

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

Dexco is a publicly traded company with 71 years of history that has the Value Proposition of offering Solutions for Better Living to customers and consumers. With our business divisions - Wood, Deca and Ceramic tile - we are working to produce and sell products for the furniture and finishing sectors in the civil construction industry. We are part of people's daily lives, working in the segments of wood panels, bathroom fixtures and metals, electric showers and ceramic tiles, through our brands recognized in their segments for their design and quality: Durafloor, Duratex, Deca, Hydra, Ceusa and Portinari. As a member of the Brazilian Association of Publicly-Held Companies (ABRASCA), Dexco maintains its commitment to the ABRASCA Code of Self-Regulation and Good Practices of Publicly-Held Companies, with best market practices and the principles of transparency, equity, accountability, and corporate responsibility.

Nowadays, Dexco has sixteen industrial units located in the South, Southeast and Northeast regions of Brazil and three additional wood panels units in Colombia.

Besides serving the Brazilian market, our products reach over 50 countries, with a special presence in South America, Central America, Africa and the USA. In addition to the factories, Dexco is responsible for more than 140 thousand hectares of planted forests and conservation areas in Brazil and Colombia.

Since 1995, we are certified by the Forest Stewardship Council® (FSC®) and we were the 1st Company in the entire southern hemisphere and the 5th in the world to obtain this certificate of responsible forest stewardship. Our chain of custody is also certified, ensuring the traceability of the wood used in our production process. In our forest areas in Brazil and Colombia, we produce eucalyptus seedlings in nurseries, planting them at our own farms and at leased farms and using the wood to supply the fiberboard and paneling factories. We also manufacture the resin used to bind the particles and fibers in MDP and MDF panels. Verticalization of operations and the proximity between planted areas and industrial units are some of our main competitive advantages, adding value to our business at lower costs.

In 2021, we created our Corporate Venture Capital (CVC) fund, DX Ventures, which has initial capital of R\$100 million for investments in startups and scale-ups. By the end of the year, we closed two investments through DX Ventures totaling R\$ 45 million: Urbem (specialized in the production of engineered wood from reforestation raw material. The products are structural elements of buildings, such as slabs, beams and pillars) and Noah Wood Building Design (whose value proposition is to develop buildings using engineered wood as raw material, such as those produced by Urbem). The two initiatives are complementary in the construction value chain and are connected to our Sustainability Strategy. We want to be protagonists in the transformation of the civil construction sector and actively participate in the value chain of engineered wood, a renewable raw material that acts to remove carbon from the atmosphere, storing it throughout its useful life and makes perfect sense for our strategy.

In 2021 we witnessed the outcome of discussions on climate change in the Company, disclosing our new sustainability strategy with emission targets set according to the Science Based Targets Initiative (SBTi). We also started a project to improve the assessment of climate risks and their financial implications for the organization in the short, medium and long term. The analysis showed that Dexco's currently percentage of adherence to the TCFD is at 67%, with the following percentages for each category: Governance - 75%, Strategy - 60%, Risk Management - 58% and Goals and Metrics - 75%. We calculate our GHG emissions by following the guidelines of The Greenhouse Gas Protocol – the top international benchmark for corporate emission calculation – and its Brazilian counterpart, the Brazilian GHG Protocol Program. Attentive to all opportunities to help fighting climate change, we continually seek to replace the use of fossil fuel with renewable alternatives and adopt new and less polluting equipment in our industrial processes. In 2021, over 54.0% of the energy we used came from renewable sources (including Scope 1 and Scope 2 energy), and outstanding were the panel operations with 86,9% of its matrix composed of renewable energy.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	January 1 2021	December 31 2021

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

BRL

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Production Processing Trading Manufacturing	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

No

F0.6

(F0.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.?)

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	BRDXCOACNOR8

F1. Current state

F1.1

(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

Timber products

Activity

Growing/production of raw materials
Harvesting
Milling
Crushing
Exporting/trading
Using as input into manufacturing process for power generation
Using as input into product manufacturing

Form of commodity

Sawn timber, veneer, chips
Boards, plywood, engineered wood
Other, please specify (Wood from forest plantations (pine and eucalyptus))

Source

Owned/managed land
Smallholders
Contracted suppliers (processors)

Country/Area of origin

Brazil
Colombia

% of procurement spend

Not applicable

Comment

Dexco carries out its own production of wood products. We are responsible for more than 140 thousand hectares of planted forests and distributed conservation areas on owned and leased farms, with approximately 92 thousand hectares to supply our wood panel factories. The percentage of spending on acquisitions is not relevant to our organization due to the lease agreements and fostered areas we have.

F1.2

(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber products	51-60%	In 2021, the Wood Division corresponded to 58% of Dexco's revenue.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F1.3

(F1.3) Provide details on the land area you control and/or manage that is used for the production of your disclosed commodity(ies).

Forest risk commodity

Timber products

Type of control

Own land

Country/Area

Brazil

Land type

Tree plantations

Area (Hectares)

134674.66

% Area certified

97.1

Certification scheme

FSC Forest Management certification

Conversion of natural ecosystems monitored during the reporting year, the last 5 years and/or since specified cutoff date

We have monitored conversion of natural ecosystems during the reporting year

We have monitored conversion of natural ecosystems during the last 5 years

Area of natural ecosystems converted during the reporting year (hectares)

0

Area of natural ecosystems converted since specified cutoff date (hectares)

<Not Applicable>

Area of natural ecosystems converted during the last 5 years (hectares)

0

Please explain

Since 1995 Dexco's forest management is FSC-certified, being the first company in the southern hemisphere to achieve this certification. As part of FSC's Policy for Association (FSC-POL-01-004) and Principles and Criteria (FSC-STD-01-001), no significant conversion of natural forests is allowed after November 1994. Our planted forests are established only in areas already anthropized, with usually long history of human use. No areas with native ecosystems are converted to planted forests. In order to ensure compliance to this requirement, we have surveillance teams that patrol our forest areas to prevent illegal activities, such as any kind of deforestation. We also have procedures in place to monitor changes on the development of set-aside areas using satellite imagery.

Forest risk commodity

Timber products

Type of control

Own land

Country/Area

Colombia

Land type

Tree plantations

Area (Hectares)

5810

% Area certified

63.19

Certification scheme

FSC Forest Management certification

Conversion of natural ecosystems monitored during the reporting year, the last 5 years and/or since specified cutoff date

We have monitored conversion of natural ecosystems during the reporting year

We have monitored conversion of natural ecosystems during the last 5 years

Area of natural ecosystems converted during the reporting year (hectares)

0

Area of natural ecosystems converted since specified cutoff date (hectares)

<Not Applicable>

Area of natural ecosystems converted during the last 5 years (hectares)

0

Please explain

As part of FSC's Policy for Association (FSC-POL-01-004) and Principles and Criteria (FSC-STD-01-001), no significant conversion of natural forests is allowed after November 1994. We carry out monthly monitoring of the established areas and the harvested areas, collecting the cartographic information and recording it in the database of the Geographic Information System, guaranteeing that the monitoring area is always updated. At the same time it is updated in the forest heritage database.

F1.4

(F1.4) Provide details on the land you control and/or manage that was not used for the production of your disclosed commodity(ies) in the reporting year.

Forest risk commodity

Timber products

Country/Area

Brazil

Type of control

Own land

Land type

Set-aside land

Area (hectares)

43677.87

% covered by natural forests

100

Please explain

These set-aside areas are used exclusively for conservation purposes, surpassing the required minimum required by the Brazilian Forest Code (20%). They include permanent preservation areas (APPs), legal reserves (RLs) and other additional conservation areas. We monitor the regeneration stage of these areas using satellite imagery, classifying them in initial, intermediate and advanced stages.

Forest risk commodity

Timber products

Country/Area

Colombia

Type of control

Own land

Land type

Set-aside land

Area (hectares)

3384

% covered by natural forests

36.71

Please explain

Since 2011, we have carried out the work of characterizing forest conservation areas to determine the existence of species of special importance ("Assessment of the biological diversity of forests associated with the production centers of Dexco S.A.>").

In 2012, we began the process of identifying High Conservation Value Attributes as part of the preparation process for Voluntary Forest Certification. In 2014, after this identification, the update of High Conservation Value Forests was carried. From these analyses, the list of Dexco's High Conservation Value Forests ("BAVC") was obtained. En 2020, la especie *Atapletes blancae* fue identificada en el núcleo norte y agregada a la lista BAVC.

F1.5

(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

	Data availability/Disclosure
Timber products	Consumption and production data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F1.5a

(F1.5a) Disclose your production and/or consumption figure, and the percentage of commodity volumes verified as deforestation- and/or conversion-free.

Forest risk commodity

Timber products

Data type

Production data

Commodity production/ consumption volume

4666209.6

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

99.86

Please explain

Brazil: Total harvested volume in areas managed by Dexco in Brazil. As part of FSC's Policy for Association (FSC-POL-01-004) and Principles and Criteria (FSC-STD-01-001), no significant conversion of natural forests is allowed after November 1994.

Colombia: 95.48% of our production volume is certified, free of deforestation. As part of FSC's Policy for Association (FSC-POL-01-004) and Principles and Criteria (FSC-STD-01-001), no significant conversion of natural forests is allowed after November 1994. We carry out monthly monitoring of the established areas and the harvested areas, collecting the cartographic information and recording it in the database of the Geographic Information System, guaranteeing that the monitoring area is always updated. At the same time it is updated in the forest heritage database.

100% of the wood produced by Dexco Colombia is consumed by its own panel factories.

Production figures from Brazil and Colombia were added. The % for conversion-free wood was calculated in proportion of the amount produced.

Forest risk commodity

Timber products

Data type

Consumption data

Commodity production/ consumption volume

4279242.81

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

95.35

Please explain

Brazil: Total wood consumption by Dexco's fiberboard factories in Brazil. The majority of this volume comes from Dexco's own forests, with the remainder being procured on the market. We have a due diligence system in place to ensure we do not acquire any wood involved in conversion. Furthermore, as we do not use any kind of native wood in our processes (only Eucalyptus and Pinus, both exotic to Brazil), the risk of deforestation in our value chain is greatly reduced.

Colombia: 41.75% is the percentage that corresponds to the consumption of our own wood, which is verified as deforestation and/or conversion-free. We do not have a control mechanism for the conversion areas of our suppliers.

Consumption figures from Brazil and Colombia were added. The % for conversion-free wood was calculated in proportion of the amount consumed.

F1.5b

(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (São Paulo)

% of total production/consumption volume

51.1

Please explain

Consumption from the Agudos and Itapetininga factories. % of total consumption = state consumption/total consumption (Brazil + Colombia)

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Minas Gerais)

% of total production/consumption volume

22.2

Please explain

Consumption from the Uberaba factory. % of total consumption = state consumption/total consumption (Brazil + Colombia)

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Rio Grande do Sul)

% of total production/consumption volume

18.6

Please explain

Consumption from the Taquari factory. % of total consumption = state consumption/total consumption (Brazil + Colombia)

Forest risk commodity

Timber products

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Antioquia)

% of total production/consumption volume

6.7

Please explain

Consumption from the Barbosa and Yarumal factories. % of total consumption = state consumption/total consumption (Brazil + Colombia)

Forest risk commodity

Timber products

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Caldas)

% of total production/consumption volume

1.4

Please explain

Consumption from the Manizales factory. % of total consumption = state consumption/total consumption (Brazil + Colombia)

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?

Yes

F1.6a

(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Forest risk commodity

Timber products

Impact driver type

Physical

Primary impact driver

Forest fires

Primary impact

Impact on company assets

Description of impact

In the last 5 years (2017 to 2021), we had an impact on biological assets (financial loss) of R\$4.75 million, mostly due to a fire that occurred in 2018, in a pine forest. The greatest risk is in pine forests, which are already the smallest part of our assets, as we are in the final process of replacing them with eucalyptus. The loss of wood stock (fires in wood already harvested) were costed R\$800 thousand in the last 5 years. These values represent an average of 0.1% of the asset we protect annually, which exceeds R\$1 billion.

Primary response

Other, please specify (Monitoring and mitigation)

Total financial impact

5550000

Description of response

The total financial impact reported corresponds to the financial losses of biological assets (R\$4.75 million) and wood stock (R\$800 thousand) that occurred in the last five years, from 2017 to 2021.

The occurrence of forest fires, either natural or human-induced, is inherent in the process. Our mitigation actions include fire brigade training, firefighting with water trucks, an emergency action plan and a local community communication plan for care and cooperation.

To fight possible forest fires, we keep our forest unit teams ready, through training and development, so that we are able to promptly and actively respond to emergencies. In 2019, we replaced motorbikes by vehicles less vulnerable to accidents, equipped with a rapid response kit to fight forest fires at the first signs of fire. Radio and camera systems and satellite surveillance equipment installed in our forests allow real-time surveillance of our assets. The vast majority of fires in the last five years occurred accidentally. These were small-scale fires, with no significant financial losses. In cases where the forest is severely damaged, its value is written-off in our biological assets. Our fire prevention program, in 2021, costed R\$3,256,105.00, including skilled labor (R\$528,799.00), heavy vehicles/truck fires (R\$814,166.00), roads and third parties (R\$1,760,181.00) and aircraft (R\$152,960.00).

F1.7

(F1.7) Indicate whether you have assessed the deforestation or conversion footprint for your disclosed commodities over the past 5 years, or since a specified cutoff date, and provide details.

Forest risk commodity

Timber products

Have you monitored or estimated your deforestation/conversion footprint?

Yes, we monitor deforestation/conversion footprint in our supply chain

Coverage

Full consumption volume

Reporting deforestation/conversion since a specified cutoff date or during the last five years?

During the last 5 years

Known or estimated deforestation/ conversion footprint (hectares)

0

Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint

Dexco only uses wood from planted forests in its production processes. The standard harvesting age is 6 years for Eucalyptus and 12 years for Pinus, therefore no supply areas (either from own forests or procured from the market) could have been converted in the last 5 years.

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?

Yes, forests-related risks are assessed

F2.1a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

Timber products

Value chain stage

- Direct operations
- Supply chain

Coverage

- Full

Risk assessment procedure

Assessed as part of an established enterprise risk management framework

Frequency of assessment

- Annually

How far into the future are risks considered?

- > 6 years

Tools and methods used

- Internal company methods
- External consultants

Issues considered

- Availability of forest risk commodities
- Quality of forests risk commodities
- Impact of activity on the status of ecosystems and habitats
- Regulation
- Climate change
- Impact on water security
- Loss of markets
- Social impacts

Stakeholders considered

- Customers
- Employees
- Investors
- Local communities
- NGOs
- Suppliers

Please explain

We consider the impacts of our operations on ecosystems, habitats and local communities as the most significant risk related to forests, being managed through our social and environmental impact assessments, which is conducted for all our forestry activities. This is done through internal procedures that take the scale and intensity of the impacts to establish control measures. For social impacts we have communication channels where our impacted stakeholders can contribute to our assessment, such as e-mail, phone and field visits to communities, conducted by internal teams. Continuous monitoring of our activities allows us to identify any new risks that may arise from operations. We also have a due diligence system for our wood suppliers that requires us to conduct field audits where social and environmental aspects are considered.

In 2021 we conducted a climate risks study with external consultants, where physical and transition risks were assessed. The most relevant physical risks related to forests were forest fires and droughts. These can impact our forests productivity, which could reduce the availability of wood to use in our factories as well as its quality. Among other objectives, our forest breeding program aims to develop Eucalyptus varieties that are adapted to warmer conditions. Regulation risks were also considered in this assessment, with potential impacts regarding adaptation to new laws that could raise the costs of forest management (a mandatory fuel surcharge, for instance).

With robust corporate governance structures, we seek to reach our investors' expectations on risk management. As a result, we are listed at the highest governance level (Novo Mercado) on the Brazilian Stock Exchange.

Our FSC forest management certification allows us to reach some markets (specially for exports) that would not be accessible without having our forest-based products certified. The aforementioned social and environmental impact assessments have been helping us to keep this certification continuously since 1995. Additionally, we also have occupational hazards assessments for all our operations, where we consider our activities' risks to our employees, also helping us to set adequate control measures to mitigate them.

In 2021 we became members of São Paulo Forest Forum, where forests issues are discussed among forestry companies, NGOs and Universities.

F2.2

(F2.2) For each of your disclosed commodity(ies), has your organization mapped its value chains?

	Value chain mapping	Primary reason for not mapping your value chain	Explain why your organization does not map its value chain and outline any plans to introduce it
Timber products	Yes, we have partially mapped the value chain	<Not Applicable>	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

F2.2a

(F2.2a) Provide details of your organization’s value chain mapping for its disclosed commodity(ies).

Forest risk commodity

Timber products

Scope of value chain mapping

Own operations
Tier 1 suppliers
Tier 2 suppliers

% of total suppliers covered within selected tier(s)

100

Description of mapping process and coverage

In Brazil, as part of our due diligence system for wood procurement (based on FSC chain of custody and controlled wood standards), we collect the geographic coordinates of all our direct (logs) and indirect suppliers (chips and sawdust from sawmills). All sawmills that sell wood to Dexco are required to report monthly to us the list of all their suppliers, so we can keep track and map of all our tier 2 suppliers on the same way we do for our tier 1 suppliers. For our own operations, we have a full geodatabase for all management units, as required by FSC forest management standards. This also includes farms that are not yet part of the FSC-certified scope.

Your own production and primary processing sites: attach a list of facility names and locations (optional)

FM_PUB_DuratexFlorestal_AnA_081221_Update.pdf

Your suppliers’ production and primary processing sites: attach a list of names and locations (optional)

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.1a

(F3.1a) How does your organization define substantive financial or strategic impact on your business?

To assess the company's general risks, including the analysis of socio-environmental risks, an evaluation is carried out according to their impact and vulnerability. The impact consists of the assessment of risks according to qualitative and quantitative criteria, with weighted variables, taking into account financial impact, scope of operations, damage to the image, operational and legal. These variables are properly weighted. According to the impact, risks are classified as critical, high, medium and low. For the vulnerability, it is evaluated how much the company is exposed or unprotected to risk events, considering the frequency of recurrence of the event, the internal controls adopted and the response time to regularize or treat the risk. Weights are also assigned. As for vulnerability, risks are also classified as critical, high, medium and low. There are monitoring for all risks assessed by Dexco. After analysing the impact and vulnerability, the resulting risks as critical and high are always classified as considerable risks. For the two classification "critical" and "high", the socio-environmental risks are considered substantive financial or strategic risks. Critical risks are considered to be above 3% of shareholders' equity (which may cause impacts greater than R\$ 172,000,000.00). High risks are considered to be less than or equal to 3% and above 2% of shareholders' equity (that is, between R\$ 115,000,000.00 and R\$ 172,000,000.00).

As a result, mitigation plans are established and risk managers are designated for continual monitoring, with a check by the Audit area and Sustainability Area. The Risk Commission is responsible for providing accountability every six months to the Audit and Risk Management Committee which advises our Board of Directors.

This definition applies to direct operations and supply chain, once they're both covered in our risk scorecard.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity

Timber products

Type of risk

Chronic physical

Geographical scale

Tree plantation

Where in your value chain does the risk driver occur?

Direct operation

Primary risk driver

Other chronic physical driver, please specify (Extreme weather events (extreme temperatures and droughts))

Primary potential impact

Reduction or disruption in production capacity

Company-specific description

Dexco has 21 industrial and forestry units located in the states of Minas Gerais, Paraíba, Pernambuco, Rio Grande do Sul, Rio de Janeiro, Santa Catarina, Sergipe and São Paulo, in addition to three panel factories in Colombia. During the Climate Risk study carried out in 2021, a tool was developed to model the calculation of the Company's financial impact in the face of risks and opportunities related to climate change. It is assumed that the increase in temperatures and extreme weather events may negatively impact the Company's activities. The objective is to adjust the Company's market price definition in light of weather variables, identifying in advance the events that can create or destroy value.

Regarding extreme weather events, we came to the conclusion that our forestry operations can be negatively impacted by the increase of occurrence of such events. In our study of climate risks and opportunities, we identified through the ThinkHazard tool! (GFDRR), that four Dexco forestry units are located in areas at high risk for extreme temperatures and droughts. They are: Uberaba, Agudos, Lençóis Paulista, Maceió. In this way, we have modeled the impact over the Company since it is expected that the probability of a drop in productivity will increase, increasing as the effects of climate change intensify.

Timeframe

4-6 years

Magnitude of potential impact

Low

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact (currency)

15649548.19

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

Variables considered in the tool for the potential financial impact figure associated with this risk:

The study "Impact of climate change on eucalyptus productivity in two regions of Brazil" indicates a decrease in eucalyptus productivity between 5.9 and 10.7% according to the A2 scenario and of 6.6 and 10.3% for the scenario B2 between 2011-2040, based in the east-central region of Minas Gerais. The study "Impact of climate change on eucalyptus productivity in northern Espírito Santo and southern Bahia" indicates a decrease in eucalyptus productivity between 6 and 11% according to the A2 scenario and 7 and 10% for the B2 scenario between 2011-2040 in the northern region of Espírito Santo and southern Bahia. Based on those studies, the decrease in productivity was distributed along a 10-year period, starting in 0.3% in Year 1 and reaching 3.2% in Year 10.

Dexco forestry units located in areas at high risk for extreme temperatures and droughts are: Uberaba, Agudos, Lençóis Paulista, Maceió, corresponding to 69% of all of our units.

EBITDA of Wood Division in 2020: R\$ 788,200,000.00 , adopted as default value for a 10-year period.

Planted area, in m2, for these units in 2020: 1,584,072,500 , adopted as default value for a 10-year period.

Probability of damage by extreme event based on the confidence level of the scenarios proposed by IPCC, varying from 30% to 60% from Year 1 to 10.

Primary response to risk

Other, please specify (Research and development practices)

Description of response

For over 40 years, we have been carrying out a genetic improvement program aimed at the selection of eucalyptus species that are well adapted to different climatic conditions and present higher quality standards (such as density and resistance to pests and diseases). This genetic improvement program generates forests more adapted to climate change, with more productivity and resistance to pests and diseases. Since 2008, we also have been participating in the Eucflux program. This is a cooperative initiative coordinated by universities and research institutes to periodically collect data on carbon, water and nutrients flows of the planted forests. With these initiatives, we have practically doubled our productivity: in the 1980's, it was around 30.0 m3/ha/yr. and, in 2020 we reached 54.0 m3/ha/yr, (forests located in São Paulo) above Brazilian current average of 35.3 m3/ha/yr, according to data from the 2020 Annual Report of the Brazilian Industry of Trees (IBÁ). In 2021, the productivity was 51.0 m3/ha/yr.

Cost of response

1686989.96

Explanation of cost of response

The costs considered here correspond to the annual participation in Eucflux program (R\$ 36.989,96) and the annual costs of our genetic improvement program (R\$1,650,000.00).

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.

Forest risk commodity

Timber products

Type of opportunity

Resilience

Where in your value chain does the opportunity occur?

Direct operation

Primary forests-related opportunity

Improved climate change adaptation

Company-specific description & strategy to realize opportunity

Climate change already affects the world in different ways and one of the activities that strongly feels this impact, especially with regard to extreme weather phenomena, is the forestry industry. Dexco, aware of the importance of adapting to these conditions in order to guarantee the continuity of its business, has been studying genetic improvement techniques for over 40 years to make its seeds more adaptable to extreme climates. The studies focus on the selection of eucalyptus species that are well adapted to different climatic conditions and present higher quality standards (such as density and resistance to pests and diseases). The strength and maturity of this program makes us stand out in the Brazilian and Colombian forestry sector. The learning achieved along the genetic improvement program contributed to the ongoing improvement of our forestry processes. We have practically doubled our productivity: in the 1980's, it was around 30.0 m3/ha/yr. and, in 2020 we reached 54.0 m3/ha/yr, (forests located in São Paulo) above Brazilian current average of 35.3 m3/ha/yr, according to data from the 2020 Annual Report of the Brazilian Industry of Trees (IBÁ). In 2021, the productivity was 51.0 m3/ha/yr.

Estimated timeframe for realization

>6 years

Magnitude of potential impact

Medium

Likelihood

Likely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Measure is still under evaluation. The measurement of the financial impact of this opportunity is still under evaluation. The aim is to be able to measure how much market space we have gained in recent years due to advances in genetic improvement techniques. However, the results in cultivation are measurable.

We have practically doubled our productivity: in the 1980's, it was around 30.0 m3/ha/yr. and, in 2020 we reached 54.0 m3/ha/yr, (forests located in São Paulo) above Brazilian current average of 35.3 m3/ha/yr, according to data from the 2020 Annual Report of the Brazilian Industry of Trees (IBÁ). In 2021, the productivity was 51.0 m3/ha/yr.

F4. Governance

F4.1

(F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.1a

(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Board Chair	Dexco's Board of Directors is responsible for the general direction of the business. In 2021, the Wood Division corresponded to 58% of our revenue and, for being so representative, forest related issues are a big concern to our Board. Major decisions regarding this Division are made by the Board of Directors, such as the structured plan aimed at optimizing assets with divestments in the panel plant in Botucatu (SP) and the sale of forestry assets in the State of São Paulo, that occurred in 2019. Such movements are firstly discussed in the Finance Committee, but the decision-making is the Board's responsibility. These movements, in addition to not reducing the volume of production, balanced the supply capacity in relation to the existing demand and maintained the potential to monitor the operations in an eventual increase in demand.
Chief Executive Officer (CEO)	Dexco's Executive Board is composed of 6 members, led by our Chief Executive Officer. They are responsible for the effective management of the business, including our Forest and Panels operations. Our CEO also reports on forestry issues to the Company's Sustainability Committee, which also supports the Board of Directors. The CEO is supported by and makes joint decisions with the Vice Presidency of Wood Division, who is one of the members of our Executive Committee, covering operations in Brazil and Colombia. The Financial Vice Presidency of Dexco, which is part of the Company's Executive Committee, also participates in Forestry decisions. Decision-making for the Forestry Business is directed in the Company's structured agenda for dealing with and deciding on forestry issues, namely: costs and productivity of forests, workers and safety issues, associated risks and decisions in forestry areas, expansions, forest Inventory.
Chief Operating Officer (COO)	On our Executive Board, there is a vice president and a director responsible for the Wood Business (Panels and Forests), encompassing Dexco's forestry operations, with a dedicated operational team, who are responsible for the management, operation and monitoring of planted and conservation areas, genetic improvements, forestry certifications, firefighting, biodiversity management. Our Forestry Director is responsible for forestry management, covering operational issues, costs and productivity of forests, workers safety issues, associated risks and forest inventory, supporting the decisions of the Executive Committee.

F4.1b

(F4.1b) Provide further details on the board's oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation / R&D priorities Setting performance objectives	The meetings of the Board with the CEO encompass all issues related to the Company's forestry business, as well as those related to the other divisions of the company, in their respective agenda and Committees. All the topics mentioned are addressed at the respective meetings of the Forestry business and are directed to the Company's strategic decisions. The Board of Directors holds monthly meetings involving the Executive Committee, dealing with and assessing forestry matters. The Board participates in the approval of Wood Division's annual budgeting and annual and strategic plan, always taking into account Dexco's strategic planning. With our governance, forestry issues are addressed from the most operational level to the level of the most strategic decisions. One of the 2019 actions of the Board of Directors, in conjunction with our Presidency, was the conclusion of the feasibility analyzes of the engineering studies and negotiations for creation of a joint venture (LD Celulose) in the soluble cellulose segment .

F4.1d

(F4.1d) Does your organization have at least one board member with competence on forests-related issues?

Row 1

Board member(s) have competence on forests-related issues

Yes

Criteria used to assess competence on forests-related issues

The chairman of our Sustainability Committee is also a member of the Board of Directors, and we consider that he has the necessary skills to deliberate on climate-related issues. This Board member participates in all Committee meetings, in which, in addition to decision-making, also take place discussions and presentations of topics relevant to sustainability (including climate issues) and their connections to Dexco's strategic planning . In addition, he is assisted by a sustainability specialist, also member of the Committee. This specialist currently works as Principal at the Finance for Biodiversity Initiative and has also worked with Impact and ESG Consulting for investment firms, taking into account themes such as climate change, and as facilitator for Brazil Coalition Climate, Forests and Agriculture, articulating and facilitating actions to promote a new model of economic development based on the low carbon economy, responding to the challenges of climate change.

Primary reason for no board-level competence on forests-related issues

<Not Applicable>

Explain why your organization does not have at least one board member with competence on forests-related issues and any plans to address board-level competence in the future

<Not Applicable>

F4.2

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Executive Officer (CEO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	Our operations are supported by Dexcel's Management System (SGD), which has been strengthening year after year as a tool that ensures more strategic intelligence and safety in operations, providing cost and expense reduction. SGD is an important ally for the management of corporate, operational and sustainability goals, accompanied by milestones that indicate the completion of phases, as timelines and action plans. With this tool, we monitor Company's indicators, also including questions about costs, productivity and quality of our forests. Follow-up meetings range from the operational level, Executive Committee and CEO, to our Board of Directors. Weekly and monthly meetings are held by the CEO to monitor the Forestry Business, including productivity and operational matters, monitoring of indicators (SGD), associated forestry risks and strategic decisions for the Company.
Chief Operating Officer (COO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	The Forestry Director, who reports to the Vice President of the Wood Division (member of the Executive Committee), monitors and directs all operational issues and decisions that affect our forestry area. This position also has a constant synergy with the Panel Board, involving all logistic and wood supply operations for the manufacture of our panels and floors. The Forestry Directorate is responsible for the result of Forest Inventories, productivity of planted forests and preservation of our conservation areas, genetic improvement program and protection of forests. There is a specific monitoring of the forestry area for discussions of risks, expansions, monitoring of the safety program and issues related to our employees (training, qualification, salary issues and variable remuneration). The results are presented weekly to the company's Executive Committee, and there are also specific meetings on a monthly basis. Commissions for investment approvals for forestry areas, purchase of equipment and CAPEX projects, are addressed specifically. There are also marketing approval committees for timber products, which are established as an additional way to ensure compliance and damage to the brand. As a highlight of 2019, there was the involvement of the Forestry Department to monitor and assess forest risks in the LD Celulose joint venture.

F4.3

(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	We have forest-related targets applied from the operational category to the board and presidency of the company. Annual goals for the CEO, director, managers and coordinators are established and we also have a system of variable remuneration according to the productivity, quality and cost of the forest area.

F4.3a

(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Operating Officer (COO)	Achievement of commitments and targets Supply chain engagement	Our sound governance allows us to connect sustainability to the business strategy, thus providing the traction necessary for the daily actions. In the decision-making bodies on this topic, the members of the Executive Committee assumed, in 2020, ESG targets that also impact variable compensation, ensuring and guiding compliance with the Sustainability Strategy targets. The results and the progress are reported to the Board of Directors during the meetings held over the course of the year. The CEO has one of his variable compensation targets linked to the implementation, monitoring and evolution of the targets mentioned in the Sustainability Strategy, which includes: to reach 100% of own areas with certified management, to reach 80% of fostered partners with certified management and to maintain a positive carbon balance, which includes proper forestry management. The goals are monitored annually and their fulfillment status is taken into account so that the variable compensation is granted. The Forestry Department has objectives and goals linked to variable remuneration, including not only the director but also all employees of this business. There are annual goals, linked to the cost, production and quality of operations, as well as specific goals for forest protection and monitoring and carbon balance, for example. The indicators are monitored monthly and the evaluation of the achievement of the goals is evaluated by the direct leadership and by the human resources team, in semiannual follow-ups of the evolution of the commitments and in a final annual evaluation, validating the achievement of the goals within our Integrated People Management Program. The goals involve safety performance, increased forest productivity and forest quality, for example.
Non-monetary reward	Corporate executive team Chief Executive Officer (CEO) Chief Operating Officer (COO) Chief Sustainability Officer (CSO)	Achievement of commitments and targets Supply chain engagement	The launch of the new Sustainability Strategy is connected with a greater change that we made in 2021, related to the new brand positioning and to the beginning of another expansion cycle. In this context, poignant discussions arose on the roles and responsibilities of public and private agents and the climate agenda became the center of the debates. Aware of this, we sought to build a resilient and sustainable positioning that guides our operation in view of the risks and opportunities associated with Dexcel's business divisions but that also responds to the needs of the global sustainable development agenda. The proper and sustainable management of our forests is a fundamental part of our Sustainability Strategy, and this notion is passed on to workers at all functional levels of the company, from the operational to the CEO and Board of Directors. The Sustainability Strategy proposes goals directly linked to the forestry operation and an extensive work has been carried out to spread culture and awareness at all levels of the Company so that we can achieve them.

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
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	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to best management practices for soils and peat</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>Our commitments related to forests are disclosed throughout a set of documents that contain references to each other, thus being considered both policies that include forests-related issues and commodity specific sustainability policies: Environmental Policy (PO.02), ESG Policy (PO.18), Responsible Forest Management Internal Standard (NO.70), Sustainability Strategy ([INCLUIR LINK]) and our Commitment to Biodiversity ([INCLUIR LINK]). These documents cover all Dexco's operations in Brazil and Colombia and some requirements are also applicable to our wood suppliers. According to our Corporate Governance Policy (PO.03), all policies must be reviewed every 3 years, while all internal standards must be reviewed every 2 years. The Commitment to Biodiversity is not part of our governance structure, but as it was built upon the Responsible Forest Management Internal Standard, it will be reviewed when there are changes on the internal standard. As we recognize the relevance and coverage of FSC Principles and Criteria, and their alignment with our commitments, Dexco chose to measure how these policies are implemented on our forest management areas by using the percentage of areas are FSC-certified. In our Sustainability Strategy we set two targets related to this topic: to have 100% of own and leased areas in Brazil FSC-certified by 2025 and to have 80% of our fostered forest producers FSC-certified by 2025. We disclose our progress towards these goals annually in our Annual Report.</p> <p>Biomes covered in Brazil: Cerrado, Mata Atlântica and Pampa in Brazil;</p> <p>Life zones covered in Colombia: Bosque muy humedo piso basal, Bosque muy húmedo montano bajo, Bosque muy húmedo premontano.</p>

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to best management practices for soils and peat</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>Our commitments related to forests are disclosed throughout a set of documents that contain references to each other, thus being considered both policies that include forests-related issues and commodity specific sustainability policies: Environmental Policy (PO.02), ESG Policy (PO.18), Responsible Forest Management Internal Standard (NO.70), Sustainability Strategy ([INCLUIR LINK]) and our Commitment to Biodiversity ([INCLUIR LINK]). These documents cover all Dexco's operations in Brazil and Colombia and some requirements are also applicable to our wood suppliers. According to our Corporate Governance Policy (PO.03), all policies must be reviewed every 3 years, while all internal standards must be reviewed every 2 years. The Commitment to Biodiversity is not part of our governance structure, but as it was built upon the Responsible Forest Management Internal Standard, it will be reviewed when there are changes on the internal standard. As we recognize the relevance and coverage of FSC Principles and Criteria, and their alignment with our commitments, Dexco chose to measure how these policies are implemented on our forest management areas by using the percentage of areas are FSC-certified. In our Sustainability Strategy we set two targets related to this topic: to have 100% of own and leased areas in Brazil FSC-certified by 2025 and to have 80% of our fostered forest producers FSC-certified by 2025. We disclose our progress towards these goals annually in our Annual Report.</p> <p>Biomes covered in Brazil: Cerrado, Mata Atlântica and Pampa in Brazil;</p> <p>Life zones covered in Colombia: Bosque muy humedo piso basal, Bosque muy húmedo montano bajo, Bosque muy húmedo premontano.</p>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F4.6

(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Yes

F4.6a

(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Other, please specify (FSC International and FSC Brazil membership.)

F4.6b

(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Forest risk commodity

Timber products

Criteria

- No conversion of natural ecosystems
- Zero gross deforestation/ no deforestation
- No new development on peat regardless of depth
- Avoidance of negative impacts on threatened and protected species and habitats
- No trade of CITES listed species
- No land clearance by burning or clearcutting
- No conversion of High Conservation Value areas
- Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
- Operations are in accordance with the UN Declaration on the Rights of Indigenous Peoples
- Adoption of the UN International Labour Organization principles
- No sourcing of illegally produced and/or traded forest risk commodities
- No sourcing of forest risk commodities from unknown/controversial sources
- Recognition of legal and customary land tenure rights

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

1993-1997

Commitment target date

2021-25

Please explain

Cutoff date details: Dexco is a member of FSC and its forest management is FSC-certified since 1995. As such, no conversion after 1994 is allowed in certified areas. Considering that the Eucalyptus and Pinus harvesting ages are usually at least 6 and 12 years, respectively, we can safely assure that there was no conversion in any of our supply units in the last 5 years.

Commitment target date: Our policies and commitments are already being met, so we can consider 2022 as a target date, even though these commitments will still be in force after this year.

Biomes covered: Cerrado, Mata Atlântica and Pampa in Brazil; xxxxxxxxxxxxxx in Colombia.

Details of commitments:

- (i) No conversion of natural ecosystems: In 2021 we conducted a cycle of internal audits by our Environmental Management team covering all forestry units in Brazil (Agudos, Itapetininga, Uberaba and Taquari), in which the occurrence of any conversion was assessed, among other criteria. There were no findings of conversion in any of our units.
- (ii) Zero gross deforestation/no deforestation: As established in our due diligence system for wood procurement, we conducted field audits in 100% of our Brazilian suppliers in the states of Rio Grande do Sul and São Paulo (there were no suppliers in Minas Gerais), where harvesting activities are evaluated. None of these audits found any kind of deforestation.
- (iii) Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities: All wood used by Dexco is sourced from sites where land tenure can be verified, whether in own/leased areas or sourced from third parties. In Brazil, there was no sourcing from legally recognized indigenous people lands in 2021, so no FPIC was required.

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	21-30	Forests are fundamental to Dexco's business, being used as raw material to produce wood flooring and panels. Our long-term business objective for forests at Dexco is to ensure a continuous supply of wood for the manufacture of its forest-based products, in consonance with established quality standards and maintaining cost competitiveness. The planned production levels at our fiberboards factories are considered and serve as the basis for forestry planning, mainly regarding the extension of land needed to plant forests and produce the required amount of wood.
Strategy for long-term objectives	Yes, forests-related issues are integrated	21-30	<p>To achieve long-term goals and supply our factories, we manage more than 150 thousand hectares of planted forests and conservation areas in Brazil and Colombia, in addition to 27 thousand hectares of fostered forests in Brazil (mostly smallholders).</p> <p>For Dexco, the conservation of biodiversity, water resources and soil is essential, aiming to maintain and improve ecosystem services and environmental values. Therefore, forests are established in areas already anthropized, with a history of mostly livestock and agriculture use, with no conversion of native areas for reforestation purposes.</p> <p>The natural resources and inputs needed for the forest management activities are used rationally and sustainably. Management techniques, species planted, and fertilization are defined based on the analysis of climate and soil conditions at the planting sites. In addition, Dexco's forestry operations encourage the development of communities in its regions.</p> <p>Dexco's forestry operations are carried out by its own or outsourced teams, in owned and leased areas. The Forest Management Plan establishes the guidelines for the execution of all necessary activities for forest production since the production of seedlings until the transport of wood to the factories.</p> <p>Forest management activities are conducted through controlled processes with a planning horizon of 21 years, which comprise 3 complete rotations of eucalyptus cultivation. Wood consumption is planned according to the factory and customers consumption, reviewed annually by the company in its budget plans. By ensuring the wood supply for our factories, our forest management activities actively contribute to the financial sustainability of our business.</p> <p>Additional areas can be acquired or leased as needed, in line with the factories' long-term planning.</p>
Financial planning	Yes, forests-related issues are integrated	21-30	From a financial point of view, forestry planning is responsible for continuous improvements in financial results, maximizing the return on the company's forestry activities and ensuring the sustainability of the crop cycles. Forests are necessary to ensure the production of wood and supply the panel factories. The income from panels and wood sales is used to pay for our forestry costs, therefore being closely detailed in our financial planning. When economically viable, other forest products can be negotiated, such as resin, wood for sawmills, chips and standing wood. As part of our long-term planning, if a future need of additional wood is identified, resources to expansion of our forests or wood procurement are allocated in our financial planning.

F6. Implementation

F6.1

(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

Target reference number

Target 1

Forest risk commodity

Timber products

Type of target

Third-party certification

Description of target

100% of own and leased areas in Brazil with certified forest management according to FSC® standards by 2025.

Linked commitment

No conversion of natural ecosystems

Traceability point

<Not Applicable>

Third-party certification scheme

FSC Forest Management certification

Start year

2020

Target year

2025

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

% of target achieved

91.7

Please explain

In our new Sustainability Strategy, we maintained and renewed our previous target to reach 100% of our own and leased areas in Brazil certified according to FSC Forest Management Standards. Our commitment to FSC goes back to 1995, when Dexco was the first company to achieve this certification in the Southern Hemisphere. We believe that the relevance and reach of FSC Principles and Criteria for environmental, social and economic aspects are significant enough to measure our performance on forest management. Therefore, we aim to have all our forests in Brazil certified against this standard by 2025, ensuring the supply of wood from responsible sources to our panel factories. This is also a solid action to enforce our commitment to no conversion of natural ecosystems, since FSC does not allow this in certified areas and its compliance is annually verified in our annual surveillance audits by a third-party. This process is led by our Environmental Management team in the Wood Division, which is highly qualified on FSC standards and Dexco is a member of FSC International and FSC Brazil, ensuring we have the resources to achieve this goal. Since 2020, Dexco is part of FSC Brazil Board of Directors and in 2021 our designated representative was elected Chairperson of the BoD and President of FSC Brazil.

Target reference number

Target 2

Forest risk commodity

Timber products

Type of target

Engagement with smallholders

Description of target

80% of fostered areas in Brazil with certified forest management according to FSC® standards by 2025.

Linked commitment

No conversion of natural ecosystems

Traceability point

<Not Applicable>

Third-party certification scheme

<Not Applicable>

Start year

2020

Target year

2025

Quantitative metric

<Not Applicable>

Target (number)

80

Target (%)

<Not Applicable>

% of target achieved

50

Please explain

Scope details: For this target, we only consider the planted areas of our fostered partners in Rio Grande do Sul state, in Brazil. This is because we do not have any form of land tenure in these cases (particularly over the set-aside areas on the fostered farms). We limited the scope to Rio Grande do Sul state because it concentrates 87.9% of all our fostered plantations. We do not have a fostering program in Colombia.

This target is set in our new Sustainability Strategy and just like our target for own and leased areas, it was maintained from our previous strategy. However, the timeframe for achievement was shortened from 2035 to 2025, keeping the 80% goal. By the end of 2021, 40% of the fostered areas were FSC-certified, representing the achievement of 50% of the target. Our fostered partners are mainly smallholders. Through the forest fostering program, Dexco supplies the seedlings to the fostered partner and gives them instructions and best practices for forest management, followed by field visits to check the development of the forest. When the harvesting age comes, Dexco has the priority to buy the produced wood. We began working with some key fostered partners in 2019 to engage and capacitate them about the FSC certification SLIMF requirements and in 2020 the first group of producers was certified. In 2021 we continued to expand the group, including some producers that exceeded the SLIMF thresholds. Our Environmental Management team at the Wood Division is responsible for this process, along with our Forest Operations team at Rio Grande do Sul, supported by specialist consultants with large experience on smallholders certification. As the FSC standards does not allow the conversion of natural ecosystems to plantations or other non-forest uses, engaging with these smallholders directly contributes for minimizing the risk of deforestation in our value chain, in full alignment with our commitment to no conversion.

Target reference number

Target 3

Forest risk commodity

Timber products

Type of target

Engagement with direct suppliers

Description of target

80% of fostered areas in Brazil with certified forest management according to FSC® standards by 2035.

Linked commitment

No conversion of natural ecosystems

Traceability point

<Not Applicable>

Third-party certification scheme

<Not Applicable>

Start year

2016

Target year

2035

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

80

% of target achieved

50

Please explain

Scope details: For this target, we only consider the planted areas of our fostered partners in Rio Grande do Sul state. This is because we do not have any form of land tenure in these cases (particularly over the set-aside areas on the fostered farms). We limited the scope to Rio Grande do Sul state because it concentrates 87.9% of all our fostered plantations. We do not have a fostering program in Colombia.

This target is set in our new Sustainability Strategy and just like our target for own and leased areas, it was maintained from our previous strategy. However, the timeframe for achievement was shortened from 2035 to 2025, keeping the 80% goal. By the end of 2021, 40% of the fostered areas were FSC-certified, representing the achievement of 50% of the target. Our fostered partners are mainly smallholders. Through the forest fostering program, Dexco supplies the seedlings to the fostered partner and gives them instructions and best practices for forest management, followed by field visits to check the development of the forest. When the harvesting age comes, Dexco has the priority to buy the produced wood. We began working with some key fostered partners in 2019 to engage and capacitate them about the FSC certification SLIMF requirements and in 2020 the first group of producers was certified. In 2021 we continued to expand the group, including some producers that exceeded the SLIMF thresholds. Our Environmental Management team at the Wood Division is responsible for this process, along with our Forest Operations team at Rio Grande do Sul, supported by specialist consultants with large experience on smallholders certification. As the FSC standards does not allow the conversion of natural ecosystems to plantations or other non-forest uses, engaging with these smallholders directly contributes for minimizing the risk of deforestation in our value chain, in full alignment with our commitment to no conversion.

F6.2**(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	All our Brazilian factories are certified according to FSC Chain of Custody standard, which ensures only wood from responsible sources are used in our manufacturing process. For wood grown in our own forests, we have a complete database that allows us to track every truck load of wood up to the plot within the forest. Every load has the transportation documentation as required by law. For procured wood, we have a due diligence system in place. Every supplier is assessed against our standard and measures are taken according to the risk of origin. This system requires us to conduct field audits in all our suppliers' forests that are not FSC-certified, including all the suppliers of the mills that supply us sawdust. Every audit results in a score and if a supplier reaches an established threshold, it can be suspended until the issues identified on the audit are solved or, if major problems (child labor, for instance) are found, it can be banished from our pool of suppliers. This system is annually audited by a third party as part of our FSC chain of custody certification. For example, in 2021 we conducted 163 field and desk audits on the suppliers of our Taquari, Itapetininga and Agudos plants. As a result of these audits, 4 suppliers were suspended due to health and safety-related documentation issues. At Dexco Colombia we move the wood in accordance with the requirements of national regulations and legislation, complying with the mobility certificate requirements corresponding to the plantation registry for each of the own wood trips that are moved for the plants. On the other hand, the wood that comes from third parties requires a commercial agreement to enter each of the plants and, to establish this agreement, each of the third parties is required to send the plantation registration documentation. Also, each of the wood transport trips must present the mobility permit associated with the plantation registry, which must coincide with the number that was registered in the commercial agreement.	Not applicable	<Not Applicable>
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Tree plantation	100

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	100
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.3a

(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

Forest risk commodity

Timber products

Third-party certification scheme

FSC Chain of Custody

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

100

Form of commodity

Hardwood logs

Softwood logs

Sawn timber, veneer, chips

Volume of production/ consumption certified

5016359

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

All our fiberboard factories in Brazil have FSC Chain of Custody certification. We only use FSC-certified wood or from controlled sources assessed through our due diligence system, which is based on the FSC-STD-40-005 standard (Requirements for Sourcing FSC Controlled Wood). Our chain of custody and due diligence system are annually audited by a third-party, including field inspections on our factories and wood suppliers. The reported volume of consumption covers all the wood used by our factories in Brazil, including FSC Forest Management-certified wood, FSC Controlled Wood (assessed by Dexco within the scope of our CoC certificate) and FSC Chain of Custody-certified wood. In order to maintain our controlled wood due diligence system, in 2021 we conducted 163 field and desk audits on the suppliers. As a result of these audits, 4 suppliers were suspended due to health and safety-related documentation issues.

F6.4

(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.4a

(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).

Forest risk commodity

Timber products

Operational coverage

Direct operations
Supply chain

Description of control systems

Direct operations: Duratex is a FSC member, and as such has the commitment not to convert any natural forest into plantations or any other land use. As part of our annual surveillance audits to maintain our FSC Forest Management certification, we must show compliance to this requirement, with greater detail for the areas that are being included into the certified scope. The assessment and monitoring of these areas are made initially through satellite imagery and, if necessary, field visits. Supply chain: According to our Responsible Forest Management Internal Standard, we do not buy wood from areas being converted. Through our due diligence system for wood procurement, we visit all our suppliers in field audits and one of the assessed points is the presence of deforestation or conversion. If any of these are found on the area, the supplier is immediately suspended.

Monitoring and verification approach

Geospatial monitoring tool
Ground-based monitoring system
First-party verification

% of total volume in compliance

100%

% of total suppliers in compliance

100%

Response to supplier non-compliance

Suspend & engage
Exclude

Procedures to address and resolve non-compliance with suppliers

Developing time-bound targets and milestones to bring suppliers back into compliance
Providing information on appropriate actions that can be taken to address non-compliance
Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics
Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

Please explain

If a supplier is found not to be complying to our due diligence system requirements, it can be suspended according to the relevance of the issue. Evidence of deforestation is enough for the automatic suspension. After a supplier is suspended, corrective actions are jointly defined by Dexco and the supplier in order to solve the problems with established deadlines. If the issue is resolved, it can be allowed to be a Dexco supplier again, otherwise it will be still suspended. If many other problems are found during the audit, the supplier can be excluded. After a desk audit for supply homologation, an initial field audit is conducted in every new supply area. There must be a field audit every 18 months in every supply area. In 2021, we did not have any exclusion of suppliers due to evaluations and poor performance, however, 4 suppliers were suspended due to issues not related to conversion or deforestation.

F6.5

(F6.5) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.

	Do you collect data regarding compliance with the Brazilian Forest Code?	Please explain
Timber products	Yes, from both suppliers and owned/managed land	Owned land: 100% of our managed areas is compliant with the Brazilian Forest Code. Every property is registered on CAR, legal reserves are in place and permanent preservation areas are respected. As part of FSC certification, we have annual third party audits which inspect on the ground how we comply with applicable laws, including the Forest Code. All CAR receipts are filed on our database. Suppliers: As part of our due diligence system, we require all suppliers to be registered on CAR, as well as to have a valid environmental permit (where required). This, along with field audits, ensures that every property is compliant with the Forest Code.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.5a

(F6.5a) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure your own compliance with the Brazilian Forest Code and your performance against these indicator(s).

Forest risk commodity

Timber products

KPIs

% of owned and/or managed properties registered on the Rural Environmental Registry (CAR) database, with active status

Performance against indicators

100%

Please explain

Every owned or leased area is registered in CAR. All of our managed areas have active status.

Forest risk commodity

Timber products

KPIs

% of owned and/or managed properties with no gross deforestation after July 2008

Performance against indicators

100%

Please explain

Dexco does not engage in any form of deforestation. All forests are planted in already anthropized areas, mainly with a long history of use for forest plantations, cattle raising or agriculture. As part of FSC certification, no conversion after 1994 is allowed in certified areas. We monitor this by using surveillance patrols in all our managed areas and satellite imagery analysis to identify any land use change. Both these practices are annually audited by a third party at our FSC surveillance audits.

F6.5b

(F6.5b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).

Forest risk commodity

Timber products

KPIs

% of suppliers registered on the Rural Environmental Registry (CAR) database, with active status

Performance against indicators

100%

Please explain

As part of our due diligence system, we require all our suppliers to be registered in the CAR ("active status") before they can supply us timber. Consequently, all our supply units have been registered on CAR.

F6.6

(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.

	Assess legal compliance with forest regulations	Comment
Timber products	Yes, from both suppliers and owned/managed land	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.6a

(F6.6a) For your disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.

Timber products

Procedure to ensure legal compliance

Dexco has many systems to ensure full compliance with all applicable laws. We have a corporate compliance department which conducts internal audits, independent from the business divisions, both for environmental and health/safety issues. Within the forestry division, we have a system in place to monitor all environmental and health/safety applicable legislation, with frequent verification of conformity and registration of compliance evidence. In Brazil, 97.1% of our own and leased areas are FSC-certified, which includes annual third-party audits on, among other criteria, legal compliance. In Colombia, 82% of our forest heritage is certified under the scope of FSC. It is important to mention that the forest management activities on certified and not yet certified areas is completely the same in both countries. All our procedures and control systems apply to all of our areas, regardless of certification. Therefore, we cover 100% of our areas.

In Brazil, our due diligence system was designed to assess our suppliers on their compliance on several issues: land tenure, workers' rights, environmental laws (Forest Code included, such as our requirement for CAR registration), health and safety, training, tax payments. We also require our suppliers to show us compliance certificates from government agencies, such as Ibama (federal environmental agency), states' environmental agencies, federal and state tax bureaus, Labor Justice, Labor Attorney General and Ministry of Labor. In addition to desk audits, we also do field audits in all our suppliers to ensure legal compliance. These procedures allow us to ensure all our suppliers' conformity with the law. In Colombia, the wood that comes from third parties requires an agreement number to enter each of the plants. To create this agreement, each of the third parties is required to send the plantation registration document, which is a document in which the competent authority certifies that the forest plantation corresponds to a planted forest, certifies its ownership, and specifies: owner, location, species, area and volume. This document is issued by the competent authority, in this case the Ministry of Agriculture and Rural Development with delegation to the Colombian Agricultural Institute ICA or, as the case may be, the Regional Autonomous Corporation.

Country/Area of origin

Brazil
Colombia

Law and/or mandatory standard(s)

General assessment of legal compliance
Brazilian Forest Code

Other, please specify (Decree 1791 of 1996 article 70: Registration of forest plantations (Colombia); Resolution 438 of 2001, "The Single National Safe-conduct is established for the transport of wood" (Colombia))

Comment

F6.7

(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Supply chain mapping Capacity building Financial and commercial incentives	Offering on-site technical assistance and extension services Paying higher prices linked to best agricultural practices Financial incentives for certified products	254	We approach smallholders with our forest fostering program. Through this program we can reach smallholders that are located nearby our factories and establish a partnership with them, where we supply seedlings and technical assistance for them to plant forests. In 2021 we had 254 smallholders enrolled in this program through 675 contracts. As part of the fostering contract, Dexco is the preferred buyer of the production. The cost of seedlings is then discounted from the timber sales price. This program helps smallholders to diversify their income, reducing their dependency on the sale of agricultural goods. Regardless of being a participant of the fostering program, all suppliers must be assessed according to our due diligence system in order to be able to sell timber to our factories. These assessments include desk and field audits to ensure compliance with laws and other commitments. In 2019 we began our process of helping some of our smallholder suppliers to get FSC-certified by the end of 2020, with the help of external consultants experts on smallholder certification. Over 2020, actions with the first group of producers were carried out aimed at adjusting them to certification requirements and we expanded the certified group in 2021, covering 40% of all our fostered area. In addition to the technical assistance, we also pay an extra for certified wood to the members of the group.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier audits Offering on-site training and technical assistance Organizing capacity building events Paying higher prices linked to best agricultural practices Financial incentives for certified products Purchase guarantee linked to best agricultural practices	81-90%	Most of our suppliers in Brazil are smallholders that are part of our forest fostering program, which engagement actions are detailed in F6.7. Regardless of their size, all suppliers must go through our due diligence system for wood procurement, with assessments include desk and field audits to ensure compliance with laws and other commitments. In 2021, 163 field and desk audits were conducted, which resulted in the suspension of 4 suppliers. These suspended suppliers were engaged on the establishment of action plans for them to be able to sell wood to Dexco. These suspensions were not related to any deforestation, but instead to occupational health and safety documentation. In addition to the continuous support provided to the group of certified suppliers through a consultancy paid by Dexco, we also pay higher prices for the certified wood from these members.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.9

(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Supply chain mapping	On-site meetings with indirect suppliers Supplier audits	As part of our due diligence system for wood suppliers, we have the same requirements for first-tier suppliers (direct suppliers) as for second-tier suppliers (sub-suppliers). Most of the wood procured by Dexco comes from direct suppliers, but in cases we buy wood sub products (chips, for example) we assess all the sub-suppliers of our suppliers like they are our own suppliers. In 2021, Dexco procured wood from 7 sawmills and all their suppliers were assessed against our due diligence system through both desk and field audits. If the any issues are found in these audits, we work with the sub-supplier to build an action plan to fix the problems.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.10

(F6.10) Do you engage in landscape (including jurisdictional) approaches to progress shared sustainable land use goals?

	Do you engage in landscape/jurisdictional approaches?	Primary reason for not engaging in landscape and/or jurisdictional approaches	Please explain why your organization does not engage in landscape/jurisdictional approaches, and describe plans to engage in the future
Row 1	Yes, we engage in landscape/jurisdictional approaches	<Not Applicable>	<Not Applicable>

F6.10a

(F6.10a) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.

	Criteria for prioritizing landscapes/jurisdictions for engagement	Please explain
Row 1	Company actions align with already established jurisdictional and/or landscape initiative priorities in area Company has operational presence in area	Since 2020 Dexco is part of São Paulo Forest Forum (FFSP), which is the regional representative of the Brazilian Forest Dialogue. With 58% of our forest areas located in São Paulo state, it makes sense for us to engage on this forum.

F6.10b

(F6.10b) Provide details of your engagement with landscape/jurisdictional approaches to sustainable land use during the reporting year.

Country/Area

Brazil

Name of jurisdiction or landscape area

São Paulo state (cities of Itatinga, Botucatu, Pardinho and Bofete)

Is the landscape defined by administrative boundaries of sub-national governments and does the approach have active government involvement?

The landscape is defined by administrative boundaries, but the approach does not have active government involvement

Brief description of landscape/ jurisdictional approach

São Paulo Forest Forum (FFSP) working group for Land Use Dialogue and Participative Sustainable Landscape Planning (LUD-P3S). This is a group formed in 2021 within the FFSP to engage stakeholders on identifying the current state of environmental, social and economic aspects on the defined region, comprising the territories of Itatinga, Botucatu, Pardinho and Bofete. The main goal of this initiative is to discuss land use practices in the selected landscape to ensure they are adequate to regional characteristics, respecting cultural values, local species conservation and maintenance of aquifer recharge areas. The Forum convenes representatives from forest companies, universities and local organizations. The project is on its initial phase, with the scope dialogue being held on November 2021.

Forest risk commodities relevant to this landscape/jurisdictional approach

Timber products

Type of engagement

Convener: High level of engagement in set-up, design, management and implementation

Funder: Provides full or partial financial support

Description of engagement

Besides being a member of the São Paulo Forest Forum, Dexco is part of the consultive group which is developing the land use dialogue (LUD-P3S) project in São Paulo. Since the project still is on its initial phase, there were no investments in 2021. Our annual contribution fee to the FFSP in 2021 was BRL 12,000.

Goals supported by engagement

Decreased ecosystem degradation rate

Smallholders mapped in landscape/jurisdiction

Landscape conservation

Improved capacity for community engagement in multi-stakeholder processes

Increased adoption of sustainable production practices

Company actions supporting approach

Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative

Help establish an entity responsible for managing the initiative and its activities with clear and transparent governance roles, responsibilities and decision-making for different stakeholders in that initiative

Build community capacity and incentivize engagement in multi-stakeholder processes

Financially support multi-stakeholder entity leading the initiative

Implementation partner(s)

São Paulo Forest Forum (FFSP).

Engagement start year

2020

Engagement end year

Not defined

Total investment over the project period (currency)

12000

Details of your investment

Annual contribution to the FFSP.

Type of assessment framework

Specific initiative defined framework

Is progress monitored and publicly reported on?

No, but we are planning to monitor progress in the next two years

State the achievements of your engagement so far, and how progress is monitored

<Not Applicable>

F6.11

(F6.11) Do you participate in any other external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Country/Area

Brazil

Subnational area

Not applicable

Initiatives

Forest Stewardship Council (FSC)

Please explain

Besides being the first company in the Southern Hemisphere to become FSC-certified, Dexco is also a member of FSC Brazil and FSC International. In 2019, Dexco was elected to the Board of Directors of FSC Brazil until 2022, representing the Economic Chamber. Since January/2022, the Dexco designated representative is also the Chairperson of the BoD and President of FSC Brazil. Considering our certification targets established in our Sustainability Strategy, it is relevant for Dexco to participate on the governance of the FSC system in Brazil, contribution to value generation and brand recognition of this certification scheme. Since we support our fostered partners to become FSC-certified, we want to strengthen this certification as much as possible to share this value with our suppliers.

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Country/Area

Brazil

Subnational area

Not applicable

Initiatives

UN Global Compact

Please explain

As a signatory to the EU Global Compact, we take into account both the Ten Universal Principles and the Sustainable Development Goals in our strategy and operations. In the process of building the new Sustainability Strategy, we also sought to have an increased alignment with the 17 Sustainable Development Goals (SDGs) of the UN 2030 Agenda. We elected five priority SDGs that include decent work (SDG 8), innovation (SDG 9), responsible production (SDG 12), climate action (SDG 13) and life on land (SDG 15) and indicate our main contributions that have already been made and aspirations to further intensify this compliance in the future.

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in industry platforms

Country/Area

Brazil

Subnational area

Not applicable

Initiatives

<Not Applicable>

Please explain

The Brazilian Tree Industry (Ibá) is the association responsible for institutionally representing the planted tree production chain, from the fields to the factory, with its main stakeholders. Ibá strives to make the sector more competitive, bringing member companies into line with the highest standards of science, technology, and environmental responsibility throughout the entire forest production chain, in the search for innovative solutions for the Brazilian and global markets. The association maintains active participation in the most important national and international forums and councils, as well as debates, meetings, and public consultations. The main topics of discussion are best practices in forest management, environmental services, climate change, technology and innovation, sustainability in the industry's production chain and engagement with civil society in decision making.

In order to organize agendas and proposals, as well as to discuss strategies and positions on matters of interest to the industry, Ibá leads 14 committees: Government Relations, Tax and Fiscal, Legal, Foreign Trade, Immune Paper, Cardboard and Packaging Paper, Climate, Steering Committee for Panels, Steering Committee for Laminate Flooring, Steering Committee for Forestry, Forest Defense, Forest Certification, Biotechnology, and Communications.

Our participation in Ibá is essential for us to keep up to date with trends and regulations in the sector, as well as the benchmark of best practices that occurs among participants.

F6.12

(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

F6.12a

(F6.12a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Project reference

Project 1

Project type

Set aside land

Primary motivation

Required by regulation

Description of project

Brazilian Forest Code (Law 12651/2012) requires all rural properties to set aside at least 20% of their areas to conservation in Mata Atlantica, Cerrado and Pampa biomes. Therefore, Dexco had at the end of 2021 32.4% of its own and leased lands in Brazil set aside for conservation purposes (43.7 thousand hectares). In order to measure the environmental quality of these areas, we conduct biodiversity studies (every 3 years for fauna, every 5 years for flora) in some key plots that are representative of the remaining areas. For areas that were planted with eucalyptus and now are set aside for conservation, we have procedures in place to monitor the natural regeneration for at least 5 years in order to evaluate if further actions are needed.

Start year

2012

Target year

Indefinitely

Project area to date (Hectares)

43677.9

Project area in the target year (Hectares)

43677.9

Country/Area

Brazil

Latitude

-23.940794

Longitude

-47.73391

Monitoring frequency

Annually

Measured outcomes to date

Biodiversity
Carbon sequestration

Please explain

The 2012 beginning date is defined by the approval of the most recent Brazilian Forest Code. Dexco has been maintaining set aside areas for several years, dating back to the 70s. However, considering that many areas were acquired throughout the years, we chose the 2012 date for standardization. Since this is a continuous action already in place, we consider our conservation areas as the target. The coordinates are from one of our set aside areas, just for example. All our farms have set aside areas according to the law. Since the first biodiversity studies in the 70s, we have registered more than 2,000 species of native flora and fauna on these set-aside areas. Of these, 39 are classified by the IUCN as threatened with extinction (VU, EN and CR).

By the end of 2021, we had 9.4 million ton CO2eq stocked in our conservation areas in Brazil, with an estimated remotion of more than 177 thousand ton CO2eq removed from the atmosphere in 2021. These numbers were audited by KPMG.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?

Yes

F7.1a

(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module

F1. Current State

Data points verified

- OPERATIONAL SITES OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS;
- SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY
- HABITATS PROTECTED OR RESTORED

Verification standard

KPMG International Methodology and GRI Protocol

Please explain

These data points are reported in our Integrated Report and a third party is hired for the Report's verification, reinforcing transparency and credibility of the information.

F8. Barriers and challenges

F8.1

(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

Forest risk commodity

Timber products

Coverage

Supply chain

Primary barrier/challenge type

Limited availability of certified materials

Comment

In our areas in the south of the country, there is a significant number of promotions, when compared to other states in which we have forestry operations. We put up a great effort to engage developers to certify their forestry operations in this location. There is a specific goal in our Sustainability Strategy linked to the certification of these areas. In 2021, 3,160 hectares and 17 new members were included in the certified group, totaling 40% of the base of fostered partners in the State of Rio Grande do Sul certified or submitted to certification. The goal is to reach 80%.

F8.2

(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

Forest risk commodity

Timber products

Coverage

Supply chain

Main measure

Greater supplier awareness/engagement

Comment

To reach our goal and improve the supply chain, we promote the engagement of suppliers and fostered partners through actions focused on the forest chain and also through our supplier management program (GFD Program). Training is provided, questionnaires are applied and audits are carried out. As a result, the engagement of these suppliers is evaluated and recognized through our programs.

F17 Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

We are not a Company with a single product and having Duratex as a corporate and product brand at the same time created difficulties in associating our other businesses with the corporate brand. In 2012, when we reviewed and renewed the Duratex brand, this issue was already very latent. After we diversified our operation even further with the entry into the ceramic tiles segment, this need became stronger. Finally, in 2021, the timing was right for the change, orchestrated within a comprehensive strategic shift in the Company. Therefore, Duratex, at the corporate level, becomes Dexco, and the Duratex name is established in our MDF and MDP panel brand. This launch closes a virtuous cycle, setting up the beginning of the next cycle for which we prepared so as to seek a new wave of expansion and modernization.

We wanted to record this emblematic moment as a corporate identity that is more open to growth and to the acquisitions that may happen. In this context, Dexco represents flexibility and ability to absorb new brands and new lines, in line with the future we want.

Now, we are also dedicating ourselves to understand exactly the value proposition of each commercial brand to create a mother brand that made sense when associating the other brands. This new look is directly connected with the Company's Sustainability Strategy. We strengthened even further our attributes with our Living Environments signature. It brings some responsibility to our ESG positioning because it has a broad view, in which the care is extended to the environments and also takes into consideration the social

ecosystem, including housing and the community.

Establishing solutions that encompass better living means going beyond the delivery of a product that is consumption efficient. It is also encompassing the concept of efficiency in the entire value chain. Promoting this synergy and making the consumer realize a difference in this work, along each stage of the chain, will be our challenge from now on.

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Chief Executive Officer of Dexco	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

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I have read and accept the applicable Terms