of the day – reading the news and emails at 6:20 a.m. –, in the meetings, he takes notes by hand, normally in a notebook for each project. “He writes everything, always by hand. And he divides the content by subject. He writes in red, blue or green and has the contents organized by folders”, he adds. That’s why he’s the only person in the company with the right to two filing cabinets. They’re full of confidential

information, but they also store some books that he likes to return to, such as Collaboration – How Leaders Avoid the Traps, Create Unity and Reap Big Results, by Morten T. Hansen, Good to Great, by Jim Collins, and A Sense of Urgency, by John Kotter.

The fascination with the Sonae Man – “and how”

Fernando Oliveira does not conceal his admiration for the founder of Sonae, Belmiro de Azevedo. The businessman inspired him, and still does. His is the only photograph in the office. “I admired his straightforwardness. Before joining Sonae Indústria, I saved articles and news items about him with some reverence. I read his messages to internalize notions of economics and entrepreneurship that we must have if we want to be great and different. The motto of the ‘Sonae Man’, that spirit of being the champions of Europe, of always having to be the first. That attracted me – and how!”, he says. He didn’t think twice before accepting the proposal to join the group, where he performed several duties – he was hired as a plant manager, but he worked in more than a dozen other positions, most of them international, in France, Canada and South Africa.

Although he had numerous work encounters with Belmiro de Azevedo – so many that he even had the opportunity to show his boss that he had “the worst sense of direction in the world”, when he gave Mr. Belmiro a ride to one of the factories where he had been thousands of times and got lost –, he remembers well the first encounter, in 1997 or 1998. Fernando Oliveira had accepted the invitation to lead the largest industrial project the company was going to carry out in the country, in Oliveira do Hospital, and he was going to present it to the Group’s Board of Directors. He had prepared the presentation very carefully – wanting to give a brief and clear presentation with an update on the status of the project. Belmiro de Azevedo interrupted him and caught him off guard: “I want you to tell me two things right

now: when will the factory start operations and what is the estimated budget for the close of the project?” Fernando answered the second question first: “The project will finish within the budget and without any deviation” – it would end up 0.3% below budget. He left for last the question that he had no answer: “As for the start of the project, this far out, I can’t predict it for the week we had been thinking about, because we have had some bad weather.” The CEO leaned back in his chair and put his hands behind his neck. He asked the director beside him: “Who is he?” A year and a half later, at the end of the project, they would talk about that moment: “You did well in telling the truth”, he heard the other say. “I don’t remember ever leaving a meeting with him without having learned something. He demanded Olympic discipline in the preparation of any matter. He always asked hard questions”, Fernando recalls.

A “fierce determination”

Fernando Oliveira is described by his team as a stubborn man. “He is very convinced of his ideas and does everything he can to make all the projects he believes in come true,” says Pedro Marujo, Senior Technology Process Engineer. This happens even if it takes more time (and numbers) than expected to prove him right. This is the way it was in the adaptation of the production chain of Oliveira do Hospital for the consumption of recycled wood, which took place between 1995 and 1997. Sonae Indústria (as it was called then) was a pioneer in the use of recycled materials (only surpassed by Italy).

“Today, we know the constraints associated with the consumption of pure wood, but at the time, in the mid-1990s, we weren’t talking about that yet in Portugal. It was António Esteves, an extremely creative engineer, who, in the middle of a discussion, came up with the idea of using recycled wood”, he says. The process was slower than expected. For example, it was necessary to help the makers of the equipment design unique, adapted solutions. The team had “strong support from the management

structure”, but resilience was needed to cope with “the enormous pressure due to the low performances obtained in the production lines” and with “the recurring (and reasonable) concerns shown by the commercial structure”.

Fernando Oliveira affirms that at no time did he feel he might be wrong. “Giant leaps are not taken when everything is predictable, otherwise everyone else would be thinking the same thing. We believed that innovation in the production process of particle board involved the use of recycled wood.” They were right. Two decades later,

it is indisputable: “It is unthinkable to not use it for at least half of the needs. Our competitors are already doing the same.” The operating results of the plant eventually appeared. The Oliveira do Hospital factory was “the catalyst of everything that happened next in the other plants”.

Fernando calls this stubbornness his “fierce determination”. Sometimes, he says, “the people who work with me see it as bad temper”. He is described by his team as a workaholic. He doesn’t deny it. But he says there’s a moment in the day when that is an exception. Whenever he is in Portugal, he

spends his lunchtime at home, with his wife, and before leaving in the morning he makes a point of preparing her breakfast. “She does everything else.”

Fernando Oliveira is the Global Technology Director of Sonae Arauco. His role is cross-sectional throughout the group and involves leading and accompanying the area of industrial investments regarding principles, strategy, projects and procedural engineering.

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The joint venture between Sonae Indústria and Arauco took place in 2016. The Sonae Arauco brand was launched in 2017. What is your assessment of this partnership?

The joint venture provided a capital injection that facilitated the implementation of a process of various investments beginning in 2016/2017. To that extent, it created a different and more engaging dynamic of the GTech activity. Sonae Arauco has defined a five-year Investment Plan that has been updated and executed annually.

What improvements would you highlight?

The new continuous lines of MDF and PB in Mungalde and Beeskow, respectively, the new line of MFC in South Africa and the technical and technological renovations carried out in the factories at Mungalde and Oliveira do Hospital after the forest fires. I also highlight the investments made in the internal logistics and warehouse management processes in Linares and

the equipment we have just acquired to ensure that pollutant emissions are treated and controlled in order to respond to the most demanding required standards, which are excellent examples of these improvements.

What are the main objectives of these investments?

The increase in operating efficiency, the diversification to higher-added-value panels, the improvement of operating efficiency and effectiveness, the consolidation and improvement of the presence in international markets and in emerging segments, the improvement in the quality of service provided to our customers, and the strengthening of environmental sustainability.

Did you know?

Fernando Oliveira began working at Sonae Indústria on April 1, a Friday. He always started new jobs on that day.

The Team

From left to right:

Jóni Lopes
Junior Technology Engineer

Sebastian Prieto
Senior Technology Process Engineer

Pedro Marujo
Senior Technology Process Engineer

Alfonso Del Rio
Reliability and Equipment Optimization Engineer

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Key investment numbers (2016-2019)

Portugal

Mungalde

Installation of a state-of-the-art line designed for debarking pine and eucalyptus roundwood

€ 4.300.000

Installation of a continuous line with state-of-the-art technology for MDF production with thicknesses of 2 mm and up.

€ 28.700.000

Reconstruction of equipment in the plants at Oliveira do Hospital and Mungalde affected by forest fires

€ 48.000.000

Spain

Linares

Line developed to improve the cleaning of recycled wood in order to achieve 65% of incorporation of this material in the final product.

€ 2.500.000

Optimization of the logistical operation of the intermediate warehouse in order to increase the capacity for usage of the upstream production chain.

€ 2.400.000

Construction of a new nave for the storage of finished products.

€ 1.150.000

Germany

Beeskow

Installation of a continuous line with state-of-the-art technology for production with thicknesses between 6 mm and 40 mm.

€ 53.000.000

South Africa

White River

Installation of a line for melamine-impregnated paper coating. Automatic installation for management of raw materials.

€ 14.000.000



Destination

South Africa

a trip to Johannesburg and Cape Town

One of the countries where Sonae Arauco is present is South Africa, and that's where we're going in this edition. Some employees have put together a set of suggestions about South Africa's two main cities – Johannesburg and Cape Town – so we can get to know the country better.

Sonae Arauco South Africa

1 industrial plant in White River
Over 200 employees

Novolam Portfolio:
33 decorative solutions,
60 combinations
(decorative and finishes)
4 product finishes.

The Sonae Arauco team that participated in this article:

Johannesburg



Jana Teessen,
Payroll Administrator

Cidade do Cabo



Laura Da Silva
Specifications Key
Account Manager
Western Cape

Red City Bus Maboneng

Catch a ride on the Red Bus, stop at the SAB World of Beer for a tour through the whole beer brewing process, or go to Maboneng to experience the essence of the city, from films to food.



Couples with children

Acrobranch

Acrobranch, in Melrose, has four routes and is equipped with four ropes and suspended bridges, as well as vines like Tarzan's, suited to the whole family.



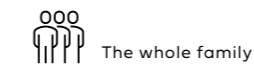
Johannesburg

Johannesburg is the second largest city in Africa. In 2016, about five million people lived in the city. Affectionately called Joburg or Jozi, Johannesburg offers visitors a wide range of experiences, whether travelling for business or pleasure.

Where to go?

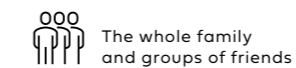
Happy Island Waterworld

It is the best known water park in the country and includes some of the wildest water slides in the whole African continent. It also has a wave pool, a lazy river and a spray park for the little ones.



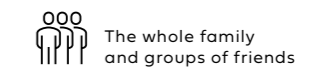
Cradle of Humankind

Award-winning exhibition which portrays the human evolution over the last million years. You can see the fossils and visit the Sterkfontein Caves.



Montecasino

Montecasino, a casino inspired along Italian lines, offers the best shows in Johannesburg throughout the year. There are places to eat, bird gardens, games areas, ten bowling lanes and, of course, a shopping area.




Cape Town

Where to eat?

Moyo Zoo Lake

At this downtown retreat, you can watch the African sunset as you enjoy a cocktail and the lake view, savouring the best dishes of traditional cuisine, such as stewed oxtail or the traditional kraal on the grill, ideal for groups of four or more people.


 The whole family and groups of friends

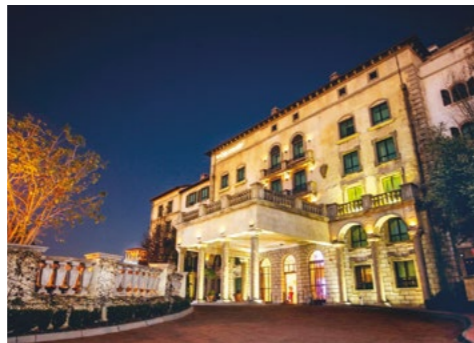


Where to stay?

Sun Square Montecasino

Located in the Montecasino Square, this is the entertainment centre of the city, and its perfect combination of hospitality and comfort is accessible at a very reasonable price. Access to Montecasino and the nearby highways is easy, and breakfast and wi-fi access are free.

 Couples (or two travellers)




Known as the Mother City, Cape Town is the oldest city in South Africa and has a 300 year old cultural heritage. It is here that the five biggest attractions, that should be in anyone's itinerary, are found when visiting the country.

Where to eat?

Table Mountain Café


The Table Mountain Café menu includes full meals and snacks. The little ones may prefer the Dassie Pizza, while the older ones can savour typical dishes from South Africa.

 The whole family and groups of friends



Lucky Bean Restaurant


The restaurant is spacious, welcoming and includes a bar and a lounge. The menu has a great variety of dishes to please the widest range of tastes, such as the well-known oven-roasted pike with apricots or an ostrich hamburger and malva pudding.

 The whole family and groups of friends



Da Vinci Hotel and Suits

This five-star hotel is located in the most exclusive block in Africa, next to the Nelson Mandela Square. The hotel has direct access to the Sandton City Shopping Centre, to airport transfers, to a spa and a fitness centre.

 Couples (or two travellers)



Not to be missed Annual Events

Knysna Oyster Festival
Late June


Hermanus Whale Festival
Late September

Cape Town Cycle Tour
Traditionally held on the second Sunday of March

Where to go?

Table Mountain


This is the perfect destination for families looking for an escape from the hustle and bustle of the city. The cable cars hold 65 people and reach the top of the mountain in under five minutes. For the more adventurous ones, there are also three trails on the top of the mountain.

 The whole family



Excursion on the Franschhoek Wine Tram


The hop-on hop-off tour on the Franschhoek Wine Tram, a vintage-style electric tram, is one of the best ways to discover the Franschhoek Valley – with its picturesque vineyards and landscapes, local hospitality, and its cuisine, wines and a history of 300 years.

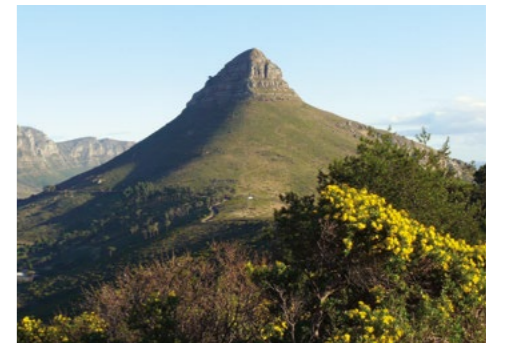
 Couples without children / groups of friends



Lion's Head


It sits 669 meters above sea level, Lion's Head Peak offers the best panoramic view over the city.

 The whole family



Sightseeing Tours

On rainy days, visitors can take advantage of hop-on hop-off excursions to get to know Cape Town better. This sightseeing experience aboard a two-story London-style bus with an open roof includes more than 26 stops.

 Couples without children / groups of friends



Chapman's Peak Drive


The Chapman's Peak Drive is 9 km long, has 114 curves and is one of the most spectacular coastal routes in the world. Known as "Chappies", it is one of the world's best-known international film and television commercial scenarios.

 Groups of friends



Two Oceans Aquarium

Home to more than 8000 creatures of 288 species, the aquatic centre for entertainment and education offers visitors the opportunity to see up close ecosystems of the Atlantic and Indian Oceans.

 The whole family, including small children



Contributor

Sustainable growth

The Forest Stewardship Council (FSC) is the world's most trusted forest certification system. It promotes (environmentally, socially, economically) sustainable forest management (SFM). It has certified 200 million hectares and over 36,000 companies, in 123 countries.

Using FSC-certified materials offers significant benefits: improved environmental performance and biodiversity outcomes, with good monitoring and research; widespread stakeholder consultation, better health and safety for workers, and focus on social groups affected by forest management; better resource use planning; improved corporate transparency.

FSC also provides significant benefits for businesses, including improved market access and credibility from the fact that leading environmental organizations such as WWF recognize FSC as the best way to maintain forests.

A future of increased concerns over climate change holds huge opportunities for forest product industries and investing in FSC is a win-win solution.

- **Wood use in construction:**

Mass timber can replace steel and concrete in construction, thereby reducing carbon emissions. In addition, the use of thin logs creates a potential market for products from forest restoration. But wood must come from responsibly managed forests.

- **Paper and packaging:**

Many plastic products, especially single-use ones, can be replaced with renewable and recyclable paper substitutes.

In terms of global market trends, we know that:

- Businesses are prioritizing the environment in purchasing decisions, and governments are developing policies and guidelines to support this. Many public **procurement policies** require certification

for construction materials, and regulations prevent the use of illegal forest products. Therefore, FSC certification can be used in due diligence, especially as products with full FSC chain of custody certification are considered lowest risk. Green building investment was \$388 billion in 2015, and green buildings are at least a \$3.4 trillion opportunity through 2025 (Creating Markets for Climate Business, International Finance Corporation). Rating systems such as Leadership in Energy and Environmental Design (LEED, USA) and BREEAM (used globally) provide credits and thus market incentives for FSC-certified products.

- Research confirms that **consumers** value independent third-party verification and want assurance that the products they purchase are from responsible sources (FSC-GlobeScan research 2017) without negative impact on the environment or communities.

- **Forest smallholders** are an important supply base for companies and can also



benefit from FSC. Therefore, FSC is focusing on step-wise approaches and producer groups to encourage smallholder participation in certification. Additional demand for wood building materials, paper and bio-energy can also raise the value landowners receive from well-managed forests.

Market trends in specific sectors are also very relevant for the growth in FSC-certified materials, according to recent FSC-Pöyry global market research.

- **Construction sector:**

- Over the next 5 years, global construction spending is expected to increase at about 3% per year. All major construction segments will grow; the infrastructure segment with likely the most robust increase.

- Green-building owners report a median increase of 7% in building value, compared to traditional buildings (World Green Building Trends 2016), with client and market demands being important

drivers, while lower operating costs and branding benefits are influencers of green-building investment.

- **Wood panel sector:**

- Emerging economies drove wood-panel sector growth in the 2000s and this is expected to continue to 2030.

- China is a key driver, with plywood and MDF production and demands are expanding at unprecedented rates. However, wood availability is a key concern.

- MDF production is already modernised in China; increasing personnel cost is expected to drive plywood modernization and shift some production to lower-cost countries. Production in China is still expected to increase, but China is predicted to become a net importer of wood-based panels by 2030.

- **Furniture sector:**

- Global furniture demand is growing

with increasing population, growing middle classes and urbanization. The main producer is China followed by the USA, Germany, Italy, India, Poland, Japan, Vietnam, the UK and Canada.

- Economic growth also drives demand for luxury and eco-friendly furniture. The demand for luxury home decor is growing continuously in emerging nations (e.g. China and the UAE).

To support these trends, FSC will be focusing on continued development and marketing for the construction and furniture sectors with a goal to maintain forests for future generations and drive significant value additions for these sectors.

Kim Carstensen

Director General of FSC International



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Trends

Sustainable Circular Bioeconomy: The Example of Sonae Arauco

Sonae Arauco commits to a value chain that begins with the use of raw materials of sustainable origin, incorporates byproducts from the wood industry and, in a circular approach, closes the cycle with the reuse and recycling of these “wastes”, which are also used in the making of wood-based panels, keeping this material “circulating”, and avoiding its burning and/or disposal in landfill. These principles make the brand a pioneer in these practices.

The future is also built with recycled wood.

Sonae Arauco has focused its production around recycled wood for almost two decades, starting when this was still unthinkable in Portugal. At the time, the supply of solid wood in the Iberian Peninsula began to become scarce, the value chain of pine wood suffered structural changes, and environmental protection was becoming increasingly more relevant. The brand then perceived the urgency of investing in recycled wood and today it guarantees, “zero waste” throughout all production processes, in the context of a strategy based on a circular economy model:

- Implementation of more-efficient production models, reducing the consumption of virgin raw materials and energy;
- Extension of the life cycle of wood, with the promotion of recycling networks;
- Valuation of byproducts and wastes, using them to produce new products;
- Awareness and social engagement.

Wood recycling

Since the end of the 90s, this is one of our most strategic investments: whether upstream, with the wood recycling centres and the lines for cleaning recycled products and for separating

polluting materials, or downstream, adapting the particle board plants to consume recycled wood.

It was necessary to implement a recycling system for wood waste, from pallets to packaging, furniture, doors, construction remnants, pruning waste and spools. In addition, the system also values and takes advantage of industry byproducts, such as slabs, sawdust and chips.

The brand gave the producers of these “wastes” the chance to deliver them to their recycling centres – in Portugal and Spain – or to leave them in containers placed in their premises, to be collected later. In Germany, recycled wood is purchased directly from wood waste management operators.

But we’re not stopping there. Wood recycling at Sonae Arauco also complies with the principles of waste hierarchy, that is, we prioritise reuse, recycling and recovery before disposal in landfill. This means, for example, that we help reduce the waste of a house reconstruction project – we give new life to the wood that would otherwise go to landfill.

The ultimate goal is to ensure the active role of Sonae Arauco, individually or in partnerships, in defining strategies that contribute to a better – and more sustainable – future for all.



A recognised strategy

Sonae Arauco is certified by PEFC™ (Programme for the Endorsement of Forest Certification) and FSC® (Forest Stewardship Council®). The latter is one of the most relevant and recognised forest certification systems in the world, the mission of which is to improve forest management.

In addition to participating in the boosting of FSC Portugal, as a member of the Member of the Board, the company supported the setting up of certificamais.pt, a platform that provides information to support the certification of forest management. This platform promotes certification by granting a €2/ton premium to FSC or PEFC-certified wood, and it disseminates the benefits of forest certification, which includes participating in awareness workshops, sharing good examples and disseminating long-term commitments to FSC wood consumption. Within the scope of Forest & Citizen Strategy – an ambitious, disruptive, bold, and innovative strategy developed by Sonae Arauco to create a sustainable forest value chain –, one of the areas that will be stimulated is forest certification, thanks to a set of actions aimed at increasing certified forest areas.

The company will also increase its commitment to the FSC, applying for membership in FSC International.

Annually, with the products it places on the market, Sonae Arauco is responsible for retaining about 1.700 tons of CO₂ eq.

A line of green products

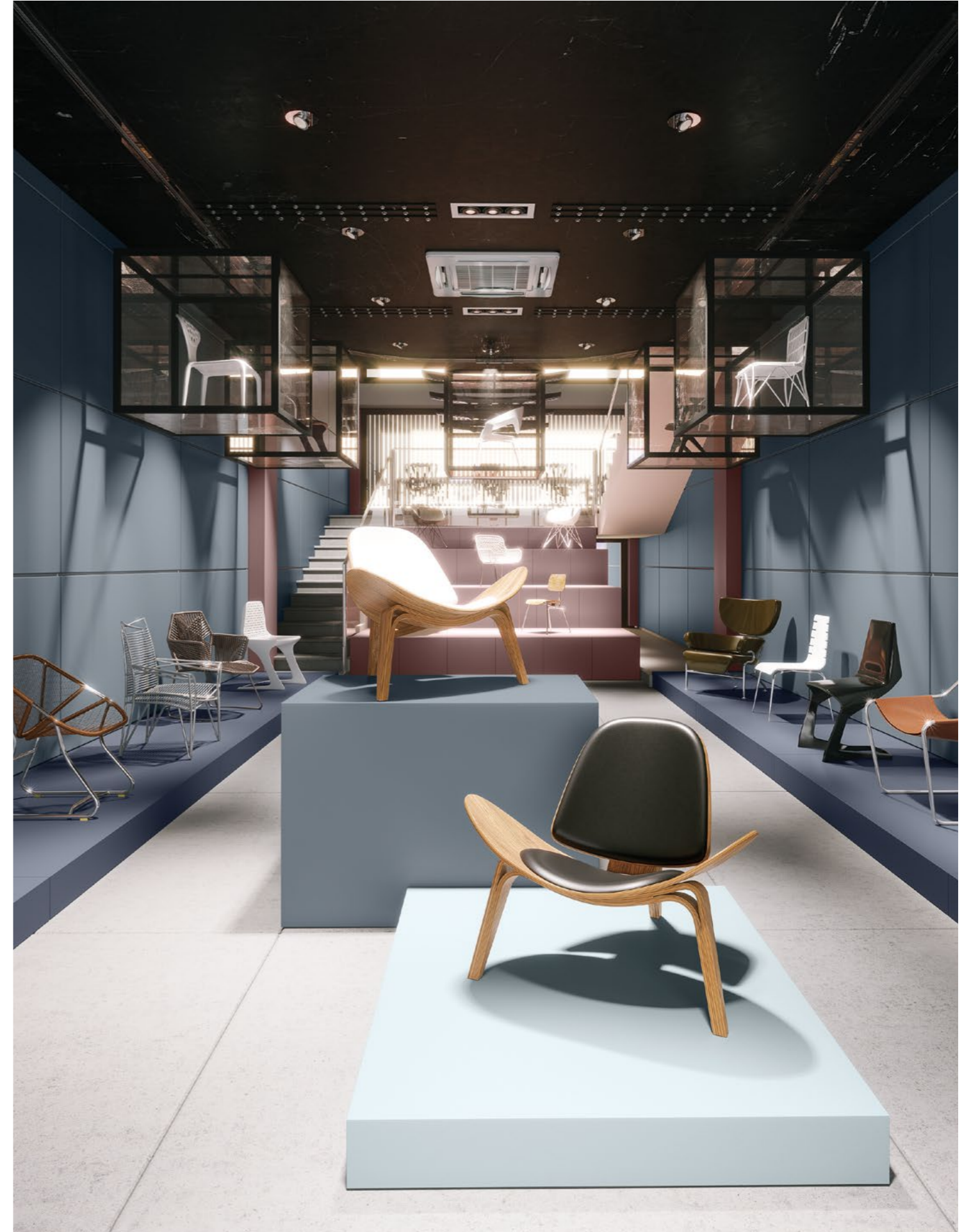
Sonae Arauco is a company committed to the sustainable use of raw materials, with a wide range of products in particle board and MDF available with the CARB2 (California Air Resources Board) and EPA (United States Environmental Protection Agency) certifications, a standard that includes all products derived from wood in circulation in the USA.

The solutions of the brand are also designed to meet the requirements of the LEED® certification, by the U.S. Green Building Council, which authenticates the sustainability of buildings and the way they are planned, built and maintained.

Growing without compromising the future

Sonae Arauco is committed to the sustainable exploitation of raw materials and, in this sense, invests on the production of wood-based panels, which:

- Are a valuable alternative to solid wood;
- Have a dimensional flexibility that enables the production of tailor-made products;
- Have a positive effect on global warming, by improving energy efficiency;
- Function as carbon storage when used in construction, helping to mitigate CO₂ emissions;
- Can be recycled and transformed into new products at the end of their service life.



3DF

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