

COMMUNICATION ON PROGRESS (CoP): ALPARGATAS S.A.

FROM: **JANUARY 2020** TO: **DECEMBER 2020**

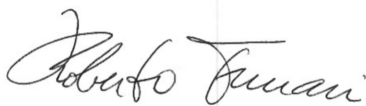
STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER

15 September 2021

To our stakeholders:

I am pleased to confirm that Alpargatas S.A. reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. In our first annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication. The challenging year of 2020 has not held us back. Faced with the Covid-19 pandemic, an unprecedented global humanitarian crisis, we prioritized the health of our people, protected our business, and helped society.

Sincerely yours,



Roberto Funari
Chief Executive Officer



ABOUT ALPARGATAS S.A.

We are a **centennial company**, proud of our history and **iconic** products. We were born in Brazil and conquered the world together with the strength of our people, who built our history with the courage to **innovate** and **care** for our future. In its **114 years**, Alpargatas was one of the first companies listed in the stock exchange in Brazil, the first to hire women in the industry, the first to grant labor rights, and is still a pioneer in social advancements up to this day. We are a company of over 17 thousand employees, present in 130 countries, with offices in São Paulo (Brazil) , USA, Colombia, Europe (7 countries), Hong Kong, India, as well as 6 factories in Brazil. In 2020, we sold over 236 million products amongst our three brands (Dupé, Osklen, and Havaianas).

As part of our company Culture, we follow four pillars: **Global, Digital, Innovative, and Sustainable** and six guiding principles: **Inspired by People we Face the Impossible and Make it Happen. With Owner's Heart, we Grow Together and Take Care of the Future.**






We want to be remembered for the **legacy** we are leaving in society, not only through our iconic brands, but also through our **social responsibility actions**, which have the **power to transform** people's lives, develop communities, and regions. Our **vision** is to be a global, digital, innovative, sustainable **powerhouse** of **desirable** and **hyper-connected** brands.

The Alpargatas Institute – our company's **social responsibility branch** – in partnership with the public school network, promotes **Education through Culture** and **Sports** initiatives, as well as **Entrepreneurship**, in line with the 17 UN **SDGs**. Throughout its 17 years, the Institute has developed **hundreds of projects** – 96 of which were internationally awarded – and helped over 1.7 million students and over 14 thousand educators, refining their skills and competencies, transforming the public school environment through its influence in the modification and creation of public school policies.

As for our commitment to the UN Principles and SDGs, Alpargatas became a signatory and member of the Orienting Council (CORB) of the UN Global Compact – Brazil Network on September 15, 2020 - shortly after our Alpargatas Institute, which became a signatory in 2019.

And continuing our commitment for the following years, in 2021 Alpargatas is focusing its efforts on **expanding its sustainable practices** globally. Our **Sustainability and Reputation area** was established in order to improve our Governance, and a **Sustainability Commission** (as of February 2021) was established. **Alpargatas has donated R\$ 5M to "Brasil sem Fome" (Brazil Without Hunger), "Ação da Cidadania"**s initiative, providing **5M meals** to Brazilians in need with this donation. Also, the **Havaianas** brand is working with **sustainable technologies** and **materials** within **all lines** of sandals, apparel and accessories, besides investing in **Circular Economy** initiatives. Sustainability is formally at the center of our strategies and our guidelines to permeate all the company's actions.

As part of our company strategy, we are committed to the **Sustainable Development Goals (SDGs)**, prioritizing the following:

	Alpargatas Institute Education Initiatives & Social Partnerships
	Commitment to Diversity & Inclusion
	Our Production
	Our Sustainable Products
	Our environmental commitment to reduce carbon emissions

Below, you will find our company's detailed description and measure of actions and results related to Human Rights, Labour, Environment, and Anti-Corruption for the year 2020.

DESCRIPTION OF ACTIONS

Human Rights

Actions during the Pandemic: In this atypical year of the pandemic, the Alpargatas Institute centralized the company's emergency actions towards communities in social vulnerability and frontline healthcare professionals. The donations linked to the pandemic benefit society with over ¹R\$ 60 million. At the same time, the Institute adapted to maintain its long-term programs running without hindering the communities in which it operates.

In partnership with Maurício de Souza Produções, the Alpargatas Institute donated 150,000 fabric masks and sandals with illustrations of Turma da Mônica to schools in Paraíba and Pernambuco. We also donated 1 million cloth masks to the UN Global Compact, which went towards the Covid Radar Connection movement, which distributed them to vulnerable communities. Through the Havaianas campaign *Empathy Leads to Empathy*, more than 100,000 kits were distributed in socially vulnerable communities of Salvador, Rio de Janeiro, Belo Horizonte, São Paulo, and the Federal District, in an action led by the brand's external partners. We also joined the "Todos pela Saúde" (Everyone for Health) project with the donation of R\$ 5 million and 1 million cloth masks. Itaú Unibanco created this project to fight the pandemic, through actions and resources managed by a group of specialists in the healthcare area, led by Paulo Chapchap, general director of the Hospital Sírio-Libanês.

Together with the Education Departments of the municipalities where our Institute works, we identified that the closing of schools was a problem for the children's nutrition, because the nutritional snacks distributed between class breaks were the only meal of the day for many of them. We organized the delivery of kits to the families, as well as all public school students served by the Alpargatas Institute's Education programs, which included: a food basket, hygiene and cleaning products, and two or three pairs of Havaianas. The donations came from the Institute's Solidarity Fund, which converted donations into kits. For every R\$15 donated to the fund, we donated another R\$15. To contribute to remote education in the municipality of Campina Grande (PB) during the pandemic, the Alpargatas Institute integrated the project "Ten Out of Ten Computer." In partnership with the Department of Education of Campina Grande (SEDUC), the Federal University of Campina Grande (UFCG) and the technology company HP, we donated desktops or old laptops that were recovered and delivered them to the homes of students in the municipal network. The Alpargatas Institute was

¹ Part of this amount was calculated based on an average market price for Alpargatas's products.

the first major benefactor of the project, making the initial donation of 279 computers from Alpargatas' operational plants in Campina Grande and Montes Claros (MG).

More from the Alpargatas Institute: Despite the pandemic, the AI's actions were adapted to remain in course. Through the Development Track, which offers training to Physical Education teacher trainings that make their day-to-day work easier and increase their competence, 1,559 teachers and managers were trained, mostly virtually, in 2020. The program also includes the Education Award, which identifies, values, and publicizes innovative and quality learning experiences in public regular education schools. The award is given every year and is divided into three categories: Top Student, Teacher, and Manager. In 2020, 3,720 students and 21 educators participated through a live virtual show, with the presence of a few representatives (three students from each participating municipality) and online broadcasting so that most of the public could follow. With the excellent quality of the scientific papers delivered, 50 of them were published in international congresses.

In 2020, the Alpargatas Institute was also able to expand the Education through Culture program to 100% of municipalities where it operates: 85,302 students from 370 schools in 11 cities. With an innovative pedagogical proposal, the program seeks to promote quality education through the reformulation of school contents and experiences, including themes and aspects that are left out of traditional school curricula. There is a search to rescue Brazilian popular culture through dance, music and capoeira, and 325 educators received online training to learn about the content to be presented to the students - each participant received 5,200 hours of training. The work was carried out in virtual meetings. Presentations of work that valued Afro-Brazilian and indigenous Afro-Brazilian and indigenous culture were held at schools in three cities in Paraíba (Bananeiras, Campina Grande and Queimadas), in November and December. The events were hybrid, that is, the presentations were in person, with security protocols, and the audience was virtual, with the presence of 15,150 students from 79 schools.

Moreover, the Fábrica dos Sonhos project, in Ingá (PB), which promotes small reforms in the dwellings of factory employees, was implemented by one of our factories, with the help of the AI, and already contributed to a few families, with the renovation of an asthmatic child's room and the completion of a house that had only walls and roofs. The resources were raised by 22 volunteer collaborators, who sold raffle tickets and held a bazaar.

Professional courses at our communities: the Alpargatas Institute, in partnership with SENAI (National Industrial Learning Service), promotes several professional programs, including:

The Alpa Entrepreneurship Program promotes professional qualification to generate jobs, income and encourage entrepreneurship.

The Employ More Program has opened up over 500 spots for family and friends of Paraíba factory employees to take free professional courses in several areas.

The D&I Program: promotes free electrician, administrative assistant, and apparel modeler courses for the LGBTQ+ community in Paraíba, also guaranteeing them jobs at the Campina Grande factory.

Diversity & Inclusion: Seeking diversity and inclusion is the way for Alpargatas to be the best company for everyone to work for. That is why, in 2020, Alpargatas' CEO, Roberto Funari, communicated his commitment to advancing this agenda and the creation of Alpargatas' D&I (Diversity and Inclusion) Commission. To achieve this goal, we have defined guidelines for these themes in the Allpa Program, created in 2019, with the purpose of advancing in these topics.

Partnership with the First Generation Institute (PriG): In 2020 we began a partnership with a social startup that supports first generation college students in finding their first job and pursuing an MBA (also in partnership with Faculdade Descomplica, FRST Falconi and FM2S). Starting in early 2021, we hired interns to join various areas of our company as part of this program.

D&I Products: In June of 2020, Havaianas launched the Pride Collection, responsible for the historical sales record in our e-commerce. Consisting of a permanent line of flip-flops, apparel and accessories, such as pins and bags, 7% of net sales is reverted to global projects to combat prejudice and support the LGBTQIA+ community, through the global NGO All Out.

Suppliers: We do not tolerate working with suppliers that use child labor, informal or illegal labor, that do not have the minimum mandatory documents, that do not manage the effluents and waste generated by the company, in addition to using unapproved subcontractors.

After the homologation audit process, if any prerequisites are not met, an action plan is generated and forwarded to the supplier, who must propose corrective actions to meet the requirements within the deadline established for each action. These actions are supervised by Alpargatas until their conclusion. After the supplier and its respective subcontractor have gone through the homologation process and are classified as "apt," they must sign all documents related to our supplier policy (available for consultation at our Investors Relations [site](#)).

MEASURE OF RESULTS

Human Rights

Actions during the Pandemic: The first donation to the public health service were 250 thousand masks, in Paraíba, Pernambuco, Minas Gerais and Rio de Janeiro states where the company's factories are installed. The University Hospital of Campina Grande (PB) received safety goggles, masks and coveralls for use by healthcare professionals. Our employees worked hard to design and produce in our factories a closed, easy-to-sanitize footwear suitable for healthcare professionals. We donated 21,000 pairs of shoes specially designed for health environments, approved by the National Health Surveillance Agency, Anvisa, for front-line professionals in Brazilian hospitals. In addition, 24 thousand pairs of Havaianas Soul Collection and 10,000 flip-flops were distributed.

Our factories were adapted to produce masks, approved by Anvisa. We manufactured and donated 1.3 million masks, with the support of Braskem and Fitesa, which provided the TNT (non-woven fabric), and GlobalFit, which donated the elastic. In a partnership with Senai-PB, we donated approximately 30 thousand meters of fabric for making garments (jackets) for use by health professionals in hospitals, through the Health Secretaries of Health of Paraíba and Maranhão. The City Hall of Campina Grande (PB) received the donation of 10 lung ventilators, fundamental for the treatment of covid-19, to be used in the public health network. The Institute also helped to carry out covid-19 diagnostics. We donated 10,000 tests to the city hall of Montes Claros (MG), and to the Federal Federal University of Paraíba (UFPB), we donated R\$100,000 in supplies and equipment for the production of rapid diagnostic kits.

Overall our contributions to fighting the pandemic amounted to over ²R\$ 60 million in donations, as previously mentioned: over 400 thousand pairs of shoes and hygiene and food kits; 21 thousand pairs of shoes donated to healthcare professionals; donation of over 3.5 million masks; 460 of our factory workers trained to produce surgical masks; 300 thousand meters of fabric donated to produce medical garments. At our international regions, we donated EUR 100 thousand to the Gregorio Marañón Hospital, in Spain.

Through Havaianas' brand initiatives, we also spread positivity by taking care of tomorrow! In partnership with Outdoor Social, Havaianas paid rent to residents of communities in São Paulo, Rio de Janeiro, Fortaleza and Salvador who gave up wall space for banners of the #PorDiasMaisHavaianas campaign, contributing to local

² Part of this amount was calculated based on an average market price for Alpargatas's products.

income generation. In addition, we brought color to these communities, painting the external walls of over 200 houses. We hired unemployed professionals from these same communities, so they could paint the houses, making the place more cheerful and colorful. In the Philippines, Havaianas provided 1,000 meals per day to ten facilities and hospitals treating Covid-19 patients, until the Enhanced Community Quarantine was lifted in May, 2020. Together with The Moment Group of Restaurants, they nourished 14,000 nurses, doctors, and staff in those centers.

Results of the Alpargatas Institute's contributions: As of 2020, the Alpargatas Institute's overall contributions throughout its years of operation amounts to more than R\$ 40 million in social projects and donations. Our Corporate Volunteer Program, part of the Institute's initiative to promote social development of communities around the world, has had over two million reais invested and 28.4 thousand volunteers since its inception in 2009.

In 2020, we accomplished 30 actions, with the participation of 7,460 volunteers, which benefit 13 cities in the states of Paraíba, Pernambuco, Minas Gerais, São Paulo, and Rio de Janeiro. Of these actions, over R\$ 80 thousand was raised, 4 schools were renovated, 14 Digital Inclusion centers were built, 189 computers and 10 printers were donated.

Moreover, in its 7th edition, our Social Mentoring Program has helped young people from partnering social institutions to discover skills and develop life and career projects. This year 45 Alpargatas' employees volunteered to share experiences, guide and support young talents.

Professional courses at our communities: Below are the results for the AI's professionalizing programs, previously described.

The Alpa Entrepreneurship Program: Since its launch in late 2020, over 500 citizens of Ingá, Guarabira, and Serra Redonda in Paraíba enrolled in free courses that trained them to become: electricians, construction workers, bakers, mechanics, modelers, seamstresses, handcrafters, and industrial operators.

The Employ More Program: In total, we offered 17 professional training courses, such as shoe modeling, confectionery and administrative assistant, to family members and friends of Alpargatas' employees, free of charge. We provided 1,706 vacancies, which generated over 400 thousand hours of training.

D&I: A few of our Allpa 2020 and onwards commitments include:

- Expansion of the Alpargatas Institute's activities to support the global communities where we are present, with education and training programs for vulnerable and excluded groups. We have already begun actions in Los Angeles, United States, through their partnership with Create Now.
- Monitoring the social responsibility goals of our operation defined in the sustainability strategy, approved in early 2020 by the Board of Directors.
- Ensuring the highest global standard of non-discriminatory policies through our code of ethics and conduct, and reviewing recruitment, compensation and training processes. In 2020, the recruitment processes for the trainee and intern program already reflected the principles of the ALLPA program by expanding the network of higher education schools where we seek the talent for our company's future.
- Overseeing the development of capacity building, training and support projects for topics related to diversity and inclusion.
- Monitoring of our brands' initiatives to promote diversity and inclusion.

Of our 17 thousand total employees, 26% are women and 76% are men; 45% are under 30 years old, 51% are between 30 and 50, and 4% are over 50 - spanning through five generations; 71% of our employees are black; 4% have a disability.

Havaianas Pride Collection: This partnership with All Out helped boost the Acolhe LGBTQ+ project, which has already connected more than 500 LGBTQ+ people who need psychological care with volunteer professionals. Since its launch in 2020, over 260 thousand reais have been raised to support several global projects.

Suppliers: In the third edition of Fashion Revolution Brazil's Fashion Transparency Index (ITMB), Havaianas had the best score (95%) among the 40 retail brands in the Traceability section, which analyzed whether brands publish lists of suppliers and at what level of detail this information is disclosed. In the section Knowing, Communicating and Solving problems and making improvements in the supply chains, we came in second position (46%).

DESCRIPTION OF ACTIONS

Labour

Our people: Just as we met societal demands during the pandemic, we dedicated ourselves to preserving the health and jobs of our employees. In the care that involved the entire Alpargatas ecosystem, we sought to prioritize our people. To find out how our

employees were adapting to the home office, we did a lot of research and, based on the needs identified, defined support actions. These surveys showed us that the moment demanded wellbeing actions, such as yoga classes, relaxation techniques, workplace exercise and webinars focused on a healthy home office, as well as mental and physical health. We also distributed mask kits to all employees in Brazil, including their children. To provide more home office comfort, we provided ergonomic chairs on a loan basis.

For the employees who remained for in-person activities, we ensured the best possible safety, with strict sanitary protocols. We sought public agencies such as the Public Prosecutor's Office and the Health Secretariats, besides universities, to receive orientations about the best procedures. We made adaptations in the production lines, in buses, cafeterias, environments where routines were adopted, such as measuring body temperature. When the stores reopened, we applied the same learning from the factories.

We made a big effort to train our employees in online safety. To compensate for the inevitable climate of apprehension, we added many virtual events: stand up comedy shows, virtual parties and happy hours, and Alpa Talks, with discussions on topics such as female empowerment, combating racial prejudice, wellness, and career development. Through our "Programa de Acolhimento Covid-19" (Covid-19 Embrace Program), in partnership with Bradesco Health, we also offered free monthly video therapy sessions for employees and unlimited chat sessions in 2020; we also offer integrated health management, in partnership with a few health & wellness organizations.

As our goal is to be the best company for all people to work, with the market's most desired high performance teams, we have been working on five points in our strategy:

- Culture: a strong culture helps bring results;
- Agile methodology for problem solving;- Talent Management: Attraction, retention and development;
- Diversity and Inclusion: Allpa program and the work carried out by the Alpargatas Institute;
- Being the HR of the future: the People area (formerly known as HR) is the protagonist, has high knowledge of the business and genuine interest in people.

ALU (Alpa Learning Universe): In 2020, we launched our company's corporate learning platform that promotes continuous and accessible development to all. ALU contributes to prepare Alpa's current and future employees and leaders with the knowledge, skills and attitudes needed to generate exceptional and long-lasting results.

We do this through creative learning solutions, encouraging autonomy of each individual as the "owner" of his or her own development, and encouraging active contribution to others' growth, reinforcing the positioning of Alpa's users at the center of everything that happens, qualifying employees as for concepts, marketing tools and practice, sales and customer service, developing a mindset of agile thinking, and applying methodologies and tools focused on management and productivity.

SHE (Safety, Health, and the Environment): Safety in the workplace is non-negotiable and is ingrained in Alpagatas' culture. This care is valued from the job interview and integration of the employee, with constant reinforcement by the leadership. At the factories, it is a habit to begin meetings by talking about safety at work. Our goal is to be recognized as a sustainable company that values people's safety and health and preserves nature. We strive to stimulate people to develop a culture of safety, health and sustainable conscience, through existing best practices, and within the rules and systems that guide our discipline and abide by legislation.

SHE areas: SHE Development/Training of our People; Auditing and Behavioral Observations; SHE Conditions in the Work Environment; Risk Management; Work Permit, Labeling, and Safety Block; PPE (Personal Protective Equipment); Vehicular Safety and Movement of Materials; Accident/Incident Communication, Investigation and Analysis; Occupational Hygiene and Health; Occupational Health and Disease Investigation; Ergonomics; Environmental Sustainability; Chemical Product Management; SHE Compliance for Providers and Suppliers; Emergency Preparations

Suppliers: We strictly follow the steps presented in the process below, ensuring compliance with the following aspects:

- | | |
|----------------------------------|--------------------------|
| - Legal Requirements | - Traceability |
| - Process and Quality | - Sustainability |
| - Health, Safety and Environment | - Restrictive Substances |
| - Social Responsibility | - Compliance |

Both domestic suppliers of finished products and inputs, as well as international suppliers of clothing, must be 100% compliant with labor and environmental regulations. We prioritize Brazilian suppliers. We seek to empower local communities through partnerships for the production of sustainable ingredients and materials.

As of 2021, the suppliers of raw materials that supply Alpargatas factories will be recertified every three years. As for the suppliers of finished products and their subcontractors, they will be evaluated annually after homologation. About 70% of them go through Traceability and Social Responsibility audits without prior scheduling, with the objective of guaranteeing that our orders are being produced in the approved facilities and within the compliance rules established by Alpargatas.

MEASURE OF RESULTS

Labour

Our People: From the start of the Pandemic, Alpargatas joined the *Don't Lay Off* movement, made up of companies committed to not laying off their employees during a period of two months, beginning on April 3rd, 2020. Not only did we reach the end of the year without laying off any employees, but we also hired 1000 new employees, prioritizing those who had lost their jobs during the pandemic.

In 2020, 460,000 hours of training were carried out for our employees from all areas, including international operations. For employees in the administrative area, we grew in about 18 thousand hours of training, surpassing the 20 thousand from 2019 to 38 thousand hours, due to the expansion of actions and the implementation of the Alpa Corporate University (ALU).

SHE (Safety, Health, and Environment) accomplishments: In 2020, the company invested R\$ 13.8 million in the adoption, continuity and expansion of initiatives in the Occupational Safety, Health and Environmental fields, and the attention given to safety in the work environment reaps excellent results. The Lost Time Accident Frequency Rate (LFR) was 0.12, practically the same as in 2019, which was 0.11 (the best in Alpargatas' history). The calculation of the data is based on the number of accidents with lost time, times one million divided by the man-hour work.

We also improved on the identification of operational dangers and risks; investments, training, and improvement of ergonomics and working conditions with reduced work

leave and labor suits; increased number of workers in good ergonomic working conditions; several projects focused on environmental improvements (reduction in the generation and management of residues, reduction in the consumption of water and energy through our sewage treatment plant, renewable energy sources, and reduction in GHG emissions); safety automation; sustainability research and innovation.

Suppliers: By taking care of the entire ecosystem in which we operate, during the pandemic we met our suppliers' demands in an individualized manner. Social distancing forced us to conduct virtual inspections, which worked well. Fortunately, we have a long-term relationship, with well-defined rules for our suppliers, which facilitated the good routing of solutions during the crisis. The monitoring and management of suppliers is carried out periodically by means of re-homologation audits, for raw material suppliers, and traceability audits that occur annually for suppliers of finished products. All suppliers are approved considering socio-environmental aspects.

The Number and percentage of suppliers identified as having significant negative environmental impacts in 2020 - actual and potential - with whom relationships were terminated as a result of the assessment is as follows: 33 suppliers (48.83%). Of the 113 suppliers hired in 2020, about 56.6% of them were contracted based on environmental criteria.

DESCRIPTION OF ACTIONS

Environment

More efficiency and less impact: We seek efficiency in our operations not only for cost reasons, but also to reduce the negative impacts on the environment and society. We want our processes to be increasingly cleaner and our products sustainable, to generate even more value to the consumer and to society.

The issues related to environmental sustainability are contemplated in our SHE policy, which establishes Alpargatas' corporate principles and guidelines regarding Safety, Health, and the Environment.

More sustainable operations: In February 2020, we started a project called Masterplan to accelerate upgrades in industrial operations, with three priority fronts: modernization of structures, optimization of the logistics network, and more efficient use of raw materials and energy. The objective is to make the industrial area more flexible, agile and sustainable to meet the growth in demand for Havaianas and the acceleration of product innovations.

The changes foresee, for example, a better distribution of volumes among factories, which optimizes the logistic network and allows products to be made closer to their places of consumption - reducing fuel costs with logistics, which consequently reduces the emission of greenhouse gases, among other advantages. The adjustments in the production lines will also seek improvements in the consumption of water and energy. The modernization of the structure aims at gains in production efficiency, as well as more modern and functional environments to employees.

A careful look at raw material: We want our products to be increasingly made from recycled materials and/or renewable sources. In the case of Havaianas, almost all sandal production is made with part of rubber reused from the production process and with a lower carbon footprint compared to similar products on the market.

We will invest in even more responsible materials that generate low carbon in production and as little waste as possible. And, preferably, have a positive impact on communities. The Havaianas You line has more than half of the material in the soles coming from leftovers from our own production. The Havaianas Soul Collection, a line of closed shoes, has more than half of the products made from recycled materials and organic cotton.

Our organic cotton is undyed and grows naturally in color on plantations that generate income for local producers. Some of the fabrics we use have cotton sustainability certification. We also use recycled cotton, made from fashion industry waste collected in partnership with local cooperatives in Rio Grande do Sul.

Monitored Emissions: We know the importance of continuously reducing Greenhouse Gas (GHG) emissions in tackling the climate crisis. Our process for monitoring GHG emissions at Alpargatas is carried out within a digital platform called CLIMAS. In it, all data is entered and the monitoring of indicators is done on a monthly basis.

Energy use: Educational campaigns, acquisition of more efficient equipment, and obtaining energy from Small Hydroelectric Plants (SHP) are some of the initiatives we have to reduce energy consumption at Alpargatas. Energy consumption indicators at the factories (KPIs) are monitored on a monthly basis.

Water use: To reduce water consumption, we also have permanent initiatives, such as educational campaigns. The indicators are monitored on a monthly basis to understand how the consumption and disposal in the operations is progressing.

Our effluents are discharged into the cities' collection system and directed to treatment. We do not discharge effluents directly into water bodies. In some of our operations we have an Effluent Treatment Station (ETS) within the plant.

Waste management and reduction: We have a structure to manage the entire waste treatment process. The process of reincorporating the rubber left over from internal manufacturing is conducted in the operation, promoting the reuse of waste.

Furthermore, we have already structured a process of auditing and approval of suppliers and receivers of waste from Alpargatas, which is performed by the Management and Supplier Development team with support from the Workplace Safety team. Some waste is managed by third parties, approved by a specific audit. According to the process, these third parties are routinely audited for maintenance.

Reverse Logistics Pilot: We know that our relationship with the users does not end when we sell the product. And we study possibilities of reincorporating used products into the productive chain, through the concept of circular economy.

With this in mind, in December 2020, we launched a reverse logistics pilot project, Reciclo, in the cities of Rio de Janeiro, São Paulo, and Recife. Three stores and five condominiums received appropriate disposal bins for used Havaianas. Trashin, a startup specialized in circular economy, is our partner in the project, coordinating the most appropriate destination for the products collected. The sandals in good condition are donated and some materials will be reused in the production of new items, such as flooring and tires. The pilot will be expanded to other locations and countries in 2021, as a way of gathering more data to support us on the journey towards a circular economy.

MEASURE OF RESULTS

Environment

Havaianas lines contribute to the preservation of fauna and flora: Our partnerships with the Ecological Research Institute (IPÊ) and Conservation International Brazil (CI) remained strong in 2020. The Havaianas brand produces for each one of the institutions a line of products, sold in more than 100 countries, with 7% of net sales reverted to the causes supported by those entities.

Since 2004, we have been partners of IPÊ, which is dedicated to research, education, and sustainable business for the conservation of Brazilian biodiversity. The animals printed on the sandals are pointed out by IPÊ, which annually reports on the endangered species of the Brazilian fauna. This partnership has already allowed the planting of more than 3.2 million trees in the Atlantic Forest.

The partnership with CI Brasil has been in place since 2009. The income is reverted mainly to a coastal marine conservation project that protects 380 thousand hectares in Abrolhos (BA). CI's collection brings, annually, three models based on the biological diversity found in this region of the Bahian coast.

A careful look at raw material: The monitoring and evaluation of these sustainable initiatives are carried out through the following actions:

- Corporate governance for monitoring the evolution of goals involving the product production cycle;
- Monitoring of the Reverse Logistics Program: monthly official report from a logistics partner specialized in Circular Economy;
- Inclusion of Sustainability indicators in ongoing research, considering: "It is a brand that has actions in sustainability"; "It is an inclusive brand that values diversity".
- Follow-up of the interaction between the consumer and the brand's initiatives by monitoring the landing page we launched for information about sustainability;
- Customer Service channel for questions related to the brand, including Sustainability.
- We publicize Alpargatas' actions on the LinkedIn, Instagram and Facebook social networks and follow the evolution through monthly reports.

Monitoring: We monitor the emissions of our factories and transportation through the energy and water used and the management and reduction of the waste we produce.

Osklen - As Sustainable As Possible, As Soon As Possible: For over 20 years, we have been developing actions in pursuit of this objective, aligned with the ASAP (As Sustainable As Possible, As Soon As Possible) attitude.

In 2020, we prepared a study to identify the best way to present sustainability to our Osklen users. Based on this study, we elected three flags that consolidate the legacy built and point the way forward.

Regenerate life: This flag includes initiatives that restore or preserve biodiversity and combat global warming. How? Through the efficient use of resources such as water, energy, and soil; reducing CO2 emissions; eliminating or reducing the use of chemicals and pesticides; and adopting regenerative cropping systems.

Re-design waste: It is the assumption that waste is a design mistake and the promotion of a circular economy, in which, as in nature, nothing is left over, everything is reused. This flag groups together initiatives that create value for the waste generated throughout the production chain, reducing or eliminating disposal and increasing the life cycle of inputs and products.

Respect our people: This flag encompasses initiatives that guarantee a sustainable source of income for the producing communities, meeting criteria of transparency, fair price, and decent working conditions. It also includes the fight for gender equality, respect for body diversity, and inclusive fashion.

We also launched the AG collection, the result of the combination of the best socio-environmental practices, in more than 20 years of sustainability. The production of OSKLEN AG sneakers has limited quantities, as it is an ethical product that respects the ideal time for the extraction of raw materials according to each seasonality and the production capacity of small producers. OSKLEN AG represents a milestone in the sneaker category by using an elaborate and rich mix of sustainable ingredients in a single project. Its management is fully sustainable, from the beginning to the end of the process. In addition, the project promotes income generation and the empowerment of riverside, indigenous, and community groups in Brazil. Following our mission to promote a more sustainable human development, this project was created in partnership with the Instituto-E, Origins Brazil, the Socio-environmental Institute (ISA), and Cantinas da Terra do Meio.

DESCRIPTION OF ACTIONS

Anti-corruption

Corporate Governance: We have robust governance, with high standards of management and communication with the market, and belong to the Level 1 Corporate Governance Level of BM&FBOVESPA. The good practices were further strengthened

after September 2017, with the acquisition of the company by the Itaúsa, Cambuhy Investimentos and Brasil Warrant groups, which together hold 55.60% of the total capital.

In our governance structure, the Board of Directors and the Executive Board are supported by the Audit Committee, a permanent body, in accordance with the Bylaws. The management of Alpargatas' business is the responsibility of the Executive Board, composed of a president and three vice-presidents, provided for in the Bylaws and elected annually by the Board of Directors. In addition, there is an Executive Committee, composed of, besides the president and the three mentioned vice-presidents, seven other vice-presidents. The group has weekly meetings to discuss the progress of Alpargatas' business.

Of those seven members of the Board of Directors, four are linked to the controlling block, one represents minority shareholders and two are independent. All have extensive business experience at a global level, especially in the consumer and financial markets, as well as in several business areas, which provides us with a solid basis for decision making. Responsible for setting long-term strategy and selecting the Executive Board, they also decide on matters relevant to the company's business and operations. The Finance Committee, the Strategy Committee and the People and Culture Committee have technical functions and report directly to the company's Board of Directors, with strong interaction, in an advisory, permanent and non-statutory capacity. An independent body, the Alpargatas Ethics Commission is responsible for Ethics and Integrity Management. It does not have its own internal regulations.

In 2020, due to the pandemic, most executive and shareholder meetings were held virtually. An information system, which works as a depository of documents of the Board of Directors, Executive Board, committees and commissions, was decisive so that the work could be carried out safely and conveniently in the virtual environment. The C-level crisis committee, which for months had daily meetings, was crucial in facing the pandemic. In this context, a donation committee was also created, with four statutory board members, to make approvals - and quickly.

We work with target management defined with the Board of Directors. The Board of Directors and the Financial Committee meet ten times a year to review the business, analyze progress versus the stipulated target and manage long-term projects.

Monthly internal reports are reviewed among the executive team, business unit, and corporate area, in order to understand the deviations from targets, realign action plans, and make necessary adjustments.

Risks: The Internal Controls area is responsible for guaranteeing the management and control of Alpargatas' Corporate and Operational risks. The risks are mapped and validated with Senior Management and controls are assigned to each of them for the purpose of mitigation. The area also manages Policies and Procedures, reviewing them periodically to ensure that there are no irregularities or processes that expose the Company.

Compliance: In 2020, we created our Compliance Program in Brazil, led by the Compliance area, part of the structure of the Legal area. We made this change with the objective of centralizing the various actions that were scattered throughout the company, which will bring more domain and perception of the subject. The program should be extended to the operations in other countries.

In addition to developing the Compliance Program with the support of top management, the new area reviewed the document Principles of Conduct and Ethics, the Complaint Channel, the Supplier Policy and other tools. A mapping of Compliance risks was also performed. A plan for training employees, which was developed and approved in 2020, is to be executed in the following years.

Ethics: Our employees are committed to conducting their business and relationships within the principles of ethics, honesty, integrity and respect for the law. The Principles of Conduct and Ethics inspire and guide our actions. The way we act with all the publics we relate to is explicit in this document, which addresses important themes that are part of our day-to-day conduct, whether with the internal or external public.

Any attitude that is not in accordance with our Principles must be reported to the Alpargatas Ethics Committee. Complaints (anonymous or not) can be made on the site www.alpaescuta.com or by telephone 0800 770 7791. An outsourced company with an international reputation manages the channel and guarantees that the information

will be kept in absolute confidentiality - which protects the whistleblower and reinforces the credibility of the channel, is a source of nourishment for the Compliance program.

Data Protection: In Brazil, we have successfully updated our data policy, to abide by the new LGPD (Brazil's General Data Protection Law). External oversight to ensure that data falls within the LGPD standard will be done by the National Data Protection Authority (ANPD), a government agency. In all our e-commerce sites, we have updated and published Alpa's privacy policy, which explains how our data is treated and the precautions we take.

MEASURE OF RESULTS

Anti-corruption

We joined the Movement for Sustainability, led by CEBDS (Brazilian Business Council for Sustainable Development) in 2020. With this, we place ourselves at the disposal of the Council to contribute with solutions that enhance good practices and assist in the strategic planning for a more sustainable future for Brazil.

In 2020, 131 complaints were registered through "Alpaescuta" ("IpaListens). All 131 were addressed; 50 of them did not proceed; 42 were considered justified; 13 complaints were considered out of scope; 21 complaints with insufficient data; 5 are in the investigative process. In addition, we had 10 complaints registered before the reporting period, but were resolved in the current year.

Data Protection: The possible sanctions for not following the new data protection policies are as follows: (i) warning with adoption of a deadline for corrective measures, (ii) fine of up to 2% of the last fiscal year's turnover, limited to R\$ 50 million per violation, (iii) daily fine, (iv) mandatory publication of the violation, (v) blocking of the personal data object of the violation, (vi) definitive elimination of the personal data object of the violation. If a data leak occurs in a third-party company hired by Alpa, and Alpargatas is considered the 'data controller' and the third party is only the 'operator', that is, the one that handles the data at Alpargatas' request with no power of decision over what happens to the data, Alpargatas may be held responsible for damages resulting from the leak.

2020 Awards & Recognition:

-Alpargatas won the *As Melhores da Dinheiro 2020 Award*, from IstoÉ Dinheiro, for best company in the clothing, textiles and footwear sector.

-Alpargatas was the company with the *Best Reputation* in the clothing, footwear, and accessories sector in the Merco Ranking (Corporate Reputation Business Monitor).

-In the Merco Ranking of the 100 companies with *Best Corporate Reputation*, Alpargatas ranked in the top 30.

-The Alpargatas Institute's Education through Culture program was the big winner in the Sustainability category of the *ABRH-PB Human Being Award*.

-ALU (Alpa Learning Universe), our Corporate University, was internationally recognized by the Brandon Hall Group, with the *Excellence in Learning Award*, in recognition of the quality of the program offered to our team. We are one of the first Brazilian companies to achieve this recognition.

-Alpargatas' Hong Kong office received the titles of "Good Employer Charter 2020" and "Family-Friendly Employer" - two important awards from the city's Labor Department, which reinforce our respect for the individualities and personal and professional needs of each employee.

-Havaianas is one of the 10 brands that made the most positive impact on society during the pandemic, according to consumers. In a challenging period for everyone, we disseminated empathy and wore the sandals of others, supporting society and health professionals (TM20 and Brazil Panels research).

-Scientists from IPÊ (Institute of Ecological Research) - an NGO supported by Havaianas since 2004 - received the world's largest environmental conservation award, considered the *Oscar Verde*. Patrícia Medici, who is dedicated to the conservation of the Brazilian tapir, and Gabriela Cabral, who is dedicated to the conservation of the black micro-lion, received the *Whitley Gold Award* and *Whitley Award* respectively.



Final note: We hope you have gathered a clear idea of all our actions, in line with the Ten Principles of the United Nations Global Compact, for the year of 2020. If there are any further questions or concerns, please do not hesitate to contact our Sustainability & Reputation team at Alpargatas.