Dexco S.A - Water Security 2021

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Duratex is a publicly traded company with 70 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 finishings 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), Duratex 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, Duratex has sixteen industrial units located in the South, Southeast and Northeast regions of Brazil and three additional wood panels units in Colombia, Notable among the products in our portfolio are MDP and MDF paneling, fiberboard sheets, wood flooring, sanitary ware, metals, metal fittings and electric showers. 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, Duratex is responsible for more than 140 thousand hectares of planted forests and conservation areas in Brazil and Colombia. Duratex ensures the use of the best native area conservation and management practices. On July 1st, 2020, we celebrated the 25th anniversary of our Forest Steward - ship Council® (FSC®) certificate of responsible forest stewardship. We were the 1st Company in the entire southern hemisphere to obtain it and the 5th in the world. 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 a lower cost. We acquired, in 2020, the Viva Decora constructech, an online platform with more than 10 million single sessions per month, and continued to work on the LD Celulose project, a joint venture with Lenzing AG, which will be one of the world's largest pulp plants.

In 2020 we witnessed the outcome of maturity of discussions on climate change in the Company, which will have an even greater impact when we revisit our sustainability strategy, whose new version will be disclosed in 2021. We are now addressing the commitment to reducing and setting GHG emission targets in a strategic way. We will soon complete a science-based study with proposed GHG emission targets in line with Duratex's zero carbon strategy. 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 fight 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 2020, over 56.0% of the energy we used came from renewable sources (including Scope 1 and Scope 2 energy), and outstanding were the panel operations with 86.0% of its matrix composed of renewable energy.

Regarding water efficiency, in 2020 we collected 3.7 million cubic meters of water at our units. From this total, 8.7% were supplied by concessionaires, 69.7% came from groundwater sources, and 21.5% from surface water sources. We reused 5.3 million cubic meters of water. The ratio of water reuse to total collected was 145.0%, which means that more water is in use than being extracted from the environment.

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1 2020	December 31 2020

W0.3

(W0.3) Select the countries/areas for which you will be supplying data.

Brazil
Colombia

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

BRL

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

No

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	Conservation of natural resources, like water, is essential to ensure the sustainability of Duratex´s business. That is why this is one of the priority themes in our Sustainability Strategy. This resource, besides being used in several stages of industrial processes, is important to ensure the development of forested areas, which provide the raw material base for the production of timber. Water quality is also important to ensure adequate supply of administrative areas and others.
Sufficient amounts of recycled, brackish and/or produced water available for use	Vital	Vital	In 2020, we reused 5.3 million cubic meters of water. The ratio of water reuse to total collected was 145.0%, which means that more water is in use than being extracted from the environment. Water reuse allows the Company to promote lower uptake of water by reducing the environmental impacts inherent in industrial process.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	Duratex monitors water withdrawal data from both its Brazilian and Colombian operations. In 2020, Duratex captured a total of 3,677.16 megaliters (3,677,168.9 m³) of water, being 96% to supply the operations in Brazil.
Water withdrawals – volumes by source	100%	Duratex monitors water withdrawal by source data from both its Brazilian and Colombian operations. In Brazil's operations, the main source is groundwater (72% of the total consumed in 2020) and in Colombia's operations surface water represents the largest consumption (89% in 2020).
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<Not Applicable>	<Not Applicable>
Water withdrawals quality	100%	The productive and environmental areas of the units are responsible for the control of water quality parameters, in order to comply with local legislation regarding the respective treatment standards. The production units may conduct internal water analysis in their own laboratories, in addition to maintaining outsourced monitoring, according to local periodicity and requirements.
Water discharges – total volumes	100%	Duratex monitors water discharge data from both its Brazilian and Colombian operations. In 2020, Duratex discharged a total of 747.69 megaliters (747,687.9 m³) of water (effluents), being 95% from operations in Brazil. In relation to the previous year, there was a total decrease of 17% in effluents discharge. This reduction in total effluent discharged occurred because many units have robust reuse systems (such as Ceusa, which reuse 100% of their industrial effluents).
Water discharges – volumes by destination	100%	Duratex measures and monitors water discharges by destination at all units in Brazil and Colombia. The destination monitored and their percentage participation of water discharges in 2020 were: Brazil: public sewage collection systems – 53.6%; local watercourses – 45.7%; and Septic tanks – 0.6%. Colombia: local watercourses – 100%.
Water discharges – volumes by treatment method	100%	Duratex measures and monitors water discharges by treatment method at all units. The treatment methods monitored (and their percentage participation in water discharges) in 2020 were: Brasil: primary - 2.6%; secondary - 84.7%; tertiary - 11.2%; primary and secondary - 1.5%; no treatment (septic tank, irrigation field, authorized by law) - 0.1%. Colombia: primary and secondary - 29.5%; secondary - 70,5%.
Water discharge quality – by standard effluent parameters	100%	The effluents discharged by Duratex are in accordance with the standards required by legislation. According to each type of disposal, there are specific parameters to be followed and met, in accordance with the standards and requirements of environmental agencies.
Water discharge quality – temperature	100%	The effluents discharged by Duratex are in accordance with the standards required by legislation. According to each type of disposal there are specific parameters to be followed and met, in accordance with the standards and requirements of environmental agencies. Temperature is also one of the standards monitored so as not to impact, in particular, the local watercourses.
Water consumption – total volume	100%	Duratex monitors water consumption data in all units, from both its Brazilian and Colombian operations. Total water consumption in Duratex was 2,929.48 megaliters (2,929,480.9 m³)in 2020, taking into account the difference between the total water withdrawn and the water released in surface courses or in public sanitation networks.
Water recycled/reused	76-99	80% of Duratex's operations determine the volume of water reused. Hydra and Ceusa (RC 3 and 4) operations, despite reusing the water, do not measure this reuse process yet.
The provision of fully-functioning, safely managed WASH services to all workers	100%	All Duratex´s facilities provide fully-functioning wash services to workers. Duratex controls periodically the water quality, following brazilian legislation and its Safety Program (DuraSeg)

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	3677.16	Higher	In 2020, Duratex captured a total of 3,667.16 megaliters (3,667,168.9 m³) of water, being 3,538.92 megaliters to supply the operations in Brazil and 154.24 megaliters in Colombia. In relation to the previous year, there was a total increase of 12% in water withdrawal,
Total discharges	747.69	Lower	In 2020, Duratex discharged a total of 747.69 megaliters (747,687.9 m³) of water (effluents), being 707.18 megaliters from operations in Brazil and 40.51 megaliters from operations in Colombia. In relation to the previous year, there was a total decrease of 17% in effluents discharge. This reduction in total effluent discharged occurred because many units have robust reuse systems (such as Ceusa, which reuses 100% of its industrial effluents).
Total consumption	2929.48	Higher	Total water consumption in Duratex was 2,929.48 megaliters (2,929,480.9 m³)in 2020, taking into account the difference between the total water withdrawn and the water released in surface courses or in public sanitation networks. In relation to the previous year, there was an increase of 20%.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	No	<Not Applicable>	<Not Applicable>	WRI Aqueduct	Duratex carried out a study aimed at assessing the situation of the catchment basins where our industrial units are located, considering aspects related to water, the economy, society and politics. The company deepened this study through an evaluation of the industrial departments to understand how local factors related to water – such as changes in the rainfall regime and competition for this resource, for instance – can impact industrial operations. It was also made the use of AQUEDUCT tool to understand the areas of greatest exposure to water risk. We intend to revisit this study until the end of 2022, including the last operations acquired by Duratex. Although there is no systematic/frequent specific analysis regarding water-stressed areas where Duratex units are located, studies conducted in Duratex so far, besides the contextualization of the results in the current scenario, show that the unit Deca Metals located in São Paulo is the only plant at water shortages risk (based on assessment held in 2015). The study of water availability characterizes the situation of the river basin Penha Pinheiros by low water availability, increasing resident population and organic load, low sewage treatment rate, loss in water distribution, high dependence on imports of the resource to meet the water demand and the basin is in absolute shortage, due to its low water availability per capita and existing conflicts in the use of water resources. Besides the evaluation of the basin, local factors were also evaluated by the industrial team of the unit. The following factors were considered: low water availability considering the loss of reservoirs volume and the reduction of rainfall in 2015 (actions were implemented to reduce the volume consumed in the unit); bad supply dependence (on the public system);bad environmental conditions due to decreased rainfall in the region since 2014 besides population growth that puts pressure on natural resources. The company already takes measures to mitigate the risks identified, like intensification of water reuse, a water acquisition plan by alternative suppliers and campaigns to increase awareness among employees. Specifically for our forestry operations, in 2019, in partnership with Embrapa (a Brazilian Agricultural Research Corporation), Duratex has carried out a study (based on RCP 8.5 model) to assess current and future climate vulnerabilities in the Zona da Mata region (Atlantic Forest), in regions that are important for our forest bussiness. 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 Duratex presented risks in the scenarios evaluated for the specific characteristics of our planted forests.

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	792.22	Much higher	We had an increase of 62% of fresh surface water withdrawal and that was mainly because in 2020 we started considering Portinari operations, which were not included in the indicators in 2019.
Brackish surface water/Seawater	Not relevant	<Not Applicable>	<Not Applicable>	Duratex does not use brackish surface water/seawater.
Groundwater – renewable	Not relevant	<Not Applicable>	<Not Applicable>	Duratex does not use groundwater from renewable sources (shallow wells).
Groundwater – non-renewable	Relevant	2563.37	About the same	Water withdrawal from underground sources decreased by 2% compared to 2019, which represents a very similar result.
Produced/Entrained water	Not relevant	<Not Applicable>	<Not Applicable>	Duratex does not use produced water.
Third party sources	Relevant	321.57	About the same	Water withdrawal from third party sources increased by 2% compared to 2019, which represents a very similar result.

W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Relevant	363.69	Lower	In 2020, the water discharges to fresh surface water was reduced by 29% in comparison to 2019. This reduction occurred because many units have robust reuse systems (such as Ceusa, which reuse 100% of their industrial effluents).
Brackish surface water/seawater	Not relevant	<Not Applicable>	<Not Applicable>	Duratex does not discharge water in brackish surface water/seawater.
Groundwater	Not relevant	<Not Applicable>	<Not Applicable>	Duratex does not discharge water in groundwater.
Third-party destinations	Relevant	379.31	About the same	Water discharges to third party destinations increased by 1% compared to 2019, which represents a very similar result.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Relevant	79.09	Higher	1-10	The tertiary treatment increased by 10% in comparison to 2019.
Secondary treatment	Relevant	649.59	Lower	61-70	The secondary treatment decreased by 19% in comparison do 2019. For this indicator, it was considered the volume of secondary treatment (627.21 megaliters) and the secondary treatment combined with primary treatment (22.37 megaliters).
Primary treatment only	Relevant	18.44	About the same	31-40	The primary treatment increased by 0.3% in comparison to 2019, which represents a very similar result.
Discharge to the natural environment without treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	Duratex does not discharge water without treatment to the natural environment.
Discharge to a third party without treatment	Relevant	0.55	Much higher	1-10	The volume of discharge to third party without treatment was0.26 in 2019. It is worht mentioning that, for this indicator, we consider septic tank and irrigation field, authorized by law.
Other	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	Duratex did not discharge water without treatment to any other type of collector in 2020.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

1-25

% of total procurement spend

51-75

Rationale for this coverage

The total number of suppliers used by the Supply sector in 2020 was 6,772. There was a slight increase compared to 2019, despite Portinari's entry into the scope of purchases. Since 2013, Duratex conducts Duratex Supplier Management program or GFD, its acronym in Portuguese, a complete set of mechanisms to identify, select and monitor the social, environmental, economic and quality performance of a group of companies that provide products and services that are essential for the continuity of our operations. Companies that have similar social and environmental impacts are grouped into five general sectors. Participants are classified into these groups: Industry, Hard services, Utilities, Services and Mining. In the GFD dynamic, the suppliers selected are asked to answer a self-assessment questionnaire. 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 (reduction initiatives and targets);
• Water (access to quality water in the necessary quantity, level of 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 and targets);
• Noises;
• Biodiversity (operation's impact and conservation actions);
• Use of renewable or recycled raw materials,
• Product and packaging recovery initiatives;
• Environmental origin of the wood (in the case of sectors that use wood);
• Freight efficiency (in the case of the Transport sector);
• Energy efficiency, electrical matrix, initiatives aimed at energy conservation (in the case of the Energy sector).

This methodology incorporate sustainability criteria into the procurement process. Based on a criticality matrix, the appropriate management measures were established for each category, according to the stage of the relationship: pre-contract, negotiation and contracting – with supplier monitoring and/or development. In 2020, 220 suppliers were mapped and selected. Of this total, 192 responded to the self-assessment questionnaire (from GFD Program), accounting for 54.0% of the spend of Duratex (surpassing annual amount of R$1.8 billion). 34 companies were visited remotely in view of the pandemic scenario.

Impact of the engagement and measures of success

In 2020, 192 suppliers, representing 54% of the procurement spend, answered the questionnaire, which includes issues related to greenhouse gas management, GHG inventory, water and biodiversity management. 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 2020, we kept a good performance average in the program, with consolidated score of 7.3 in a 0 to 10 scale. No suppliers had score below 5 in this mapping. The percentage of suppliers who scored equal to or above 8.0 in the GFD dropped from 35% to 25%, being the first time since the beginning of the Program that this drop has occurred. The drop is mainly due to the inclusion of new issues and, consequently, to the increase in the level of demand in relation to the social and environmental performance of suppliers. Participants with grades between 7.0 and 8.0 went from 39% to 34% of the total.

Comment

Annually, we select strategic suppliers of our relationship base to integrate the GFD Program. That process consists of the provision of information on all purchases in a criticality matrix. In this way, the data are analyzed based on the risk quadrants and relevance to the operation, resulting in the classification of Providers. Partners assessed as critical and very critics are prioritized in the program.

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement
Incentivizing for improved water management and stewardship

Details of engagement
Water management and stewardship action is integrated into your supplier evaluation
Water management and stewardship is featured in supplier awards scheme

% of suppliers by number
1-25

% of total procurement spend
51-75

Rationale for the coverage of your engagement
The total number of suppliers used by the Supply sector in 2020 was 6,772. There was a slight increase compared to 2019, despite Portinari's entry into the scope of purchases. Since 2013, Duratex conducts Duratex Supplier Management program or GFD, its acronym in Portuguese, a complete set of mechanisms to identify, select and monitor the social, environmental, economic and quality performance of a group of companies that provide products and services that are essential for the continuity of our operations. Companies that have similar social and environmental impacts are grouped into five general sectors. Participants are classified into these groups: Industry, Hard services, Utilities, Services and Mining. In the GFD dynamic, the suppliers selected are asked to answer a self-assessment questionnaire. 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 (reduction initiatives and targets);
• Water (access to quality water in the necessary quantity, level of 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 (in the case of sectors that use native wood);
• Freight efficiency (in the case of the Transport sector);
• Energy efficiency, electrical matrix, initiatives aimed at energy conservation (in the case of the Energy sector).
This methodology for analyzing and selecting suppliers was revised in 2017, with the goal of incorporating sustainability criteria into the procurement process. Duratex´s partners' activities were grouped into categories, which were used to map the most critical and highest risk social and environmental aspects. Based on this matrix, the appropriate management measures were established for each category, according to the stage of the relationship: pre-contract, negotiation and contracting – with supplier monitoring and/or development.

Impact of the engagement and measures of success
In 2020, 192 suppliers, representing 54% of the procurement spend, answered the questionnaire, which includes issues related to greenhouse gas management, GHG inventory, water and biodiversity management. 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 2020, we kept a good performance average in the program, with consolidated score of 7.3 in a 0 to 10 scale. No suppliers had score below 5 in this mapping. The percentage of suppliers who scored equal to or above 8.0 in the GFD dropped from 35% to 25%, being the first time since the beginning of the Program that this drop has occurred. The drop is mainly due to the inclusion of new issues and, consequently, to the increase in the level of demand in relation to the social and environmental performance of suppliers. Participants with grades between 7.0 and 8.0 went from 39% to 34% of the total.
Every year, Duratex recognizes outstanding suppliers in the GFD assessment and monitoring cycle. Outstanding practices are identified during technical visits made to company facilities (34 in 2020) and awards are aimed at valuing advancement in incorporating sustainability practices into business, in addition to inspiring other companies to adopt similar measures. One of the companies awarded in 2020 was an industry (ARTBAN Industry - small/medium company category) which carried out a change in the final finishing process, made with water sandpaper, which allowed for a 50% reduction in total water consumption and reuse in the production process.

Comment
In 2020, due to sanitary restrictions resulting from the pandemic, it was not possible to hold the annual supplier recognition event. However, all awarded suppliers received a recognition trophy. In January 2021, videoconferences were held with each of the suppliers in order to recognize the good practices implemented.

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Duratex's Sustainability Strategy is structured in 4 pillars: People, Processes, Products & Services and New Business Models. Within the pillar "Products and Services", there is the following target to be achieved by 2025: "To have revenue of BRL 20 million coming from Pro-Água services". Through the Pro-Água Program, according to the demand of customers (residential, commercial or industrial), Duratex 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 the 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 2013, we have developed more than 600 projects with the "Pro-Água" program, 127 of them in 2020. All theses 127 projects executed in 2020 represented R$ 514,816.24 . in net sales of solutions.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?
Yes

W2.1a

(W2.1a) Describe the water-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Country/Area & River basin

Brazil	Other, please specify (Penha-Pinheiros)

Type of impact driver & Primary impact driver

Physical	Flooding

Primary impact
Increased cost of capital

Description of impact
In February 2020, there was a flood in São Paulo, in the region where our Metals unit is located. The flood ended up financially damaging the company, as we had not only damage to machinery and facilities, but also to product inventory.

Primary response
Increase insurance coverage

Total financial impact
5000000

Description of response
Our insurance policy was activated and we are still dealing with the procedures to respond to the incident.

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?
No

W3. Procedures

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?
Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage
Full

Risk assessment procedure
Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment
Every two years

How far into the future are risks considered?
3 to 6 years

Type of tools and methods used
Enterprise Risk Management

Tools and methods used
Other, please specify (Intern Risk Map)

Comment
The main tool guiding the management process is a risk map, wich is revised every two years using evaluations and analysis by managers from the administrative and operational areas. Duratex follows up social and environmental risks of its business, considering themes such as water, waste, emissions, supplier and community relations and others. Risks mapped are prioritized using a methodology that assesses the degree of impact and vulnerability to which Duratex is exposed. Each risk is classified as low, medium, high or critical. For the last two categories, we establish mitigation plans and risk managers are designated for continual monitoring, with a check of audit area. In the last cycle (which occurred in the year 2018), 26 high or critical socio-environmental risks were identified. The Risk Commission is responsible for providing accountability every semester for action plans executed to the Audit and Risk Management Committee which advises the Board of Directors. The methodology used for the assessment is based on consulting advice.

Supply chain

Coverage
Partial

Risk assessment procedure
Other, please specify (Suppliers assessment)

Frequency of assessment
Annually

How far into the future are risks considered?
1 to 3 years

Type of tools and methods used
Other

Tools and methods used
Internal company methods
External consultants

Comment
The total number of suppliers in 2020 was 6,772. Since 2013, we conduct the Duratex Supplier Management Program or 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 suppliers selected are asked to answer a self-assessment questionnaire. In 2020, 192 suppliers, representing 54% of the procurement spend, answered the questionnaire, which also includes issues related to water management. The percentage of suppliers who scored equal to or above 8.0 in the GFD dropped from 35% to 25%, being the first time since the beginning of GFD that this drop has occurred. It is mainly due to the inclusion of new issues and, consequently, to the increase in the level of demand in relation to the social and environmental performance of suppliers. Duratex considers the water use necessary to evaluate this performance. Thus, in order to highlight this relevante topic, a specific question about definition and fulfillment of a target to reduce water consumption in operations was included. This dimension approaches: access to quality water in the necessary quantity, level of consumption and reduction targets, effluent disposal and significant spills. In 2020 was verified that most suppliers have a monitoring of water consumption carried out, but the vast majority do not have a goal related to water consumption reduction.

Other stages of the value chain

Coverage
Full

Risk assessment procedure
Other, please specify (Market risk and demand)

Frequency of assessment
More than once a year

How far into the future are risks considered?
1 to 3 years

Type of tools and methods used
Other

Tools and methods used
Internal company methods

Comment
Duratex considers possible risks with customers , market and competitors, preferences, innovation, water-saving products, consumption trends. It is already an intrinsic part of the day-to-day research and product development areas of the Deca Division, for instance, working on water-saving products. The Deca Comfort line, for example, demonstrates that Duratex has been facing the potential risks posed by more demanding consumers as an opportunity to win more markets. This technology is present in all of the brand's faucets and bring more comfort to consumers while also helping save water resources. This innovation, which has no impact on the design of tap and mixers, guarantees a standard flow, with a costant jet of water.
Focused on community surrounding, our listening mechanism is not only a tool to assess possible risks of our operations but also to positively impact of our units. The dialogue tool is one of the drivers for our private social investment. Social diagnosis is made through this process and the proposed projects are evaluated by our social team and Sustainability Committee, who analyze the socio-environmental relevance and the potential for replication. No risk related to competition for water use has been mapped in our communities. However, we prioritize environmental education and one of the outstanding projects was project "Paths of Water and Biodiversity", focused on the conscious consumption of water and the importance of planted forests.

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	The study to assess the sustainability of the river basins where our industrial and forest units are located evaluates the demand for water resources and the public policies focused on the rational use of water and effluent treatment, in order to establish the levels of sustainability in the river basin, based on quantitative, qualitative and weighted criteria.
Water quality at a basin/catchment level	Relevant, always included	Duratex initiated in 2015 the development of a methodology to analyze economic sensitivity of environmental aspects, focused on five themes (water, energy, emissions, effluents and waste). The project includes an internal diagnostic of the operations and business strategies in the medium and long term; analysis of the value chain; scenarios evaluation (considering three potential scenarios whose aspect will impact the company´s operations and performance, in a more or less severe way), and others. The project also produced an external view of risks and opportunities related to these five environmental aspects, and using an economic model to analyze their impacts, helped to strengthen integration between the financial and sustainability departments. The project was focused on the analysis of water aspect and one of its main benefits is the convergence between environmental and financial management at Duratex, allowing for creation and assessment of complex risk scenarios for use by the company's internal management. Until 2020, there were no significant negative changes in the water availability and pricing scenarios for Duratex.
Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, always included	To enhance and strengthen relations with the communities neighboring Duratex´s units and to promote their development along with the business, Duratex focuses efforts on identifying the publics that are impacted and have influence on our activities in the regions where we operate. Mapping these community stakeholders is important to support actions and projects that will be developed over the coming years. As a second step, Duratex puts together mechanisms to identify and understand the demands of neighboring communities. Since 2016, Duratex has been conducting "Dialogue Circles", which consist of meetings held in the localities where the company is present. These events are conducted by the Sustainability area, and take place in neutral locations (outside of Duratex properties), where stakeholders such as representatives of local communities, neighboring companies, NGOs, etc. are invited to participate in the dialogue. The intention is to discuss topics of common interest among the public that interact locally, as well as the possible impacts that the activities of the company may entail. Action plans are proposed by Duratex, when necessary. The need to keep on social distancing measures has led us to temporarily suspend some in-person activities in 2020, so we discontinued the Dialogue Circles. The activities are set to start again in 2021, including at the ceramic tiles units recently acquired. Our Engagement Agents are empowered to permanently talk to people in communities to identify potential sensitive situations as well as project opportunities. There have been no significant water related issues brought by local communities. Even so, Duratex prioritizes environmental education of our communities. In 2019, we conducted the project called "Paths of Water and Biodiversity", focused on the conscious consumption of water and the importance of planted forests. The program includes training of educators, work in the classroom, drawing competition and graffiti workshop - in which the winning schools participate. As a result of this project, we had 90 schools, 238 teachers and 6,643 students impacted.
Implications of water on your key commodities/raw materials	Relevant, always included	Eucalyptus is the main raw material used in the production process of Wood Division (which represented about 55% of revenue in 2020). 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. Duratex is one of the companies that participated in the creation of the "Eucflux - Torre de Fluxo" cooperative program, which has an experimental research base installed in one of Duratex´s farms. Coordinated by IPEF (Institute of Science and Forest Research) and CIRAD (Agricultural Research for Development). In 2020, Duratex invested R$ 36,916.00 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, which help to optimize production and ensure the sustainability of crops. Duratex selects species crosses and, later, adapts clones to the main growing regions of Duratex (São Paulo, Minas Gerais, Rio Grande do Sul, Alagoas). As the genetic material of Eucalyptus and Corymbia remain in the field for 6 years until the decision is made on which of them are the most suitable for the advancement of phases in the breeding program (ie the most productive, with greater resistance to diseases, with better quality of wood for panel production), they are also affected by extreme weather events, such as drought, flooding and wind breaking. Thus, materials that do not withstand drought well or do not develop in wetlands, will not be selected for the regions where these phenomena may occur. Specifically for our forestry operations, in 2019, in partnership with Embrapa, Duratex has carried out a study (based on RCP 8.5 model) to assess current and future climate vulnerabilities in the Zona da Mata region (Atlantic Forest), in regions that are important for our forest bussiness. The edaphoclimatic study identified, evaluated and quantified temperatures, water balance, rainfall, water deficiency and temperature evolution in the regions studied by 2050, with projections and scenarios for the study region (Brazil´s northeast). As a result, it was found that none of the objective areas presented risks in the scenarios evaluated.
Water-related regulatory frameworks	Relevant, always included	Duratex makes part of discussing groups and representative associations engaged with policy makers in matters related to environmental relevant issues and contributes to regulatory discussions, through sector representations. The identification of potential changes in water and climate related regulatory structure can 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. Also, Duratex 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 Duratex arising from current legislation.
Status of ecosystems and habitats	Relevant, always included	Status of ecosystems and habitats is evaluated according to local legislation where Duratex´s units are present. The forest area of Duratex also carries out an intense mapping of species, in partnership with research institutes. We have already identified 1,414 flora and 1,136 fauna species. From this total, 15 flora and 24 fauna species are classified as threatened species by the International Union for Conservation of Nature (IUCN).
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	Access to fully-functioning, safely managed WASH services for all employees is considered for all units, taking into account both legal issues and requirements of management systems.
Other contextual issues, please specify	Relevant, always included	The conservation areas are formed by the Permanent Preservation Areas (native vegetation on the banks of water courses, springs and steep slopes) and other areas maintained complementarily. The protection of these areas aims at the conservation of water and biodiversity. Water is an essential asset for survival of living beings on the planet. Every care must be taken to conserve and not pollute springs, rivers, dams and lakes. Employees are also trained and communicated about the care that must be taken with hydrous bodies.

W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Customers	Relevant, always included	Duratex is committed to developing solutions that guarantee people's well-being and comfort, with less social and environmental impact and with the efficient use of natural resources, such as water and power. To do this, Duratex relies on a set of products assessment practices, ranging from their development to quality management at operational units. In aftersales services, Duratex monitors possible defects and other demands from customers in order to enhance our practices and portfolio. Trends and consumption needs are always assessed by the Marketing and Product Development area of the businesses, especially for Deca brand products, where there is always a search for eco-efficient products and solutions in relation to water use. Through our client committees and constant dialogue with architects and influencers, we seek to develop increasingly rational products in the use of water.
Employees	Relevant, always included	Access to water is always considered in all Duratex´s units. The quality of water for human supply is verified both internally and by third parties, according to local legislation and health and safety management systems demands. We have no problems related to access and quality of water in the units and forests. All employees are notified and campaigns are carried out on reducing consumption and better water management in production processes. In addition, there are always efforts and input from employees regarding the efficient use of this resource and hydrous bodies preservation.
Investors	Relevant, always included	Through Duratex activities, products and services offered contribute to improving people's life quality and to sustainably creating value for stakeholders, including investors. Under Duratex operating model, it seeks to anticipate trends in order to be able to adapt and meet the needs of this public. Duratex´s purpose, "Solutions for Better Living", attracts investors in view of the market's tendency to offer complete solutions, not just products or services, which includes living in a more sustainable way.
Local communities	Relevant, always included	To enhance and strengthen relations with the communities neighboring Duratex´s units and to promote their development along with the business, Duratex focuses efforts on identifying the publics that are impacted and influence our activities in the regions where it operates. Mapping of these community stakeholders is important to support actions and projects that will be developed over the coming years. As a second step, Duratex puts together mechanisms to identify and understand the demands of neighboring communities. Since 2016, Duratex has been conducting "Dialog Circles", which consist of meetings held in the localities where the company is present. These events are conducted by the Sustainability area, and take place in neutral locations (outside of Duratex), where stakeholders such as representatives of local communities, neighboring companies, NGOs, etc. are invited to participate in the dialogue. The intention is to discuss topics of common interest among the public that interact locally, as well as the possible impacts that the activities of the company may entail. Action plans are proposed by Duratex, when necessary. In the next year, similar works will be started in the ceramic tile units recently acquired in Criciúma (Santa Caratina State). Duratex also capacitates employees as Engagement Agents, who are empowered to permanently talk to people in communities to identify potential sensitive situations as well as project opportunities. There have been no significant water related issues brought by local communities.
NGOs	Relevant, always included	This public is included in the above mentioned Dialog Circles with communities.
Other water users at a basin/catchment level	Not relevant, included	Duratex has not faced other water users at basin that could have affected its business, but we keep monitoring and check for possible other uses in our basin.
Regulators	Relevant, always included	Duratex makes part of discussing groups and representative associations engaged with policy makers in discussing matters related to environmental relevant issues and contributes to regulatory discussions, through sector representations. The identification of potential changes in water and climate related regulatory structure can 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.
River basin management authorities	Not relevant, included	Regulatory trends are monitored in river basin committees, particularly by the wood business units.
Statutory special interest groups at a local level	Not relevant, included	Duratex businesses also participate of statutory groups at a local level, following new trends.
Suppliers	Relevant, always included	Duratex has a formal set process for the identification of risks in its relationship with national and international suppliers. This identification is carried out through the Duratex Supplier Management Program (GFD), and in alignment with the guidelines of the Sustainability Commission. This program uses metrics for the monitoring of suppliers through the use of questionnaires, scheduled visits and document control, taking into consideration legal, social and environmental questions. The questionnaire evaluates suppliers according to their sector of activity. The questionnaires cover a number of topics, including: Health and Safety; Ethics and Human Rights; Environmental and Social Management; Environment (social and environmental risk assessment, eco-efficiency from an organizational perspective and waste disposal), Waste, Biodiversity, Relations with Local Communities, Legal Compliance. Duratex has created the Program to develop closer relationships with its suppliers, disseminate good practices and define socio-environmental, economic, and quality criteria that must be met, as well as level of service criteria for the selection of supplier partners.
Water utilities at a local level	Not relevant, included	Water utilities at a local level are considered in the evaluations of the specific units, however for Duratex as a whole it ends up not being relevant, since. However, local dealings are prioritized by each business. We currently do not have any specific issues with water providers, regarding upstream and downstream demands and discharges to our operations. When necessary, this public is included in Dialogue Circles with communities.
Other stakeholder, please specify	Not considered	

W3.3d

(W3.3d) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

The organization's environmental risks and also risks related to water are reviewed every two years. Water risks are assessed according to their impact and vulnerability to Duratex. The risks are identified according to the possibility of impact on operations, financial losses, conformities and impacts on the company's image. For each Duratex´s unit, the risks are identified at the operational and managerial levels After the identification and evaluation of impact and vulnerability, the risks are complemented and evaluated by Duratex Legal Area. Following the validation, local and Corporate risks are analyzed by Duratex´s top leadership (business directors). The risks are analyses according to each business and the representativite to Duratex. Mitigation plans are monthly verified by Audit Area through a management system (named TeamMate). Every six months, the risks are presented to the Audit and Risk Management Committee, which monitors, managers and reports the results of the evaluations to the Board of Directors.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, only within our direct operations

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

To assess the company's general risks, including the analysis of socio-environmental risks, an evaluation is carried out according to their impact and vulnerability. The impact consists of the assessment of risks according to qualitative and quantitative criteria, with weighted variables, taking into account financial impact, scope of operations, damage to the image, operational and legal. These variables are properly weighted. According to the impact, risks are classified as critical, high, medium and low. For the vulnerability, it is evaluated how much the company is exposed or unprotected to risk events, considering the frequency of recurrence of the event, the internal controls adopted and the response time to regularize or treat the risk. Weights are also assigned. As for vulnerability, risks are also classified as critical, high, medium and low. There are monitoring for all risks assessed by Duratex. After analyzing 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$ 155,650,920.00). High risks are considered to be less than or equal to 3% and above 2% of shareholders' equity (that is, between R$ 103,767,280.00 and R$ 55,650,920.00).

The Risk Commission is responsible for providing accountability every semestre for action plans executed to the Audit and Risk Management Committee which advises our Board of Directors. The last cycle occurred in 2018, and only low or medium risks related to water scarcity were identified.

Duratex understands that water risks can be: multi-dimensional, local, depend on weather patterns, and require a collective response. To acknowledge the risks that may affect the Company's business, Duratex has deepened its studies with the development of projects like Water Availability, Water Footprint, Economic Sensitivity Analyses and The Flow Tower. These studies have helped the Company to understand how its activities and products are related with water scarcity, pollution and other related impacts. Environmental risks such as those related to water, are also assessed by the Audit and Risk Management Committee, as well as being addressed by the Sustainability Committee. The studies conducted so far and the contextualization of the results in the current scenario show that the unit Deca Metals in São Paulo is the only plant at water shortages risk. Our study of water availability characterizes the situation of the river basin Penha Pinheiros by low water availability, increasing resident population and organic load, low sewage treatment rate, loss in water distribution, high dependence on imports of the resource to meet the water demand. Also, the basin is in absolute shortage according to Falkenmark indicator, due to its low water availability per capita and the already existing conflict in the use of water resources. Besides the evaluation of the basin, local factors were also evaluated by the industrial team of the unit. Factors considered include bad water availability considering the loss of reservoirs volume and the reduction of rainfall in 2015 (actions ahave been implemented to reduce the volume consumed in the unit); very bad capture dependence because the unit depended on public supply; very bad environmental condition due to decreased rainfall in the region since 2014 and also population growth that puts pressure on natural resources. The company already takes measures to mitigate the risks identified, like intensification of water reuse, a water acquisition plan by alternative suppliers and campaigns to increase awareness among employees. In 2020, there was no case of water shortage in the unit.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	1	1-25	River basin: Penha-Pinheiros 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. There has been a review of the main water stress indicators and a Sustainability Index Basin in the river basins (WSI) where Duratex operates has been applied. The Penha Pinheiros Basin, where the Metals unit is located, was classified as median sustainability (for WSI), and according to the Falkenmark indicator, the basin is characterized by absolute water scarcity, resulting in the concept of water risk high for the unit. Within evaluation of local factors and hydro conditions the unit was classified as high risk. The company already takes measures to mitigate the risks, like intensification of water reuse, a water acquisition plan by alternative suppliers and campaigns to increase awareness among employees. In 2020, there was no case of water shortage in the unit. The same unit, due to population density and local urbanization, is exposed to flooding risks, as well as several points in the city of São Paulo. In 2020, we suffered from a flood that affected several parts of the city and some of our operations were affected. However, the reestablishment of operations occurred quickly, suffering only a few material losses.

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Brazil	Other, please specify (Penha-Pinheiros)

Number of facilities exposed to water risk
1

% company-wide facilities this represents
1-25

Production value for the metals & mining activities associated with these facilities
<Not Applicable>

% company's annual electricity generation that could be affected by these facilities
<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities
<Not Applicable>

% company's total global revenue that could be affected
1-10

Comment
The Penha Pinheiros Basin, were the Deca Metals unit is located (in São Paulo), was classified as median sustainability (for WSI), and according to the Falkenmark indicator, which is part of WSI, the basin is characterized by absolute water scarcity, resulting in the concept of water risk high for the unit and classified as righ risk within an evaluation of local factors and hydro conditions. The proportion of financial value that could be affected at the Penha Pinheiros basin would be the Metals São Paulo unit, affecting less than10% of the global revenue of the company. The company has made a contingency plan for the unit listed in addition to actions to reduce water consumption. Full description basins comprised in this risk assesment: Pardo River Basin; Baixo Itapetininga River Basin; Bauru River Basin; Jundiaí River Basin; Penha-Pinheiros River Basin; Uberaba River Basin; Sinos River Basin; Taquari-Antas River Basin; Paraíba do Sul River Basin; Gramame River Basin; GL2 River Basin.

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Brazil	Other, please specify (All basins where Duratex has surface and underground withdrawals and surface dischages: Pardo, Baixo Itapetininga, Bauru, Jundiaí, Penha-Pinheiros, Uberaba,Sinos, Taquari-Antas River, Paraíba do Sul, Gramame, GL2.)

Type of risk & Primary risk driver

Regulatory	Higher water prices

Primary potential impact
Increased operating costs

Company-specific description
The charge for the use of water resources in Brazil is an instrument of the National Policy of Water Resources established by Law number. 9.433/97, the "water law". This charge is not a tax, but rather a fee for the use of a public good whose price is fixed from a pact between water users, civil society and the government under the Watershed Committees - CBHs, to whom the Brazilian legislation establishes the competence of proposing mechanisms of collection of values for direct withdrawal, consume, and surface water discharges. It is up to the state management bodies to carry out or not the charge for the use of state-owned water. Thus, not all Brazilian states have established collection for the extraction of groundwater or surface water, for example. Between 2014 and 2015, when Brazil experienced a severe water crisis, the pressure for the development of water charging mechanisms increased. These crises have a cyclic character. The state of São Paulo, where Duratex has units, is one of those that already adopt collection mechanisms.
At Duratex, 96% of water in 2020 was withdrawn in Brazil (72% groundwater, 19% surface water and 9% water from public water supply). 46% of discharges took place in surface waters.
In the case of the use of water and the discharge of effluents in public supply/collection systems, the charge for the treatment and distribution is made by the responsible utility company. In Duratex, there is already a charge for these services.

Timeframe
4-6 years

Magnitude of potential impact
Low

Likelihood
Likely

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure - minimum (currency)
90179

Potential financial impact figure - maximum (currency)
111361.92

Explanation of financial impact
Estimate: based on the water prices practiced in 2020 for PCJ basin (São Paulo) and extrapolated to Brazil. Calculation: weighted average of water volumes withdrawn from surface and groundwater sources at Duratex in 2020, in addition to surface discharges and consumptive use, in relation to the prices for each category currently practiced. Same reasoning used for max and min impact. 4.3%/year inflation for a six-year horizon:
Vol (m^3) X current/future price (R$) of surface water at Duratex Brasil in 2020:(668,795.50 m^3 x 0.0127 R$/$m^3$) and (668,795.50 m^3 x 0.0157 R$/$m^3$)
Vol (m^3) X current/future price (R$) of groundwater at Duratex Brasil in 2020:(2,553,814.80 m^3 x 0.0127 R$/$m^3$) and (2,553,814.80 m^3 x 0.0157 R$/$m^3$)
Vol (m^3) X current/future price (R$) of consumptive use at Duratex Brasil in 2020:(316,315.60 x 0.0255 R$/$m^3$) and (3316,315.60x 0.0315 R$/$m^3$)
Vol (m^3) X current/future price (R$) of surface discharges at Duratex Brasil in 2020:(323,282.00 m^3 x 0.1274 R$/$m^3$) and (3323,282.00 m^3 x 0.1573 R$/$m^3$)

Primary response to risk
Establish site-specific targets

Description of response
Within the Pillar processes Duratex´s Sustainability Strategy, there are the following targets to be achieved by 2025: To cut relative water consumption by 10% "and" Reduce water consumed by irrigation by 50% per hectare of crops ". Thus, Duratex has been engaged in eco-efficiency actions to reduce water consumption, adaptations in productive lines to increase reuse, and invest in research and development to reduce the use of water in forestry operations.
Water is still a relatively cheap natural resource for the industrial sector in Brazil, and Duratex already withdrawals most of its water (91% in 2020, in Brazil) from underground and surface sources, which are the cheapest among the options available. It reduces dependence on public sources of supply, often under pressure from local population growth. Even so, the risk of increased prices has always been considered by the company in its strategic decisions, and was intensified in 2014, when the country underwent one of its most critical droughts.
In additon, Duratex makes part of discussing groups and representative associations engaged with policy makers in discussing matters related to environmental relevant issues and contributes to regulatory discussions, through sector representations. Participating in meetings of Municipal Councils and Working Groups of the Brazilian Tree Industry (IBA) are examples.

Cost of response
96000

Explanation of cost of response
Within Duratex´s Sustainability Strategy, there are the following targets to be achieved by 2025: “Reduce relative water withdrawal by 10% "and" Reduce water consumed by irrigation by 50% per hectare of crops ". Thus, Duratex has been engaged in eco-efficiency actions to reduce water consumption, adaptations in productive lines to increase reuse, and work on R&D to reduce water use in forestry operations.
The cost considered here (R$ 96,000.00) was the amount spent in Taquari panels plant in order to implement a closed recirculation water system. By doing so, the unit was able to reduce its need of collecting water and increased its reuso rates. Of the total investment, 60% were related to materials and equipment and 40% related to services. Duratex is constantly looking for alternatives that can turn its productive systems into more sustainable ones, and that includes the initiatives aimed at reducing water consumption. This reduction also has an financial impact, considering that our units are subjected to the fees aplied to the use of water.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Other, please specify (No risks identified)	The main mechanism adopted by Duratex to assess risks in its value chain is through the Duratex - GFD Supplier Management Program. This program uses metrics for the monitoring of suppliers through the use of questionnaires (considering issues such as water source, consumption level, effluent disposal and significant spills), scheduled visits and document control, taking into consideration general legal, social and environmental questions. In 2020, 192 suppliers, representing 54% of the procurement spend, answered the questionnaire, which includes issues related to greenhouse gas management, GHG inventory, water and biodiversity management. The percentage of suppliers who scored equal to or above 8.0 in the GFD dropped from 35% to 25%, being the first time since the beginning of the Program that this drop has occurred. The drop is mainly due to the inclusion of new issues and, consequently, to the increase in the level of demand in relation to the social and environmental performance of suppliers. Participants with grades between 7.0 and 8.0 went from 39% to 34% of the total. In addition to this corporate assessment, critical suppliers at local level (such as waste receivers and mining companies) go through evaluations, on-site visits, and environmental licenses control as part of the Environmental Management System. No water-related hazard situations were identified in 2020 at the local level.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity
Markets

Primary water-related opportunity
Expansion into new markets

Company-specific description & strategy to realize opportunity
A service provided by Duratex is the "ProWater" Program (PróÁgua), through which, on the demand of customers (residential, commercial or industrial), actions and application of water-saving products and devices in buildings are planned, from the simplest to the most complex, to rationalize and qualify the use of this natural resource. Specialized professionals develop diagnoses and suggest measures to be taken in order to monitor and minimize consumption, avoid waste - including maintenance plans - and/or promote the reuse of water. Since 2013, we have developed more than 600 projects with the "Pro-Água" program, 127 of them in 2020. All theses 127 projects executed in 2020 represented R$ 514,816.24 . in net sales of solutions.

The strategy for evolving this opportunity is part of Duratex's Sustainability Strategy itself, within the pillar Products & Services, where there is a target to be achieved by 2025: "To have revenue of BRL 20 million coming from ProWater services".

Estimated timeframe for realization
4 to 6 years

Magnitude of potential financial impact
Low-medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
514816.24

Potential financial impact figure – maximum (currency)
20000000

Explanation of financial impact
Current potencial financial impact - R$ 514,816.24 - was the net revenue collected with ProWater in 2020. Within the pillar Products & Services of Duratex´s Sustainability Strategy, there is a target to be achieved by 2025: "To have revenue of BRL 20 million coming from ProWater services". Therefore, the future potencial impact (R$ 20,000,000) represents net revenue inteded to be collected until 2025. This value would represent 0.5% of Duratex´s net revenue in 2018.

Type of opportunity
Efficiency

Primary water-related opportunity
Improved water efficiency in operations

Company-specific description & strategy to realize opportunity
In 2017, the water reuse system implemented at the Taquari (Rio Grande do Sul) panel unit in December 2016, started operating at full capacity. With this, 100% of the effluents generated at this Wood Division unit began to be reused after treatment, also aiming at the reduction in volume collected from the river that supplies the industrial plant and eliminating disposal of effluents.

Estimated timeframe for realization
Current - up to 1 year

Magnitude of potential financial impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
193350.81

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact
The reuse system caused a reduction on the cost of effluent analysis performed by outsourced laboratories, which represented around R$ 33,965.3 in 2017, R$ 50,558.45 in 2018, R$ 53,086.37 in 2019 and R$55,740.68 in 2020, resulting in a saving of R$ 193,350.81 since the reuse system was implemented.

Type of opportunity
Products and services

Primary water-related opportunity
Other, please specify (Improved customer satisfaction)

Company-specific description & strategy to realize opportunity
With the awareness about natural resources use, water-saving products have gained a large share in brazilian market. That awareness has become even more poignant among end users and architects, especially after a serious water crisis affecting Brazil in 2014.
In this sense, Deca Metals Division has developed the Deca Comfort line. This technology is present in all the brand's faucets, bathroom single-handle and basin mixers. Deca comfort products bring more comfort to consumers while also helping 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 buiding has low or high pressure plumbing system. This results in a smooth and costant jet of water, that does not cause unpleasant splashing when washing hands, for instance. This system has been patented. The development and improvement of the Deca Comfort line is one of the initiatives in line with this strategy.
Within the "Products & Services" pillar of Duratex´s Sustainability Strategy, developed in 2016 (launched) in 2017, there is the following target: "For 100% of the finished metals and Deca toilets portfolio to be eco-efficient" by 2025.

Estimated timeframe for realization
Current - up to 1 year

Magnitude of potential financial impact
Low-medium

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
122500000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact
The amount of R$ 122.5 million represents the revenue of products from the Deca Comfort line in 2020. With this type of product, wich represented 15% of sales in Metals Division, and 2.1% of Duratex's revenue in 2020. There is the opportunity to meet the emerging requests of this most demanding publics, strengthening the brand.

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Facility reference number
Facility 1

Facility name (optional)
Metals - São Paulo

Country/Area & River basin

Brazil	Other, please specify (Penha-Pinheiros)

Latitude
-23.517204

Longitude
-46.687702

Located in area with water stress
Yes

Primary power generation source for your electricity generation at this facility
<Not Applicable>

Oil & gas sector business division
<Not Applicable>

Total water withdrawals at this facility (megaliters/year)
53.32

Comparison of total withdrawals with previous reporting year
About the same

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes
0

Withdrawals from brackish surface water/seawater
0

Withdrawals from groundwater - renewable
0

Withdrawals from groundwater - non-renewable
0

Withdrawals from produced/entrained water
0

Withdrawals from third party sources
53.32

Total water discharges at this facility (megaliters/year)
53.32

Comparison of total discharges with previous reporting year
Higher

Discharges to fresh surface water
0

Discharges to brackish surface water/seawater
0

Discharges to groundwater
0

Discharges to third party destinations
53.32

Total water consumption at this facility (megaliters/year)
0

Comparison of total consumption with previous reporting year
Lower

Please explain
Although the volume of water is monitored during collection and use in the factory's internal processes, we do not have a meter at the effluent exit to the collection network. In this way, the water discharge volume is considered the same as the withdrawal volume.

W5.1a

(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?

Water withdrawals – total volumes

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water withdrawals – volume by source

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water withdrawals – quality

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water discharges – total volumes

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water discharges – volume by destination

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water discharges – volume by treatment method

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water discharge quality – quality by standard effluent parameters

% verified
76-100

What standard and methodology was used?
ISO 14001:2015
The verification is in our Environmental Certification.

Water discharge quality – temperature

% verified
76-100

What standard and methodology was used?
ISO 14001:2015
The verification is in our Environmental Certification.

Water consumption – total volume

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

Water recycled/reused

% verified
76-100

What standard and methodology was used?
KPMG International Methodology and GRI Protocol
All the data of this unit and for all the company is verified by KPMG Financial Risk & Actuarial Services Ltda during the verification works for the Integrated Report 2020.

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

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

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business impact on water Company water targets and goals Other, please specify (water protection)	Our Sustainability Policy, Environmental Policy and our Forest Management Plan contemplate the efficient use of water and the protection of water resources. All of our policies are public on our website. Our Sustainability Strategy, which is also public, establishes specific goals for reducing water consumption. Plano-Manejo-Florestal-2020.pdf politica-ambiental.pdf Environmental_Policy.pdf Sustainability_Policy.pdf Politica-de-Sustentabilidade.pdf

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Director on board	Duratex´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 Duratex´s administration. One of them is the Sustainability Committee. Duratex 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. Members and participants of the Committee for Sustainability: President Specialist Consultant An independent member Members of Board Chair, including the Chairmen of the Board of Directors Chief Executive Officer Sustainability Manager Our CEO, alongside the business directors, evaluates the environmental performance of company's business, also checking water indicators. These environmental indicators are monitored monthly by the units and published quarterly and annually by the Company. It is worth mentioning that, in 2021, the ESG executive management was created, encompassing the Sustainability and Social Responsibility area. The management became part of the People and ESG Directorate, reinforcing Duratex's commitment to making its business increasingly compliant with the principles of corporate and financial sustainability and aligning solutions for better living with actions aimed at environmental preservation and local development.

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing major capital expenditures Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	The Sustainability Committee plays an active role in the definition of the strategic positioning of sustainability in the business units, in the definition of priority themes, including the issue of climate change; in the adjustment of the organizational structure of the area; in the definition of performance measurements; and in the incorporation of sustainability in a transverse manner across the Company's various business areas. Duratex has an ESG executive management, which encompasses the Sustainability and Social Responsibility areas and reports to People and ESG Directorate. This Management is responsible for the development of the integrated strategic plan and for the evaluation of opportunities for improvement at the Company, based on the analysis of external scenarios, materiality and market indicators. The Sustainability Strategy was revised in 2016 to further clarify the social and environmental development goals of our business to all stakeholders and provide guidelines for management of risks as well as identify opportunities to create value from an environmental, social and economic standpoint. The Sustainability committee, alongside the president and sustainability management accompany and discuss material themes of our strategy, which include water and climated change issues. See more information about sustainability strategy on page 29 and our goals evolution on pages 72-74 of our 2020 Integrated Report (https://www.duratex.com.br/Relatorio-Anual-2020/en/pdf/Duratex_RA_2020_Book_en.pdf). Information regarding governance structure can be found on pages 34-35.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)
Chief Executive Officer (CEO)

Responsibility
Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues
Quarterly

Please explain
Duratex´s Sustainability Committee is appointed by the Board of Directors in our organizational structure. Duratex´s CEO also takes part of this Committee, being responsible for adressing the theme for Executive Directors and operational units. The CEO participates in the Risk Committee as well, on demand.

Name of the position(s) and/or committee(s)
Sustainability committee

Responsibility
Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues
Quarterly

Please explain
The Sustainability Committee plays an active role in the definition of the strategic positioning of sustainability to be covered by the Sustainability Strategy.
Duratex´s Sustainability Committee is appointed by the Board of Directors in our organizational structure.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	No, not currently but we plan to introduce them in the next two years	Although Duratex has goals related to reducing water consumption in its sustainability strategy and the operational units have specific goals for water consumption aligned with their respective environmental management systems, there are still no incentives directly related to this goal for C- levels.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

The Sustainability Strategy has pillars and relevant themes upon which we have established the social and environmental performance targets to be achieved until 2025. For each pillar, Duratex also defined its aspirations, which show commitments to the sustainable development of businesses and society.

The water theme is inserted in the processes pilar, at the ecoefficiency and Sustainable forest Management topics. Currently, we have targets to reduce the specific consumption of water in industrial operations and reduce water consumption in irrigation per hectare of planting.

Duratex has an ESG executive management, which encompasses the Sustainability and Social Responsibility areas and reports to People and ESG Directorate. This Management is responsible for the development of the integrated strategic plan and for the evaluation of opportunities for improvement at the Company, based on the analysis of external scenarios, materiality and market indicators.

Duratex also keeps track of water theme in its supply chain through the GFD Program and the laws and their applications through the environmental management systems and the support of Company's legal area.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

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

Duratex_RA_2020_Book_en.pdf

Also available in: https://www.dex.co/Relatorio-Anual-2020/en/index.html

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	In 2016 there was a review of Duratex´s material themes, which included internal diagnostic steps (through interviews with executives and document analysis), analysis of academic and civil society documents, analysis of the positioning and practices of the sector (benchmarking) and consultation with opinion formers. Critical analysis of these materials resulted in Duratex's Sustainability Strategy, consisting of 4 pillars: People, Processes, Products and Services and New Business Models, besides 8 guiding themes: Working Conditions and Employee Development, Customer and Consumers Engagement, Community Relations and Local Development, Eco-efficiency, Climate Change, Sustainable Forest Management, Responsible Supply Chain and Sustainable Inputs and Solutions. Out of the 8 themes considered in the Strategy, 45 targets to be achieved until 2025 were derived and dismembered into annual milestones, endowed with indicators. The topic “water” is inserted at the Processes pilar of Duratex's Sustainability Strategy, directly comprised in the themes “Eco-efficiency” and “Sustainable forest Management”.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	The strategy to achieve Duratex´s Sustainability Strategy objectives, based on the 45 targets to be achieved by 2025, is based on process improvements, including reduction of absolute water consumption and increased reuse in industrial units. In forest activities, these actions also involve research and development to improve the resistance of tree species (especially eucalyptus) to extreme conditions. Each target is assigned to a sponsor responsible for the development of action plans that aim to achieve the milestone determined for each year, until the expected accomplishment in 2025. The follow-up on the progress of the actions linked to the targets occurs through the DMS model - Duratex Management System, which is based on a continuous improvement tool, the PDCA (Plan, Do, Check, Act) Cycle".
Financial planning	Yes, water-related issues are integrated	5-10	Each target is assigned to a sponsor responsible for the development of action plans that aim to achieve the milestone determined for each year, until the expected accomplishment in 2025. The follow-up on the progress of the actions linked to the targets occurs through the DMS model - Duratex Management System, which is based on a continuous improvement tool, the PDCA (Plan, Do, Check, Act) Cycle". The sponsors of the targets are therefore also responsible for the annual financial planning of the actions to achieve them.

W7.2

(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

3.99

Anticipated forward trend for CAPEX (+/- % change)

-4.61

Water-related OPEX (+/- % change)

-3.83

Anticipated forward trend for OPEX (+/- % change)

17.46

Please explain

The values reported refer to the average of the equivalents for the Deca, Ceramic Coatings and Wood businesses. For 2021, investments are planned in process improvements (including effluent treatment) and replacement of equipment with high water consumption, especially in the Ceramic Coatings units.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

	Use of climate-related scenario analysis	Comment
Row 1	Yes	Duratex initiated the development of a methodology to analyze economic sensitivity of environmental aspects, focused on five themes (water, energy, emissions, effluents and waste). The project includes an internal diagnostic of the operations and business strategies in the medium and long term; analysis of the value chain; scenarios evaluation (considering three potential scenarios whose aspect will impact the company´s operations and performance, in a more or less severe way.), and others. The project also brought an external view of risks and opportunities related to these five environmental aspects, and by using an economic model to analyze their impacts, helped to strengthen integration between the financial and sustainability departments.

W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

Yes

W7.3b

(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization's response?

	Climate-related scenarios and models applied	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	Other, please specify (RCP 8.5)	Duratex initiated the development of a methodology to analyze economic sensitivity of environmental aspects, focused on five themes (water, energy, emissions, effluents and waste). The project includes an internal diagnostic of the operations and business strategies in the medium and long term; analysis of the value chain; scenarios evaluation (considering three potential scenarios whose aspect will impact the company´s operations and performance, in a more or less severe way.), and others. The project also produced an external view of risks and opportunities related to these five environmental aspects, and using an economic model to analyze their impacts, helped to strengthen integration between the financial and sustainability departments.	The Edaphoclimatic studies carried out in 2019 and follow with the developments in 2020 and 2021. This 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. Situatuion: Duratex, in view of its strategic growth plan and analyzing the possible risks involved in expansion and divestments, needed to assess and direct its decisions. Task: A more in-depth and focused assessment was needed for this strategic analysis Action: In 2019, in partnership with Embrapa (a Brazilian Agricultural Research Corporation), Duratex 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. Result: 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 Duratex presented risks in the scenarios evaluated for the specific characteristics of our planted forests. None of the areas under study presented climatic risks that could impact the Company's forestry business, guiding decision-making. Decisions are treated confidentially at Duratex and will be disclosed in ideal opportunities.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

Studies developed in 2014 and 2015, such as the pilot project to value ecosystem services and analysis of economic sensitivity to environmental aspects, also contribute to increasing our understanding of the possible financial impacts of this theme on Duratex´s business. These analyses are continually being expanded, as new information and research is developed internally or in conjunction with organizations working on this theme, such as the GVCes (Fundação Getulio Vargas Center for Sustainability Studies) Companies for the Climate.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Business level specific targets and/or goals Brand/product specific targets and/or goals	Targets are monitored at the corporate level	Duratex 2025 Sustainability Strategy was was built on four pillars and on relevant themes for which 45 social and environmental performance targets have been established to be achieved by 2025. Water targets are in the pillar called Process , under the “Eco-efficiency” and “Sustainable forest Management” themes. These targets are applied for the entire company (Duratex business). Each business Division outlined their specific annual targets to monitor and carry out their action plans for each year, in order to consolidate Duratex's aspirations until 2025.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number
Target 1

Category of target
Water withdrawals

Level
Business

Primary motivation
Reduced environmental impact

Description of target
Reduce the relative water withdrawal in Panels business by 10%

Quantitative metric
% reduction per unit of production

Baseline year
2016

Start year
2017

Target year
2025

% of target achieved
100

Please explain
The relative target established is: "Reduce the relative water withdrawal in Panels Division (in Brazil) by 10%” in relation to the baseline year (2016). It was developed in 2016, from the review of the material themes of Duratex that resulted in the company's Sustainability Strategy, to start in 2017.
Duratex´s Sustainability Strategy review should occur every 3 years. Currently, the Strategy and its targets are under review. In 2020, the relative indicator for this target was 0.7854 m³(water)/ m³(panels), representing a decrease of 14% compared to the indicator of the previous year.
It is considered that the target has been achieved (100%), even though it is status "revised" because it is under review. This happened due to the end of Botucatu´s unit operations.

Target reference number
Target 2

Category of target
Water withdrawals

Level
Business

Primary motivation
Reduced environmental impact

Description of target
Reduce the relative water withdrawal in Deca Metals business by 10%

Quantitative metric
% reduction per unit of production

Baseline year
2016

Start year
2017

Target year
2025

% of target achieved
0

Please explain
The relative target established is: "Reduce the relative water withdrawal in Deca Metals by 10%” in relation to the baseline year (2016). It was developed in 2016, from the review of the material themes of Duratex that resulted in the company's Sustainability Strategy, to start in 2017.

Duratex´s Sustainability Strategy review should occur every 3 years. Currently, the Strategy and its targets are under review. In 2020, the relative indicator for this target was 0.0096 m³(water)/ parts (metals), representing a decrease of 11% compared to the indicator of the previous year.
It is considered that the target is underway.

Target reference number
Target 3

Category of target
Water withdrawals

Level
Business

Primary motivation
Reduced environmental impact

Description of target
Reduce the relative water withdrawal in Deca Ceramics business by 10%

Quantitative metric
% reduction per unit of production

Baseline year
2016

Start year
2017

Target year
2025

% of target achieved
0

Please explain
The relative target established is: "Reduce the relative water withdrawal in Deca Ceramics by 10%" in relation to the baseline year (2016). It was developed in 2016, from the review of the material themes of Duratex that resulted in the company's Sustainability Strategy, to start in 2017.
Duratex´s Sustainability Strategy review should occur every 3 years. Currently, the Strategy and its targets are under review. In 2020, the relative indicator for this target was 0.0034 m³(water)/ kg (ceramics), representing a decrease of 11% compared to the indicator of the previous year.
It is considered that the target is underway.

Target reference number
Target 4

Category of target
Water withdrawals

Level
Business

Primary motivation
Reduced environmental impact

Description of target
Reduce the relative water withdrawal in Hydra bausiness by 10%

Quantitative metric
% reduction per unit of production

Baseline year
2016

Start year
2017

Target year
2025

% of target achieved
100

Please explain
The relative target established is: "Reduce the relative water withdrawal in Hydra Business by 10%" in relation to the baseline year (2016). It was developed in 2016, from the review of the material themes of Duratex that resulted in the company's Sustainability Strategy, to start in 2017.
Duratex´s Sustainability Strategy review should occur every 3 years. Currently, the Strategy and its targets are under review. In 2020, the relative indicator for this target was 0.0035 m³(water)/ parts (eletric showers), representing an increase of 13% compared to the indicator of the previous year.
It is considered that the target is has been achieved (100%), even though its status is "revised" because it is under review (since there is no option that best describes this case).

Target reference number
Target 5

Category of target
Water withdrawals

Level
Business

Primary motivation
Reduced environmental impact

Description of target
Reduce water use in irrigation per hectare of plantation by 50% in the forest business

Quantitative metric
% reduction per unit of production

Baseline year
2016

Start year
2017

Target year
2025

% of target achieved
100

Please explain
The relative target established is: " Reduce water use in irrigation per hectare of plantation by 50% in the forest business" in relation to the baseline year (2016). It was developed in 2016, from the review of the material themes of Duratex that resulted in the company's Sustainability Strategy, to start in 2017.
Duratex´s Sustainability Strategy review should occur every 3 years. Currently, the Strategy and its targets are under review. In 2020, the relative indicator for this target was 5.35 m^3(water)/ hectare.
It is considered that the target is has been achieved (100%), even though its status is "revised" because it is under review (since there is no option that best describes this case). It should be noted that there may be large variations for this indicator, depending on environmental conditions and productive demands, each year.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?
Yes
KPMG_Duratex_Relatório de Asseguração GRI_ING_VF.pdf

W9.1a

(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module	Data verified	Verification standard	Please explain
W8 Targets	Water withdrawal/reuse/recycling and targets achievement status	Other, please specify (KPMG International Methodology and GRI Protocol)	Water withdrawal/reuse/recycling is informed on Duratex´s Integrated Report, as well as targets status, and a third party is hired for the Report´s verification, reinforcing transparency and credibility of the information.

W10. Sign off

W-FI

(W-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.

Duratex is an integrated business platform, focused on offering Solutions for Better Living. This understanding is a reflection of the consolidation of the elements of our culture, whose transformation process started about four years ago. Since then, we have reformulated our team, especially our leaders; and we establish management standards that strengthen Our Way of Being and Doing, focused on the People, Processes, Customers and Results pillars.

In 2020, despite the crisis scenario, we were able to present our best result in almost 70 years of history. And we have achieved this without cutting jobs while protecting the health of all of those who are part of Duratex. At the end of the year, we had a record free cash flow generation, amounting to R$1,128.8 million, excluding projects, a result that was far above expectations. The Wood Division, whose Adjusted and Recurring EBITDA represented more than 60.0% in the consolidated statements at the end of 2020, is noteworthy. Net revenue grew 17.3% in relation to 2019, closing the year with R$5,879.6 million. Despite the pandemic, we continued to implement projects and continued to grow. We obtained international financing for the construction of one of the world's largest dissolving wood pulp plants, LD Celulose, a joint venture with Austria's Lenzing AG. Worth mentioning is the expansion of sales to the foreign market, up 26.9% on a year-on-year basis, as a result of conquering new markets since early 2020.

Over 2020, investments reached R$487.4 million, of which R$302.1 million were allocated to fixed and intangible assets. This amount includes, among other operations, the investment of R$5.4 million in the new Ceramic Tiles line (started in 2019), R$185.3 million in the formation of biological assets, and R$20.5 million allocated to the acquisition of land in the region of Itapetininga (SP). This acquisition will further reduce wood panel production costs, considering the reduction in the average forest and plant radius.

Relevant fact:

On July 15, 2021, Duratex (DTEX3) informed the market of the change of name to Dexco, also changing, as of August, its trading code on the Brazilian Exchange (B3), to DXCO3.

Duratex is now Dexco. In the year in which we celebrated 7 decades of operations and recorded the best results in our entire history, together with our brands – Deca, Portinari, Hydra, Duratex, Ceusa and Durafloor – we are taking another important step in our trajectory. The change symbolizes the company's new growth moment.

With the change, we consolidated our profile centered on the end consumer and on their journey. The promise of the new brand – Viver Ambientes – fulfills the purpose of offering Solutions for Better Living and translates greater attention to people, also combining the solidity of conscious and efficient business management with a careful look at design in the delivery of high-end products. differentiated quality and aesthetics.

A fundamental part of this movement is the attentive look at the meaning of each of the brands. In an integrated manner, the company's business revisited its visual identities and its marketing strategies. They brought new promises, new positioning, new territories and new visual language. Movement aligned with consumer-centricity. And as that message was renewed, the corporate brand review became more necessary. A brand platform was then established which, with the purpose of offering Solutions for Better Living, creates environments that can be experienced in their entirety, as it is from the harmonious coexistence between aesthetics and functionality that Dexco's solutions will be able to offer well-being, comfort and care for people's lives.

The transformation also represents a new moment of development. For the next few years, investments of approximately R$ 2.5 billion are planned for a new growth cycle. In addition, the permanent search to attract new businesses, which are profitable and in line with the Company's purposes, continues to be one of the strong guidelines of this new moment with projects that enable important advances in the process of digitization and improvement of the consumer journey.
5167-20210715-Material-Fact.pdf

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Chief Executive Officer of Duratex	Chief Executive Officer (CEO)

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].
Yes

SW. Supply chain module

SW0.1

(SW0.1) What is your organization's annual revenue for the reporting period?

	Annual revenue
Row 1	5879616000

SW0.2

(SW0.2) Do you have an ISIN for your organization that you are willing to share with CDP?

Yes

SW0.2a

(SW0.2a) Please share your ISIN in the table below.

	ISIN country code	ISIN numeric identifier (including single check digit)
Row 1	BR	DTEXACNOR3

SW1.1

(SW1.1) Could any of your facilities reported in W5.1 have an impact on a requesting CDP supply chain member?

Yes, CDP supply chain members buy goods or services from facilities listed in W5.1

SW1.1a

(SW1.1a) Indicate which of the facilities referenced in W5.1 could impact a requesting CDP supply chain member.

Facility reference number

Facility 1

Facility name

Deca Metals - São Paulo

Requesting member

MRV Engenharia e Participações

Description of potential impact on member

In 2020, the volume of sales to MRV from the Metals division represented less than 1% of the total sales to this client. Although no imminent water risk was detected for the São Paulo Metals unit after 2015, Duratex has other sanitary metal factories, in addition to inventories, that could meet the client's demands in case of any emergency related to water stress matters in São Paulo. Therefore, the potential impact for MRV would be very low or practically nil.

Comment

The greatest sales representation to MRV are the products from Wood Panels business, followed by Sanitary Wares business. Metals is not representative.

SW1.2

(SW1.2) Are you able to provide geolocation data for your facilities?

	Are you able to provide geolocation data for your facilities?	Comment
Row 1	Yes, for all facilities	Duratex provides geolocation data for all facilities, including factories and forest operations.

SW1.2a

(SW1.2a) Please provide all available geolocation data for your facilities.

Identifier	Latitude	Longitude	Comment
Ceramics - Jundiaí I	-23.18171	-46.861324	State of Sao Paulo
Ceramics - Recife	-8.254303	-35.027161	Cabo de Santo Agostinho Unit State of Pernambuco
Ceramics Queimados	-22.730522	-43.62375	State of Rio de Janeiro
Ceramics - Paraíba	-7.178436	-34.910088	João Pessoa Unit State of Paraíba
Metals - Jacareí	-23.28647	-45.9779	State of Sao Paulo
Metals - Jundiaí	-23.202716	-46.843107	State of Sao Paulo
Metals - São Paulo	-23.517204	-46.687702	State of Sao Paulo
Forest Area - Agudos	-22.488451	-49.133606	State of Sao Paulo
Forest Area - Itapetininga	-23.586486	-48.105526	State of Sao Paulo
Forest Area - Taquari	-29.803859	-51.846371	State of Rio Grande do Sul
Forest Area - Uberaba	-19.75334	-47.97688	State of Minas Gerais
Panels - Agudos	-22.488451	-49.133606	State of Sao Paulo
Panels - Botucatu	-22.879022	-48.452454	Activities closed in 2019. State of Sao Paulo
Panels - Itapetininga	-23.586486	-48.105526	State of Sao Paulo
Panels - Taquari	-29.803859	-51.846371	State of Rio Grande do Sul
Panels - Uberaba	-19.742167	-47.978368	State of Minas Gerais
Administrative Unit	-23.558145	-46.659214	State of Sao Paulo São Paulo City
Hydra - Aracaju	-10.916818	-37.073895	State of Sergipe
Hydra - Tubarão	-28.498793	-49.021901	Activities closed since the end of 2018.
Showroom	-23.568771	-46.672883	State of Sao Paulo São Paulo City
Ceusa - Urussanga	-28.533263	-49.319493	State of Santa Catarina
Duratex Colombia - Panels Barbosa	6.43161	-75.346086	Antioquia
Duratex Colombia - Panels Manizales	5.030965	-75.432513	Caldas
Duratex Colombia - Panels Yarumal	6.812468	-75.495412	Antioquia
Ceramic Coatings MG	-19.813478	-43.884447	State of Minas Gerais
Ceramic Coatings SC	-28.471164	-49.033994	State Santa Catarina
Distribuction center Hydra Aracaju	-10.916904	-37.073991	State of Sergipe
Distribuction center Pernambuco	-82.610077	-35.017262	State of Pernambuco
Distribuction center Tubarão	-28.4801	-49.030411	State of Santa Catarina
Distribuction center Betim	-19.985502	-44.19023	State of Minas Gerais

SW2.1

(SW2.1) Please propose any mutually beneficial water-related projects you could collaborate on with specific CDP supply chain members.

Requesting member
MRV Engenharia e Participações

Category of project
Relationship water assessment

Type of project
Assessing products or services' water-related impacts to identify efficiencies

Motivation
Extend the water footprint studies of the company's products, assess product use by end consumers and identify possible improvements.

Estimated timeframe for achieving project
2 to 3 years

Details of project
Evaluation guided by Life Cycle thinking, being possible to evaluate part of the use of the product from the gate to grave.

Projected outcome
Product improvements, evaluation of Duratex end consumers and MRV customers.

SW2.2

(SW2.2) Have any water projects been implemented due to CDP supply chain member engagement?

No

SW3.1

(SW3.1) Provide any available water intensity values for your organization's products or services.

Product name
Metals production

Water intensity value
0.0096

Numerator: Water aspect
Water withdrawn

Denominator
produced parts

Comment
In 2020, 93% of the water withdrawn in the metal factories came from the public supply utilities, and 7% came from underground sources.

Product name
Sanitary ware production

Water intensity value
0.0034

Numerator: Water aspect
Water withdrawn

Denominator
mass of product (kg)

Comment
In 2020, 75% of the water withdrawn to supply sanitary ware factories came from wells, and 25% of the water was supplied by public water supply utilities.

Product name
Panels production (Brazil)

Water intensity value
0.7853

Numerator: Water aspect
Water withdrawn

Denominator
volume of panels produced (m^3)

Comment
In 2020, 88% of the water withdrawn to supply panel plants in Brazil came from wells, 9% of the water came from rivers, and 3% came from public supply utilities.

Submit your response

In which language are you submitting your response?
English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain questions?
I am submitting my response	Investors Customers	Public	Yes, I will submit the Supply Chain questions now

Please confirm below
I have read and accept the applicable Terms