Welcome to your CDP Climate Change Questionnaire 2022

C0. Introduction

C0.1

(C0.1) Give a general description 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.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2021	December 31, 2021	No

C0.3

(C0.3) Select the countries/areas in which you operate.

Brazil

Colombia

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

BRL

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-AC0.6/C-FB0.6/C-PF0.6

(C-AC0.6/C-FB0.6/C-PF0.6) Are emissions from agricultural/forestry, processing/manufacturing, distribution activities or emissions from the consumption of your products – whether in your direct operations or in other parts of your value chain – relevant to your current CDP climate change disclosure?

	Relevance
Agriculture/Forestry	Both own land and elsewhere in the value chain [Agriculture/Forestry only]
Processing/Manufacturing	Both direct operations and elsewhere in the value chain [Processing/manufacturing/Distribution only]
Distribution	Elsewhere in the value chain only [Agriculture/Forestry/processing/manufacturing/Distribution only]
Consumption	No

C-AC0.6f/C-FB0.6f/C-PF0.6f

(C-AC0.6f/C-FB0.6f/C-PF0.6f) Why are emissions from distribution activities within your direct operations not relevant to your current CDP climate change disclosure?

Row 1

Primary reason

Other, please specify

Outside the scope of my organization

Please explain

Dexco does not operate the distribution of its own products hiring specialized companies for this service. The evolution of this emissions are assessed every year and calculated within our Scope 3.

C-AC0.6g/C-FB0.6g/C-PF0.6g

(C-AC0.6g/C-FB0.6g/C-PF0.6g) Why are emissions from the consumption of your products not relevant to your current CDP climate change disclosure?

Row 1

Primary reason

Analysis in progress

Please explain

Consumption includes the use of goods, waste disposal and end of life treatment of products sold by the organization, and, as Dexco's clients are not the final consumers of its products, we do not keep track of this information for now. However, we are

preparing a study that will focus on the disposal of our products after usage. This study will be carried out during 2022 and will provide important information that can be used in our future climate change disclosures.

C-AC0.7/C-FB0.7/C-PF0.7

(C-AC0.7/C-FB0.7/C-PF0.7) Which agricultural commodity(ies) that your organization produces and/or sources are the most significant to your business by revenue? Select up to five.

Agricultural commodity

Timber

% of revenue dependent on this agricultural commodity

40-60%

Produced or sourced

Both

Please explain

Wood division represented 58% of Dexco's revenue in 2021. Dexco is the largest producer of wood panels in Brazil and our planted eucalyptus forests in Brazil and Colombia guarantee the supply of our wood panelling factories. These forests are managed using responsible management practices and conservation of native areas. In 2021, Dexco celebrated 26 years of FSC (Forest Stewardship Council) certification for its forest management, as the first company in South America to achieve it. Our chain of custody is also FSC-certified, ensuring the traceability of all the wood (both certified and from other responsible sources) used in our factories to be traced to its origin. FSC license codes: FSC-C006042 (Brasil) e FSC-C109955 (Colômbia).

C0.8

(C0.8) 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

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	Dexco´s governance structure is composed of the Board of Directors, which establishes the strategic direction of the business, and the Executive Board. The Board of Directors is supported by six Committees that assess and address the most relevant aspects of Dexco´s administration. One of them is the Sustainability Committee. Dexco has a Sustainability Committee with Executives appointed by the Board. This Committee has in its structure an independent member of the Board of Directors as president, as approved in the Company Bylaws. The members and participants of the Sustainability Committee are: President, who is also a member of the Board of Directors; Specialist Consultant; An independent member; Members of the Board of Directors, including its Chairman; Chief Executive Officer; ESG Manager. Among the agendas, those referring to climate change are addressed and proposed by the chairman of the Committee, who is responsible for the negotiations and deliberations, also reporting to the Board of Directors. In 2021, the Sustainability Committee supported and approved, in conjunction with the Company's Executive Committee, the revisiting of Dexco's greenhouse gas emissions targets in accordance to the Science Based Target Initiative (SBTi). Those targets are part of our new sustainability strategy, also disclosed in 2021. Other important decision regarding climate change was the approval of a project aimed at assessing climate risks and their financial implications for the organization in the short, medium and long term. This project was supported by the Sustainability Committee, Risk Committee and Executive Board. The analysis showed that Dexco's currently percentage of adherence to the TCFD is 67%. The project will be finished by 2022, having as major outputs actions plans aimed at increasing our adherence to TCFD and the matching of climate risks with Dexco's risk scorecard. In 2021, the ESG executive management was created, encompassing the Sustainability and Social Responsibility area.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are	Governance mechanisms into	Please explain

a scheduled agenda item	which climate-related issues are integrated	
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Dexco's ESG Policy states how climate change issues are relevant for the Company (item number 9 of the Policy: "Constantly map and assess the business' risks, vulnerabilities and opportunities in the face of climate change, act to mitigate greenhouse gas emissions and adopt adaptation mechanisms to their impacts"). As an organization committed to ensure the sustainable development of its business, Dexco has an ESG executive management, which encompasses the Sustainability and Social Responsibility areas. Environmental management of our productive activities involves the periodic reporting of performance indicators, which cover our main results in water and energy efficiency and management of materials, waste and emissions. These results are used as foundation to the integrated strategic planning and the evaluation of opportunities for improvements, based on the analysis of external scenarios, materiality and market indicators. In our Sustainability Strategy, climate change has specific goals, discussed at Board level, covering all of our business units. Our Sustainability Committee plays an active role in the definition of priority themes (including those regarding climate change), definition of the strategic positioning of the business units, definition of performance measurements and incorporation of sustainability as a transversal theme in the Company. The Committee's president and the ESG manager are responsible for communicating and discussing sustainability themes with the Board of Directors, which include climate change issues. Although there is no formalization of how many times a year climate change themes will be brought up to the Committee meetings, the more we move towards our goal of maintaining a positive carbon balance (established in the Sustainability Strategy), the more they tend to appear in all of the meetings. In 2021, themes linked to climate change issues were discussed in the majority of the Committee meetings, including: the approval of the new emission targets, determined in accordance to the Science Based Targets Initiative(SBTi); the assessment of climate risks and their financial implications for the organization in the

		short, medium and long term; and the approval of budget to execute the substitution of coal ovens for wood pellets in 3 units of our Ceramic Tiles division, scheduled to start in 2022.

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues
Row 1	Yes	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.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Both assessing and managing climate-related risks and opportunities	Quarterly
Sustainability committee	Both assessing and managing climate-related risks and opportunities	Quarterly
Environment/ Sustainability manager	Both assessing and managing climate-related risks and opportunities	Quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

i) Dexco´s Sustainability Committee is appointed by the Board of Directors. One of its responsibilities is to advise Dexco on trends, best practices and opportunities for actions and improvements related to climate change agenda. The presence of members of the Board of Directors in the Committee strengths the strategic decision-making regarding climate change issues. Climate risks and opportunities are monitored and evaluated by the Company's Sustainability Committee and Risk Committee so that they are incorporated into the company's strategic and financial planning.

ii) The Board of Directors is supported by six Committees, one of them being the Sustainability Committee, that assess and address the most relevant aspects of our administration. All of the committees meet monthly to discuss guidelines directly related to company’s business and help identifying long-term trends and opportunities embedded in our strategic planning. The ESG management is responsible for strategic management of environmental and social issues, including consulting processes, analysis of risks and opportunities and consolidation of key indicators, among other duties. Climate change is one of the strategic themes that involves Sustainability agenda. For this subject, the ESG management is responsible for developing new studies, analysis of new tendencies and market demands, searching for improvements to organizational performance. This management also leads and executes projects proposed by the Sustainability Committee and reports on the tendencies and projects to the Executive Board.

Projects linked to climate change are approved and communicated in these two instances (i and ii as described above). In order to guarantee the alignment with Company's business strategy, the direction of the Executive Board is composed of the top leadership of all Dexco's divisions, directing the best form of implementation, making available shared resources and prioritizing climate projects. The main projects linked to the climate agenda and their approvals in these instances in 2021 were: revisiting and improving Dexco's greenhouse gases emission inventories, including new Scope 3 categories; the elaboration of the carbon balance; the approval of the new emission targets, determined in accordance to the Science Based Targets Initiative(SBTi); the assessment of climate risks and their financial implications for the organization in the short, medium and long term; and the approval of budget to execute the substitution of coal ovens for wood pellets in 3 units of our Ceramic Tiles division, scheduled to start in 2022.

Regarding the Company's risk management, we have the structure below, which also includes climate risks in Dexco's socio-environmental risks.

iii) We manage risks continually and guarantee compliance with the Risk Policy using a structure that includes Audit and Risk Management, internal audits, internal controls and Risk Committee. This structure is responsible for supervising Internal Auditing work and internal control and risk management. At the executive level, the committee assesses and monitors

risks involved in operations and activities, providing accountability every two months to the Audit and Risk Management Committee regarding. Dexco´s environmental and social risks are reviewed by Risk Management Committee every two years. The risks also include climate change as a material theme. These risks are reviewed according to new legal requirement tendency, market demand, sustainability index and others aspects, involving Corporate and industrial management. For the mapped risks, action plans are developed to minimize them. Every action plan are accompany monthly by Audit Area to check the implementation.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	In 2020, Dexco established goals linked to ESG aspects for all the company's top leadership. These goals started being monitored in the 2021 performance assessment.

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Chief Executive Officer (CEO)	Monetary reward	Emissions reduction target	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: maintaining a positive carbon balance, reducing absolute emissions (Scopes 1 + 2) by 37%, and reducing the intensity of emissions by 15% (Scope 1 - fixed sources) in the Ceramic Tiles business, by 2030.
Director on board	Monetary reward	Emissions reduction target	During 2021, the Ceramic Tiles Board had a specific greenhouse gas emission reduction target of 10% reduction compared to 2020. Ceramic Tiles is currently our most carbon intensive segment.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	Dexco considers an immediate risk/opportunity as a short-term risk/opportunity in a horizon from 0 to 3 years. Risks or opportunities that lead to prolonged results (actions that can start in the present or in the near future and whose impacts can be extended to the short term) are also included.
Medium-term	4	14	For Dexco, medium-term horizon ranges from 4 to14 years. Risks or opportunities that lead to prolonged results (actions that can start in the present or in the future and whose impacts can be extended to the medium term) are also included.
Long-term	15	20	Long-term horizon is considered over 15 years, especially for sustainable forest management. Risks or opportunities that lead to perennial results (actions that can start in the present or in the future and whose impacts can be prolonged to the long term) are also included.

C2.1b

(C2.1b) 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.

Edaphoclimatic studies carried out in Dexco areas of operation and our participation in a working group to propose a Corporate NDC (Nationally Determined Contributions) were opportunities related to the company's climate risk studies (physical and transition risks respectively).
In 2019, in partnership with Embrapa (a Brazilian Agricultural Research Corporation), Dexco has carried out a study to assess current and future climate vulnerabilities in the Zona da Mata region (Atlantic Forest), in regions that are important for our forest business. The edaphoclimatic study identified, evaluated and quantified temperatures, water balance, rainfall, water deficiency and temperature evolution in the regions studied, considering the period from 1980 to 2050, with projections and scenarios for the long term for the northeast region.
The following climatic assessments of the regions of interest were carried out:
*For periods of 30 years (1985 to 2015) and 10 years (2006 to 2015), aiming to verify possible recent changes in trends;
*For future periods between 2021 to 2030 and 2031 to 2040, using the Hadgen2-ES global model of climate change, on a monthly scale.
Through this assessment, possible vulnerabilities were mapped over the next four decades in order to anticipate scenarios for planning the operation. As a result, it was found that none of the objective areas of study for Dexco presented risks in the scenarios evaluated for the specific characteristics of our planted forests.
In 2020, we started a working group to propose a Corporate NDC (Nationally Determined Contributions). Alongside two other large Brazilian companies in the private sector, from different sectors, Dexco leads discussions for anticipation of regulatory risks, with the objective of influencing NDC specifications and long-term ambitions. This work will also enable an increasingly engagement with the productive sector in Brazil and the structuring of public-private partnerships in the low-carbon economy. The estimated completion of the project is the end of the year 2022.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations

Risk management process

A specific climate-related risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

In 2021, we improved the assessment of physical and transitional climate risks and opportunities and their financial implications for the organization in the short, medium and long term. The assessment was led by the Sustainability and Risk Management areas. The first step was promoting a workshop focused on the Task Force on Climate Related Financial Disclosures (TCFD), a global initiative that establishes recommendations for the disclosure and analysis of risks and opportunities related to climate issues. The participants of the workshop were the business leaderships and the main focal points in each of the business divisions. The second stage involved interviews with the managers of the business units, which allowed us to map our prectices and to analyse how adherent they are in relation to the recommendations of the TCFD.

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%. The result of the analysis identified an average level of alignment for the four categories, demonstrating gaps that need to be addressed. Based on these conclusions, an action plan was developed to improve adherence to the recommendations. Dexco's physical and transitional risks were also mapped and classified according to their impact magnitude and probability of occurrence. In 2022, we have deepened the assessment with the financial modelling of the mapped risks and opportunities and the matching of climate risks with Dexco's risk scorecard.

The assessment of risks, opportunities and their financial implications will be updated annually.

Value chain stage(s) covered

Direct operations

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

Every two years

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

Dexco manages risks continually and guarantees compliance with the Risk Policy using a structure that includes: Audit and Risk Management, internal audits, internal controls and Risk Committee. This structure is responsible for internal control and risk management. At the executive level, the committee assesses and monitors risks involved in operations and activities, providing accountability every two months to the Audit and Risk Management Committee. The risk area has daily monitoring of all company's risks and the information is available on a risk management dashboard, updated frequently. The reviewing of Dexco´s environmental and social risks takes

place every two years. The risks also include climate change as a material theme and are reviewed according to new legal requirement tendency, market demand, investors and sustainability index demand, among others aspects, involving Corporate and industrial management. Every action plan is accompanied monthly by Audit Area to check the implementation. The monitoring of established goals and the progress of compliance and deployment of actions is carried out monthly by the audit area.
To assess the company's general risks, including the analysis of socio-environmental risks, they are evaluated according to their impact and vulnerability, following Deloit's methodology. 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. After analyzing the impact and vulnerability, the resulting risks as critical and high are always classified as considerable risks.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Not relevant, included	Dexco leans on a consultancy (Âmbito) that provides services related to the mapping and updating of legislation related to the environment (and to health and work safety), in order to detect at local level, in each productive unit, the pertinent legislation, including water and climate-related regulations. This service includes a digital platform that helps managing legal requirements applicable, and selecting evidence to comply with this legislation. In addition to external consulting support, updates and notifications from the company's Legal Area ("Legal Flash") about new legislation, including environmental issues, are disclosed internally . There are no risks for Dexco arising from current legislation.
Emerging regulation	Relevant, always included	Any updates arising from emerging regulations are identified through the tools mentioned above (legal consultancy and notifications from the legal area of the company). Legislation and regulatory trends are monitored by Dexco's legal, environmental and sustainability areas. The identification of potential changes in water and climate related pricing structure can also occur through participation in meetings of Governmental Councils related to Environment and Working Groups in entities such as IBA - Brazilian Tree Industry, an important entity that leads discussions related to climate change and water, especially in the forestry sector. Every two years the mapping of possible risks is

		reviewed and criticality degrees of risk are reconsidered. Progress in the implementation of action plans is evaluated by the Audit and Risk Management area. As an example of one of the risks from regulatory trends assessed by Dexco: Public policies and government changes could lead to changes in processes and requirements, increasing costs and potential emission taxes. Another risk assessed is the implementation of a possible carbon pricing market, without taking into account carbon removals from forests planted in the national territory.
Technology	Not relevant, included	Dexco has invested and implemented clean energy systems during the past few years, especially between 2015 and 2018. In 2017, we began the operation of a new biomass energy generation plant at Agudos (SP, Brazil), to replace natural gas. This investments in new technology allowed an increase of biomass use in our energy matrix. The risk is mapped but not relevant due to all the company efforts on this issue: in 2021, 86.9% of the energy used in Brazilian panel operations came from renewable sources. Considering all the operations, this percentage was 54.5 %. This percentage decreased in the last couple of years was due to the incorporation of ceramic coating factories, whose energy matrix is mainly based on coal. Since the acquisition of the factories, Dexco has been studying alternatives to make the matrix cleaner and, in 2021, a project aimed at the substitution of coal ovens for wood pellets in 3 units of our Ceramic Tiles division was discussed by the Board of Directors and the Sustainability Committee. The budget for the project was approved and it is set to start being implemented in 2022. One of the risks evaluated by Dexco regarding technology would be the lack of budget planning to further increase the use of clean energy sources. We have considered it as "not relevant" because, in the past years, this matter has been being included in our budget planning.
Legal	Not relevant, included	Dexco leans on a consultancy (Âmbito) that provides services related to the mapping and updating of legislation related to the environment (and to health and work safety), in order to detect at local level, in each productive unit, the pertinent legislation, including water and climate-related regulations. This service includes a digital platform that helps managing legal requirements applicable, and selecting evidence to comply with this legislation. In addition to external consulting support, updates and notifications from the company's Legal Area ("Legal Flash") about new legislation, including environmental issues, are disclosed internally . Legislation and regulatory trends are accompanied by Dexco's legal, environmental, and sustainability areas. Every two years the mapping of possible risks is reviewed and criticality degrees of risk are reconsidered. Action plans are evaluated and developments are monitored by the Audit and Risk Management.

		Currently, there are no risks for Dexco arising from legal obligation. All units have their obligations mapped.
Market	Not relevant, included	Market and also stakeholders demands are included in Dexco's risk analysis. Dexco surveys inputs and assessments using interviews with company executives and external stakeholders (especially investors, customers and opinion-makers), in addition to studies and documents produced by organized civil society organizations. The risks raised are not critical to us. Every two years, the risks are reviewed and the change in the scenario is monitored. Land use and certification of forest management are constantly monitored by Dexco,in order to prevent risks related to market demands.
Reputation	Relevant, always included	The impacts on reputation and image of each risk mapped by Dexco are evaluated and classified according to their criticality. The legal and compliance areas are directly involved in these assessments and in the risk classifications. One of the risks evaluated by Dexco: Increasing greenhouse gases emissions or implementation of an intensive carbon process can impact company image, and also pose a threat to the company's positive carbon balance (removals).
Acute physical	Relevant, always included	Flood and storm risks are considered for forests units and also for manufacturing units. Physical controls were implemented in units that presented flood risks. For example, in Deca São Paulo this risk is no longer critical. For forest units, the risk of transport blockage (wood transportation, mechanization) and access to forests are considered.
Chronic physical	Relevant, always included	Chronic risk assessed is the occurrence of extreme events affecting Dexco's forest productivity. Considering it is a risk that directly affects the continuity of our businesses and our production chain, we have a specific area that evaluates genetic improvement as a tool to face climate change. Genetic enhancement of eucalyptus seedlings and management of our forests are at the centre of our investments for Forestry Business. An important part of our forest production process is the genetic improvement program, which started in the 1960s and has constantly generated more productive genetic materials that are adapted to the different climate conditions. In recent years, different species of eucalyptus have been introduced in regions where we operate as an effort to enrich the genetic basis and allow trees to be generated for commercial planting. In addition to their high productivity, these species are resistant to pests, forest diseases and environmental stresses such as drought, cold and floods.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Carbon pricing mechanisms

Primary potential financial impact

Increased direct costs

Company-specific description

In Brazil, although there is still no established regulation on a carbon taxation system or carbon market, these mechanisms are getting closer to being implemented, especially with the global demand for compliance with Article 6 of the Paris Agreement. The transition to a greenhouse gas charging scenario will impact our production costs, causing them to increase, especially if there is no opportunity to offset or trade the carbon captured by the more than 140 thousand hectares of forest that we own. Among our operational units, the Ceramic Tiles units are the most carbon intensive. In the last two years, we have studied possibilities of replacing the energy matrix of these units, which led us, at the end of 2021, to the approval of the project for the exchange of coal for wood pellet as the main fuel for ceramic tile ovens. We see the use of energy from renewable sources as a fundamental issue, a factor that has allowed a significant reduction in the company's direct emissions in recent years. This continuous evolution is mainly due to adjustments in the power plants in the panel factories, with the replacement of fossil fuels such as GMP oil and natural gas with biomass. Replacing coal with wood pellets will result in a 26% reduction in our global emissions.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

14,365,818.85

Potential financial impact figure – maximum (currency)

23,943,031.41

Explanation of financial impact figure

Estimated financial implications of the risk before taking action: range between R$ 14,365,818.85 and R$ 23,943,031.41.
Calculation basis: in order to estimate financial implications for the main regulatory risk, prices from the European and Latin carbon markets have been adopted as projected taxation for each carbon equivalent tonnes emitted by Dexco Brazil in 2021. Financial impacts included Scope 1 and 2 emissions (429.856,94 tCO2e, considering scope 1 + scope 2 market based). and the adopted carbon taxation ranges between US$ 6.00 (minimum) and US$ 10.00 (maximum considered) . For this scenario, we do not include carbon removals. The estimated range corresponds to about 0.17% to 0.28% of the company's net revenue in 2020 (R$ 5.879 billion).

Calculation:
Minimum financial impact = 429.856,94 tCO2e x (US$ 6.00 x 5.57) = R$ 14,365,818.85
Maximum financial impact = 429.856,94 tCO2e x (US$ 10.00 x 5.57) = R$ 23,943,031.41

Adopted value for dollar: 12/31/2021: R$5.57

Only emissions from operations in Brazil were considered in this case, since there is already taxation in Colombia (where Dexco has already raised about US$ 3.9 million from the sale of carbon credits due to the offsetting of the carbon captured by our local forests).

Cost of response to risk

13,870,000

Description of response and explanation of cost calculation

In 2022, we will start the adaptation of the Ceramic Tiles units so that, instead of coal, wood pellet starts being used to generate energy. The investment approved in 2021 for this project was R$ 13,870,000.00.
Among the main points raised in favor of the replacement are:
- Compliance with the legislation on particulate emissions (reduction of 26t/month of dust);

- Elimination of ash waste generation (534t/month);
- Elimination of the use of 25.4t/month of soda (R$36.75 thousand/month) for effluent treatment;
- Meeting the CO2 equivalent target for the Ceramic Tiles division.
- Savings of approximately US$592,000.00/year with the sale of carbon credits;
- Improvement of visual appearance, considering there is no generation of dust;
- Improvement in relationship with the community (reduction of particulate emissions).

In 2022, the equipment will start being replaced so that it works with wood pellets in two of the Ceramic Tiles (CT) factories. In CT3, the investment will be R$2.1 million and the estimated payback period is 12 months. In CT4, the investment will be R$8.45 million, with a payback period of 22 months.

Comment

Our investments in equipment suitability for defossilization of our energy matrix are constant, and vary every year. The most recent one approved is the one mentioned above, regarding the use of wood pellet as fuel in our ceramic tiles units.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical

Other, please specify

Extreme weather events (extreme temperatures and droughts)

Primary potential financial impact

Decreased revenues due to reduced 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 and exports its products to more from 50 countries. The company also owns LD Celulose, through a joint venture with Grupo Lenzing, and Caetex, a joint venture created to plant eucalyptus forests in Alagoas.

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 occurence 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, Lençois Paulista, Maceió. The study entitled "Impact of climate change on eucalyptus productivity in two regions of Brazil" demonstrates the vulnerability of forest systems to climate variation, especially to increased temperature and decreased precipitation. In this way, we have modelled 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.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

34,520,136.19

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The estimated financial impact of the risk is R$34,520,136.19. The estimate was calculated based on the EBTIDA of Dexco's wood division (R$788,200,000), subtracting the percentage related to the drop in eucalyptus productivity due to extreme weather events, according to the study "Impact of climate change on eucalyptus productivity in two regions of Brazil" (-0.3% in year 1, reaching -3.2% in the long term, as climate change intensifies).
Following this rationale, the portion of Dexco's planted forests exposed to extreme weather events was considered, which are those located in areas of high exposure for the occurrence of these events (69% of the total planted areas).
The financial impact was calculated using the discounted cash flow method for a period of 10 years, considering that the frequency and intensity of these events should increase, according to the confidence level of the scenarios proposed by the IPCC.

Variables considered in the tool for the potential financia impact figure associated with this risk:
The study "Impact of climate change on eucalyptus productivity in two regions of Brazi" 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, Lençois 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.

Cost of response to risk

1,686,989.96

Description of response and explanation of cost calculation

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, while also increasing 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.
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).

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical
Wildfire

Primary potential financial impact

Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets

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 and exports its products to more from 50 countries. The company also owns LD Celulose, through a joint venture with Grupo Lenzing, and Caetex, a joint venture created to plant eucalyptus forests in Alagoas.

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.

Although most fires in Brazil are started by humans, climate change represents an increase in the severity of outbreaks, due to a combination of high temperatures, low humidity, low precipitation and frequency of strong winds. We have modelled the impact over the Company considering that in the last 40 years the fire climate index increased by 12%, in accordance to the study "Observed increases in extreme fire weather driven by atmospheric humidity and temperature".

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

129,678,643

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Variables considered in the tool for the potential financia impact figure associated with this risk:
Based on the historical record of fires that affected our units in the last 10 years, we calculated the average number of fires per year (33).
From the historical record of our financial losses in the last 5 years related to the occurrence of forest fires, both referring to the decrease in available biological assets and the decrease in products in stock, we established an average financial impact of the occurrence of fires per year (R$ 1,110,000.00).
The study "Observed increases in extreme fire weather driven by atmospheric humidity and temperature" demonstrates that, between 1979 and 2020, trends in extreme annual values of the fire climate index vary regionally with global increases in mean values of 12%. The decrease in relative humidity and the increase in temperature were the predominant factors. From this data, we calculated the CAGR rate of fire weather intensity per year (28.27%).
Probability of occurrence was based on the confidence level of the scenarios proposed by IPCC, varying from 70% to 80% from Year 1 to 10.

Cost of response to risk

3,256,105

Description of response and explanation of cost calculation

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).

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Other, please specify

Carbon market

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

Considering that we hold a strong position in the forestry sector, there is an opportunity to operate in the carbon market and increase revenue due to carbon credit negotiation, especially in places where there is already an established regulation, such as in Colombia. In 2021, Dexco had about 140 thousand hectares of planted forests and conservation areas, in Brazil and Colombia, from which the eucalyptus plantation area consist of fostered forests, specifically for the purpose of supplying our wood panel production facilities.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

1,114,000

Potential financial impact figure – maximum (currency)

8,444,142.28

Explanation of financial impact figure

The minimum financial impact was R$1,114,000.00 (USD 200,000), according to the quantification of carbon credits sold by Dexco Colombia in 2021. The maximum value was estimated based on a projected scenario, where there was also in Brazil a regulation that would allow emissions compensation through the removals provided by our forests. Thus, the maximum financial impact to 2021 was estimated by adopting the potential gain from the 329,001 tCO2 eq removed by Dexco's Brazilian forests in 2021, multiplied by an average offset carbon price in Latin America (USD 4/tCO2e), which resulted in R$7,330,142.28. To this potential gain, we added the gains of colombian carbon market, resulting in R$8,444,142.28.

Subtracting from this multiplication a potential taxation value for Dexco Scope 1 and Scope 2 emissions from operations in Brazil in 2021 (429,856.94 tCO2e multiplied by USD 6/tCO2e) it would result in the figure R$-5,921,676.57, which means that we would had a financial loss in 2021, considering that our emissions surpassed our removals this year.

Dollar quoted on 12/31/2020: R$5,57.

Cost to realize opportunity

105,000

Strategy to realize opportunity and explanation of cost calculation

Colombia started carbon taxation on December, 2016 and Treasury Ministry established incidence of taxes for fuel purchases. On June, 2017 the Environmental Ministry enacted a decree for emission compensation. Companies in charge of taxation started to have the alternative of offsetting their emissions. At the beginning of 2017, the compensation could be only with projects carried out in the Colombian territory. At Dexco Colombia, this system and also the projects for offsetting are already established and it is the first big company in Colombia to assurance its carbon credits. Our strategy in Colombia is the maintenance of the "CARVIDA" project, related to compensation of carbon bonus through carbon capture from forests.

In 2018, we received the Icontec Forest Compensation certificate, an achievement linked to the Carvida program – a carbon bonus for life. Between 2010 and 2017, our forests captured 956 thousand tons of carbon dioxide, equivalent to the total emissions of all the vehicles that circulate in the Metropolitan Area of Valle de Aburrá (Medellin and neighbouring municipalities) for 14 days each year, over the period mentioned. The recognition serves as evidenced that our Greenhouse Gas Forests Compensation program based on forest cultivation is the largest in Colombia.

Since the market carbon implementation in Colombia, we have already provided income of about U$S 3.954 millions. In 2020, the quantification of carbon credits was not updated, however, in 2021 they were quantified in 597,466 credits. From that total, 200,000 credits were commercialized and the company had an income of USD 824,000.00.

Cost to realize the opportunity: costs to allow the gains in Colombia (70%) + the costs with consultancies to improve the methodologies of calculation of carbon balance (30%).

Comment

This opportunity was classified as "medium-term" since it has the potential to increase its coverage in Brazilian operations, even though it was already materialized in Colombia.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Other, please specify

Issuance of ASG Debentures - Sustainable Finance

Primary potential financial impact

Increased access to capital

Company-specific description

ESG credit operations are growing significantly in Brazil and worldwide. In 2021, the volume of debt securities with ESG attributes was a world record and reached almost US$ 1 trillion, while an estimate indicates that in 2022 a new record should be reached, with US$ 1.35 trillion in sustainable bonds, as calculated by Moody's. This number represents double what was issued in 2020 and a 36% growth over the total for 2021, considering all types of ESG debt, from green bonds to sustainability-linked bonds.
There is evidence that green or ESG lending has a premium (greenium) over traditional operations. This driver models a reduction in the cost of capital, due to the possibility of issuing ESG debt.
Due to the trend of sustainable debt issuances in the market and mainly in forest sector players, such as Dexco, it is believed that we have a high probability of reaching 100% of our ESG debt issuance at the end of the 10-year period.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

10,976,686

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The financial impact of the opportunity (brought) to present value is R$ 10,976,686.00 calculated by the discounted cash flow method for a period of 10 years.
The estimate of the amount was calculated based on the company's total indebtedness (R$ 3,205,721,000 - short and long-term loans, financing and debentures), and the average debt term (2.1 years). The percentage drop in the cost of debt of 0.2% was considered, according to the study "Drivers of green bond issuance and new evidence on the “greenium” (Feb, 2021).
Since this is an estimate, the value of the gain was multiplied by the probability of this opportunity occurring, which, due to the trend of sustainable debt issuances in the market and especially in players in the forestry sector, such as Dexco, can reach 100% issuance of ESG debt at the end of the 10-year period.

Variables considered in the tool for the potential financia impact figure associated with this opportunity:
As of December 31, 2020, the Company's total consolidated debt was R$3,205,721,000 (understood here as short-term and long-term loans, financing and debentures).
The average cost of financing at the end of the period was equivalent to 105.0% of the CDI, with an average maturity of 2.1 years.
According to the study "Drivers of green bond issuance and new evidence on the "greenium"" (Feb, 2021), due to a greater demand for green bonds, the issuer's debt cost is reduced by approx. 20bps (0.2%).
Due to the trend of sustainable debt issuances in the market and mainly in forest sector players, such as Dexco, it is believed that we have a high probability of reaching 100% of our ESG debt issuance at the end of the 10-year period.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

Internally, we began preparations to meet the eligibility criteria for a possible labelled issue linked to ESG credits. An example is the establishment of emission reduction targets that take into account the SBTi recommendations. The cost here was considered zero as, at the moment, efforts for this preparation are concentrated internally in our ESG team.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Currently, our costumers, partners and influencers are looking for more and more water-saving and energy-saving products. In addition to an innovative design product, they are looking for products that bring savings. Our clients from construction companies are also looking for products with lower environmental impact and aim at construction of more sustainable buildings. The growing concern of large construction companies to offer sustainability-certified buildings such as LEED (Leadership in Energy and Environmental Design) also increases the demand for this type of product (specially for Deca and Ceusa´s brand). In 2020, we started a project with the most representative units of Ceramic Coatings, to assess the environmental impact of products in their portfolio, with a life cycle assessment approach, in particular with a carbon footprint and water footprint approach. The results will be disclosed in 2022.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

24,864,973

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The amount of R$ 24,864,973.00 represents the revenue of products from Deca Comfort line in 2021. This technology is present in all of the brand's faucets, bathroom single-handle and basin mixers. Deca comfort products bring more comfort to consumers while also helps to save water resources. This innovation, which has no impact on the design of tap and mixers, guarantees a standard flow, regardless of whether a building has low or high pressure plumbing system. This results in a smooth and constant jet of water, that does not cause unpleasant splashing when washing hands, for instance. This system has been patented.
With this type of product, which represented 42% of sales in Metals Division, there is the opportunity to meet the emerging requests of the most demanding public, strengthening the brand.

Cost to realize opportunity

3,016,000

Strategy to realize opportunity and explanation of cost calculation

The cost of R$ 3,016,000 of Deca Comfort involves the cost for changing all the faucets to 1/4 of a turn, changing line production and the cost of research and development of internal mechanism itself. Research and Development - R$ 2,210,000.00 Tooling technology - R$ 210,000.00 and changing line production R$596,000.

Comment

As it is shown in our our new sustainability strategy, disclosed in 2021, eco-efficient solutions has become even more important in the company's strategic planning. further. increasing the positive impact on consumers choice.

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

Row 1

Transition plan

No, but our strategy has been influenced by climate-related risks and opportunities, and we are developing a transition plan within two years

Explain why your organization does not have a transition plan that aligns with a 1.5°C world and any plans to develop one in the future

We still do not have a formalized and public transition plan, however, we already have actions focused on this theme that meet the elements considered essential for a credible transition plan. Our emissions inventory for scopes 1, 2 and 3 is prepared following the standards of the GHG Protocol methodology and, in addition to being publicly available, it is audited by a third party annually. In 2021, we improved the assessment of climate risks and their financial implications for the organization in the short, medium and long term. The analysis has currently identified an average level of

alignment for the four TCFD categories (Governance, Strategy, Risk Management and Goals and Metrics), demonstrating gaps that need to be addressed. Based on these conclusions, an action plan was developed to improve adherence to the recommendations. Dexco's physical and transition risks were also mapped and classified according to their impact magnitude and probability of occurrence. In 2022, we have deepened the assessment with the financial modelling of the mapped risks and opportunities and the matching of climate risks with Dexco's risk scorecard. In 2021, we released the new sustainability strategy with science-based emission reduction targets. Emissions from all our business units are measured and monitored monthly, along with other environmental performance indicators. Also in 2021, the budget for the exchange of the energy matrix of three ceramic tiles plants was approved. The project is expected to take place in 2022 and will replace coal by wood pellet. This exchange will enable a 26% reduction in Dexco's total emissions. Regarding governance, the chairman of our Sustainability Committee is also a member of the Board of Directors and 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.
For the next two years, we are committed to having a formalized transition plan, including the implementation of a reliable stakeholder feedback mechanism as well.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

	Use of climate-related scenario analysis to inform strategy
Row 1	Yes, qualitative and quantitative

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios Bespoke transition scenario	Company-wide	1.5ºC	For the survey of transition risks and opportunities, the study considered the advance of the transition to a low carbon economy as a global response to the threat of climate change. The effort is aimed at keeping global warming at a maximum of 1.5º C above pre-industrial levels, according to the IPCC report. The objective of the study was to identify the Company's exposure to the four categories of risks related to the transition to a low carbon economy (Regulatory and legal, technological, market and reputation) defined by the TCFD, listing the main controversies related to the

			transition. Taking into account the particularities of Dexco's activities, the study presented a qualitative analysis of risks from a sectoral and geographic perspective (location of the Company's activities). Based on desk research in public sources, proxies were developed to estimate the magnitude of the financial impact, the probability of occurrence and the materialization horizon (Short term 1 to 3 years; Medium term 4 to 14 years; and Long term 15 years or more) of each identified risk. The identified risks and opportunities were classified on a criticality scale and the most critical were analysed quantitatively through calculations based on the company's financial parameters such as market cap and discount rate.
Physical climate scenarios RCP 4.5	Company-wide		For the evaluation of physical risks (acute and chronic), the climate experiments HadGEM and MIROC with ETA regional model were the main sources of information used, with the average time horizon (2040/2070) and number of rounds of future simulations (RCPs 4.5 and 8.5). Simulations of climate scenarios were carried out for each city where there are Dexco units, pointing out the specific climate risks that can interfere in the company's operations and chain.
Physical climate scenarios RCP 8.5	Company-wide		For the evaluation of physical risks (acute and chronic), the climate experiments HadGEM and MIROC with ETA regional model were the main sources of information used, with the average time horizon (2040/2070) and number of rounds of future simulations (RCPs 4.5 and 8.5). Simulations of climate scenarios were carried out for each city where there are Dexco units, pointing out the specific climate risks that can interfere in the company's operations and chain.

C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

The main question was "what risks and opportunities can the company be exposed to considering a scenario of intensification of climate change?".

Results of the climate-related scenario analysis with respect to the focal questions

After carrying out the study, we were able to prioritize the most critical risks and the most relevant opportunities, incorporating them into the company's corporate risk matrix. Once identified, these risks became drivers for internal analysis and strategic decision-making, such as possible improvements in infrastructure and control measures in our operating units.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	The search for sustainable innovations in products and services is driven by our purpose to offer Solutions for Better Living. Our Sustainability Strategy has water related targets, focusing on ecoeficiency and reduction in consumption. A study was carried out in 2015 involving the Evaluation of the Sustainability Index of Hydrographic Basins to asses the hydrological resources of the basins where our industrial units are located, using the most recent data made available by international organisms, hydrographic basin committees and government bodies. Aware of the importance of reducing water consumption not only within its production process, but also during the use of its products, Dexco began to look for more conscientious consumption solutions. In 2017, we introduced the Deca Comfort technology, that brings more comfort to consumers while also helps to save water resources (up to 60% water savings in relation to products without this technology). This innovation, which has no impact on the design of taps and mixers, guarantees a standard flow, regardless of whether a building has low or high pressure plumbing system. In 2021, R$ 24,864,973.00 were collected with the Deca Comfort line. Sales with the line accounted for 42% of Deca Metals Division sales in 2021. As a result, Deca Comfort being a solution that reduced water consumption and also indirect carbon emission in the use phase, provided an improvement in use, the company adopted the strategy of applying the mechanism to all product lines (taps) of the Deca. A service also provided by Dexco (and which has a

		corporate target linked to its development) is the "Pro-Água", through which, based on the demand of customers (residential, commercial or industrial), we plan actions and application of water-saving products and devices in buildings, from the simplest to the most complex, to rationalize and qualify the use of this natural resource. Our specialized professionals develop diagnoses and suggest measures to be taken to monitor and minimize consumption, avoid waste - including maintenance plans - and / or promote the reuse of water. Since its outset, the Deca Pro-Agua program has already developed more than 600 projects. The last 127 projects represented R$514,816.24 in sales (net).
Supply chain and/or value chain	Yes	An important factor that allows our operations to be stable is the constant control and monitoring of our supply chain, in order to avoid risks. Similarly, companies with which we relate and sell products and services to are increasingly interested in the full extent of their value chains, which also involves the suppliers of their suppliers. In this way, Dexco's potential entry into a carbon market would be more facilitated as the company keeps improving its supply chain management. In Brazil we have developed the GFD - Dexco's Supplier Management program, through which critical and highly critical suppliers respond to socio-environmental questionnaires and undergo on-site visits. These questionnaires also helps us to understand how suppliers address industrial emissions issues. In 2021, 286 suppliers were selected and invited to participate in the program. Of that total, 208 responded to the self-assessment questionnaire, representing 58% of our supplier spending. We also promote activities such as workshops to assist the suppliers to improve their adherence to issues of relevance to GFD. In 2021, the program started being implemented in Colombia, reinforcing our commitment to the development and engagement of our supply chain.
Investment in R&D	Yes	To better understand the impacts of the use of natural resources, the influence of climatic seasonality and the sustainability of planted forests, there should be long-term monitoring of carbon, water and nutrient flows in these ecosystems. Therefore, since 2008, Dexco is one of the companies that has been participating in "Eucflux - Torre de Fluxo", a cooperative program, which has an experimental research base installed in an area of 200 hectares that periodically captures data of our planted forests, contributing to scientific studies regarding the best sustainability

		practices and production optimization for specific types of cultivation. Coordinated by IPEF (Institute of Science and Forest Research) and CIRAD (Agricultural Research for Development), the program was renewed in 2017 for its 2nd phase and now has 6 companies. In 2021, we invested R$ 36,989.96 in Eucflux. This program aims to quantify the inputs and outputs of carbon, water and nutrients for a complete rotation of Eucalyptus, increasing the collection of biogeochemical cycles of forests, helping to formulate practical recommendations, optimize production and ensure the sustainability of crops. This program has already provided relevant information to improve forest management, such as the reduction in the fertilization of forest plantations. It also showed that one hectare of planted forest sequesters more than one tonne of CO2 per month and that, after harvesting, the carbon balance is again positive seven months after planting the new stand. In this sense, advances in this field of research provide specific data applicable to our planted areas and assist in the improvement of carbon capture and balance measurement methodologies. Since there is still no official consolidated methodology or regulation in Brazil in terms of carbon balance and commercialization, Dexco invests in its own studies.
Operations	Yes	Dexco's investments in equipment adaptations and replacement of fuels lead to operational adjustments in some production lines, and increase or reduce the demand for certain types of materials. The most recent investment approved(R$ 13,870,000.00) will enable the decarbonization plan for three of our ceramic tiles operational plants. The plan involves the substitution of coal for wood pellet and this measure will reduce 26% of our global emissions once the project is completed. We also have a new coating line being installed at the Itapetininga plant. This project will make it possible to reduce the consumption of natural gas by replacing it with biomass. Currently, the lines have a heater that runs on gas. With BP4 (new line), a biomass-powered heater will be installed, which will be able to partially supply the thermal energy demand of other coating lines as well. The project is in the installation phase and is expected to start operating in 2022.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Acquisitions and divestments	Colombia started carbon taxation on December, 2016 and Treasury Ministry established incidence of taxes for fuel purchases. On June, 2017 the Environmental Ministry enacted a decree for emission compensation. Companies in charge of taxation started to have the alternative of offsetting their emissions. At the beginning of 2017, the compensation could be only with projects carried out in the Colombian territory. At Dexco Colombia, this system and also the projects for offsetting are already established and it is the first big company in Colombia to assurance its carbon credits. Our strategy in Colombia is the maintenance of the "CARVIDA" project, related to compensation of carbon bonus through carbon capture from forests. In 2018, we received the Icontec Forest Compensation certificate, an achievement linked to the Carvida program – a carbon bonus for life. Between 2010 and 2017, our forests captured 956 thousand tons of carbon dioxide, equivalent to the total emissions of all the vehicles that circulate in the Metropolitan Area of Valle de Aburrá (Medellin and neighboring municipalities) for 14 days each year, over the period mentioned. The recognition serves as evidenced that our Greenhouse Gas Forests Compensation program based on forest cultivation is the largest in Colombia. Since the market carbon implementation in Colombia, we have already provided income of about U$S 3.954 millions. In 2020, the quantification of carbon credits was not updated, however, in 2021 they were quantified in 597,466 credits. From that total, 200,000 credits were commercialized and the company had an income of USD 824,000.00. In 2021, we continued our studies to improve the carbon capture accounting and carbon pools/sinks in order to improve our carbon balance methodology. We also actively participated in forums of the IBA ("Brazilian Tree Industry"), the main entity in Brazil leading the discussions related to the implementation of a national carbon market. Starting in 2020, climatic issues started to be considered in the studies and processes for mergers and acquisitions. Once an acquisition occurs, Dexco implements a Social-Environmental Program in the new operational units. This Program focuses on the standardization and dissemination of our socio-environmental policies, practices and systems over a 2-year timeline. The objective of the Program is to mitigate and avoid risks and impacts related to our business, including carbon emissions issues. Thus, in the case of business expansion through the acquisition of new companies, such as the acquisition of Cecrisa (Portinari) at the end of 2019, we perform a systematic integration of the business in socio-environmental terms, evaluating, among other issues, the impact of the energy matrix on our

		carbon emissions. This integration has helped us to develop an action plan to migrate to a less carbon-intensive matrix, replacing coal (currently the main source of energy in those factories) for wood pellet. The budget for this project (R$ 13,870,000.00) was approved in 2021 and, once the replacement in the three operational plants is completed, we will have a 26% decrease in our emissions. In 2019, new projects were proposed by our Innovation Center considering the influence of a future carbon tax on the energy matrix. We analyzed the viability of the implementation of a clean energy matrix based on solar energy in our operational units. The cost avoided by the non-emission of carbon from fossil sources and the taxation that would possibly be in force in Brazil was used to calculate the Net Present Value. The first calculated avoided cost was R$ 674.235,62 for one operational unit. The project was presented to the executive committee in October, 2020, but with the increase in dollar rates due to the pandemic and the fact that we still had ongoing energy contracts with competitive prices, the project was put on hold. However, it is worth mentioning that the executive committee strongly recommended the periodic review of the costs and benefits brought out by the implementation of the clean energy matrix, so that the company can be prepared to implement it once the scenario is favorable.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

Intensity target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2021

Target coverage

Company-wide

Scope(s)

Scope 1
Scope 2

Scope 2 accounting method

Location-based

Scope 3 category(ies)

Base year

2020

Base year Scope 1 emissions covered by target (metric tons CO2e)

511,275.86

Base year Scope 2 emissions covered by target (metric tons CO2e)

103,758.14

Base year Scope 3 emissions covered by target (metric tons CO2e)

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

615,034

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

Target year

2030

Targeted reduction from base year (%)

37

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

387,471.42

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

348,443.1

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

123,245.9

Scope 3 emissions in reporting year covered by target (metric tons CO2e)

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

471,688.99

% of target achieved relative to base year [auto-calculated]

62.9914681052

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

Target ambition

1.5°C aligned

Please explain target coverage and identify any exclusions

The target covers all Dexco S.A operations (Ceramic Tiles, Deca and Wood divisions, in Brazil and Colombia) , including scope 1 and 2 emissions. The absolute emissions (Scopes 1+2) against the baseline scenario for each business.

Plan for achieving target, and progress made to the end of the reporting year

The absolute emission targets for scope 1 and 2 were established according to the challenges of each Dexco division, according to the baseline of each business. By 2030, an annual reduction of approximately 1.67% in emissions was established for the sum of the two scopes, to achieve a 37% reduction in emissions in 2030. For 2021, it was intended to reach the absolute emission target (scope 1+2) of 473,576.18 tCO2e. As a result, emissions for the year were 471,689.0 tco2e (a 23.3% reduction). Improved energy consumption and efficiency in the Sanitary Ware (Deca) and Ceramic Tiles businesses, and unit operations at full capacity. The same percentage reduction will not be expected for the previous year, although there will be a reduction in emissions. A reduction projection of around 2% is estimated.

List the emissions reduction initiatives which contributed most to achieving this target

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number
Int 1

Year target was set
2021

Target coverage
Business division

Scope(s)
Scope 1

Scope 2 accounting method

Scope 3 category(ies)

Intensity metric
Other, please specify
tCO2e/ton

Base year
2020

Intensity figure in base year for Scope 1 (metric tons CO2e per unit of activity)
1.32

Intensity figure in base year for Scope 2 (metric tons CO2e per unit of activity)

Intensity figure in base year for Scope 3 (metric tons CO2e per unit of activity)

Intensity figure in base year for all selected Scopes (metric tons CO2e per unit of activity)
1.32

% of total base year emissions in Scope 1 covered by this Scope 1 intensity figure
98.3

% of total base year emissions in Scope 2 covered by this Scope 2 intensity figure

% of total base year emissions in Scope 3 (in all Scope 3 categories) covered by this Scope 3 intensity figure

% of total base year emissions in all selected Scopes covered by this intensity figure

98.3

Target year

2030

Targeted reduction from base year (%)

15

Intensity figure in target year for all selected Scopes (metric tons CO2e per unit of activity) [auto-calculated]

1.122

% change anticipated in absolute Scope 1+2 emissions

-50.3

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year for Scope 1 (metric tons CO2e per unit of activity)

1.3

Intensity figure in reporting year for Scope 2 (metric tons CO2e per unit of activity)

Intensity figure in reporting year for Scope 3 (metric tons CO2e per unit of activity)

Intensity figure in reporting year for all selected Scopes (metric tons CO2e per unit of activity)

1.3

% of target achieved relative to base year [auto-calculated]

10.101010101

Target status in reporting year

New

Is this a science-based target?

No, but we are reporting another target that is science-based

Target ambition

Please explain target coverage and identify any exclusions

Dexco has assumed the goal of reducing the intensity of emissions by 15% (Scope 1 - fixed sources: atomizers, dryers and ovens) in the Ceramic Tiles business, by 2030. Dexco has diverse businesses and it is important to understand the complexity and impact of each of our Divisions individually, with actions that are feasible for each one of them.In the Ceramic Tiles Division, we still operate with coal-fired equipment, a negative influence on our carbon balance and where we need to focus efforts to reduce emissions. The expectation is to challenge ourselves and seek solutions and processes eco-efficient, resulting in a lower climate impact.

Plan for achieving target, and progress made to the end of the reporting year

In 2021, the Ceramic Tiles units were more eco-efficient in energy (natural gas and coal), with process improvements to reduce the consumption of these fuels per kilo of mass produced. We reached an intensity of 1.30 tCO2e/t. Also in 2021, the budget for the exchange of the energy matrix of three ceramic tiles plants was approved. The project is expected to take place in 2022 and will replace coal by wood pellet. This exchange will enable a 26% reduction in Dexco's total emissions.

List the emissions reduction initiatives which contributed most to achieving this target

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production
Other climate-related target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number

Low 1

Year target was set

2021

Target coverage

Company-wide

Target type: energy carrier

All energy carriers

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Base year

2020

Consumption or production of selected energy carrier in base year (MWh)

1,596,147.097

% share of low-carbon or renewable energy in base year

56

Target year

2030

% share of low-carbon or renewable energy in target year

50

% share of low-carbon or renewable energy in reporting year

54.6

% of target achieved relative to base year [auto-calculated]

23.3333333333

Target status in reporting year

New

Is this target part of an emissions target?

This goal is part of one of the three major commitments that Dexco has made in its Sustainability Strategy. This goal of maintaining our energy matrix, predominantly from renewable sources, is part of the Company's goal of maintaining a positive carbon balance even with growth, and of the goal of reducing GHG emissions.

Is this target part of an overarching initiative?

No, it’s not part of an overarching initiative

Please explain target coverage and identify any exclusions

This target covers Dexco's operations in Brazil and Colombia, considering the consumption of fuel and electricity in the company's operations (scopes 1 and 2).

Plan for achieving target, and progress made to the end of the reporting year

To ensure that we meet our target of keeping the percentage of renewable energy use at least in 50%, Dexco has been studying alternatives to replace fossil fuels. One example is the project for the exchange of coal for wood pellet as the main fuel for ceramic tile ovens.

We have achieved this target for 2021, especially due to the Wood Division outstanding performance with 86,9% of its matrix composed of renewable energy.

List the actions which contributed most to achieving this target

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2021

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Other, please specify

Other, please specify

To maintain a positive carbon balance (removals exceeding actual emissions).

Target denominator (intensity targets only)

Base year

2020

Figure or percentage in base year

522,433.2

Target year

2030

Figure or percentage in target year

Figure or percentage in reporting year

331,316.7

% of target achieved relative to base year [auto-calculated]

Target status in reporting year

New

Is this target part of an emissions target?

This goal guides and provides the basis for the achievement of all other goals assumed by Dexco.

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain target coverage and identify any exclusions

This target covers Dexco's operations and shareholdings, considering scopes 1, 2 and 3. The values presented are the balances between issuances (positive value) and removals (negative value) of Dexco and participations. These values are negative, representing removals greater than emissions in our operations.

Plan for achieving target, and progress made to the end of the reporting year

Expansion and maintenance of forest areas, replacement of fossil fuels by renewable ones and improvement in the energy efficiency of operations.

List the actions which contributed most to achieving this target

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	0
To be implemented*	1	5,332.52
Implementation commenced*	1	120,000
Implemented*	0	0
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Low-carbon energy consumption
Solid biofuels

Estimated annual CO2e savings (metric tonnes CO2e)

120,000

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

2,022,000

Investment required (unit currency – as specified in C0.4)

13,870,000

Payback period

1-3 years

Estimated lifetime of the initiative

11-15 years

Comment

Among our operational units, the Ceramic Tiles units are the most carbon intensive. In the last two years, we have studied possibilities of replacing the energy matrix of these units, which led us, at the end of 2021, to the approval of the project for the exchange of coal for wood pellet as the main fuel for ceramic tile ovens. We see the use of energy from renewable sources as a fundamental issue, a factor that has allowed a significant reduction in the company's direct emissions in recent years. This continuous evolution is mainly due to adjustments in the power plants in the panel factories, with the replacement of fossil fuels such as GMP oil and natural gas with biomass. Replacing coal with wood pellets will result in a 26% reduction in our global emissions.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	The definition of legal requirements is considered to drive investment in emission reduction activities in Dexco´s units. In Ceramic Tile, we have to meet legal requirements on emissions. The energy matrix change project (pilot project carried out in 2021) will help to mitigate this risk of non-compliance with legal requirements.

Financial optimization calculations	Financial optimizations can drive investment in emissions reduction activities. Replacement of new materials, technologies, equipment for emissions reduction can be defined according to positive financial analysis. In 2021, the Ceramic Tile project to change the matrix and carbon pricing for the feasibility of this project indicated the investments and returns for the coming years.
Employee engagement	In 2021, Dexco verified its adherence to the TCFD and started the project with training and discussion with strategic officials about the task force. Training and workshop were given, with the support of an external consultancy. Also this year. we held a workshop with Dexco's executive leaders on climate change and the carbon market.
Dedicated budget for energy efficiency	Implementation of projects to increase the energy efficiency of our production processes and to expand the use of renewable resources in our energy mix. Example: installation of capacitors to better use energy in metal smelting ovens, modernization of compressed air generation and electroplating systems and automation of lighting systems to prevent waste. Installation of mills that process waste from panel manufacturing (biomass), sending this waste to combustors that generate the hot gas needed to dry the wood particles. In Ceramic Tiles, actions were also carried out in 2021, which reflected in an improvement in eco-efficiency in the process, such as, for example, the increase in the density of casting slip (mass for the manufacture of products). The increase in density reduces the amount of water that needs to be evaporated in the atomizers and thus ends up reducing the specific consumption of gas (or coal) to produce 1 kg of mass.
Dedicated budget for other emissions reduction activities	Dexco carries out the implementation of projects that have an impact on reducing emissions. In 2021, we had actions especially focused on waste, with a reduction in generation and increase in reuse, impacting the emission of the waste generated. In 2021, we offset 22% of all packages that were circulated throughout 2020 and that reached our consumers throughout Brazil. In Ceramic Tiles, during 2021, the percentage of waste recycled and/or reused went from 93.4% to 98.7%. Dexco showed a drop from 17% to 7% in the proportion of waste going to landfills in the last five years. In 2019, the metals unit in São Paulo reached the mark of zero waste destined for landfills, which is still maintained. In 2021, another unit had zero disposal for landfill: our Panel Unit in Itapetininga (state of SP). Follow some more highlights we had in our operations: *More than 335 thousand tons of waste reused internally in production processes in the last five years. *In the Wood Division, in 2021, we achieved an annualized reduction in packaging of around 30 thousand tons. *More than 33 thousand tons of ash and sludge residues and residues

	organic compounds internally composted and transformed into fertilizer for our forests in 2021.

C-AC4.4/C-FB4.4/C-PF4.4

(C-AC4.4/C-FB4.4/C-PF4.4) Do you implement agriculture or forest management practices on your own land with a climate change mitigation and/or adaption benefit?

Yes

C-AC4.4a/C-FB4.4a/C-PF4.4a

(C-AC4.4a/C-FB4.4a/C-PF4.4a) Specify the agricultural or forest management practice(s) implemented on your own land with climate change mitigation and/or adaptation benefits and provide a corresponding emissions figure, if known.

Management practice reference number

MP1

Management practice

Afforestation

Description of management practice

When expanding its forest areas, Dexco uses only areas that have already been anthropized, such as pasture or sugarcane, changing the intensive use of land to forest. Furthermore, as the forest grows, carbon is stored. In 2021, we recorded a carbon stock in our planted forests (commercial areas in Brazil) of more than 18 million tons of carbon.

Primary climate change-related benefit

Increase carbon sink (mitigation)

Estimated CO2e savings (metric tons CO2e)

18,064,159.8

Please explain

This estimated CO2e savings was calculated for the 2021 inventory. The removal of planted forests from forest units in Brazil this year was 18.064.159,8 tCO2e

Management practice reference number

MP2

Management practice

Practices to increase wood production and forest productivity

Description of management practice

Dexco has its own forest breeding program, which aims to develop varieties more adapted to the many different climatic conditions, better productivity and pest resistance.

Primary climate change-related benefit

Increasing resilience to climate change (adaptation)

Estimated CO2e savings (metric tons CO2e)

1,116,145.18

Please explain

The estimate was made based on Dexco´s eucalyptus forests productivity in 2021 and the Annual Average Increase ("IMA" factor) of brazilian forests. , considering the difference between carbon stocked in forests that presented values higher than the average productivity. The comparison was made between the average IMA for the sector (IMA 35,3 m^3/ha/yr) and the average IMA for Dexco's areas (IMA 51 m^3/ha/yr)

Management practice reference number

MP3

Management practice

Composting

Description of management practice

At the Wood Division, we have continued to reuse biomass and sludge ash from effluent treatment to produce natural fertilizers at the composting plants installed at the Agudos (SP) and Uberaba (MG) units. In 2021, 27,680.8 ton of sludge waste were destined for composting and incorporated into the soil for fertilization.

Primary climate change-related benefit

Reduced demand for fertilizers (adaptation)

Estimated CO2e savings (metric tons CO2e)

23,251.91

Please explain

Dexco, when consuming organic fertilizer, incorporating into the soil in addition to or replacing traditional nitrogen fertilizer, no longer emits, in due proportions, carbon of fossil origin into the atmosphere. In 2021, the amount of organic fertilizer used represented the equivalent of 23.251,9 tons CO2e of emissions avoided by not using nitrogen fertilizer.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products.

Level of aggregation

Group of products or services

Taxonomy used to classify product(s) or service(s) as low-carbon

No taxonomy used to classify product(s) or service(s) as low carbon

Type of product(s) or service(s)

CO2 storage

Other, please specify

Produtcts made from wood

Description of product(s) or service(s)

Wood from forests; MDF panels, laminated flooring made from MDF and MDP panels, High-density

Have you estimated the avoided emissions of this low-carbon product(s) or service(s)

Yes

Methodology used to calculate avoided emissions

Guidelines for Assessing the Contribution of Products to Avoided Greenhouse Gas Emissions (ILCA)

Life cycle stage(s) covered for the low-carbon product(s) or services(s)

Gate-to-gate

Functional unit used

1 m^3 of panel

Reference product/service or baseline scenario used

Wood products are products that store carbon. The carbon removed by forests remains stored in the panels and is used to manufacture durable consumer goods.

Life cycle stage(s) covered for the reference product/service or baseline scenario

Use stage

Estimated avoided emissions (metric tons CO2e per functional unit) compared to reference product/service or baseline scenario

3,388,059.82

Explain your calculation of avoided emissions, including any assumptions

Wood products are products that store carbon. To estimate the avoided emissions, the variables considered were: the total production in m3 (3,120,622.47 m3), the percentage of wood present in the panels (90%), the panel's density (0,7), the percentage of carbon embedded in the wood (47%) and the CO2/C molecular ratio (3.667).

Revenue generated from low-carbon product(s) or service(s) as % of total revenue in the reporting year

58

C5. Emissions methodology

C5.1

(C5.1) Is this your first year of reporting emissions data to CDP?

No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?

No

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?	Details of methodology, boundary, and/or reporting year definition change(s)
Row 1	Yes, a change in reporting year definition	The baseline has been revised, according to current challenges and the evolution of the company's emissions. Base years were evaluated for each Dexco business.

C5.1c

(C5.1c) Have your organization's base year emissions been recalculated as result of the changes or errors reported in C5.1a and C5.1b?

	Base year recalculation	Base year emissions recalculation policy, including significance threshold

Row 1	Yes	The purchase of the Castelatto company took place at the end of the reporting year, 2021. Therefore, there were no structural changes in Dexco's emissions inventory. The control of its emissions activities will begin to be accounted for and monitored in the year 2022. In addition, Dexco's Sustainability strategy was revisited, including emissions targets. The base years have been revised, according to current challenges and the evolution of the company's emissions.

C5.2

(C5.2) Provide your base year and base year emissions.

Scope 1

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

454,338.01

Comment

This base value covers the operations of the Deca (Metals and Ceramics Sanitary Ware), Hydra (electric showerheads), Wood (Panels and Forests) and Ceramic Tiles.

Scope 2 (location-based)

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

160,695.99

Comment

This base value covers the operations of the Deca (Metals and Ceramics Sanitary Ware), Hydra (electric showerheads), Wood (Panels and Forests) and Ceramic Tiles.

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not applicable.

Scope 3 category 1: Purchased goods and services

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 2: Capital goods

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 4: Upstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 5: Waste generated in operations

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 6: Business travel

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 7: Employee commuting

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 8: Upstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 9: Downstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 10: Processing of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 11: Use of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 12: End of life treatment of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 13: Downstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 14: Franchises

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 15: Investments

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (upstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (downstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

Brazil GHG Protocol Programme
IPCC Guidelines for National Greenhouse Gas Inventories, 2006
ISO 14064-1
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
The Greenhouse Gas Protocol Agricultural Guidance: Interpreting the Corporate Accounting and Reporting Standard for the Agricultural Sector
The Greenhouse Gas Protocol: Scope 2 Guidance
Other, please specify
US EPA CLIMATE LEADER,

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

348,443.1

Comment

Brazil´s operations scope 1 - 328.651,06 tCO2e
Colombia´s operations scope 1 - 19.550,42 tCO2e
(including all GHG).

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

In 2021, Dexco consumed 937.500,43 MWh, supplied by ELETROPAULO METROPOLITANA ELETRICIDADE DE SAO PAULO S.A. from SHP - Small Hydroelectric Power. Enel no longer provides energy purchase certificates as it used to until 2020.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

123,245.9

Comment

In accordance with Scope 2, our consumption based on location was 3.062.294,92 MWh, which corresponds to 123.245,90 tCO2e (total emission of 111.205,87 tCO2e in Brazil and 12.040,02 tCO2e in Colombia).

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, not yet calculated

Please explain

Dexco still does not calculate the emissions that occur in the extraction and production of products (raw material). Possibly it is a relevant question, but we must expand our knowledge. According to studies carried out in the Life Cycle Assessment of some products in our portfolio, emissions related to productive inputs are possibly the 3rd most relevant value in our supply chain. Dexco is evaluating the need to calculate this category.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

Dexco still does not calculate the emissions that occurs from extraction and production of capital goods (equipments). It is not a relevant issue. According to studies carried out in the Life Cycle Assessment for some products in our portfolio, the emissions related to capital goods are not relevant to the product's environmental footprint.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Please explain

Dexco still does not calculate the emissions that occur from extraction and production of fuels used inn our supply chain. It is not a relevant issue. According to studies carried out in the Life Cycle Assessment for some products in our portfolio, the emissions related to this fuels are not relevant to the product's environmental footprint.

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

46,601.08

Emissions calculation methodology

Distance-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Dexco uses the GHG Protocol methodology to calculate our Emissions Inventory, including scope 3, and IPCC emission factors. For this category we calculate emissions from the transportation and distribution of products purchased by vehicles that are not owned or operated by the organization, as well as other outsourced transportations and distributions (including both inbound and outbound logistics), using the distance-based method. Information on the distance traveled by upstream transport is accounted for and determined by the Supply area. Emission factors (emission/km driven) are applied to calculate GHG emissions from each fuel.
Dexco's Procurement area has an outsourced system for surveying and mapping routes, which makes it possible to collect information to calculate emissions. Currently, this system has been expanded and unified for the company's business. The increase in emissions compared to 2020 is due to the effect of the pandemic.

Waste generated in operations

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

28,322.36

Emissions calculation methodology

Waste-type-specific method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Dexco follows the GHG Protocol methodology to calculate its Emissions Inventory, including scope 3, IPCC and emission factors for the sewage system in Brazil.
For this category, we calculate effluent and solid waste emissions by applying the factors for each type of waste disposal and for each type of effluent treatment.
Scope 3 emissions were approximately 22% higher compared to 2020 due to the effects

of the pandemic.
Emissions from solid waste and effluents are calculated with factors recommended in the literature and IPCC. The factors are not specific to the recipients to which we send our waste.

Business travel

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

551.88

Emissions calculation methodology

Distance-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

We calculate air travel emissions for Dexco employees. All flights are informed by the contracted Travel Agency (Turismo de Maringá). Our Supplement Area is responsible for the dates. The trips are classified into short, medium and long distance and the respective conversion factors are applied in the calculation of emissions.
The increase in emissions related to business travel is a consequence of the effects brought by the post-pandemic period. All the flights data are provided by our Travel Agency contracted.

Employee commuting

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1,816.151

Emissions calculation methodology

Fuel-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Dexco follows the GHG Protocol methodology for calculating our Emissions Inventory, including scope 3, and IPCC emission factors.
Emissions referring to the collective transport of Dexco employees are calculated based on fuel consumption information or on the mileage of the vehicles that make the journey (home / work / home). Emission factors are applied for each situation.

The increase in emissions related to the displacement of employees is a consequence of the security measures brought about by the pandemic, such as the increase in the number of chartered people to maintain distance. Distance and fuel information is provided by third-party companies that provide transportation services to Dexco. Data is collected and entered into our emissions calculation system.

Upstream leased assets

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

5,160.997

Emissions calculation methodology

Fuel-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Dexco follows GHG Protocol methodology to calculate our Emissions Inventory, including scope 3, and emissons factors from IPCC .
Emissions refer to leased farms with operations carried out by third parties. This amount refers to the Taquari Forestry unit.
Dexco started to expand the mapping of its scope 3 sources and an action plan was built to report the most relevant emission sources in the coming years. This category is being analyzed by the company to map emissions in other units.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

18,871.993

Emissions calculation methodology

Distance-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Dexco uses GHG Protocol methodology to calculate our Emissions Inventory, including scope 3, and emissons factors of IPCC. For this cathegory we calculate emissions from the transportation and distribution of our produced products by vehicles that are not owned or operated by the organization, as well as other outsourced transportation and

distribution (including both inbound and outbound logistics), using the distance-based method. Informations about distance traveled by upstream transport are accounted for and determined by the Logistic area. The emission factors (emission / km traveled) are applied to calculate GHG emissions for each fuel.
Dexco's Supply area has an outsourced route survey and mapping system, which makes it possible to collect information to calculate emissions. Currently, this system has been expanded and unified for the company's businesses.

Processing of sold products

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

436.949

Emissions calculation methodology

Site-specific method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

These emissions are relevant to the Wood Business, in which our wood products are processed by the woodworking and furniture industries. Dexco started to understand and map the sources of Scope 3 emissions and created an action plan to report the most relevant sources of emissions in the coming years. In 2020, this category was analyzed by Dexco, and a process was created together with the furniture industries to map their emissions.
For this category, we calculate emissions from our customers' electricity and fuel data.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Dexco began to understand and map the sources of Scope 3 emissions and create an action plan to report the relevant sources of emissions in the coming years. This question would be representative for Deca products. According to studies carried out in the Life Cycle Assessment of some products in our portfolio, emissions related to this water treatment represent a significant percentage of the use of the phase product. When using our products, greenhouse gas emissions may be related to the consumption of electricity and gas in our showers. However, considering the company's entire portfolio (about 12%), we are researching an action plan to report on the most relevant emission sources in the coming years. This category is being analyzed by Dexco.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Our products have a long durability and the emissions from the end-of-life treatment of sold products represent 0.1% of emissions in the life cycle assessment study.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Not applicable for Dexco. We do not have downstream leased assets.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Dexco does not have franchises . This category is not applicable to Dexco´s operations

Investments

Evaluation status

Not relevant, explanation provided

Please explain

This category is not applicable to Dexco´s operations. Our inventory is based on our operating limit. Although Dexco has investments in other companies, there is no operational control.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

Not applicable for Dexco.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

Not applicable for Dexco.

C-AC6.8/C-FB6.8/C-PF6.8

(C-AC6.8/C-FB6.8/C-PF6.8) Is biogenic carbon pertaining to your direct operations relevant to your current CDP climate change disclosure?

Yes

C-AC6.8a/C-FB6.8a/C-PF6.8a

(C-AC6.8a/C-FB6.8a/C-PF6.8a) Account for biogenic carbon data pertaining to your direct operations and identify any exclusions.

CO2 emissions from land use management

Emissions (metric tons CO2)

382,555.075

Methodology

Default emissions factors

Please explain

Based on biogenic carbon emission data related to direct operations (this figure includes emissions (336,805.48tCO2e Brazil and 29,958.10 tCO2e Colombia and 15,562.03 tCO2e Brazil and 229.46 tCO2e of renewable CO2 emissions).

CO2 removals from land use management

Emissions (metric tons CO2)

346,679.47

Methodology

Default emissions factors

Please explain

This amount includes removals from commercial areas due to stock differences (-169.015,08 tCO2e) and the increase in conservation areas (-177.664,39 tCO2e).

Sequestration during land use change

Emissions (metric tons CO2)

0

Methodology

Default emissions factors

Please explain

Not applicable. At Dexco there is no change in land use.

CO2 emissions from biofuel combustion (land machinery)

Emissions (metric tons CO2)

16,076.254

Methodology

Default emissions factors

Please explain

Biogenic carbon results from the use of ethanol, ethanol on gasoline, and biodiesel in diesel. This amount includes Brazil and Colombia emissions.

CO2 emissions from biofuel combustion (processing/manufacturing machinery)

Emissions (metric tons CO2)

6,916.851

Methodology

Default emissions factors

Please explain

For processing/manufacturing machinery, the biogenic carbon comes from burning biomass (this amount includes 6,348.65 tCO2e Brazil and 568,20 tCO2e Colombia emissions).

C-AC6.9/C-FB6.9/C-PF6.9

(C-AC6.9/C-FB6.9/C-PF6.9) Do you collect or calculate greenhouse gas emissions for each commodity reported as significant to your business in C-AC0.7/FB0.7/PF0.7?

Agricultural commodities

Timber

Do you collect or calculate GHG emissions for this commodity?

Yes

Please explain

Dexco's forestry business is responsible for the supply of wood (wood for the production of MDF and MDP) and represented approximately 3% of all greenhouse gases from Brazilian operations in 2021 (including scopes 1, 2, 3 and emissions from agricultural activity). And this business is responsible for all of our carbon removals. For the Panels Business, responsible for the consumption of wood and the production of MDF and MDP, emissions (Scope 1, 2 and 3) from the Brazil and Colombia units represent 41% of Dexco's total emissions.

C-AC6.9a/C-FB6.9a/C-PF6.9a

(C-AC6.9a/C-FB6.9a/C-PF6.9a) Report your greenhouse gas emissions figure(s) for your disclosing commodity(ies), explain your methodology, and include any exclusions.

Timber

Reporting emissions by

Unit of production

Emissions (metric tons CO2e)

0.093491549

Denominator: unit of production

Other, please specify

cubic meters (m3)

Change from last reporting year

Much lower

Please explain

Indicator : 0,010671683 tCO2e/m3 Brazil and 0,082819866 tCO2e / m³ Colômbia represents relative emissions of Dexco Panels production.

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.000045038

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

471,684.8

Metric denominator

unit total revenue

Metric denominator: Unit total

8,200,000,000

Scope 2 figure used

Location-based

% change from previous year

1

Direction of change

Increased

Reason for change

Dexco's revenue grew mainly as a result of the implementation of the Deca division's price adjustment, the incorporation of Cerâmica's results and the increase in demand for renovation materials during the pandemic. Emissions are up about 38% from 2020, mainly due to high production across the company.
It is important to highlight that Dexco is reviewing its emissions targets, including for the Colombia and Ceramic Tiles units. In 2021, science-based targets were released, along with the Company's new Sustainability Strategy. The goals are to reduce emissions and maintain a positive carbon balance within the business.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	326,952.01	IPCC Fifth Assessment Report (AR5 – 100 year) 💬1
CH4	9,167.377	IPCC Fifth Assessment Report (AR5 – 100 year) 💬2
N2O	9,346.504	IPCC Fifth Assessment Report (AR5 – 100 year) 💬3
HFCs	2,977.212	IPCC Fifth Assessment Report (AR5 – 100 year) 💬4

💬1Brazil´s operations scope 1 - 299662,09 CO2
Colombia´s operations scope 1 - 18601,82 CO2

💬2Brazil´s operations scope 1 - 7749,53 CH4
Colombia´s operations scope 1 - 282,69 CH4

💬3Brazil´s operations scope 1 - 8.308,38 N2O
Colombia´s operations scope 1 - 378,61 N2O

[4]Brazil´s operations scope 1 - 2.931,04 HFC's
Colombia´s operations scope 1 - 46,16 HFC's

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Brazil [1]	328,892.67
Colombia [2]	19,550.42

[1]Reported in GHG Protocol Brazil (Kyoto Protocol)

[2]Reported in GHG Protocol Brazil (Kyoto Protocol)

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By business division
By facility
By activity

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Deca (included Metals, Sanitay Ware and Hydra)	45,203.96
Wood (included Forest and Wood Panels)	60,063.24
Central Office, Show Room and Distribution Center	60.76
Ceusa - Ceramic tiles and floors	223,564.71
Duratex Colombia (Wood Panels)	19,550.42

C7.3b

(C7.3b) Break down your total gross global Scope 1 emissions by business facility.

Facility	Scope 1 emissions (metric tons CO2e)	Latitude	Longitude
Central Office	13.33	-23.558145	-46.659214

Forest Area - Agudos	15,749.156	-22.488451	-49.133606
Forest Area - Itapetininga	4,026.413	-23.586486	-48.105526
Forest Area - Taquari	621.68	-29.803859	-51.846371
Forest Area - Uberaba	6,356.52	-19.75334	-47.97688
Panels - Agudos	14,735.59	-22.488451	-49.133606
Panels - Botucatu	338.13	-22.879022	-48.452454
Panels - Itapetininga	9,801.85	-23.586486	-48.105526
Panels - Taquari	2,973.104	-29.803859	-51.846371
Panels - Uberaba	5,460.794	-19.742167	-47.978368
Show Room - Deca	0.192	-23.568771	-46.672883
Metals - Jacareí	159.797	-23.28647	-45.9779
Metals - Jundiai	1,318.437	-23.202716	-46.843107
Metals - São Paulo	1,393.31	-46.843107	-46.688054
Ceramics - João Pessoa	11,056.923	-7.178436	-34.910088
Ceramics - Jundiaí I	20,493.705	-23.18171	-46.861324
Ceramics - Queimados	10,307.734	-22.730522	-43.62375
Ceramics - Recife	406.913	-8.254303	-35.027161
Hydra - Aracajú	67.14	-10.916818	-37.073895
Ceusa - Urussanga	223,564.714	-28.533263	-49.319493
Duratex Colombia - Panels Barbosa	1,082.491	6.43161	-75.346086
Duratex Colombia - Panels Manizales	4,260.875	5.030965	-75.432513

Duratex Colombia - Panels Yarumal	14,207.053	6.812468	-75.495412
Distribution Center Pernambuco	20.741	-8.261007	-35.017262
Distribution Center Tubarão	0.429	-2.848	-49.03
Distribution Center Betim	15.714	-19.985502	-44.19023
Distribution Center Ceramics MG	0	-19.813478	-43.884447
Distribution Center Ceramics SC	0	-28.471164	-49.033994
Distribution Center Hydra	10.343	-10.916904	-37.073991
Show Room RC	0	-23.575357	-46.666158

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Mobile Combustion	28,342.835
Stationary Combustion	296,000.239
Industrial Process	3,869.878
Solid Waste and liquid effluents	6,764.166
Fugitive sources	2,983.233
Agriculture emissions	10,482.746

C-AC7.4/C-FB7.4/C-PF7.4

(C-AC7.4/C-FB7.4/C-PF7.4) Do you include emissions pertaining to your business activity(ies) in your direct operations as part of your global gross Scope 1 figure?

Yes

C-AC7.4a/C-FB7.4a/C-PF7.4a

(C-AC7.4a/C-FB7.4a/C-PF7.4a) Select the form(s) in which you are reporting your agricultural/forestry emissions.

Emissions disaggregated by category (advised by the GHG Protocol)

C-AC7.4b/C-FB7.4b/C-PF7.4b

(C-AC7.4b/C-FB7.4b/C-PF7.4b) Report the Scope 1 emissions pertaining to your business activity(ies) and explain any exclusions. If applicable, disaggregate your agricultural/forestry by GHG emissions category.

Activity

Processing/Manufacturing

Emissions category

Total

Emissions (metric tons CO2e)

302,078.145

Methodology

Default emissions factor

Please explain

This total includes all scope 1 emissions related to the production process of operations in Brazil.

Activity

Processing/Manufacturing

Emissions category

Total

Emissions (metric tons CO2e)

19,309.29

Methodology

Default emissions factor

Please explain

This total includes all scope 1 emissions related to the production process of operations in Colombia.

Activity

Agriculture/Forestry

Emissions category

Non-mechanical

Emissions (metric tons CO2e)

8,688.09

Methodology

Default emissions factor

Please explain

Emissions refer to agricultural fertilizing activities(8.688,09 tCO2e in Brazil and 212,69 tCO2e Colombia)

Activity

Agriculture/Forestry

Emissions category

Non-mechanical

Emissions (metric tons CO2e)

1,794.659

Methodology

Default emissions factor

Please explain

Emissions refer to emissions from fire in planted forests. (1766,144 tCO2e Brazil and 28,515 tCO2e Colombia)

Activity

Agriculture/Forestry

Emissions category

Mechanical

Emissions (metric tons CO2e)

302,078.145

Methodology

Region-specific emissions factors

Please explain

Within the total scope 1 (302.078,14 tCO2e), these emissions refer to the emissions from mechanized agricultural activities in Brazil, including equipment used for operations in forests.

Activity

Agriculture/Forestry

Emissions category

Total

Emissions (metric tons CO2e)

10,482.746

Methodology

Default emissions factor

Please explain

These emissions refer to the total agricultural emissions (fires and fertilizers).

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Brazil	111,205.874	
Colombia	12,040.02	

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division
By facility
By activity

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Deca (included Metals, Sanitay Ware and Hydra)	15,074.888	
Wood (included Forest and Wood Panels)	80,012.881	
Central Office and Show Room	131.341	
Ceusa - Ceramic tiles and floors	15,986.762	

Duratex Colombia	12,040.02	

C7.6b

(C7.6b) Break down your total gross global Scope 2 emissions by business facility.

Facility	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Central Office	76.505	
Forest Area - Agudos	70.825	
Forest Area - Itapetininga	0	
Forest Area - Taquari	0	
Forest Area - Uberaba	20.285	
Hydra Aracajú	1,151.69	
Ceramics - João Pessoa	943.77	
Ceramics - Jundiaí I	2,489.69	
Ceramics - Queimados	1,974.937	
Ceramics - Recife	2,161.062	
Metals - Jacareí	526.106	
Metals - Jundiaí	2,368.979	
Metals - São Paulo	3,458.648	
Panels - Agudos	29,664.583	
Panels - Botucatu	141.266	
Panels - Itapetininga	21,817.425	
Panels - Taquari	9,802.479	
Panels - Uberaba	18,496.01	
Ceusa - Urussanga	15,986.762	
Duratex Colombia - Panels Barbosa	7,471.327	
Duratex Colombia - Panels Manizales	1,465.832	
Duratex Colombia - Panels Yarumal	3,102.86	
Show Room Deca	6.831	
Show Room RC	3.974	
CD Tubarão	10.229	
CD Betim	1.314	

Depósito RC	0.182	
Revestimento ceramico SC	23.751	
CD Hydra Aracaju	7.24	
CD Pernambuco	1.311	

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Electrical Energy Acquisition	123,245.895	

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Increased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	53,189.56	Increased	101	As renewable energy sources, we have the consumption of biomass and electricity in the operations in Brazil and Colombia, adding up the consumption of ethanol in the Brazilian operations. The total emissions from this consumption operations in 2020 was 52,445.06 tCO2e. In 2021, the emission was 105,634.62 tCO2e, representing an increase of 101%. For the consumption of biomass as an energy source (our main renewable fuel in scope 1), we have an emission increase

				that went from 6,353.34 tCO2e in 2020 to 6,916.85 tCO2e in 2021, about 9% increase. Electricity increased from 46,084.07 tCO2e in 2020 to 98,717.12 tCO2e in 2021, being affected by the high emission factor of the GRID and increased production. In ethanol, there was a drop in its consumption and emissions, but it is not representative of the total emissions of these fuels. For the calculations, we added the values of emissions from renewable energy sources from the units in Brazil and Colombia, we have 52,445.06 tCO2e in 2020 and 105,634.62 tCO2e in 2021. We have a 101% increase in emissions from 2020 to 2021. = 1-(105634.62/52445.06) = 101%.
Other emissions reduction activities	29,518.81	Increased	54	In 2020, the company in its activities reduced about 7% of its emissions, in projects of the Painéis Agudos, Louças Jundiaí I, Louças Queimados, Metais Jacareí, Metais Jundiaí. In 2021, in its historic year of production and sales, the company significantly increased its emissions from these units, by 54%. Dexco is studying how to improve energy efficiency and production processes in its factories to reduce emissions in its activities. For the calculations, we added the values of emissions from the units above the units in Brazil, we have 54,520.78 tCO2e in 2020 and 84,039.59 tCO2e in 2021. We have a 54% increase in emissions from 2020 to 2021. = 1- (84,039 .59/54,520.78) = 54%.
Divestment	0	No change	0	There was no divestment in the year 2021
Acquisitions	0	No change	0	There was no acquisitions in the year 2021
Mergers	0	No change	0	Not applicable in this reporting period for Dexco.

Change in output	0	No change	0	The production´s effect was not relevant to the impact on emissions compared to 2020-2021.
Change in methodology	0	No change	0	There was no change in the period as a justification to represent an reduction or increase in emissions.
Change in boundary	0	No change	0	There was no change in the period as a justification to represent an reduction or increase in emissions.
Change in physical operating conditions	0	No change	0	There was no change in the period as a justification to represent an reduction or increase in emissions.
Unidentified	0	No change	0	Not applicable
Other	0	No change	0	There was no change in the period as a justification to represent an reduction or increase in emissions.

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 10% but less than or equal to 15%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes

Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	1,011,508.52	1,335,249.11	2,346,757.63
Consumption of purchased or acquired electricity		794,151.67	143,348.76	937,500.43
Total energy consumption		1,805,660.19	1,478,597.87	3,284,258.06

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Sustainable biomass

Heating value

LHV

Total fuel MWh consumed by the organization

1,011,234.98

Comment

Unit: metric tons CO2 per GJ
Emissions factor source: IPCC. 2006 Guidelines -Energy. 2006.

The following emission factors for stationary combustion of biomass from wood were considered:
CO2 116.0 kg GHG/GJ,
CH4 0.0348 kg GHG/GJ,
N2O 0.00464 kg GHG/GJ.

Other biomass

Heating value

Unable to confirm heating value

Total fuel MWh consumed by the organization

0

Comment

There was no other biomass in the year 2021.

Other renewable fuels (e.g. renewable hydrogen)

Heating value

LHV

Total fuel MWh consumed by the organization

273,542

Comment

Unit: metric tons CO2 per m3
Emissions factor source: PBGHGP 2016 - GHG Protocol Brazil

The following emission factors for stationary combustion of ethanol were considered:
CO2 145.7 t GHG/m3
CH4 0.0384 t GHG/m3

N2O 0.0013 tGHG/m3
Net calorific value of ethanol 6300 kcal/kg
Density of ethanol 809 kg/m3 (BEM 2015)
Conversion factor kcal - MWh 0.000001 MWh/kcal

Coal

Heating value

LHV

Total fuel MWh consumed by the organization

263,017.8

Comment

sub-bituminous coal
Unit: metric tons CO2 per GJ
Emissions factor source : IPCC. 2006 Guidelines -Energy. 2006.

The following emission factors for stationary combustion of sub-bituminous coal were considered:
CO2 181.6 kg GHG/GJ,
CH4 0.00189 kg GHG/GJ,
N2O 0.00283 kg GHG/GJ.

Oil

Heating value

LHV

Total fuel MWh consumed by the organization

112,473.51

Comment

Unit: metric tons CO2 per GJ
Emissions factor source: IPCC. 2006 Guidelines -Energy. 2006.

Fuel Oil Number 1
The following emission factors for stationary combustion of fuel oil were considered:
CO2 77.4 kg GHG/GJ
CH4 0.003 kg GHG/GJ
N2O 0.0040 kg GHG/GJ

Diesel
The following emission factors for stationary combustion of fuel oil were considered:
CO2 74.1 kg GHG/GJ
CH4 0.0039 kg GHG/GJ
N2O 0.00439 kg GHG/GJ

Gasoline
Comment
The following emission factors for stationary combustion of gasoline were considered:
CO2 69.3 kg GHG/GJ
CH4 0.025 kg GHG/GJ
N2O 0.008 kg GHG/GJ

Gas

Heating value

LHV

Total fuel MWh consumed by the organization

959,528.49

Comment

Unit: metric tons CO2 per GJ
Emissions factor source: IPCC. 2006 Guidelines -Energy. 2006.

Natural Gas
The following emission factors for stationary combustion of natural gas were considered:
CO2 56.1 kg GHG / GJ
CH4 0.001 kg GHG / GJ
N2O 0.0001 kg GHG / GJ

Liquefied Petroleum Gas (LPG)
The following emission factors for stationary combustion of liquefied petroleum gas were considered:
CO2 63.1 kg GHG/GJ
CH4 0.001 kg GHG/GJ
N2O 0.0001 kg GHG/GJ

acetylene
Comment
The following emission factors for stationary combustion of acetylene were considered:
CO2 3,38462 kg GHG/GJ

Other non-renewable fuels (e.g. non-renewable hydrogen)

Heating value

Unable to confirm heating value

Total fuel MWh consumed by the organization

0

Comment

There was no other non-renewable fuels in the year 2021.

Total fuel

Heating value

LHV

Total fuel MWh consumed by the organization

2,346,757.63

Comment

The total amount of fuel used by the company, including units in Brazil and Colombia, is 2346757.635 MWh (2.184.104,94 Mwh from Brazil and 162.652,7 MWh from Colombia).

C8.2g

(C8.2g) Provide a breakdown of your non-fuel energy consumption by country.

Country/area

Brazil

Consumption of electricity (MWh)

878,189.97

Consumption of heat, steam, and cooling (MWh)

2,184,104.94

Total non-fuel energy consumption (MWh) [Auto-calculated]

3,062,294.91

Country/area

Colombia

Consumption of electricity (MWh)

59,310.44

Consumption of heat, steam, and cooling (MWh)

162,652.7

Total non-fuel energy consumption (MWh) [Auto-calculated]

221,963.14

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description

Waste

Metric value

411,591.25

Metric numerator

Generation of waste (unit - tonne)

Metric denominator (intensity metric only)

Not applicable

% change from previous year

35.25

Direction of change

Increased

Please explain

Despite the 35% increase in reported waste generation, the proportion of waste disposal in landfills in relation to total inventoried waste is only 0.15%. In addition, more than 138.4 thousand tons of waste were reused internally in production processes in 2021.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement

Page/ section reference

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement

Page/ section reference

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Upstream transportation and distribution
Scope 3: Waste generated in operations
Scope 3: Business travel
Scope 3: Employee commuting
Scope 3: Downstream transportation and distribution
Scope 3: Processing of sold products

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Page/section reference

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Yes

C11.1a

(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.

Colombia carbon tax

C11.1c

(C11.1c) Complete the following table for each of the tax systems you are regulated by.

Colombia carbon tax

Period start date

January 1, 2021

Period end date

December 31, 2021

% of total Scope 1 emissions covered by tax

20.7

Total cost of tax paid

228,597.43

Comment

These emissions covered by tax correspond to 20.7% of total Scope 1 emissions in Colombia. The total cost of tax paid was R$228,597.43 , which corresponds to 179,788,982.9 COP.

C11.1d

(C11.1d) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?

Colombia started carbon taxation on December, 2016 and Tresury Ministry established incidence of taxes for fuel purchases. On June, 2017 the Environmental Ministry enacted a decree for emission compensation. Companies in charge of taxation started to have the alternative of offsetting their emissions. At the beginning of 2017, the compensation could be only with projects carried out in the Colombian territory. At Dexco Colombia, this system and also the projects for offsetting are already established and it is the first big company in Colombia to assurance its carbon credits. Our strategy in Colombia is the maintenance of the

"CARVIDA" project, related to compensation of carbon bonus through carbon capture from forests.
In 2018, we received the Icontec Forest Compensation certificate, an achievement linked to the Carvida program – a carbon bonus for life. Between 2010 and 2017, our forests captured 956 thousand tons of carbon dioxide, equivalent to the total emissions of all the vehicles that circulate in the Metropolitan Area of Valle de Aburrá (Medellin and neighboring municipalities) for 14 days each year, over the period mentioned. The recognition serves as evidenced that our Greenhouse Gas Forests Compensation program based on forest cultivation is the largest in Colombia.
Since the market carbon implementation in Colombia, we have already provided income of about U$S 3.954 millions. In 2020, the quantification of carbon credits was not updated, however, in 2021 they were quantified in 597,466 credits. From that total, 200,000 credits were commercialized and the company had an income of USD 824,000.00.
In Brazil, we follow up the discussions for the implementation of the national carbon market on a sectoral and internal basis. We also actively participate in the IBÁ (Brazilian Tree Industry) Climate Change Committee.

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers
Yes, other partners in the value chain

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Engagement & incentivization (changing supplier behavior)

Details of engagement

Run an engagement campaign to educate suppliers about climate change

Provide training, support, and best practices on how to make credible renewable energy usage claims
Climate change performance is featured in supplier awards scheme

% of suppliers by number

3

% total procurement spend (direct and indirect)

58

% of supplier-related Scope 3 emissions as reported in C6.5

97.5

Rationale for the coverage of your engagement

Since 2013, we conduct the Dexco Supplier Management Program (GFD), a complete set of mechanisms to identify, select and monitor the social, environmental, economic and quality performance of suppliers that provide products and services essential for our operations. In the GFD dynamic, the critical and highly critical suppliers are asked to answer a self-assessment questionnaire. Participants are classified into these groups: Industry, Hard services, Utilities, Services and Mining. The selection criteria are the volume of payments made to the supplier, the criticalness of their sector of operation to our business and their history of participation in the program. In 2021, the total number of suppliers was 6,777. From that total, 286 were invited to answer the questionnaire and 208 actively participated in the Program, representing 58% of the procurement spend in Brazil. The questionnaire includes issues related to greenhouse gas management, GHG inventory, water and biodiversity management, among others. Regarding the Environment dimension of the GFD Program, the following themes are covered: Existence of an environmental management system; Occurrence of environmental infringements or complaints; Waste management and disposal; Water (consumption, consumption reduction targets, effluent disposal and incidence of significant spills); Energy (access to energy in the necessary quantity and quality, level of consumption, consumption reduction targets, energy matrix); Atmospheric emissions; GHG Emissions (emissions reduction initiatives and targets); Noises; Biodiversity (operation's impact on biodiversity and conservation actions); Use of renewable or recycled raw materials; Product and packaging recovery initiatives; Environmental origin of the wood; Freight efficiency; Energy efficiency, electrical matrix, initiatives aimed at energy conservation.

Impact of engagement, including measures of success

As we started being more critical in the evaluation of the climate change issues of the questionnaire, 75% of suppliers reported not having such targets in 2021, which was a better result compared to 2020, when 83% of companies reported not having them. Additionally, 4% of suppliers reported having targets but not having achieved them in the previous year, while only 38 companies, or 21% of the total, reported meeting or exceeding their targets.
On the other hand, 77% of the companies stated that they carry out a GHG inventory, which reveals that, although companies are concerned with their emissions, seeking to map and measure them, they are not assuming concrete and ambitious goals to

minimize their impacts. . These results help us understand where are the greatest gaps in our supply chain regarding suppliers climate change knowlege and initiatives. For 2022, we will start a program called Suppliers Academy, which will consist in a series of mini-courses aimed to improve suppliers performance in socio-environmental thems. One of these courses will cover climate change issues and how to address them in their daily operational controls.

Comment

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

A very important stakeholder within our value chain is the communities surrounding our operations. In the forestry unit of Agudos, in the state of São Paulo, we have a project called "Espaço Arvorar", opened to public visitation. The "Espaço Arvorar" is a place dedicated to raising awareness about the history and importance of wood through sensorial experiences and information. Through the activities carried out in this place, visitors are introduced to themes related to climate issues while learning about the importance of forests and how Dexco maintains these areas. The visits are free of charge and, in a playful way, visitors learn about the use of wood, importance of biodiversity, native forests, benefits of planted forests for carbon stock, carbon sequestration, types of tools made of wood and wood use for housing . The place is open for students and other interested parties from all over Brazil. In 2019, we received 8030 visits at Espaço Arvorar. In 2020 and 2021, due to sanitary restrictions resulting from the pandemic, the "Espaço Arvorar" had to remain closed.

Another important factor within our value chain is the exchange of knowledge that takes place during our participation in forums, events and thematic study groups. In 2022, we were invited by Anfacer (National Association of Ceramic Tiles Manufacturers) to integrate a thematic panel focused on low carbon economy during a coatings exhibition fair called ExpoRevestir.

Internally, we seek to train our employees on relevant topics related to climate issues. During the process of internal disclosure of the new sustainability strategy, all employees are introduced to the importance of managing and reducing emissions in our industrial activities. In addition, in 2021, a climate change expert was invited to give a workshop on climate change and the carbon market for the Dexco Executive Committee.

C12.2

(C12.2) Do your suppliers have to meet climate-related requirements as part of your organization’s purchasing process?

Yes, suppliers have to meet climate-related requirements, but they are not included in our supplier contracts

C12.2a

(C12.2a) Provide details of the climate-related requirements that suppliers have to meet as part of your organization's purchasing process and the compliance mechanisms in place.

Climate-related requirement

Measuring product-level emissions

Description of this climate related requirement

Since 2013, we conduct the Dexco Supplier Management Program (GFD), a complete set of mechanisms to identify, select and monitor the social, environmental, economic and quality performance of suppliers that provide products and services essential for our operations. In the GFD dynamic, the critical and highly critical suppliers are asked to answer a self-assessment questionnaire. The questionnaire includes issues related to greenhouse gas management, GHG inventory, water and biodiversity management, among others. As we started being more critical in the evaluation of the climate change issues of the questionnaire, 75% of suppliers reported not having such targets in 2021, which was a better result compared to 2020, when 83% of companies reported not having them. Additionally, 4% of suppliers reported having targets but not having achieved them in the previous year, while only 38 companies, or 21% of the total, reported meeting or exceeding their targets. These results help us understand where are the greatest gaps in our supply chain regarding suppliers climate change knowlege and initiatives. For 2022, we will start a program called Suppliers Academy, which will consist in a series of mini-courses aimed to improve suppliers performance in socio-environmental thems. One of these courses will cover climate change issues and how to address them in their daily operational controls.

% suppliers by procurement spend that have to comply with this climate-related requirement

3

% suppliers by procurement spend in compliance with this climate-related requirement

25

Mechanisms for monitoring compliance with this climate-related requirement

Supplier self-assessment

First-party verification

Supplier scorecard or rating

Response to supplier non-compliance with this climate-related requirement

Retain and engage

C-AC12.2/C-FB12.2/C-PF12.2

(C-AC12.2/C-FB12.2/C-PF12.2) Do you encourage your suppliers to undertake any agricultural or forest management practices with climate change mitigation and/or adaptation benefits?

Yes

C-AC12.2a/C-FB12.2a/C-PF12.2a

(C-AC12.2a/C-FB12.2a/C-PF12.2a) Specify which agricultural or forest management practices with climate change mitigation and/or adaptation benefits you encourage your suppliers to undertake and describe your role in the implementation of each practice.

Management practice reference number

MP1

Management practice

Other, please specify

Encouraging good management practices through fostered forests

Description of management practice

Dexco fosters more than 28,000 hectares of forests, destined to supply its panels plants. We share our technical knowledge with fostered smallholders to encourage best management practices in their forests, in order to reduce socio-environmental impacts and increase forest productivity.

Your role in the implementation

Knowledge sharing

Operational

Explanation of how you encourage implementation

Dexco has a due diligence system for the supply of controlled timber and for fostered forests. Through this system, we ensure the compliance of non-certified timber suppliers with labor, environmental, land, tax and occupational health and safety legislation, laying the foundation for future certification. We also provide tree saplings for timber producers, which give preference to wood supply to Dexco. Additionally, one of the targets of the Sustainability Strategy is "For 80% of areas to be certified (FSC) by 2035."

In 2019, we started the process of involving producers partners in order to guide them to obtain the seal. . In 2019, 50 of them participated in a meeting, organized by us, to get to know the concepts on which the certification is based and understand the necessary adjustments. In November 2020, the 1st group of producers was subject to an external audit. At the end of the process, the certification was recommended, covering 20.1% of the fostered forest areas. The target is to have 80.0% of these areas certified by 2035.

Climate change related benefit

Increasing resilience to climate change (adaptation)
Increase carbon sink (mitigation)
Reduced demand for fossil fuel (adaptation)
Reduced demand for fertilizers (adaptation)
Reduced demand for pesticides (adaptation)

Comment

The good management practices we encourage in fostered areas allow the reduction of the use of inputs and natural resources, in addition to increase productivity. By using the seedlings we supply, all the benefits of the genetic improvement program are shared with the fostered smallholders, such as the utilization of genetic materials well adapted to the local conditions, giving them better resilience to climate change.

C-AC12.2b/C-FB12.2b/C-PF12.2b

(C-AC12.2b/C-FB12.2b/C-PF12.2b) Do you collect information from your suppliers about the outcomes of any implemented agricultural/forest management practices you have encouraged?

Yes

C12.3

(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

Direct or indirect engagement that could influence policy, law, or regulation that may impact the climate

Yes, we engage indirectly through trade associations

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?

No, but we plan to have one in the next two years

Describe the process(es) your organization has in place to ensure that your engagement activities are consistent with your overall climate change strategy

Through involvement with associations and trade organizations, we anticipate trends and progress in the market. Corporately, we participate in the Brazilian Association of Publicly Traded Companies (Abrasca), the Federation of Industries of the State of São Paulo (Fiesp), the Brazilian Institute of Investor Relations (IBRI), Ethos Institut Ethos and Brazilian Business Network for Life Cycle Assessment (Rede ACV).
Under the auspices of our forestry activities, associations considered strategic to are: Brazilian Tree Industry (Ibá); Forestry Science and Research Institute (Ipef); and Forestry Investigation Society (Sociedade de Investigações Florestais - SIF).

As a Deca Business we also participate of: Brazilian Association of Sanitation Materials (Asfama), National Confederation of Industries (CNI), Brazilian Association of Building Materials Industry (ABRAMAT).
Our participation in associations and committees focused on specific topics, such as Climate Change, ensures that we are aligned with global sustainability trends and gives us theoretical and practical foundations so that we can strategically plan the future of our business. The benchmark with other participants in these groups brings an innovative look at the changes and process improvements that we intend to implement, such as those described in our sustainability strategy.

C12.3b

(C12.3b) Provide details of the trade associations your organization engages with which are likely to take a position on any policy, law or regulation that may impact the climate.

Trade association

Other, please specify

IBÁ (Indústria Brasileira de Árvores) - Brazilian Tree Industry

Is your organization's position on climate change consistent with theirs?

Consistent

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

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.

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

Describe the aim of your organization's funding

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports, incorporating the TCFD recommendations

Status

Complete

Attach the document

Page/Section reference

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

C13. Other land management impacts

C-AC13.1/C-FB13.1/C-PF13.1

(C-AC13.1/C-FB13.1/C-PF13.1) Do you know if any of the management practices implemented on your own land disclosed in C-AC4.4a/C-FB4.4a/C-PF4.4a have other impacts besides climate change mitigation/adaptation?

Yes

C-AC13.1a/C-FB13.1a/C-PF13.1a

(C-AC13.1a/C-FB13.1a/C-PF13.1a) Provide details on those management practices that have other impacts besides climate change mitigation/adaptation and on your management response.

Management practice reference number

MP1

Overall effect

Positive

Which of the following has been impacted?

Biodiversity
Soil
Water
Yield

Description of impact

Every time Dexco acquires a new area for forest planting, a positive impact is generated on conserving biodiversity. Our forests are planted only in areas which were already used for commercial activities, so not only deforesting is prevented, but also part of these areas is set aside for conservation purposes, where the natural regeneration of these areas is made possible.

Along with planted forests, Dexco maintains areas of native vegetation containing habitats suited to the development of local fauna and flora. These areas are connected through the biodiversity corridors at Dexco´s units, contributing to the preservation of animal and plant species. Studies have been conducted since the 1970s in partnership with universities in the conservation areas have monitored the positive impacts of the biodiversity conservation actions we carry out.

In these locations, measures are in place to protect the environmental values, such as prohibiting hunting and fishing, patrols by forest rangers, actions for preservation and mitigation of forest fires, reduced speed limits and control of invasive species. These actions aim to protect old growth forests, thus also protecting the biodiversity found in these areas, including species within the local flora and fauna that are rare or threatened by extinction. We have already identified more than 2,000 flora and fauna

species. From this total, 39 species are classified as highly threatened, threatened and vulnerable, according to the International Union for Conservation of Nature (IUCN).

Have you implemented any response(s) to these impacts?

Yes

Description of the response(s)

Dexco is responsible for 134,675 hectares of own and leased areas in Brazil, 32.4% of which are set aside for conservation. We continue to adopt best forestry management practices, certified according to FSC standards, ensuring the maintenance of conservation areas and habitats suited to development of fauna and flora. These conservation areas in our forest areas are interspersed with planted eucalyptus, allowing for connection between conservation areas and facilitating the flow of animals and plants.

In Rio Grande do Sul, we also help producers by supporting their environmental licensing processes, sharing our intellectual capital so that these forest owners meet all of the legal requirements for forestry management.

Since 1977, Dexco has carried out various studies on plant and animal life through partnerships with universities and research institutions that showed considerable diversity of wildlife and plant life in the conservation areas and forest plantations throughout different biomes. In 2019, we renewed our participation in the program for another seven years.

These studies contribute to the development of scientific research in Brazil by sharing the results with the scientific community through theses, dissertations, papers and participation at congresses.

In 2019, we underwent an international consultancy assessment that ranked our management practices among the best standards worldwide, which reflects our commitment to sustainable development since the beginning of our operations. In 2020, we were nominated by the Annual Summary of Timber and Pulp Assessments as the most transparent Company in Brazil and the Americas in ESG commitments in the wood and pulp industries. This ranking is developed by the Sustainability Policy Transparency Toolkit (SPOTT) program. The Company was ranked 4th out of a total of 100 companies appraised in the world ranking. In 2020, we scored 76.1%, up 10.2 percentage points from 2019. The average score of all appraised companies was 22.6% in 2020.

Management practice reference number

MP2

Overall effect

Positive

Which of the following has been impacted?

Biodiversity
Soil
Yield
Other, please specify
Local community

Description of impact

Dexco does not use fire as a management practice. Actions guarantee prevention and combating of forest fires, so as to protect crop and conservation areas, as well as the community and employees, machinery and company facilities. The destruction of plant cover, resulting in an increase in the occurrence of ecological and humanitarian disasters, such as: soil erosion and major floods.

Have you implemented any response(s) to these impacts?

Yes

Description of the response(s)

Many forest workers are qualified as forest firefighters; surrounding communities are informed about forest operations and are given a communication channel that can be used to report fires; firebreaks maintenance.

C-AC13.2/C-FB13.2/C-PF13.2

(C-AC13.2/C-FB13.2/C-PF13.2) Do you know if any of the management practices mentioned in C-AC12.2a/C-FB12.2a/C-PF12.2a that were implemented by your suppliers have other impacts besides climate change mitigation/adaptation?

Yes

C-AC13.2a/C-FB13.2a/C-PF13.2a

(C-AC13.2a/C-FB13.2a/C-PF13.2a) Provide details of those management practices implemented by your suppliers that have other impacts besides climate change mitigation/adaptation.

Management practice reference number

MP1

Overall effect

Positive

Which of the following has been impacted?

Biodiversity
Soil
Other, please specify
Working conditions

Description of impacts

Dexco provides technical guidance to its outgrowers, ensuring that the best forest management practices are in place. By doing this, the conservation areas are adequately protected (no harvesting there), the soil is protected and the workers' rights are respected.

Have any response to these impacts been implemented?

Yes

Description of the response(s)

The due diligence system we have established for wood procurement ensures these positive impacts are amplified. Desk and field audits are conducted on all wood suppliers. If issues are found, an action plan is generated with a deadline to folow up. If there are major or recurring problems, the supplier is suspended until the issue is resolved.

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

	Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity
Row 1	Yes, executive management-level responsibility	The Wood Division's Operation Director, who advises the Vice President of the Wood Division, is the responsible for the approval and follow up of our internal regulation of responsible forest stewardship. Through this Policy, Dexco recognizes the importance of forests and other natural ecosystems, committing to prevent or minimize adverse impacts and enhance those that are beneficial, aiming at a balance between environmental, social and economic aspects of the business, taking into account the UN Sustainable Development Goals and ensuring that forest stewardship is carried out responsibly. Among our commitments, we also highlight not commercially exploit species protected by CITES (Convention on International Trade in Endangered Species of Wild Flora and Fauna).

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity	Biodiversity-related public commitments	Initiatives endorsed
Row 1	Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity	Adoption of the mitigation hierarchy approach	SDG

		Commitment to not explore or develop in legally designated protected areas Commitment to respect legally designated protected areas Commitment to avoidance of negative impacts on threatened and protected species Commitment to no conversion of High Conservation Value areas Commitment to secure Free, Prior and Informed Consent (FPIC) of Indigenous Peoples Commitment to no trade of CITES listed species	

C15.3

(C15.3) Does your organization assess the impact of its value chain on biodiversity?

	Does your organization assess the impact of its value chain on biodiversity?
Row 1	Yes, we assess impacts on biodiversity in our upstream value chain only

C15.4

(C15.4) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?	Type of action taken to progress biodiversity- related commitments
Row 1	Yes, we are taking actions to progress our biodiversity-related commitments	Land/water protection Land/water management Education & awareness Law & policy

C15.5

(C15.5) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	Yes, we use indicators	State and benefit indicators

C15.6

(C15.6) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
In voluntary sustainability report or other voluntary communications	Content of biodiversity-related policies or commitments Governance Impacts on biodiversity Details on biodiversity indicators	Since the 1970s, we have maintained partnerships with universities and research institutes to monitor and catalog local biodiversity, contributing to the scientific study of the environment. 1
In voluntary sustainability report or other voluntary communications	Content of biodiversity-related policies or commitments Governance	We seek to conserve biodiversity, environmental values and ecosystem services. To this end, we assess the socio-environmental aspects and impacts of forestry operations (The official commitment will be released in june/2022)
In voluntary sustainability report or other voluntary communications	Governance Impacts on biodiversity	Pages 85, 143-145, 149 (the official Integrated Report will be released in june/2022)

[1]Brazil Forest Management Plan 2021.pdf

C16. Signoff

C-FI

(C-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.

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change 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

Please confirm below