

# **GFD Program**

## **Dexco** **Supplier Management**

Results Report **2021**





**INTRODUCTION**

Since 2012, Dexco has run the Dexco Supplier Management Program (GFD, in Portuguese), in partnership with sustainability consultancy Management Origami. The objective of the program is to promote a Responsible Supply Chain, using assessments and visits to encourage the adoption of sustainable practices throughout Dexco’s supply chain.

Since its launch in 2013, the Program has carried out over 1200 independent assessments, 224 on-site audits and 50 remote visits, in annual assessment cycles, involving around 500 of Dexco’s suppliers. The timeline of the Program is shown below:

GFD Timeline

<b>GFD launch</b> First self-assessment questionnaires sent out		Participation of 84 suppliers and 31 visits carried out		Participation of 125 suppliers and 32 visits carried out		Participation of 156 suppliers and 31 visits carried out		Participation of 192 suppliers and 34 visits carried out		
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	
	24 visits carried out		Participation of 117 suppliers and 30 visits carried out		Participation of 145 suppliers 31 visits carried out		Participation of 191 suppliers 31 visits carried out		Participation of 208 suppliers 30 visits carried out	

Since the launch of the GFD Program, Management Origami has been Dexco’s consulting partner in leading the supplier management process, covering everything from the development, analysis, review and administration of the supplier self-assessment questionnaires, to processing and analyzing the insights gathered and carrying out audits. The aim is to identify the main areas needing attention and to advise on identifying and implementing actions, processes and innovations that will enhance the socio-environmental performance of suppliers.

The GFD Program has already reported tangible results with the advancement of the socio-environmental practices of participating suppliers, as seen in the improvement in assessments between one cycle and the next. The results obtained from the compilation and analysis of the data, and from the information gathered on site, provide a broad perspective regarding how risks are managed and how the economic, social and environmental benefits for the business are harnessed and guide the Program, in setting targets in line with the Company’s strategy, investment and way of doing business.

This report seeks to present the consolidated data from the Dexco Supplier Management Program 2021 with respect to its main dimensions, and to recognize those companies that demonstrated outstanding management practices in the running of their businesses.



### SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

The GFD program encompasses a structured management process, defined by socio-environmental, economic, compliance and quality criteria, which aim to create synergy and share Dexco’s purpose with its suppliers. The Program is one of the Company’s main mechanisms for managing the relationship with suppliers and is used as a tool for mitigating risks related to the value chain and for encouraging ever more ethical and responsible business practices.

In 2017, Dexco set up its Sustainable Purchasing System in order to map its chain and prioritize the different purchasing categories. In this way it has been possible to carry out specific actions for each category, taking into consideration the criticality profile, mapping the facilitators of the processes identified and formalizing the criteria for the planning, specification, selection and assessment, and monitoring of the suppliers.

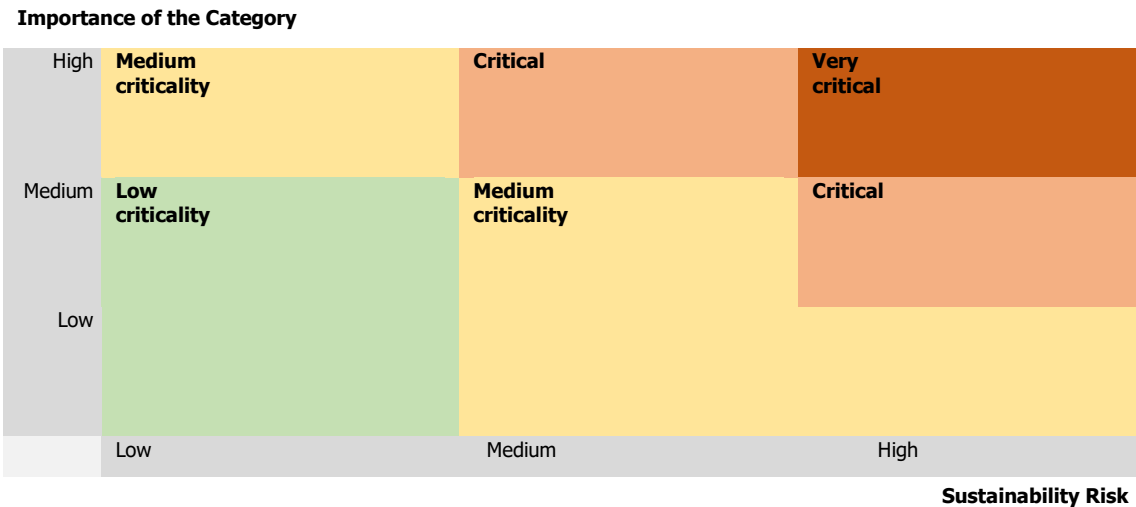
As part of the system, each year suppliers are selected to participate in the GFD Program, based on analysis of a criticality matrix, which assesses, on one axis, the Importance of the Category, considering:

- Reduced production / productivity;
- Influence on the product;
- Influence on cost;

And, on the other axis, Sustainability Risk, including:

- Exposure to, and incidence of, socio-environmental problems;
- Shared responsibility (probability);
- Reputation (probability).

The chart below shows the logic in creating the criticality matrix for Dexco’s supply chain:



**Dexco Supplier Management**  
Results Report **2021**



The GFD program invites Critical and Very Critical suppliers to fill out the self-assessment questionnaire. The on-site and online audits cover companies that score lower than 6.0 in the self-assessment questionnaire, as well as companies that reported significant positive or negative changes on the Program. Suppliers that excelled in the questionnaire are also visited, with a view to their practices being recognized.

After the on-site and online reviews, specific reports are compiled for each of the suppliers visited, covering the good practices identified, areas requiring attention and an Action Plan to support the suppliers in correcting any issues highlighted.

Suppliers who fall short of the goals of the GFD Program receive the report together with an Action Plan, and are subsequently assessed annually. If the evaluation fails to improve and the supplier presents any form of socio-environmental risk to Dexco, it may be delisted as an approved supplier, and may no longer supply products to the Company. It should be noted that Dexco offers the supplier opportunities to improve, while the GFD Program is one of the main tools for developing the supply chain.



## DIMENSIONS ANALYZED BY THE GFD PROGRAM

The GFD program evaluates seven aspects of suppliers’ socio-environmental practices:



### COMPLIANCE

The Compliance dimension covers fulfillment of the legal and technical requirements related to the different aspects of the business, with a view to better management and the minimization of risks to the organization. Compliance is extremely important, as failure to comply with certain legal requirements and obligations can result in sanctions, financial losses, and difficulties in obtaining or renewing operating licenses, while also causing significant damage to the organization’s image and reputation. This dimension evaluates compliance with all the legal obligations applicable to the organization. To ensure the most effective analysis of the data from the on-site and online visits, the supplier is requested to provide all appropriate certificates and documentation that demonstrate compliance.

### LABOR

Labor relations covers the company’s policies and practices that shape the relationship with its employees. The processes and practices adopted by the company for the structured management of human resources make up part of the analysis of this dimension, and include employee remuneration, training, career development, codes of conduct, and compliance with legislation with respect to the hiring of young apprentices and people with disabilities.

### HEALTH & SAFETY

The health and safety dimension includes the actions and policies adopted by the company for ensuring a safe and healthy working environment, minimizing the risk of occupational accidents and sickness, while safeguarding the integrity, productivity and physical and mental well-being of employees. Areas reviewed under this dimension include the company’s Health and Safety practices, with a view to reinforcing the company’s commitment to the topic, reducing costs associated with sickness and accidents, and enhancing the organization’s image.

### ENVIRONMENT

The environment, with respect to a company, covers management practices that aim to minimize the environmental impact of its economic activities. The rational use of natural resources; the development of initiatives that seek to conserve biodiversity; the adoption of waste treatment systems and the appropriate disposal of solid waste; and the treatment and reuse of water and other consumables used in manufacturing processes are all initiatives reviewed under this dimension. Efficient environmental management is directly connected with the sustainability of the business, reducing costs and avoiding the risks and penalties associated with non-compliance with applicable regulations or legal requirements.

## COMMUNITY RELATIONS

This dimension relates to the set of initiatives aimed at building a positive relationship with the communities found in the vicinity of the company's operations. Management of the impacts from operations on these communities should be carried out respecting the characteristics and particularities of those communities, engaging local people in debates on topics that affect them directly or indirectly. The establishment of dialogue with communities regarding the impact of operations helps in identifying and resolving conflict situations, as well as in promoting local development or assisting with projects that address specific needs in that community. The inclusion of surrounding communities contributes to building a relationship of trust and transparency, which brings shared benefits and contributes to the company's good reputation.

## ETHICS AND HUMAN RIGHTS

The ethical and human rights dimension is extremely important and includes the set of principles, guidelines and practices related to the management of sensitive issues, such as child labor or slave-like conditions; unethical conduct and the management of corruption at different levels; anti-competitive practices; the use of force by security guards; gender equality; combating the sexual exploitation of children and adolescents, and others. In this dimension, formal policies are reviewed for addressing such issues and for implementing effective, impartial mechanisms for handling audits, complaints and disclosures that legitimize the company's operations and demonstrate respect for current legislation and conventions. It is of no less importance to human resources, in recognizing the company as a safe workspace that is proactive in combating incidents arising, through appropriate disciplinary action and efficient sanctions, and that adopts actions to combat practices that disrespect the principles of Ethics and Human Rights. Transparency in the management of these issues brings benefits to the company, to society and to the employees, while avoiding the risk of reputational damage or financial penalties arising from complaints or legal sanctions.

## SUSTAINABILITY

This dimension integrates socio-environmental aspects related to the operation and the company's value chain, taking into consideration the life cycle of the products and services offered, with a view to promoting policies and practices that enable production efficiency gains while reducing social and environmental impacts. This dimension assesses supply chain initiatives aimed at identifying and managing socio-environmental impact and risk, recycling product and packaging, and pursuing the research and development (R&D) of new products and services. Such actions contribute to cost reduction while increasing efficiency and promoting the positive image of the organization.



## PROGRESS OF THE GFD PROGRAM

In a process of continuous improvement, with each annual review of the GFD Program the supplier self-assessment questionnaire is revised, as a means of tracking progress with respect to the socio-environmental topics important to Dexco. Below are the changes to the questionnaire introduced during the 2021 GFD cycle:

### COMPLIANCE

**Environmental compliance (concession of water resources and environmental operating license)** – the request for such documents was included in the questionnaire under the services category, with it already having been applied to the other categories.

**Environmental Compliance (Rural Environmental Registration)** – It had already been requested for the Mining category and is now also included in the Utilities category, as many companies in this category need to comply with the CAR rural property requirements.

**Environmental Authorization to Transport Hazardous Goods and Materials** – For transport companies, the issue of Environmental Authorization to Transport Hazardous Goods and Materials was already included. The questionnaire now specifically refers to Authorization from the environmental agency IBAMA.

**General Data Protection Regulation (GDPR)** – There were already 2 questions addressing the GDPR and appropriate changes needed to comply with this law. In 2021, an assessment of the level of maturity with respect to privacy and data protection was also added, with 14 questions related to the use of personal data (only for suppliers who answered “YES” to the question “For your activity to be carried out in partnership with Dexco, is the use personal data required (E.g. name, social security number, national ID number, driving license, geolocation, or other data related to private individuals)?” Such questions seek to assess how the supplier uses, manages and safeguards this personal data.

### ENVIRONMENT

**Waste management** – for suppliers in the Services category, a question was added regarding the disposal of waste from the health service, in order to assess compliance with legislation on this topic.

### LABOR

**People management** – to the question about people management was added a follow up regarding practices related to the tracking, measurement and recognition of performance. This question assess people management practices and the extent to which the supplier monitors and recognizes its employees.

### COMMUNITY RELATIONS

**Local Relations** – the question about relations with indigenous groups and traditional communities was added to the questionnaires for the Industry and Heavy Services categories, given that it was already included in the Mining and Utilities categories.

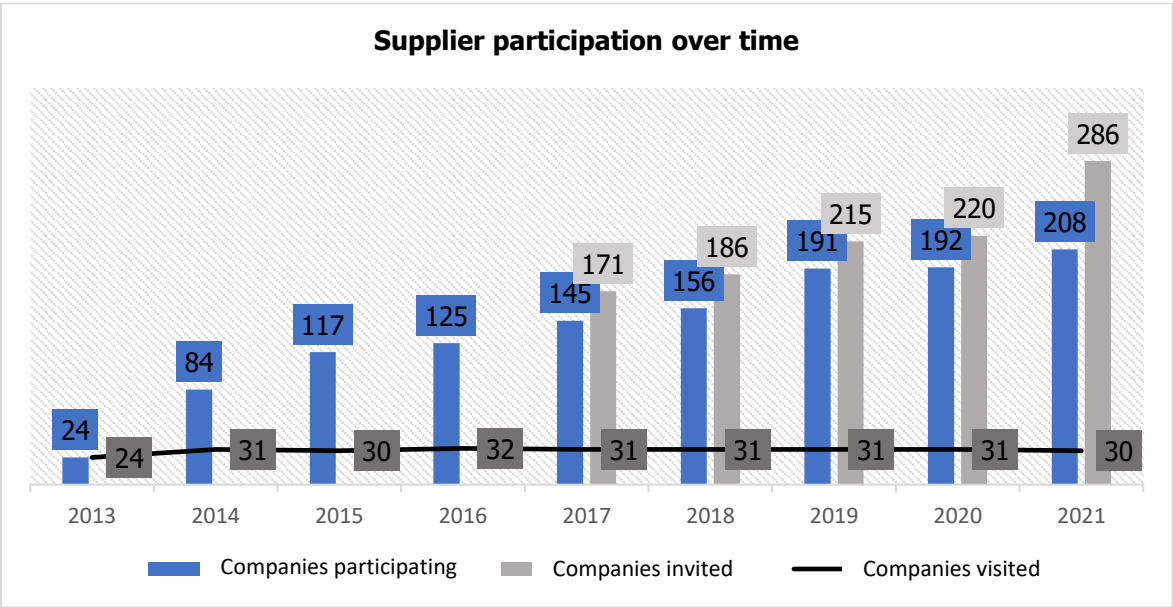


## 2021 RESULTS

### SUPPLIER PARTICIPATION

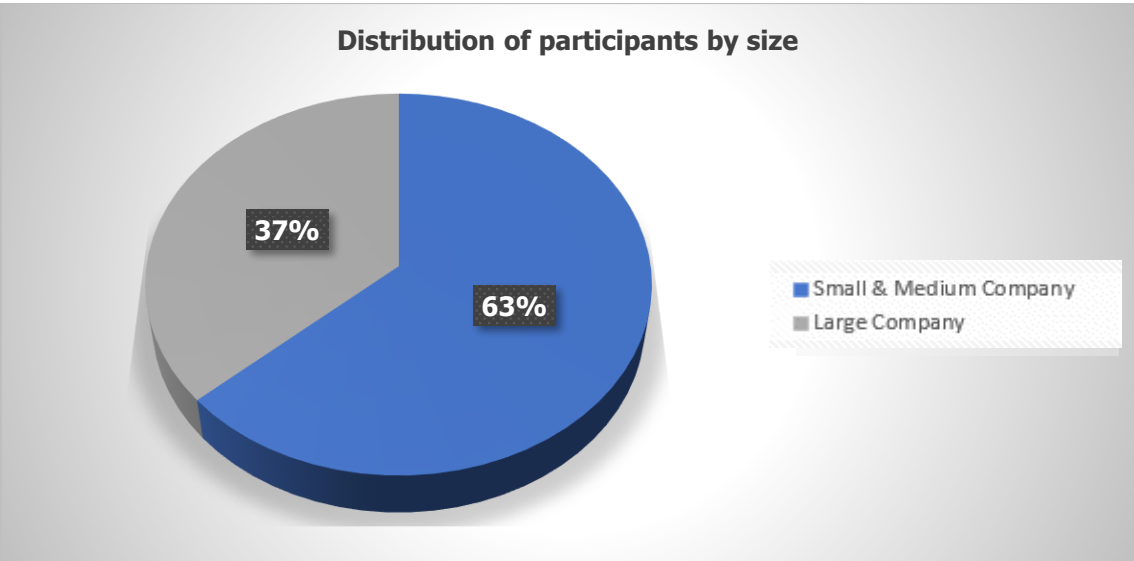
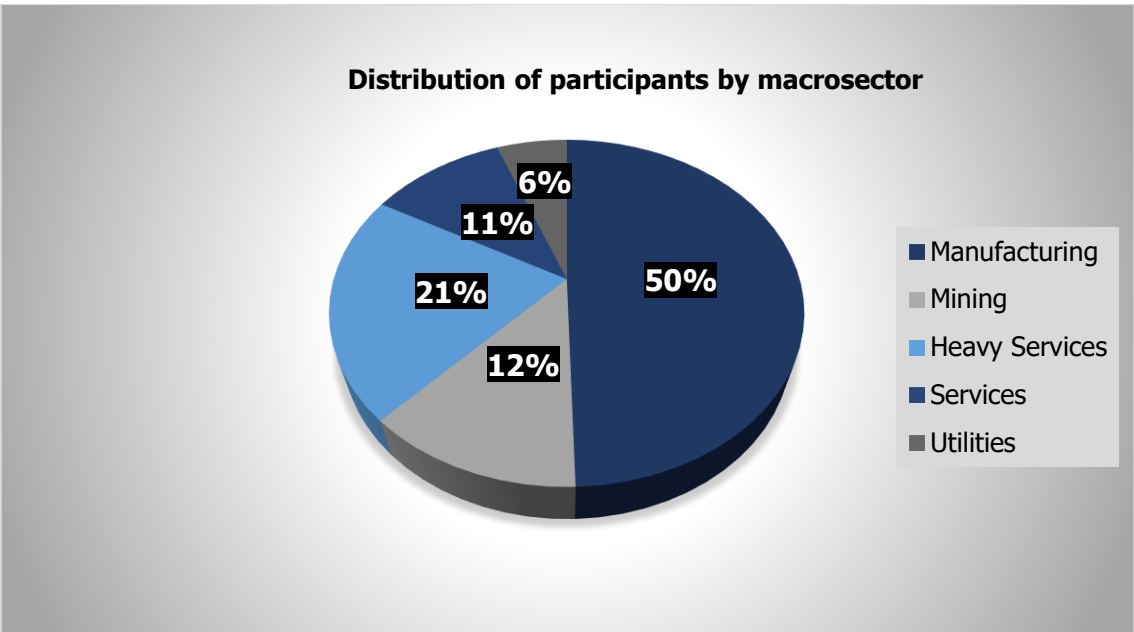
In this 9<sup>th</sup> year of the GFD Program, 286 suppliers were invited to complete the self-assessment questionnaire. These companies were selected by the Supply area, based on the supplier's significance with respect to Dexco spending, the criticality of the sector of operation, and the supplier's historical level of participation in the GFD program. Of this group, 208 replied, representing 58% of the company's total supplier spending.

Of the total number of suppliers that participate in the Program, around 30 are assessed at a deeper level each year, through an on-site or virtual visit.



The graphs below show the distribution of the respondents by macro sector (Manufacturing, Mining, Heavy Services, Services and Utilities) and by size (Large Company and SME):





There is a concentration of participation of small and medium-sized companies (SME) in Industry and Heavy Services, as historically happens in the GFD. In the case of Manufacturing, its participation had fallen in the three years prior (58% in 2018, 49% in 2019 and 40% in 2020) and increased by 25% in 2021, reaching 50% participation. The Services sector, made up mostly of small and medium-sized companies, usually with a lower participation, saw an increase of 10% compared to 2020, representing 11% of participation.

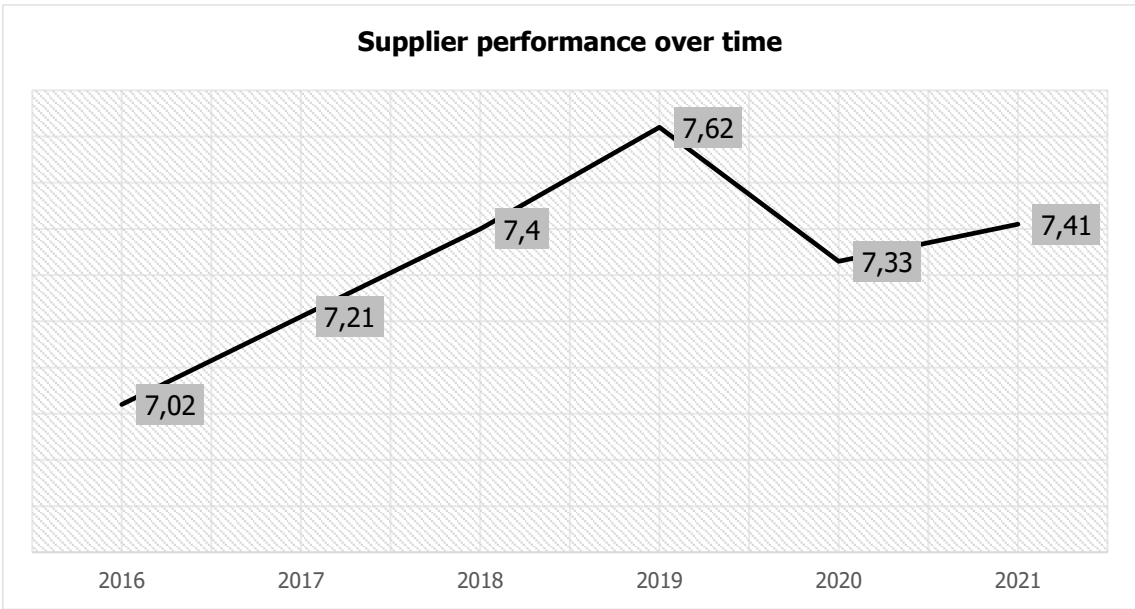
On the other hand, the Utilities, Mining and Heavy Services sectors had a decrease in their participation versus the previous year, from 9% to 6%, from 16% to 12% and from 26% to 21%, respectively.



### PERFORMANCE ON THE PROGRAM

In 2021, participating suppliers achieved an average consolidated GFD Program score of 7.41, slightly higher than last year's score of 7.33. In 2020, there was a decrease in the average score, due to the inclusion of new questions on the questionnaire and the entry of new suppliers.

However, in 2021, the performance of suppliers resumed its upward trend. The graph below shows the verified progress in the socio-environmental performance of the suppliers participating in the GFD, year on year:



Note: In the years prior to 2016, the calculations used on the GFD Program followed a different methodology, rendering a direct comparison between scores impossible.

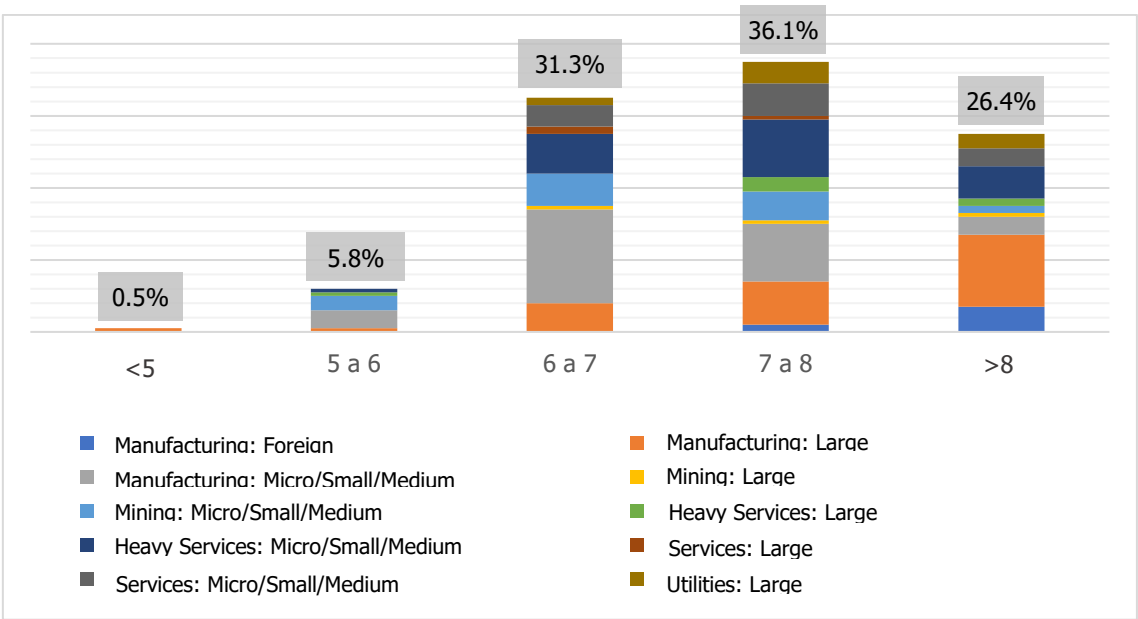
As usual with the GFD, foreign companies generally had a higher average score (8.65), followed by Large Utilities Companies (7.88) and Large Manufacturing Companies (7.85). On the other hand, Manufacturing SME, Mining SME and Large Services Companies recorded the lowest average scores (6.89, 7.0 and 7.0, respectively), reflecting results from recent years (with the exception of Large Services Companies, which had no participants in 2020).



**Average score for suppliers participating in 2020, by sector and size:**

Sector	Number of Companies	Average Score 2020	Average Score 2021	Variance
Manufacturing: Foreign	9	8.48	8.65	2%
Manufacturing: Large	42	8.03	7.85	-2%
Manufacturing: Micro/Small/Medium	52	6.80	6.89	1%
Mining: Large	3	8.09	7.47	-8%
Mining: Micro/Small/Medium	23	6.81	7.00	3%
Heavy Services: Large	7	8.19	7.62	-7%
Heavy Services: Micro/Small/Medium	37	7.00	7.37	5%
Services: Large	3	-	7.00	-
Services: Micro/Small/Medium	20	7.35	7.54	3%
Utilities: Large	12	7.81	7.88	1%
<b>Total</b>	<b>208</b>	<b>7.33</b>	<b>7.41</b>	<b>1%</b>

In 2021, the percentage of suppliers who obtained a score  $\geq 8.0$  in the GFD increased from 25% to 26.4%. Participants with a score between 7.0 and 8.0 went from 34% to 36.1% of the total, while suppliers with a score between 6.0 and 7.0 went from 33% to 31.3% of the total. In 2021, there was 1 supplier with a score below 5. This was this supplier’s first year participating in the GFD, and it received an Action Plan to be reviewed in 2022. It should be noted that 5.8% of suppliers scored below 6.0 (13 participants), receiving recommendations that they be monitored over the following rounds of the program. This group makes up part of Dexco’s challenge in supporting suppliers to improve their performance.

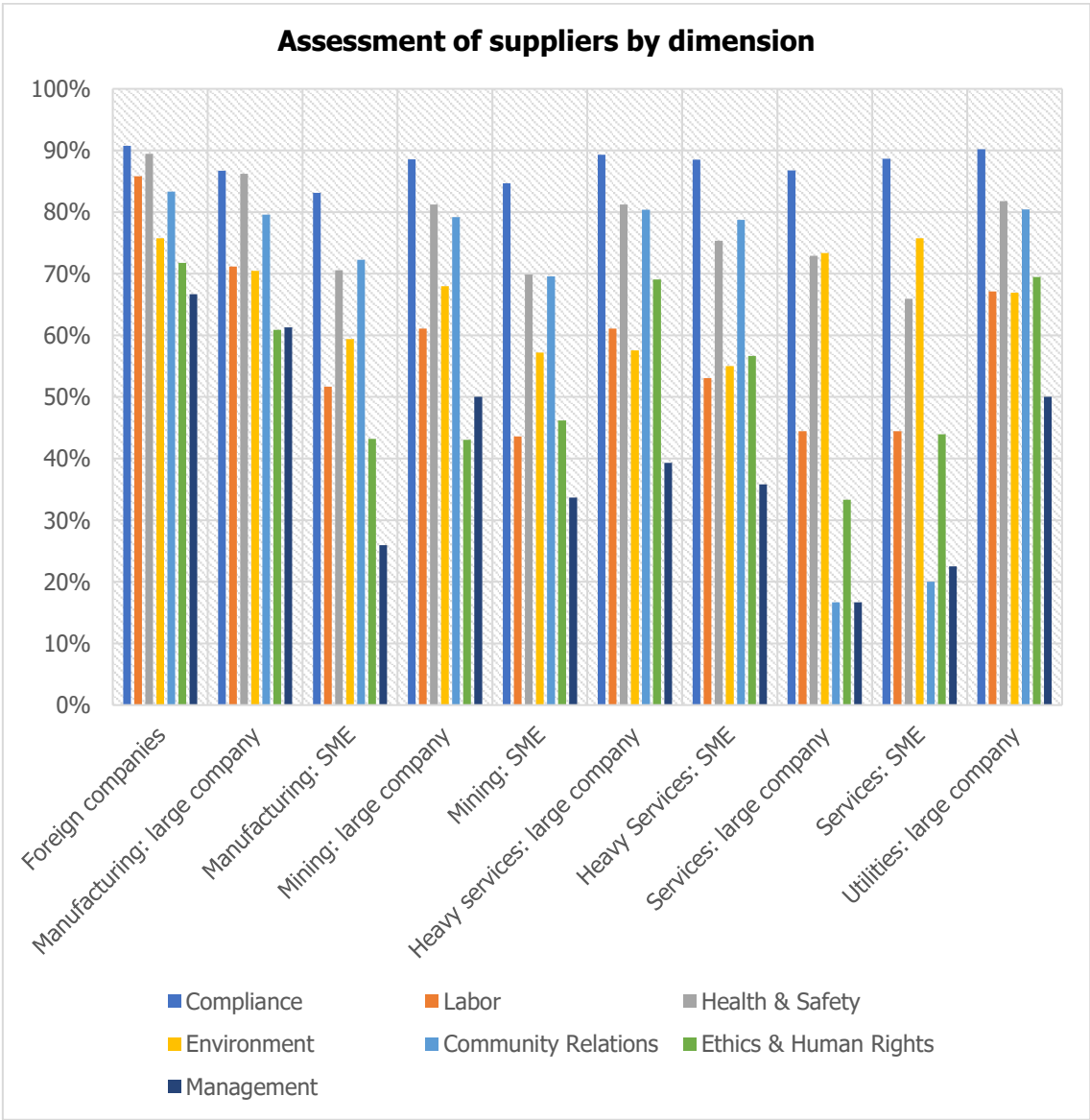




### ASSESSMENT BY DIMENSION

For each of the dimensions, the extent to which suppliers adhere to the topics covered is assessed, i.e. how much the suppliers, on a consolidated basis, have practices or policies that address the respective themes.

As in previous years, suppliers have generally shown greater adherence to practices related to regulation and/or legislation, such as Compliance (average adherence of 92.1%) , Health and Safety (80%) and Environment (68%); while issues related to Management (46%), Ethics and Human Rights (53.8%) and Labor (58.4%) have been less closely observed (see chart below).



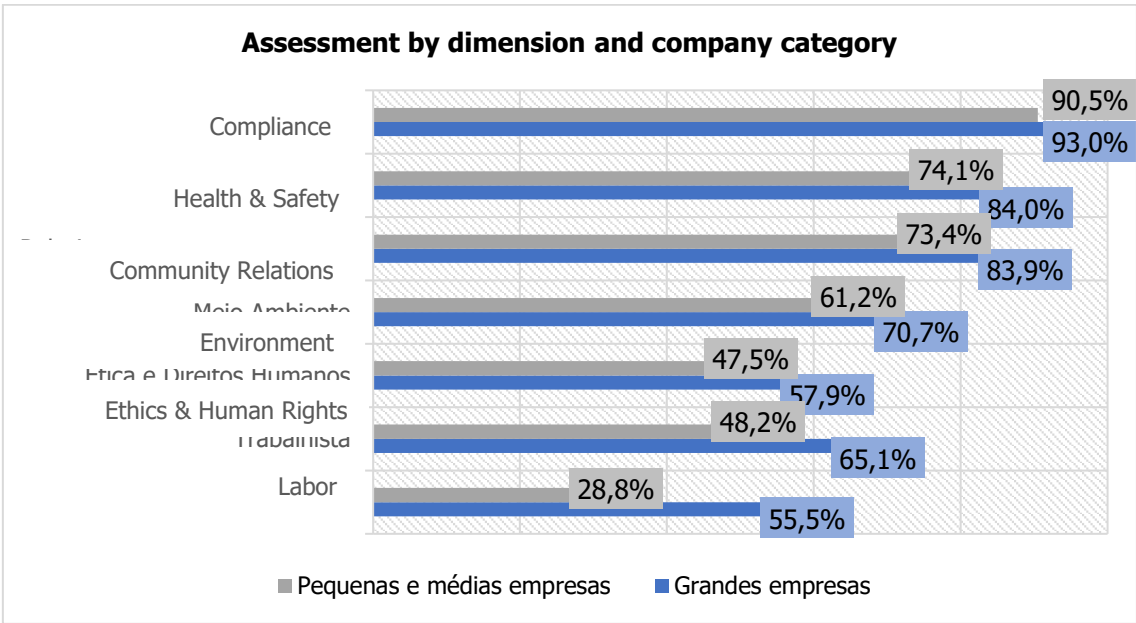


Considering the size of companies, across all the dimensions there is a difference in the performance of large companies and that of small and medium-sized companies, especially in relation to dimensions unrelated to regulation. A comparison between the scores of Small and Medium Enterprises (SME) and those of Large Companies, by dimension, is shown above. As seen on the chart, despite the SME scores being lower across all categories, for the Management dimension this difference is even more greatly accentuated, with the score being, on average, 26.7 percentage points lower than that for the large companies (28.8% versus 55.5% respectively). The same cannot be said for the Compliance dimension, where the average adherence by SME's was 90.5%, while for Large Companies it was 92.9%.

Health and Safety continues to be a dimension showing a high degree of adherence, mainly due to the demanding regulations that are present in Brazil with respect to this topic, which require, of large companies in particular, responsible working practices that ensure safe and healthy working conditions for employees. The score for 2021, at 80%, represents an improvement on 2020, which was 77.3%.

It should be noted that the Community Relations dimension had an average adherence of 82.3%, significantly greater than the average for the other sectors. With the exception of Services (SME and Large Companies), all the scores were above 70%, showing that suppliers are increasingly engaging with their surrounding communities.

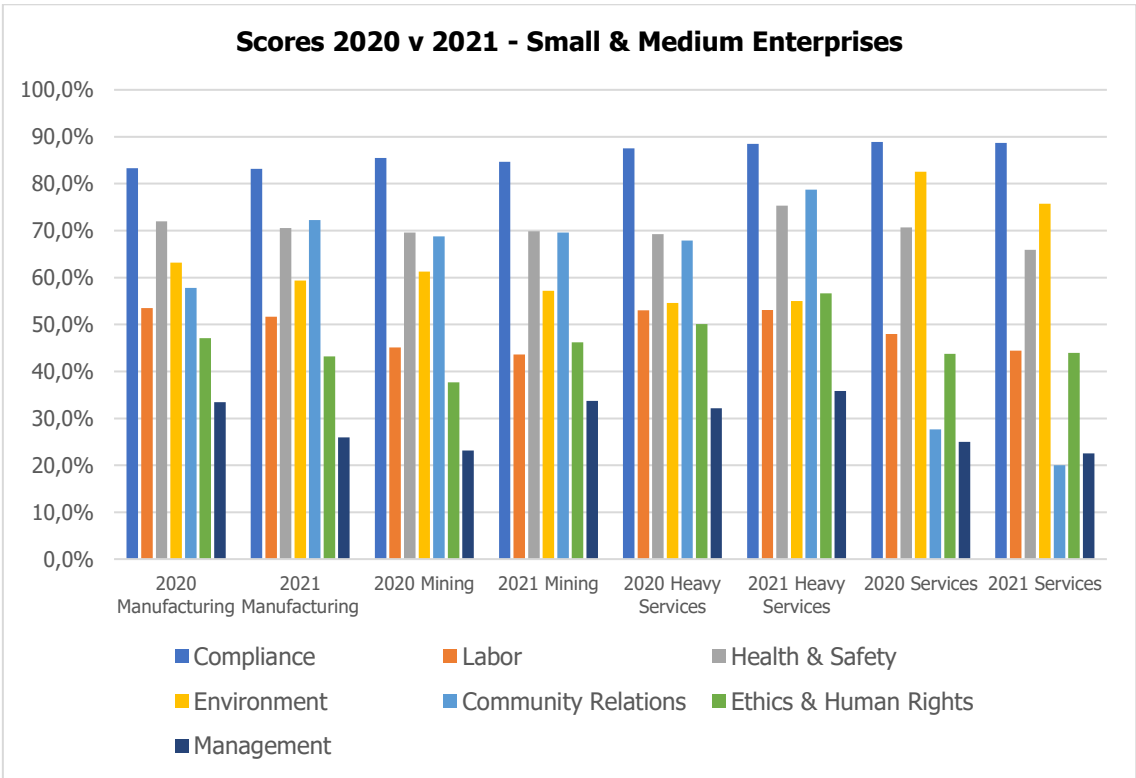
In general, the most critical dimensions, sectors and sizes, for which scores were below 30%, were: Community Relations in the Large Services Company sector (20%) and SME (17%); Management in the Large Services Company sector (17%) and SME (23%); and Management in the Manufacturing SME sector (26%).





It is only natural and to be expected that large companies are responsible for the highest scores in a program that assesses socio-environmental performance, in function of their more robust governance and more structured processes. However, the progress of the performance of small companies is of utmost importance and illustrates the role of the GFD Program in developing these participating companies.

Below is a graph comparing the scores for SME’s in 2020 and 2021:



As can be seen in the graph above, the Manufacturing sector saw a fall in the scores across most dimensions, especially in the Management dimension, where it decreased by 7.5 percentage points (a fall of 22.4%). However, in Community Relations, there was an increase of 14.5 percentage points (a 25.1% improvement). As with Manufacturing, the Services sector saw a fall in most dimensions, and in the Community Relations dimension in particular, which saw a drop of 7.6 percentage points (27.6%).

The Mining sector maintained an average score similar to that recorded for 2020, with the Ethics and Human Rights dimension a notable exception, with an increase of 8.5 percentage points (22.7%). The Heavy Services sector saw an increase in scores across all dimensions, in particular in Health and Safety, Community Relations, and Ethics and Human Rights, which showed percentage increases of 8.8% (6.1 percentage points), 16% (10.9 percentage points) and 13.1% (6.6 percentage points), respectively.

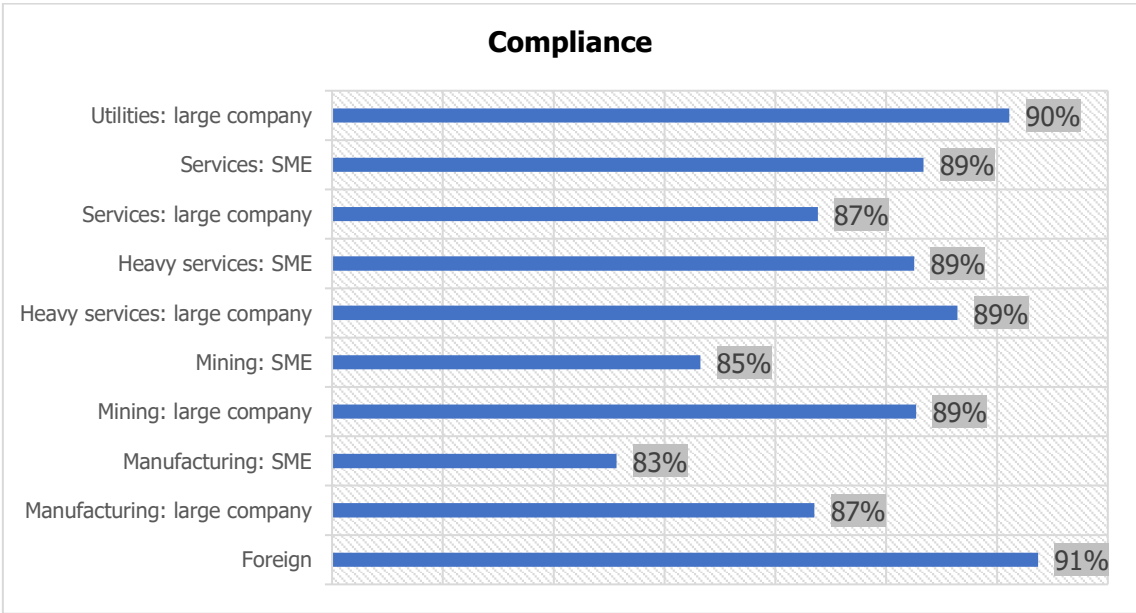
The main results for 2021 are presented below for each of the dimensions of the GFD:



**COMPLIANCE**

With the Compliance dimension, for a supplier to perform well, it is necessary to comply with all the legal obligations that apply to the organization, with no issues pending with the relevant bodies. As part of the audits, the titles, documents and certificates that prove the supplier is in compliance with each of the applicable laws are requested.

As seen above, the questions related to Compliance are those that, historically, have been most closely followed by GFD participants (92.1% adherence, on average, in 2021). Even with a good average performance in this category, in 2021, 27 suppliers (13% of the total participating suppliers) reported some form of item pending. The majority of the companies with issues pending did not have a Federal (13 companies) or State (8 companies) Debt Clearance Certificate. 7 suppliers did not have a Fire Department Inspection Report. 1 supplier did not have an Operating License and 1 supplier did not have an Environmental License. Many suppliers attribute pending issues with labor and tax regulations to the economic crisis generated by the pandemic. In addition, respondents reported that difficulty in obtaining and/or renewing licenses and other documentation was due to social isolation measures, which caused delays to audits and to the issuance of documents by the bodies responsible. Dexco continually reiterates the importance of compliance with legal obligations on the part of its suppliers as an aspect that is fundamental to the sustainable management of its business.



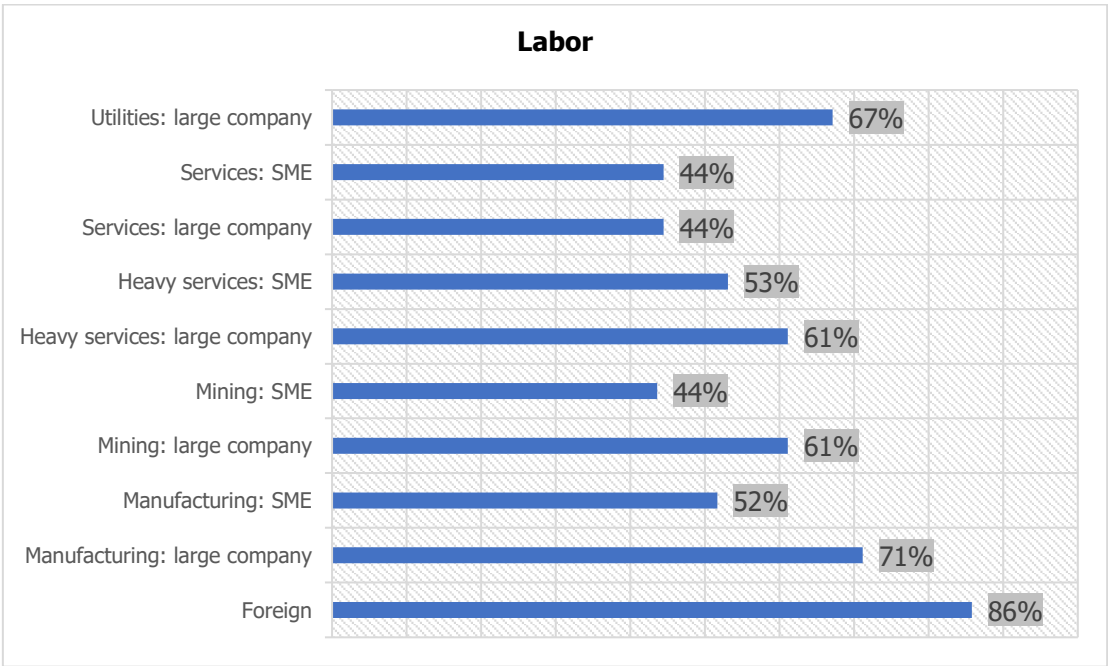




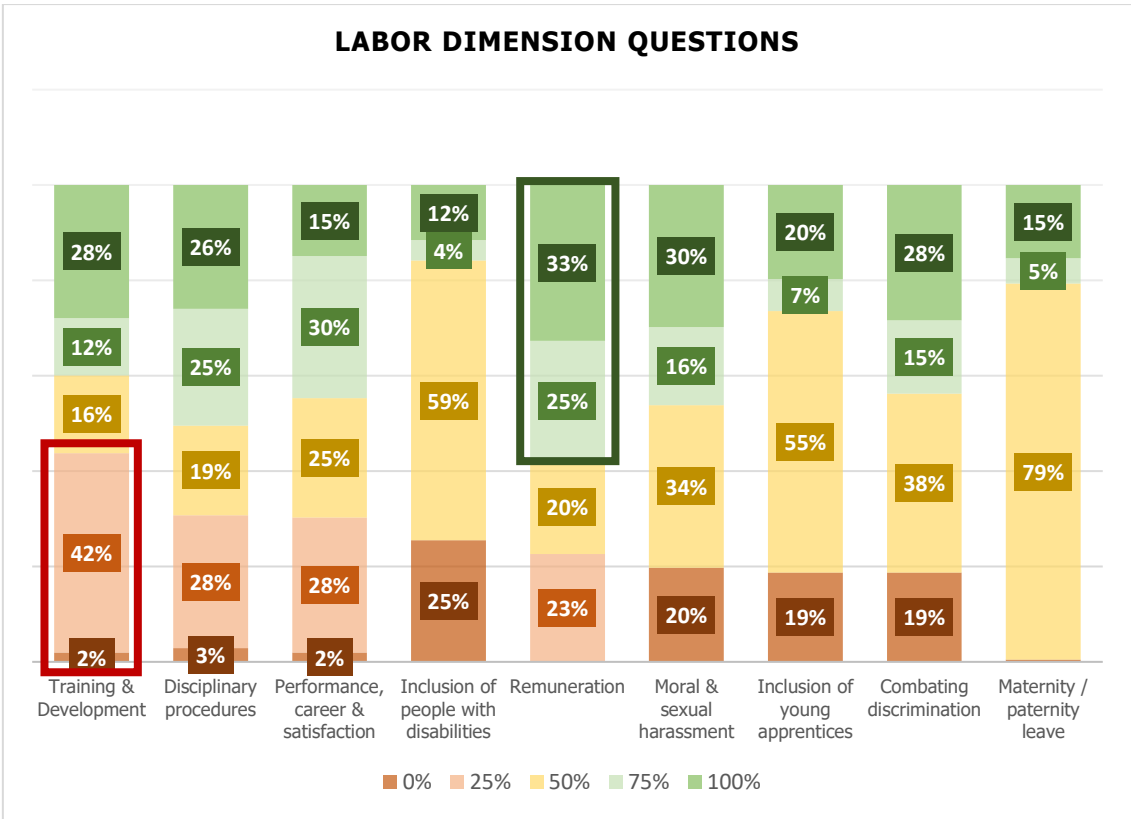
**LABOR**

The Labor dimension under GFD is analyzed using nine questions that cover the way suppliers ensure healthy working conditions and employee relations in an environment that values the safekeeping and development of employees, including:

- Remuneration and benefits offered;
- Performance assessment, career development and employee satisfaction;
- Training and development programs and activities;
- Hiring and development of young apprentices;
- Inclusion and development of people with disabilities;
- Initiatives that support flexible conditions for return to work following maternity / paternity leave;
- Actions aimed at combating moral and sexual harassment in the workplace;
- Actions aimed at combating discrimination in the workplace;
- Ensuring that disciplinary procedures are fair and agreed in advance.



The chart below shows the distribution of scores for each of these questions, with a range of scores between 0% (when the company has no practices related to the topic), and 100% (when the company reports robust, high quality initiatives ). For example, on the topic of moral and sexual harassment, 30% of the companies assessed received the maximum score, while 20% of companies received a score of zero.



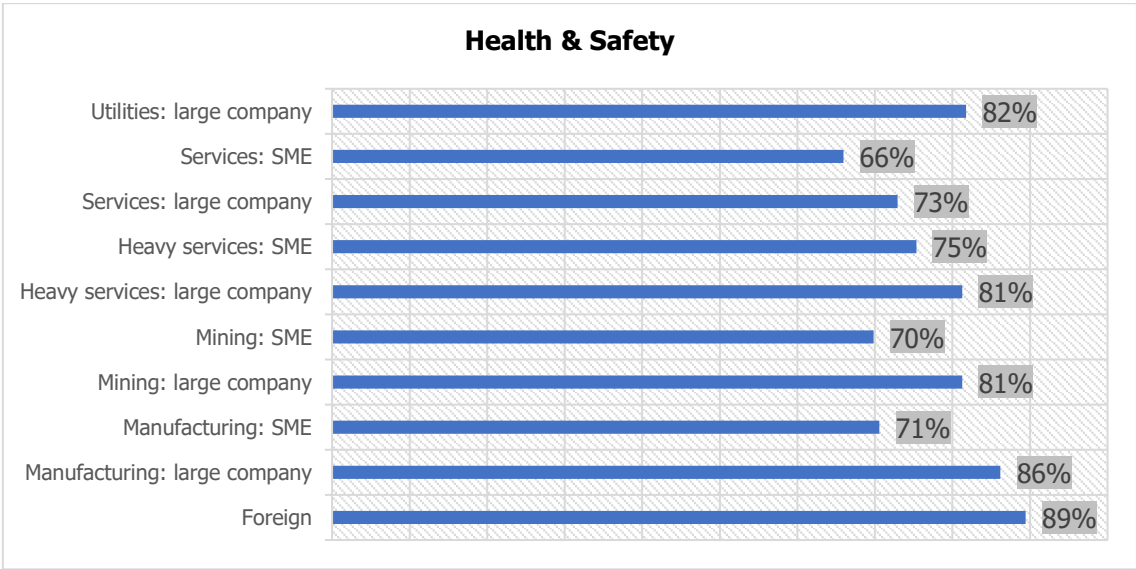
The chart also highlights the question with the lowest score, that is, the one for which the greatest number of companies reported either having no practices related to the topic or that their practices were incipient or unstructured – a performance index of 0% or 25%; and the question with the highest score, that is, the one for which the greatest number of companies reported they have advanced practices related to the topic – a performance index of 75% or 100%. It can be seen from the chart that many companies do not have structured training and development programs for employees.

On the other hand, the question that showed the highest rate of adherence was related to remuneration practices, since many companies assessed seek to offer salaries or benefits that exceed the market average, in order to attract the best professionals. It should be noted that the level of adherence to this indicator has progressed, in recent years, from 40% in 2017 to 73% in 2019. However, in 2020 and 2021, it fell back to 64% and 58.4%, respectively, which directly reflects the financial difficulties some companies have reported arising from the Covid-19 pandemic.

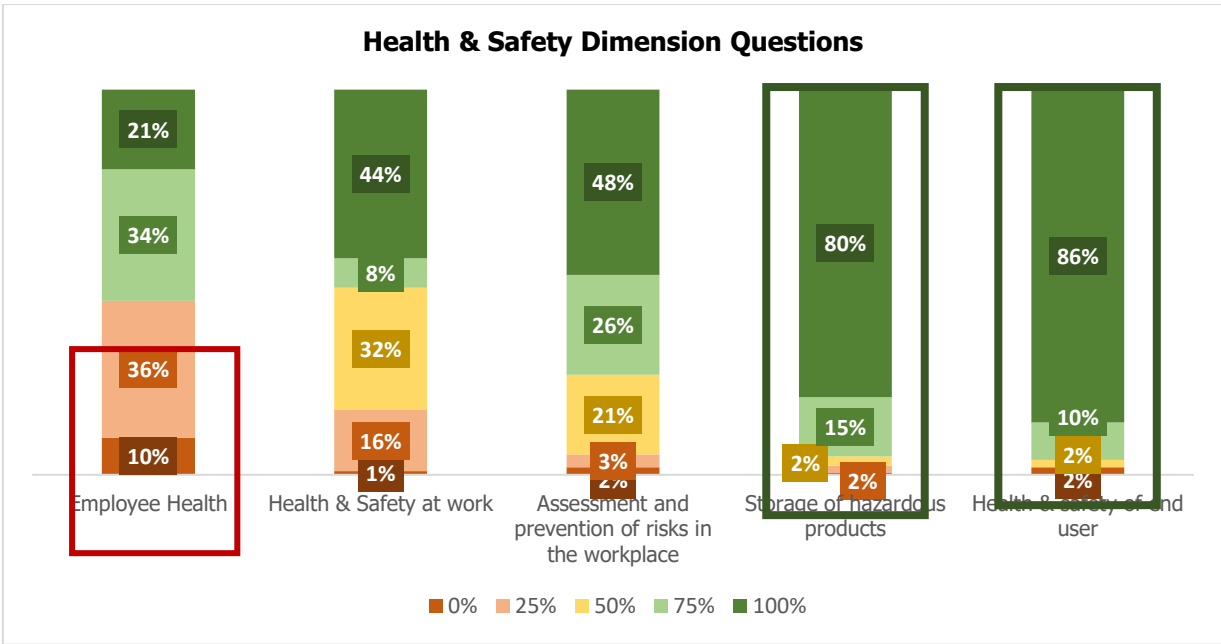


**HEALTH & SAFETY**

This dimension assesses specific questions around occupational safety and compliance with Labor Regulatory Norms (NRs, in Portuguese). Other questions cover the promotion of employee health, risk prevention in the workplace, the storage of hazardous products, and the health and safety of those using the products or Services offered (including product labeling, where applicable).



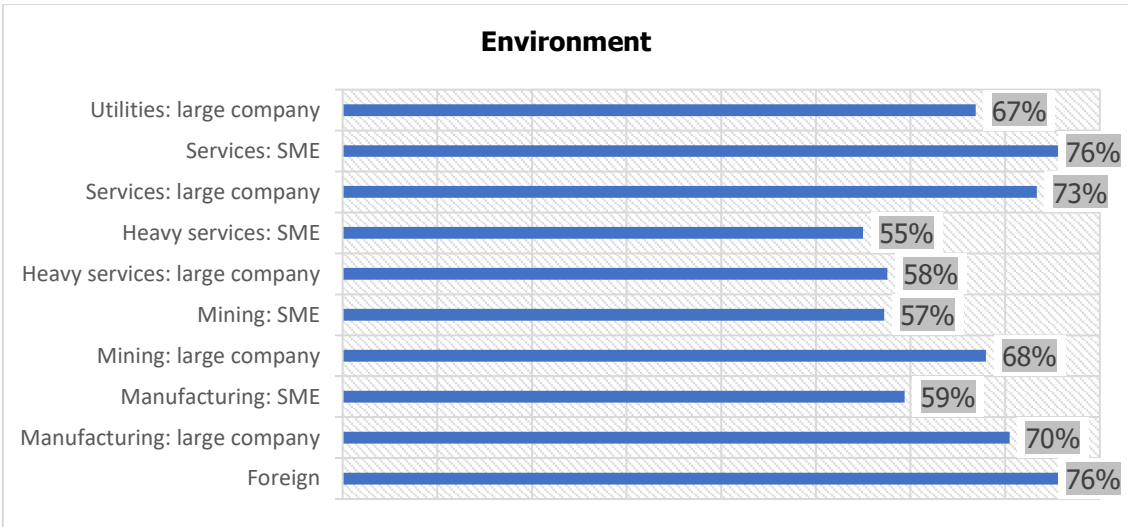
Supplier performance with respect to Health and Safety issues has shown considerable improvement, going from 77.3% in 2020 to 80% in 2021. This year all the participating suppliers showed adherence in excess of 50%, with the poorest performing indicator being the promotion of employee health, for which 46% of respondents reported not having any practices related to the topic. On the other hand, the question regarding the health and safety of clients using the products achieved 96% adherence, mainly because this issue does not apply to most suppliers. Another area to highlight is the storage of hazardous products, which is highly regulated in many sectors, with there also being a specific NR on the subject (NR 32). Historically, this topic has received the highest number of positive responses, and this year the adherence rate reached 95%.



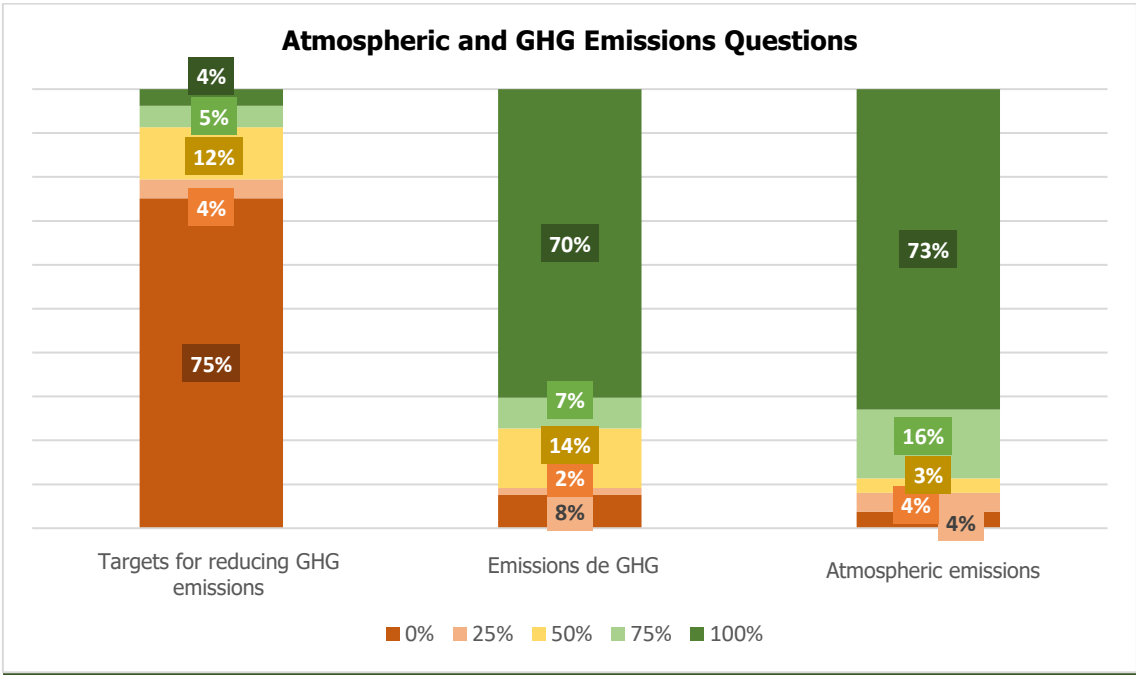
**ENVIRONMENT**

For the Environment dimension of the GFD Program, the following topics are covered:

- The presence of an environmental management system;
- Incidence of environmental infractions or complaints;
- Waste disposal management (initiatives and reduction target);
- Water (access to the quality and quantity of water needed, level of consumption, targets for reducing consumption, discharge of effluent and incidence of significant spillage);
- Energy (access to the quality and quantity of energy needed, level of consumption, targets for reducing consumption, energy sources);
- Atmospheric emissions;
- GHG Emissions (initiatives and targets for reducing emissions);
- Noise;
- Biodiversity (impact of the operation on biodiversity and conservation activities);
- Use of renewable or recyclable raw materials,
- Initiatives for recycling products and packaging;
- Environmental provenance of wood (in the case of sectors that use native wood);
- Freight efficiency (for the transport sector);
- Energy Efficiency, electricity source, initiatives aimed at energy conservation (in the case of the energy sector);



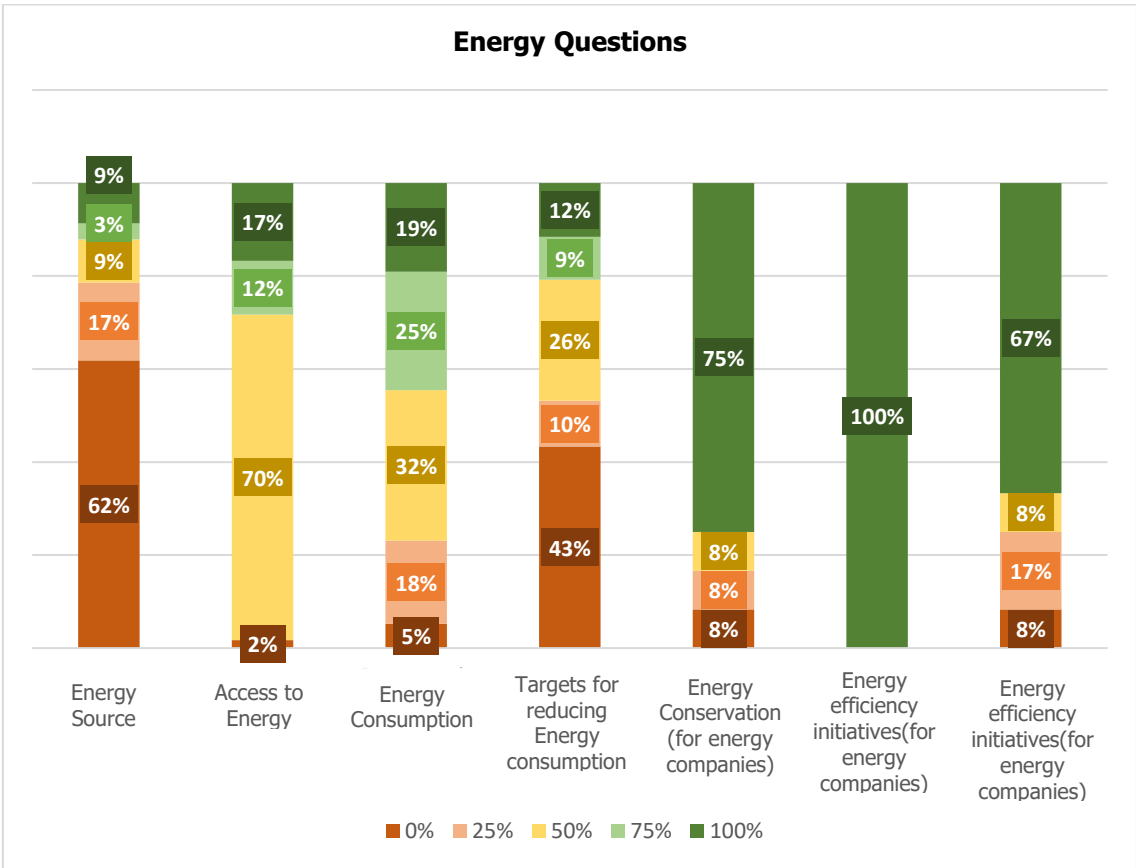
Of the 26 topics analyzed under the Environment dimension, the indicator with the worst result was the one referring to having GHG emissions targets, since 75% of suppliers reported not having such targets. But this was a better result than in 2020 (when 83% of companies reported not having them). In addition, 4% of suppliers reported having targets but not achieving them the previous year. Only 38 companies, or 21% of the total, reported meeting or exceeding their targets. On the other hand, 77% of companies stated that they carry out a GHG inventory, which demonstrates that, although companies are concerned about emissions and seek to map and measure them, they are not setting concrete, ambitious goals to minimize the impacts. This topic illustrates the enormous challenge that exists in addressing climate issues in the country.



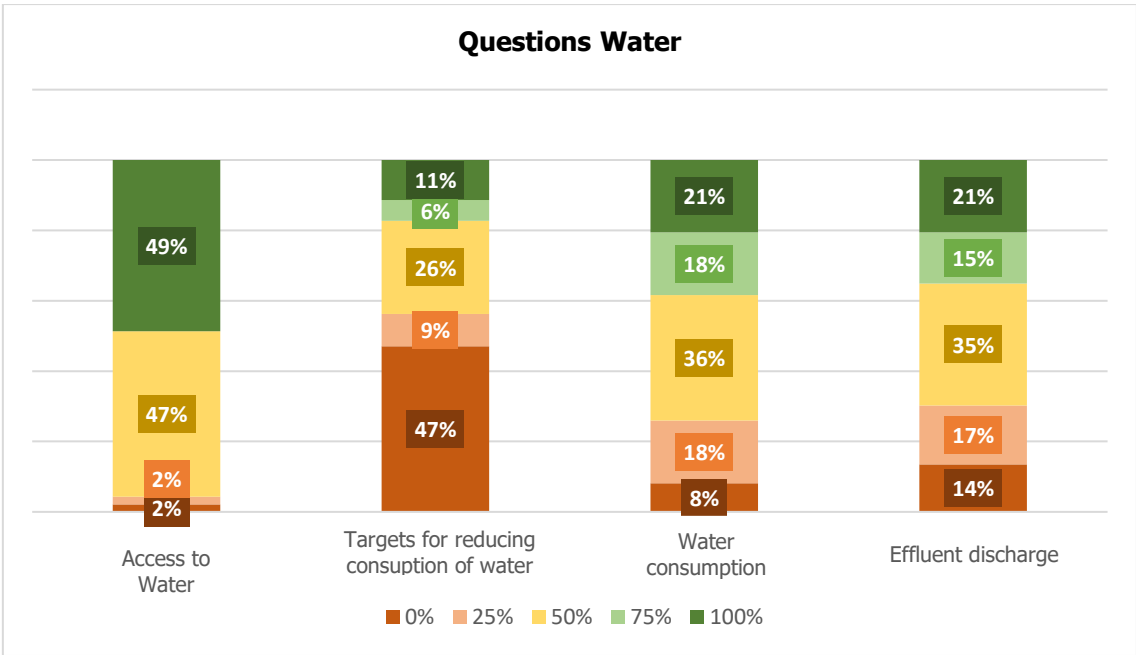


Regarding the topic of Energy, the question of Energy Source showed unfavorable results, with 79% of companies either unaware of renewable sources in their electricity grid, or reporting that such sources are equal to or below 50% of the total. This may highlight a lack of knowledge by companies on the subject, since renewable sources make up about 83% of the electricity grid in Brazil (65.2% hydro, 9.1% biomass and 8.8% wind), according to data from the National Interactive Energy Balance. This also illustrates the importance of training suppliers to correctly fill out the form. In addition, 43% of companies said they did not have targets related to energy consumption, while 10% said they had targets but failed to achieve them in the last year.

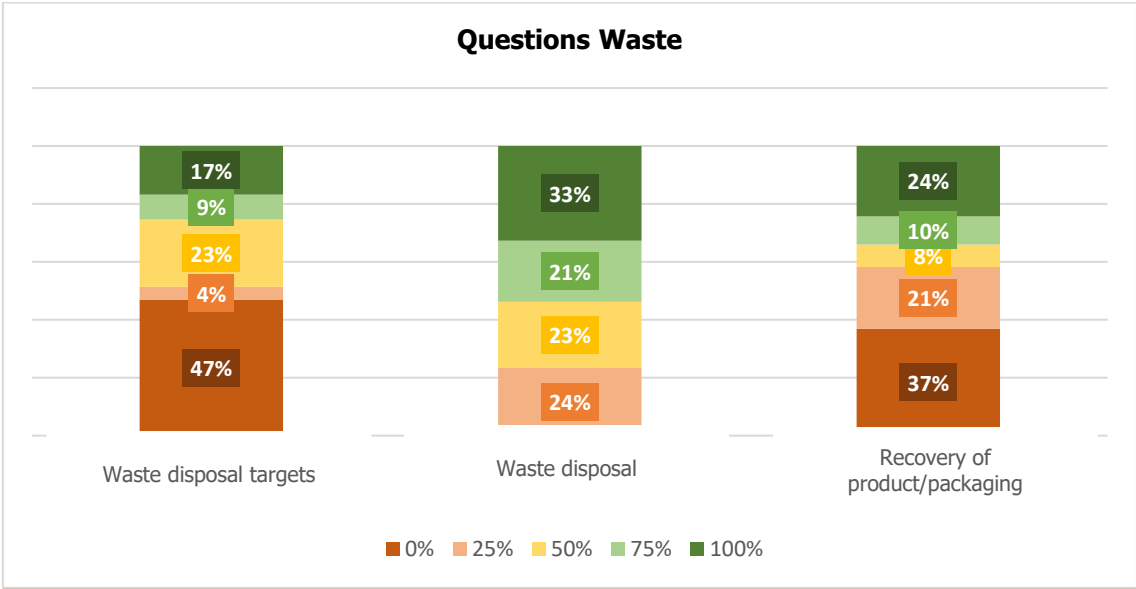
A relevant statistic is the commitment of energy companies to energy efficiency initiatives, with 100% of these suppliers reporting that they take actions to reduce technical and commercial losses.



With respect to water utilization, 74% of suppliers reported monitoring and managing water consumption. Despite this, 47% of suppliers have not set goals to reduce consumption, suggesting a lack of commitment to reducing the use of water resources.



For the questions related to waste management, 100% of companies reported that they dispose of waste correctly and, depending on their category, 76% said that they had a waste separation program. On the other hand, 47% of companies reported not having any waste reduction targets for their operation.

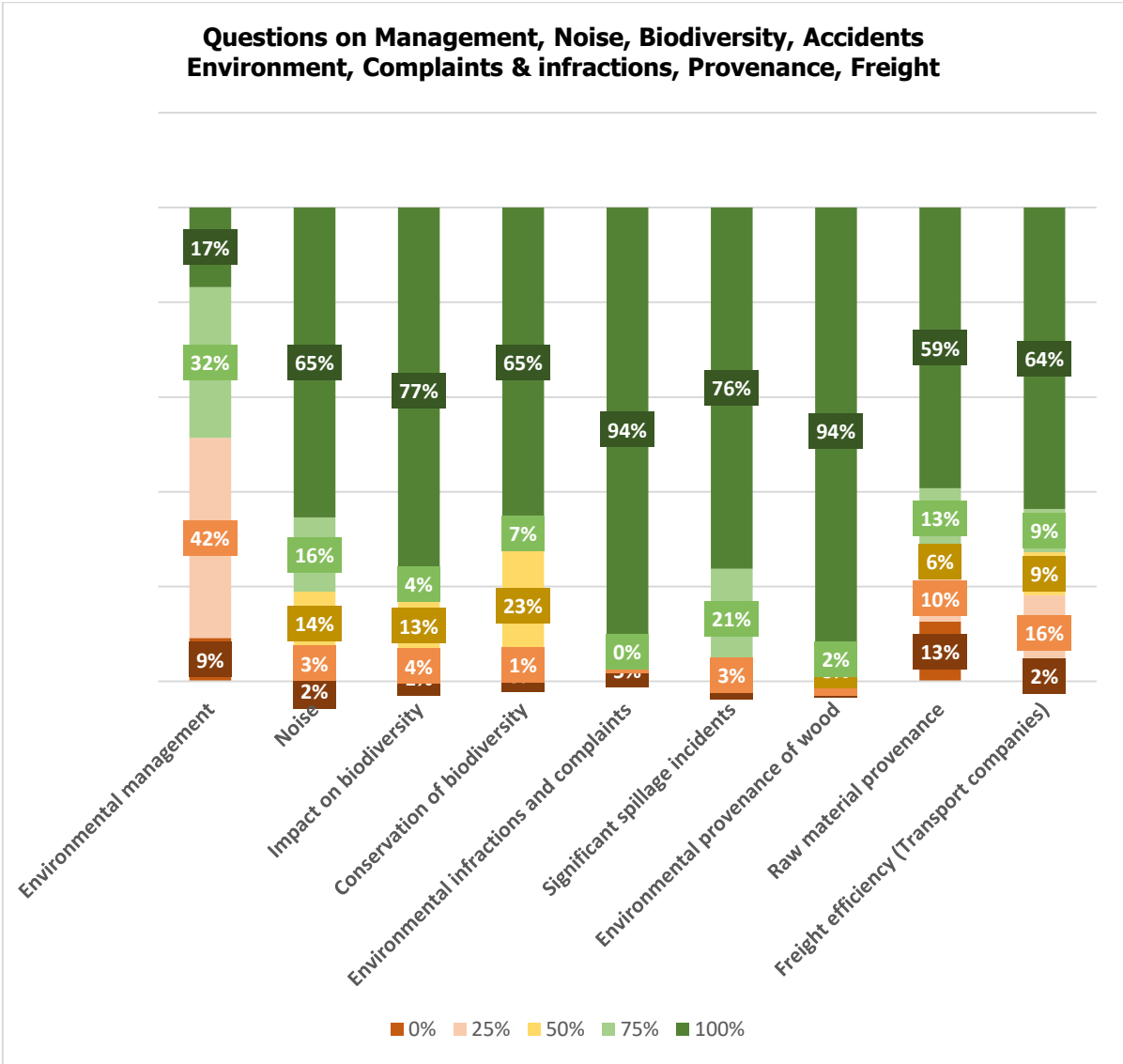


There are some other points of note regarding environment-related topics. 9% of companies reported not having a structured environmental management program, while 42% do not have a structured program but say they carry out periodic environmental actions. On the other hand, most companies (97% of respondents) recorded a strong performance with respect to the





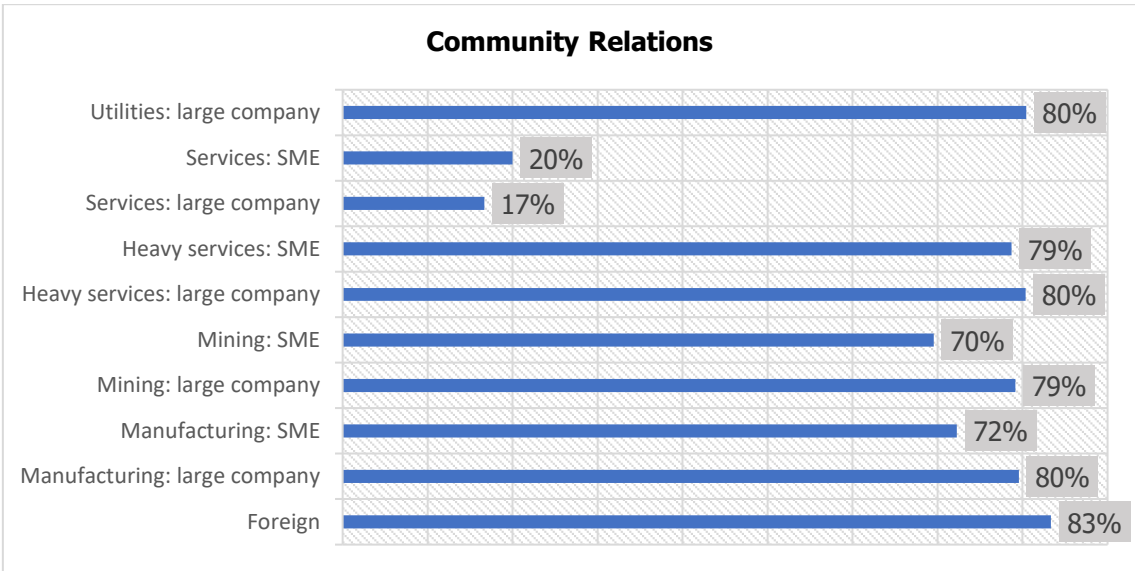
incidence of significant chemical or effluent spills, reporting zero critical incidents over the last 12 months. Given this type of incident is closely regulated by environmental agencies and can incur fines or sanctions, companies naturally manage this issue more carefully. Similarly, the item that assesses the incidence of environmental infractions and complaints also scored a 94% rate of compliance, illustrating the low number of environmental problems reported. The strong commitment of suppliers to biodiversity issues should also be mentioned. This stems partly from it being an issue that is closely monitored by environmental agencies, and partly from the issue not being applicable to some of the companies participating.





**COMMUNITY RELATIONS**

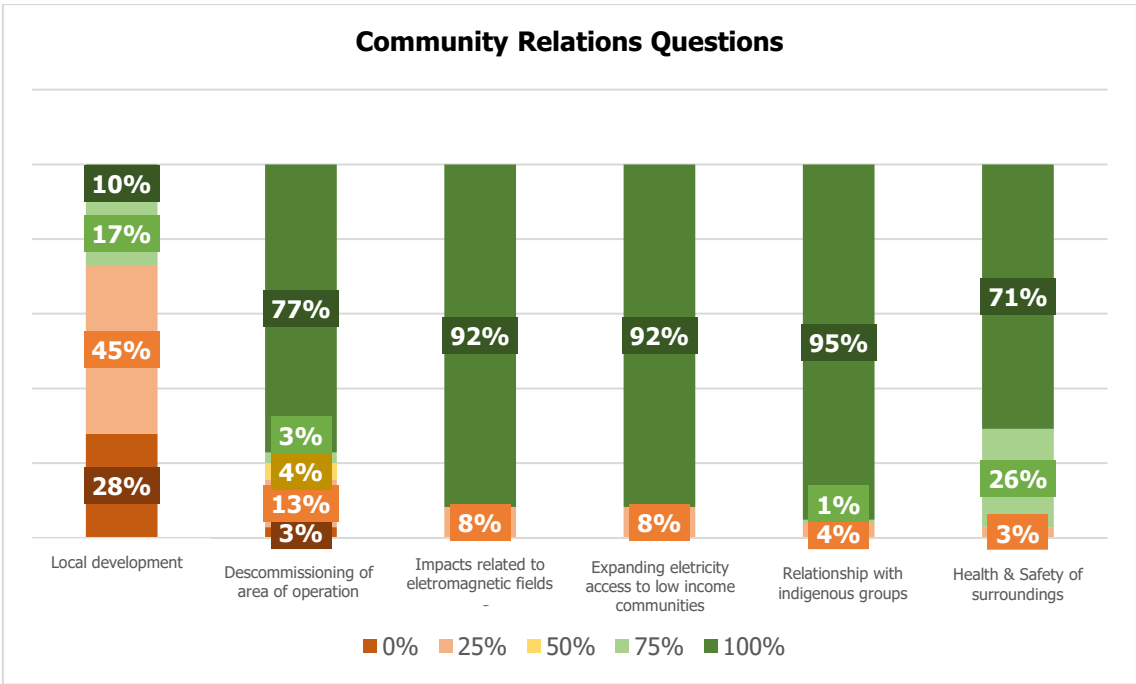
With respect to relations with surrounding communities, across the sectors, there has been an average score of 82%, representing considerable progress since 2020, for which the average score was 66%. This demonstrates a greater commitment by suppliers to the topic.



Maintaining a transparent, respectful relationship with the communities in the vicinity of operations, and the direct or indirect participation of the company in resolving local social and environmental problems make up part of this dimension, which covers the following themes:

- Social programs or initiatives aimed at local socio-environmental development;
- Initiatives safeguarding and promoting the health and safety of the local surroundings;
- Relationships with indigenous people and traditional communities that inhabit the region in which the operation is located;
- Presence of a decommissioning plan for the area that considers not only environmental aspects but also actions aimed at the economic/tax independence of the region (in the case of mining companies);
- Identification and management of health risks associated with exposure to electromagnetic fields, as well as initiatives focused on expanding access to electricity for low income communities (in the case of the energy sector).

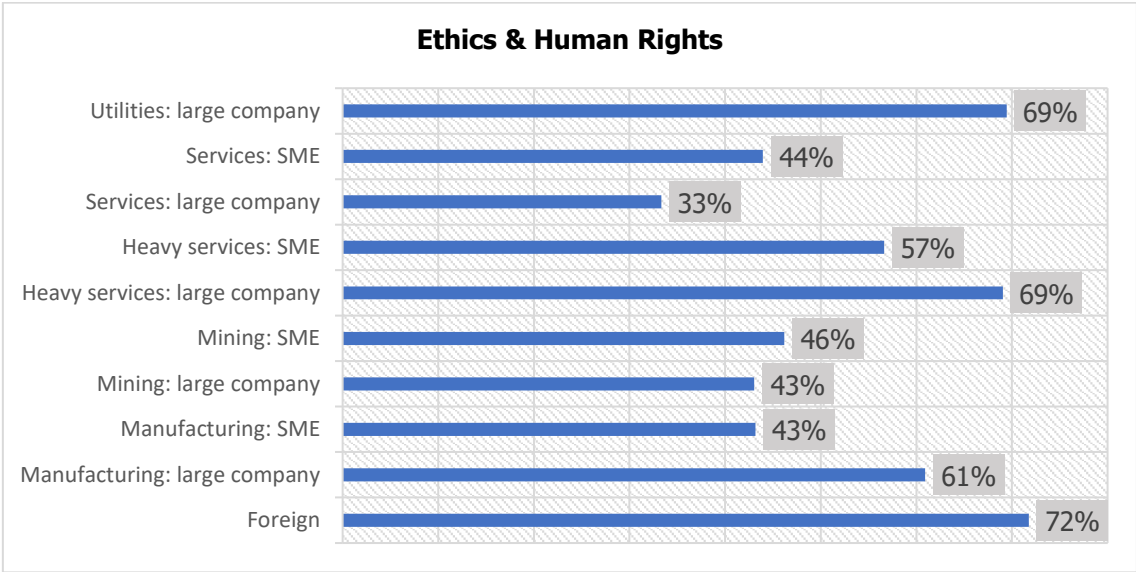
As with previous years, formal initiatives aimed at developing the local communities, in general, are rare for most of the suppliers evaluated. The companies that do pursue this area (56 suppliers) are mostly large companies that have structured social responsibility programs or volunteer development programs working alongside local communities. On the other hand, the indicator for promoting the health and safety of surrounding communities scored 97%, which makes it the highest-scoring indicator.



**Ethics & Human Rights**

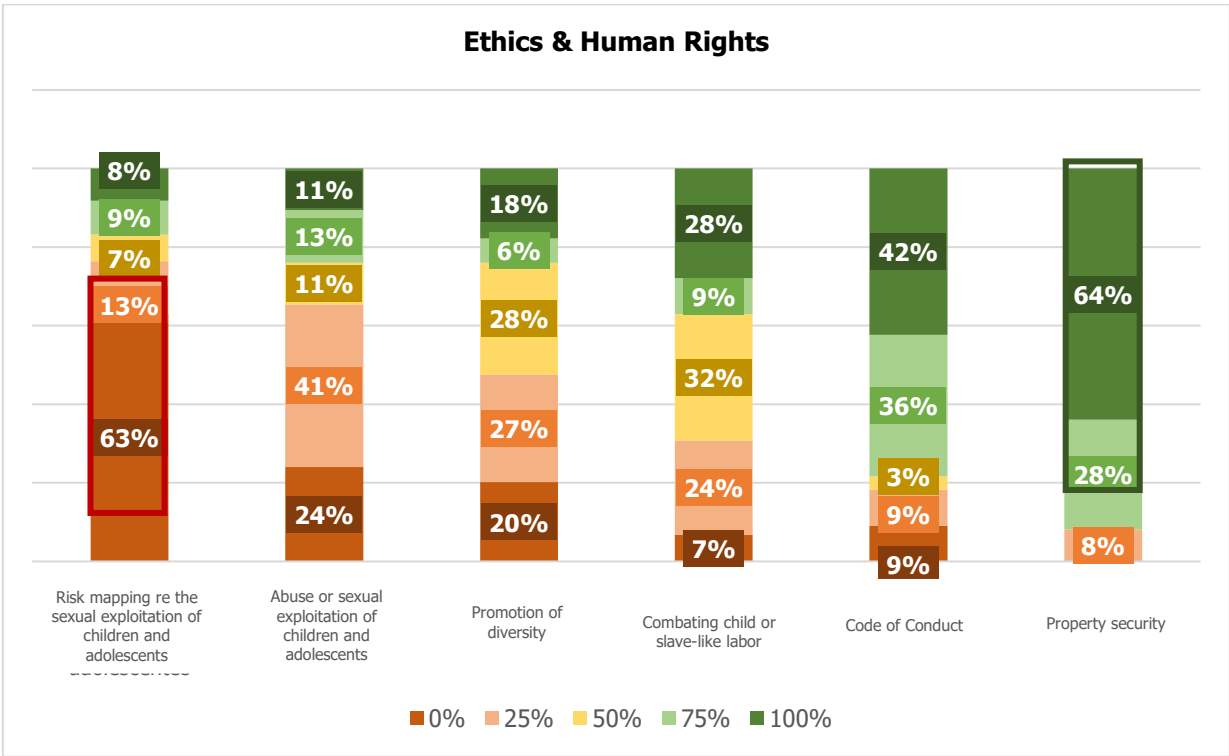
The Ethics & Human Rights dimension of the GFD covers the following topics:

- Presence of a Code of Conduct;
- Actions to combat child labor or slave-like conditions;
- Program or initiatives that promote diversity;
- Actions that combat the exploitation of children and adolescents;
- Risk mapping of the sexual exploitation of children and adolescents in operations throughout the value chain;
- Security of property and human rights.





The average score for this dimension was 54%, which was similar to last year’s score of 55%. Among the topics covered, few companies reported mapping and monitoring the probability of potential risks regarding the sexual exploitation of children and adolescents in their operation and throughout their value chain (17% of the total, which is the same as for the last three years), with 76% of respondents saying they do not carry out any type of mapping in this regard and 7% saying they only map the risks within their operations. In 2020, 71% said they did not map these risks, which highlights the need to raise the profile of this issue and how it still represents a major challenge for Brazilian companies. On the other hand, 92% of respondents reported that their properties are guarded by a private security team (in-house and/or outsourced) fully trained and up to date with respect to human rights and the use of force. Meanwhile, 81% reported having a Code of Conduct.

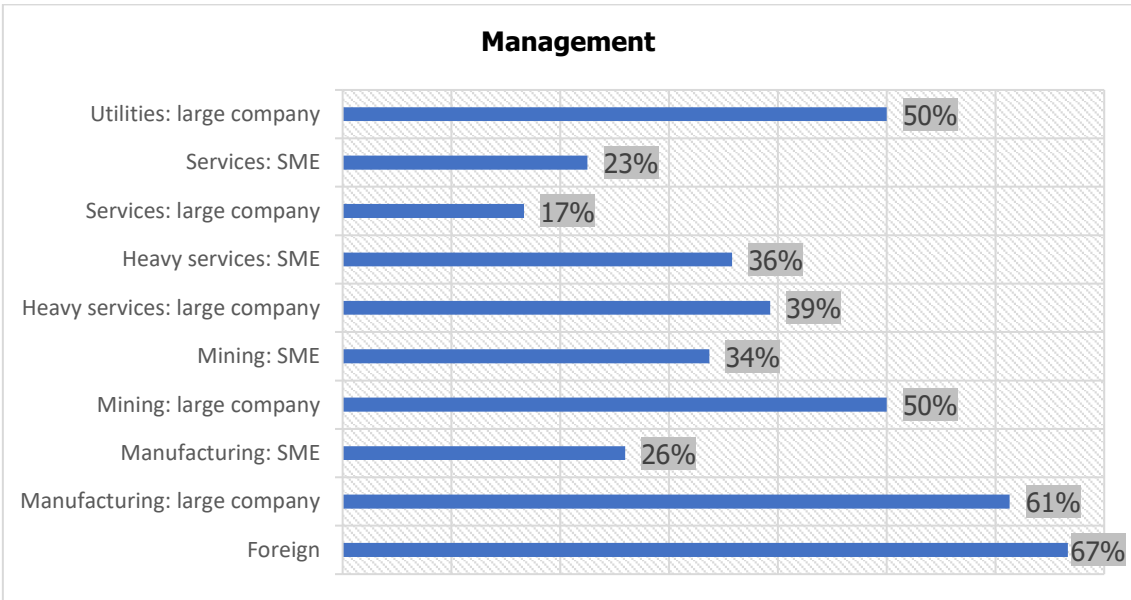




**Sustainability Management**

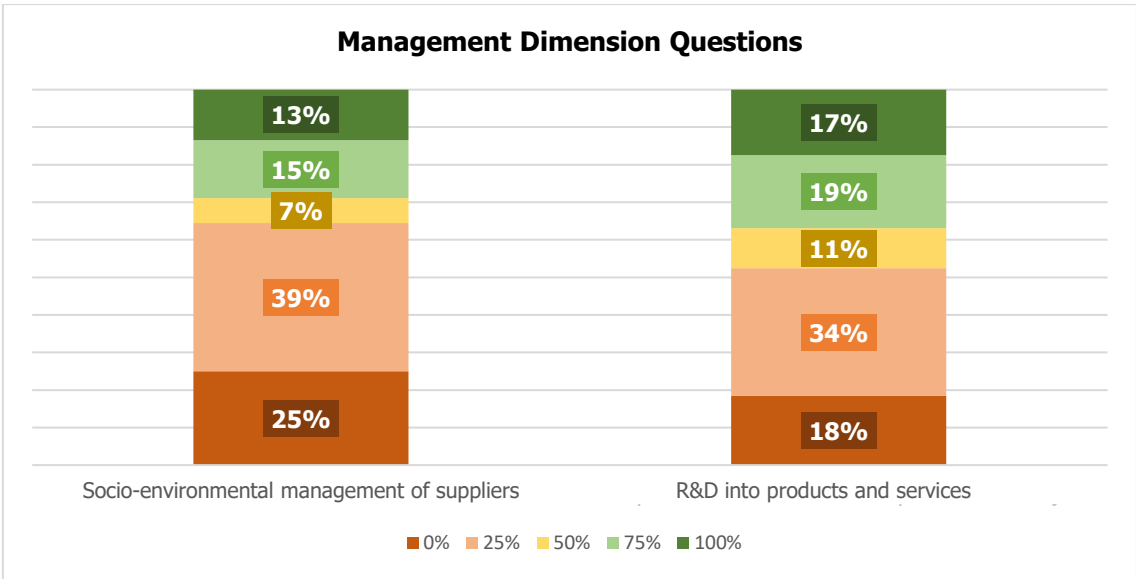
This dimension covers only two questions, with two sub-questions:

- The socio-environmental management of suppliers, that is, the extent to which the company has initiatives that seek to incentivize its suppliers to adopt sustainable practices in its business (e.g. including socio-environmental clauses in contracts, soliciting documents showing compliance, carrying out external audits etc.). Should the company reply in the affirmative, there are two follow-up questions:
- Criteria for identifying suppliers who are critical to the company
- Types of initiative for assessing the company's critical suppliers
- Initiatives or programs aimed at the research and development of products and services.



Sustainability Management continues to be the lowest scoring indicator (46% on average for all the sectors covered), with little progress recorded over the last three years (46% in 2019 and 43% in 2020).

Both questions scored a median evaluation, as the majority of companies reported not having any initiatives in this area, or only periodic activities, and in the case of the socio-environmental management of suppliers, the score was lower (25% of respondents reported not having any type of initiative in this area). It is worth highlighting Dexco's commitment to encouraging its suppliers to promote sustainability in their own value chains, ensuring sustainable operations throughout the chain.



With respect to companies that reported having some type of action with suppliers:

Criteria for identifying suppliers critical to the company:	Types of initiative for assessing the company's critical suppliers:
A. The company doesn't assess the criticality of its suppliers <b>56 suppliers</b>	A. The company doesn't have initiatives for assessing critical suppliers <b>54 suppliers</b>
B. Spending with the supplier <b>58 suppliers</b>	B. Send self-assessment questionnaires <b>59 suppliers</b>
C. Number of annual transactions with the supplier <b>48 suppliers</b>	C. Periodic on-site visits to critical suppliers, when the need is identified <b>89 suppliers</b>
D. Type of contract <b>66 suppliers</b>	D. Periodic on-site visits to critical suppliers <b>42 suppliers</b>
E. Importance to the business of the product / service offered <b>113 suppliers</b>	E. Initiatives for developing suppliers on strategic topics <b>55 suppliers</b>
F. Socio-environmental impact of the sector of operation <b>68 suppliers</b>	F. Recognition of suppliers that excel against predefined criteria <b>61 suppliers</b>

**MOST CRITICAL QUESTIONS IN THE DIMENSIONS ASSESSED**

The table below shows the questions that highlight the biggest performance gaps:

Question	#N/A	0%	25%	50%	75%	100%	Below 50%	Dimension
Regarding greenhouse gas (GHG) emission reduction targets, which alternative best describes the company's practices (be they absolute or relative targets):	23	139	8	22	9	7	<b>79.5%</b>	Environment
With respect to the energy sources, which alternative best describes the company's practices:	35	107	29	16	6	15	<b>78.6%</b>	Environment
With respect to the mapping and monitoring of the probability of the risk of sexual exploitation of children and adolescents in your operation and your value chain, which alternative best describes the company's practices:	0	131	28	14	18	17	<b>76.4%</b>	Ethics & Human Rights
With respect to protecting the rights of children and adolescents, and their facing abuse or sexual exploitation, which alternative best describes the company's practices:	0	50	86	22	28	22	<b>65.4%</b>	Ethics & Human Rights
With respect to local development, which alternative best describes the company's practices:	0	58	94	0	35	21	<b>73.1%</b>	Community Relations
With respect to the socio-environmental management of suppliers, which alternative best describes the company's practices:	0	52	82	14	32	28	<b>64.4%</b>	Management
With respect to compliance with the General Data Protection Regulations or with the Privacy & Data Protection Law applicable in the supplier's respective country (if foreign), which alternative best describes the company's situation:	0	75	47	23	32	31	<b>58.7%</b>	Compliance
With respect to the recovery of products / packaging, which alternative best describes the company's practices:	105	38	22	8	10	25	<b>58.3%</b>	Environment
With respect to targets for reducing water consumption, which alternative best describes the company's practices (be they absolute or relative targets):	23	87	17	49	11	21	<b>56.2%</b>	Environment
With respect to targets for reducing the consumption of energy, which alternative best describes the company's practices (be they absolute or relative targets):	35	75	17	45	16	20	<b>53.2%</b>	Environment





With a view to driving the continuous improvement of the GFD Program, for the 2022 cycle, it is suggested that suppliers get involved with development programs and activities related to the following topics.

**Environment and Sustainability:** given that 5 of the 10 questions that showed the lowest levels of engagement relate to the Environment dimension, it is important that suppliers understand more about the topic and its importance to Dexco's supply chain. A focus on the topics that showed less adherence to the GFD program is recommended. These were: greenhouse gas (GHG) emission reduction targets; energy sources; recovery and recycling of products and packaging; targets for reducing water consumption; and targets for reducing energy consumption.

**Combating the sexual abuse of children and adolescents:** given the low level of engagement in the two issues related to mapping, and the practices needed for combating the sexual exploitation of children and adolescents in the operation and in the supply chain, it is important to raise awareness among suppliers regarding the importance of this topic, as well as to encourage programs that help combat exploitation, such as the *Na Mão Certa* program, for example.



**BEST SUPPLIERS 2021**

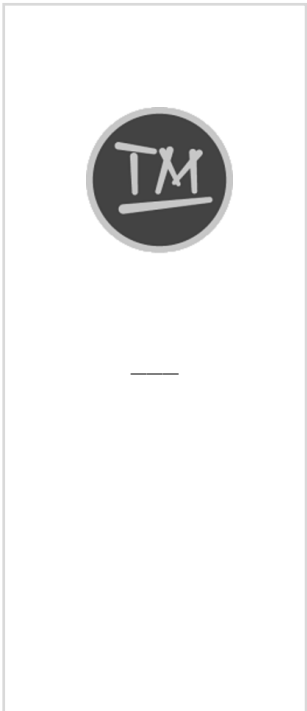
Every year, Dexco recognizes suppliers who have demonstrated outstanding business practices, identified during visits carried out as part of the GFD Program. The Best Suppliers Award seeks to recognize the suppliers that stood out in their sector of operation (split between SME and Large Companies), as well as the suppliers most engaged with their action plans and with their progress with the GFD Program.

This recognition seeks to value the progress suppliers have made in incorporating sustainability practices into their businesses, and in inspiring other companies to adopt similar actions.

In 2021, for the second consecutive year, it was not possible to hold the awards event for suppliers, due to the health restrictions arising from the pandemic. However, all of suppliers recognized received a commemorative trophy, while in February 2022 videoconferences were held with each of the suppliers for the purpose of recognizing the good practices implemented.

See below for the list of suppliers that stood out in 2021 in each of the segments covered, together with their main achievements:

Manufacturing (Large Company):  
**TERMOMECANICA SAO PAULO SA**  
**Score: 9.12**



Achievements:

- Quality: holds certification for ISO 9001, ISO 14001, ISO 50001, ISO 17025, ISO 45001 and AS 9100;
- Transparency: publish a Sustainability Report each year, containing financial information and the achievement of socio-environmental targets;
- Training & Development: hold training activities for employees developed by the Corporate University;
- Local Development: has a private social investment strategy coordinated by Salvador Arena Foundation, which from 2022 will be restructured and have the goal of building one school per year in a region of high social vulnerability;
- Energy Efficiency: has a target to produce its own energy by 2024;
- Supplier Management: runs a management program focused on identifying the origin of scrap purchased by the company, as well as approving all suppliers, with audits of those suppliers considered critical



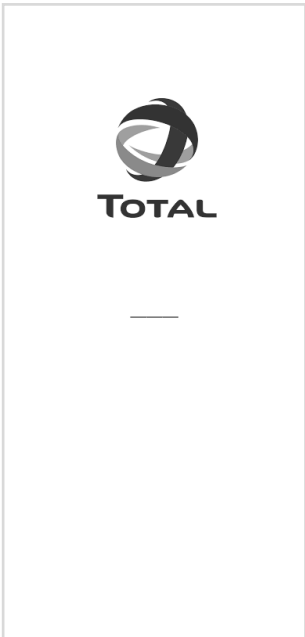
Manufacturing (Small and Medium Enterprise):  
**FUTURAGRO DISTRIBUIDORA DE INSUMOS**  
**Score: 7.69**



Achievements:

- Compliance: has robust policies covering different topics of interest, as well as a Code of Conduct for employees, clients and suppliers.
- HR Management: received the Great Place to Work certification in 2021.
- Training & Development: has a Corporate University that trains and develops its employees.
- Emissions: carries out a carbon inventory and intends to set targets in 2022.
- GDPR: the Forest is in the process of implementing measures to meet the GDPR and all employees have received training on the topic. In addition, the Lavoro group has a Corporate Policy for Information Security and Cibernetics - CPISC.

Utilities and Mining (Large Company):  
**TOTAL BRASIL DIESEL COMERCIO**  
**Score: 8.96**



Achievements:

- Ethics & Integrity: has a robust structure and guidelines related to Compliance, including online training, an anonymous whistleblower channel, and a Code of Conduct for Suppliers;
- HR Management: has a career plan for all employees, a weekly mood survey, possible job rotation and a basket of additional benefits;
- Training & Development: has an agreement with English universities and schools for bestowing qualifications on employees;
- Socio-environmental management of suppliers: runs the PATROM program for supplier management, where the company carries out an annual assessment of approved suppliers against environmental, social, economic and governance aspects;
- Gas emissions: carries out an inventory of emissions and has set GHG reduction targets.



Utilities and Mining (Small and Medium Enterprise):

**SOC CAOLINITA LTDA**

**Score: 8.09**



Achievements:

- Quality: holds certification for ISO 9001 and is in the process of obtaining ISO 14001 certification (needing to resolve the items pending regarding the Operating License before finalizing the process);
- Compliance: a Code of Conduct and an Ethics Channel have been developed, based on recommendations made during previous cycles;
- Water efficiency: it has a closed water circuit, with treatment carried out by decantation, the water being recycled to the production process;
- Biodiversity: it has a seedling nursery and a management plan for replanting exotic species in the extraction areas. In addition, it voluntarily gives seedlings to the municipality;
- Community: it works with Community Sports, in addition to voluntarily supporting the improvement of roads and dirt trails in the region;
- Environmental management: for suppliers representing a high environmental risk, it reviews environmental documents and licenses, in addition to inserting contractual clauses.

Services and Heavy Services (Large Company):

**BUDEL TRANSPORTES LTDA**

**Score: 8.10**



Achievements:

- Quality: holds certification for ISO 9001, ISO 39001 and SASSMAQ;
- HR Management: carries out employee performance evaluation, recognizing and rewarding the highest performers;
- Environmental management: has effluent treatment and rainwater capture and a Solid Waste Management Plan;
- Gas emissions: the first emissions inventory was carried out in 2021. Starting in 2022, the company intends to set GHG reduction targets;
- Sexual exploitation of children and adolescents: in partnership with the *Na Mão Certa* Program, has promoted awareness among employees and third parties;
- Management of suppliers: has formal approval of suppliers, with an annual review of documentation and socio-environmental aspects.



Services and Heavy Services (Small and Medium Enterprise):

**FLORESTAL BARRA LTDA**

**Score: 9.66**



- Quality management: in early 2022, received ISO 9001, ISO 14001 and ISO 45001 certification;
- GFD Engagement: active participation of managers in the continuous improvement of the GFD Program, with annual reporting of actions carried out based on the Audit Recommendations Report;  
Supplier Management: uses a Supplier Assessment Form and carries out on-site audits of strategic suppliers (actions were implemented from GFD suggestions);
- Compliance: has a robust Ethics & Integrity structure, with a Code of Conduct disseminated to employees and business partners, as well as an Ethics Channel and an Ethics and Conduct Committee;  
Sexual exploitation of children and adolescents: ran an activity with the Federal Highway Police to map the highways used on the company's routes (actions implemented from a GFD suggestion)
- Local development: it has a Socio-environmental Program running both periodical and ongoing community support projects

Engagement with the GFD:

**TRANS CJ TRANSPORTE E LOGISTICA**

**Score Improvement: 5.64 > 7.29**



Achievements:

- Quality: holds SASSMAQ certification;
- Compliance: has a Code of Ethics, developed from GFD recommendations;
- HR Management: carries out performance evaluations for all employees and has an annual training plans;
- Sexual exploitation of children and adolescents: supports the *Na Mão Certa* Program 2022, based on the recommendations;
- Freight Efficiency: has a driver's manual that establishes good practices for more economical driving and, each month it assesses the distances covered (in kilometers) against the quantity of fuel consumed;
- Community: promotes free transport to serve the local needs of NGOs.