

21 REPORT sustainability

"MAKING FASHION WITH SIGNIFICANCE FOR 40 YEARS"



 **Lunelli**

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Our care comes from the inside.

Small as it may be, a seed already carries all the potential of the plant it will eventually become its DNA.

It is from that small seed that, after watered and cared for, the main raw material of our business germinates.

In Lunelli's 40 years, the seed that germinated and sustained our development has always been the people who have been and are by our side, who have in their DNA an incredible potential for creation, cooperation, dedication, care and generation of results.

We only got where we are because we have always had the best seeds.

It is by valuing our roots and solid values that we can transform the world around us. We are now a family that has expanded by valuing simplicity, enthusiasm and seeking the growth and development of all.

Together, with every gesture and every action, we make sure that a better future is being sowed.

We are Lunelli, with great pleasure!



MESSAGE FROM THE EXECUTIVE PRESIDENT

GRI 102-14

2021 was a special year: we celebrated our 40 years. We are very proud of our history, of everything we have lived and that brought us here. We currently connect more than 4.5 thousand employees and communities in three states of Brazil and Paraguay, over 79 thousand suppliers and 20 thousand customers. It is through this network that we develop fashion with significance.

We are in industry and in retail. We have expanded our brand management, invested in industrial technologies and process improvements and consolidated our performance, reaching a mark of R\$1.25 billion in revenue, a record in our history. We recognize and appreciate the engagement of our employees in this achievement and share these results with our teams. After all, Lunelli is moved by people, and it is due to an engaged team that we also obtained the Great Place to Work certification.

The last two years have brought changes to our daily routine, but they have also strengthened our commitment to care for people, from our employees to our entire mobilized entrepreneur network and the communities in which we operate.

During the coronavirus pandemic, we reinvented ourselves by finding new ways to live and produce. Despite the challenges, we kept ourselves enthusiastic and united.

We are determined to build new stories with amazing results. The strategic advancement in our sustainability agenda was a very important step in the year and brought valuable inputs to the organization. Taking care of environmental, social and economic resources is in our DNA. We are committed to making progress in this matter, to ensure an increasingly sustainable business, as well as to spread this movement across the fashion ecosystem.

Here, we keep it simple and are not afraid of changing or going new directions. We have integrity. Our ethics and reliability in the course of our history have brought us even closer to our customers and suppliers in 2021. These close relationships have been essential to quickly respond to the demands of a heated market. We are collaborative and dedicated to delivering quality solutions with innovation.

More than producing clothes, we want to have a positive impact in the world, develop people and communities, strengthen entrepreneurs. In 2021, we donated R\$ 1.6 million to institutions near our locations which work on several projects that assist in the generation of these positive impacts. We dream of a better society and we are building our legacy towards this dream.

We have bold plans for the coming years, with organization and actions that support growth in balance with the environment. We will continue to heavily invest in people, adapting and evolving to have the best talents in our teams. With our employees engaged in strategic brands, more sustainable businesses and strong ties with communities and partners. With that, we are sure we are making fashion with significance.



*Dênis Luiz Lunelli
Executive President of Lunelli*

40 YEARS OF accomplishment

We have celebrated our 40 years! A history we have built with our employees and partners. A successful trajectory, driven by our purpose of generating and sharing value with our entire network. Every day, in each decision, we choose to make fashion with significance, fashion that promotes people development, supports the community, strengthens entrepreneur and brings our best to those who decide to wear it.



Over the last four decades, many important events have marked our history. New brands were incorporated into the business, we expanded and opened locations, structured a business model covering industry and retail and get to 2021 very proud of every experience. A feeling that we share with our employees and that leaves eager to build other 40 years.

Timeline

Six years later, the couple purchases the first circular loom, from which Lunender Textile Industry was born.

1981

1987

A year marked by the beginning of Lunelli Textile, which focuses on the sale of knitted fabric rolls.

1991

2002

The company's capacity is increased in 40% with structure expansions and investments in new machines and technologies.

2004

2005

A New Executive President! Dênis Luiz Lunelli takes over as the new Executive President and opens three units in two years: Avaré, Maracanaú and Lunelli Colors.

2007

2009

The beginning of a dream! Antídio Lunelli and Beatriz Ender open a towel and cloth diaper business in Jaraguá do Sul, using textile leftovers from the industry in the region.

Opening of Lunelli's Processing unit. Beginning of operations in Corupá/SC.

Creation of Abimex, an import and export unit to complement our business and strengthen our brands.

Creation of two of our brands, Lez a Lez and Alakazoo.

Lunender becomes exclusively the name of our women's clothing brand. Also in 2011, Lunelli's Board of Trustees was created.

Expansion of our manufacturing park in Maracanaú, Northeast region. In the Knitted and Woven Fabric business, we begin investing in Digital Printing.

Expansion of the hosiery sector at our Unit in Luiz Alves. In Ceará, another expansion of our unit in Maracanaú.

Celebration of 40 years of Fashion with Significance and record sales of R\$ 1.25 billion.

2010

2011

2012

2013

2015

2018

2019

2021

Opening of our new administrative, financial and shipping building named "Lunelli Commercial", in the city of Guaramirim. In addition to the purchase and installation of shipping automation.

Hangar 33 was created.

Start of operational activities in Paraguay. In retail, it is the beginning of Lez a Lez Franchises.

Expansion of our activities in Paraguay and opening of the Hangar 33 Space in the city of Jaraguá do Sul.

2021 highlights

R\$ 1,25

billion in revenue

R\$ 18,8

million distributed in the Results Achievement Program

R\$ 2,45

million distributed in production awards

15

thousand tons of knitted fabric produced per year

+23

million clothing produced per year

+7

million meters of digitally printed knitted and woven fabric

20

thousand active customers

4,5

thousand employees
69% women - 31% men

R\$ 1,6

million donated to the community

+1.500

tons of textile waste sent for recycling

R\$ 395

thousand invested in Scholarship



A HISTORY WITH A purpose

At Lunelli, we believe that it is possible to make any dream come true with dedication and persistence. This is what our history shows, we strengthen ourselves in the past to define the present and build our future, always grounded on our values and the purpose of strengthening the entire network connected to us.



Our essence in every choice

GRI 102-16

Mission

Improve people's lives through opportunities, products and services.

Vision

To be the most distinguished Fashion Textile Group in the country.

Values

Enthusiasm;
Simplicity;
Obsession for results.

Purpose

"To promote the success of our customers through the happiness and satisfaction of our employees."

Dênis Luiz Lunelli

Our essence is what drives us. By acknowledging our roots and maintaining solid values, we believe we can change the world around us. We make fashion with significance, after all, behind each clothing item there is the history of those who created, produced and brought the product to consumers.

We have the commitment of valuing and strengthening fashion as a platform for change. We turn this commitment into our daily work. With simplicity, an obsession for results and a strong sense of belonging, every day we challenge ourselves to do better, produce more positive impacts, develop our teams and grow with the surrounding communities and our partners, always seeking balance with the environment.

FASHION WITH significance

Launched in 2016 and strengthened in 2021, the Fashion with Significance movement aims at conveying to our customers that people who buy clothing of one of Lunelli's brands are taking more than just a new outfit home. They are taking the histories, personal and professional achievements of more than 4.5 thousand employees.

One of the initiatives implemented to strengthen Fashion with Significance was our communication strategy in social media and in tags on the clothing, with testimonials from Lunelli's employees, connecting our consumers to the people involved in clothing development and production, showing the meaning of fashion and its impacts on the lives of our team members.



Strategic operations

GRI 102-3 | 102-4

For Lunelli, fashion should connect and improve people's lives. Based on this premise, we have consciously and purposefully expanded our business. Over the last years, we have increased our presence with strategic industrial units in Brazil and Paraguay. **GRI 102-1**

The first building owned by Lunelli was built in 1985, in Jaraguá do Sul - SC. Today, the company has units in the cities of Guaramirim, Jaraguá do Sul, Corupá, Luiz Alves, Massaranduba, Barra Velha, all in Santa Catarina, a unit in Avaré, in the state of São Paulo and in one Maracanaú, in Ceará, in addition to its unit in Paraguay, in the city of Minga Guazú, totaling 14 plants.

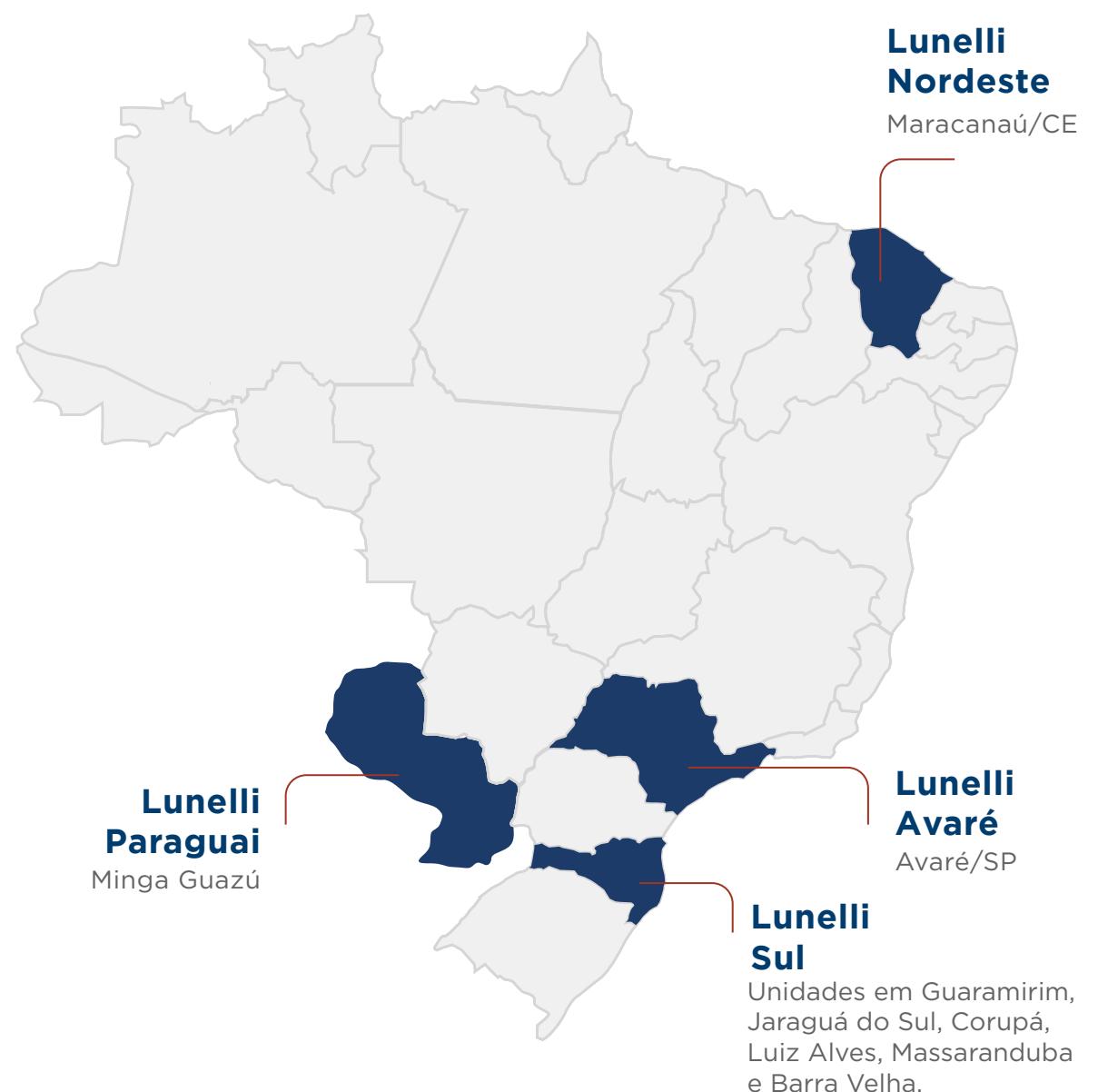


Location of operations

From yarn purchases to garment sewing and finishing, Lunelli counts on the attentive eyes and careful hands of its employees. We have nearly 174 thousand m² of industrial structure, which include knitting, processing, manufacturing and finishing processes. With this structure we can produce more than 1,300 tons of knitted fabric per month, 40% of which is used by Lunelli's own brands. Around 23 million clothing items are produced each year for each of our brands, with more than 1,520 garments per collection.

To bring our brands closer to our employees — our most important customers — we have stores in our units in Guaramirim/SC and Maracanaú/CE where Lunelli's brands are sold with special purchasing policies. In addition, the brands are available in our online channels for teams based in other locations.

In 2021, the Avaré/SC unit underwent a major renovation. The renovation of the 6.3 thousand m² unit responsible for producing garments for the Lez a Lez brand brought structural improvements and increased job generation for 2022 in 40%, opportunities that will bring income and advancement to the region.



Business model

GRI 102-2 | 102-6

We are unstoppable in the pursuit for continuous improvement of our products and processes. We operate with a broad brand portfolio that provide our customers with functionality and high-quality standards, always filled with new releases!

We are in industry and in retail. We manage strong brands, combining technology in production with visionary commercial strategies. With the Lunelli brand, we bring solutions in knitted and woven fabric to clothing manufacturers and large national retailers. With Lez a Lez, Lunender, Hangar 33, Alakazoo, Fico, Graphene and Vila Flor, we connect to a wide network of multi-brand retail entrepreneurs and franchisees in several cities of the country. We also work with the private label system, producing garments for major national and international brands.



OUR brands

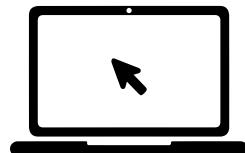


Lunelli

A brand that focuses on selling unique knitted and woven fabric, with patterns and fabrics of singular quality. It counts on a style team focusing on research to offer the main trends in bases, colors and patterns. Inspiring and sustainable, Lunelli Malhas e Tecidos surprises all with each new product released, featuring in the greatest and best creations.

www.lunellimalhasetecidos.com.br

click here to
know more

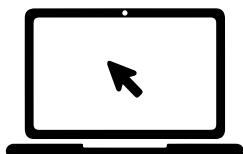


leza^alez

Lez a Lez is an Urban Beach fashion and culture brand. The brand believes that the strong balance between the lightness of the beach and the modernity of the city makes our sun shine much more beautifully and conveys this essence in each garment. It featured in 5 editions of SPFW, an important fashion event in Brazil with fashion shows and at Cartel 011, a space for young culture and consumption in São Paulo. The brand has been awarded the Seal of Excellence in Franchising from the Brazilian Franchising Association (ABF) for four years.

click here to
know more

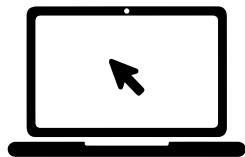
www.lezalez.com



Lunender

A reference in women's fashion, Lunender brings with each collection uncomplicated garments that support the concept of effortless fashion and enhance modern looks. Its lines, designed for the most distinguished audiences, unveil a surprising, elegant, comfortable and inspiring style.

click here to
know more



www.lunender.com





Lunender
H!TS

Lunender
mais mulher

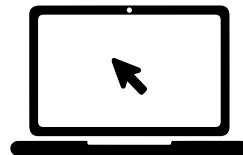


 **Lunelli**

Alakazoo!

Alakazoo makes fashion to transform childhood into a magical world! Each detail resembles the beauty and fantasy of children's universe, bringing lots of imagination and making we all understand that everyone can perform some magic to turn the world into a better place.

click here to know more



www.alakazoo.com.br



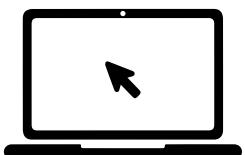


HANGAR 33

Hangar 33 emerged from the passion of its creator, Dênis Luiz Lunelli, for aviation and brings out the idea of giving wings to fashion. Just as a hangar is a temple for every aircraft and a safe haven for aviators, the brand provides this bond of friendship and enthusiasm between men's fashion and flight aficionados. The brand is present in the main aviation events in Brazil, such as the Brazilian Air Aerobatics Championship and Cirrus Experience. Some of its highlights is the uniform supply to the Smoke Squadron and Hangar 33 Space in Jaraguá do Sul - SC, the brand's first retail operation.

www.hangar33.com.br

click here to
know more

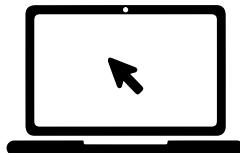




Fico Surfwear was born from a connection with the coast of São Paulo.

Raphael Levy, who spent his teenage years surfing on the Guarujá beaches, decided to create a brand to express his love for this sport. In 1983, he officially started Fico, which is 100% national. In 2019, Lunelli acquired the brand.

click here to know more



www.fico.clothing



GRAPHENE®

Graphene is a fitness brand that represents innovation, lightness, durability and exclusivity in every detail, with high-performance clothing that combine style and comfort in their essence. All Graphene's collections contain polyamide, ensuring quality, functionality and longevity for the garments.

www.lunender.com/graphene-marcas





Vila Flor is a brand that has found, through fashion, a path to empower women and help them make their dreams come true. With women, our products get to go where they are meant to and represent all feminine power, filling lives with comfort and quality.

www.vilaflor.com.br



Relationship of the business with the Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs), in addition to identifying what we need to achieve by 2030 to create the sustainable world we seek, offer a unique opportunity for all sectors to mobilize towards a common global goal of eradicating poverty, protect the planet and ensure that all people enjoy shared and sustainable prosperity.

As part of this collective call to action, companies now have a new point of reference to guide them in an ever-changing world. We recognize the risk of not addressing today's socio-environmental problems in business and see alignment of our operations with the SDGs as an essential opportunity to rethink companies' approaches to creating sustainable value.

Meet all 17 Objectives:



ODS 1 - ERRADICAÇÃO DA POBREZA

Acabar com a pobreza em todas as suas formas, em todos os lugares.



ODS 2 - FOME ZERO E AGRICULTURA SUSTENTÁVEL

Acabar com a fome, alcançar a segurança alimentar e melhoria da nutrição e promover a agricultura sustentável.



ODS 3 - SAÚDE E BEM-ESTAR

Assegurar uma vida saudável e promover o bem-estar para todas e todos, em todas as idades.



ODS 4 - EDUCAÇÃO DE QUALIDADE

Assegurar a educação inclusiva e equitativa de qualidade, e promover oportunidades de aprendizagem ao longo da vida para todas e todos.



ODS 5 - IGUALDADE DE GÊNERO

Alcançar a igualdade de gênero e empoderar todas as mulheres e meninas.



ODS 6 - ÁGUA POTÁVEL E SANEAMENTO

Assegurar a disponibilidade e gestão sustentável da água e saneamento para todas e todos.



ODS 7 - ENERGIA LIMPA E ACESSÍVEL

Assegurar o acesso confiável, sustentável, moderno e a preço acessível à energia para todas e todos.



ODS 8 - TRABALHO DECENTE E CRESCIMENTO ECONÔMICO

Promover o crescimento econômico sustentado, inclusivo e sustentável, o emprego pleno e produtivo e o trabalho decente para todas e todos.



ODS 9 - INDÚSTRIA, INovação e INFRAESTRUTURA

Construir infraestruturas resilientes, promover a industrialização inclusiva e sustentável e fomentar a inovação.



ODS 10 - REDUÇÃO DE DESIGUALDADES

Reducir a desigualdade dentro dos países e entre eles.



ODS 11 - CIDADES E COMUNIDADES SUSTENTÁVEIS

Tornar as cidades e os assentamentos humanos inclusivos, seguros, resilientes e sustentáveis.



ODS 12 - CONSUMO E PRODUÇÃO RESPONSÁVEIS

Assegurar padrões de produção e de consumo sustentáveis.



ODS 13 - AÇÃO CONTRA A MUDANÇA GLOBAL DO CLIMA

Tomar medidas urgentes para combater a mudança climática e seus impactos.



ODS 14 - VIDA NA ÁGUA

Conservar e promover o uso sustentável dos oceanos, dos mares e dos recursos marinhos para o desenvolvimento sustentável.



ODS 15 - VIDA TERRESTRE

Proteger, recuperar e promover o uso sustentável dos ecossistemas terrestres, gerir de forma sustentável as florestas, combater a desertificação, deter e reverter a degradação da terra e deter a perda de biodiversidade.



ODS 16 - PAZ, JUSTIÇA E INSTITUIÇÕES EFICAZES

Promover sociedades pacíficas e inclusivas para o desenvolvimento sustentável, proporcionar o acesso à justiça para todos e construir instituições eficazes, responsáveis e inclusivas em todos os níveis.



ODS 17 - PARCERIAS E MEIOS DE IMPLEMENTAÇÃO

Fortalecer os meios de implementação e revitalizar a parceria global para o desenvolvimento sustentável.

Learn more at <https://www.pactoglobal.org.br/ods>

In order to emphasize the SDGs that we can leverage our positive impact, we performed an analysis of several factors such as geography, sector, stakeholder engagement, through the **SDG Action Manager** tool and defined the SDGs to prioritize our efforts, which are:

4 EDUCAÇÃO DE QUALIDADE



ODS 4 – EDUCAÇÃO DE QUALIDADE

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 4 (Educação de Qualidade), como aumentar o número de colaboradores treinados pelo Centro de Treinamento Abílio Lunelli em desenvolvimento técnico e de capacitação básica, aumento do número de líderes formados pelo Centro de Treinamento Abílio Lunelli, aumento da oferta e maior adesão às bolsas de estudos e oportunidades de desenvolvimento profissional para todos.

5 IGUALDADE DE GÊNERO



ODS 5 – IGUALDADE DE GÊNERO

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 5, como aumentar a representação feminina em geral, em cargos gerenciais e na cadeia de abastecimento, realizar a gestão de reclamações relacionadas à discriminação de gênero e fornecer capacitação sobre a não discriminação.

6 ÁGUA POTÁVEL E SANEAMENTO



ODS 6 – ÁGUA POTÁVEL E SANEAMENTO

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 6, inclusive fornecer acesso à água potável ao saneamento em suas próprias operações, sua comunidade e sua cadeia de abastecimento, conduzir avaliações do risco hídrico e realizar a gestão de águas residuais e de substâncias químicas na operação.

8 TRABALHO DIGNO E CRESCIMENTO ECONÔMICO



ODS 8 – TRABALHO DECENTE E CRESCIMENTO ECONÔMICO

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 8, incluindo o pagamento de um salário digno, a garantia de condições justas de trabalho em suas operações e em sua cadeia de abastecimento e a disponibilização de oportunidades de desenvolvimento profissional.

9 INDÚSTRIA, INOVAÇÃO E INFRAESTRUTURAS



ODS 9 – INDÚSTRIA, INOVAÇÃO E INFRAESTRUTURA

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 9, incluindo construção de infraestrutura resiliente, promover a industrialização inclusiva e sustentável, e fomentar a inovação.

10 REDUZIR AS DESIGUALDADES



ODS 10 – REDUÇÃO DE DESIGUALDADES

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 10, incluindo o investimento social, benefícios e cuidado com as pessoas, a promoção de oportunidades igualitárias, o aumento da representatividade no quadro geral de colaboradores e lideranças, e empoderar e promover a inclusão social e econômica.

11 CIDADES E COMUNIDADES SUSTENTÁVEIS



ODS 11 – CIDADES E COMUNIDADES SUSTENTÁVEIS

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 11, incluindo a promoção de práticas de urbanização inclusiva, a adoção de padrões de construção ecológica e redução do impacto ambiental negativo das cidades, inclusive prestando especial atenção à qualidade do ar, gestão de resíduos municipais e outros.

12 PRODUÇÃO E CONSUMO RESPONSÁVEIS



ODS 12 – CONSUMO E PRODUÇÃO RESPONSÁVEIS

Destaca as principais práticas que podemos adotar para contribuir para o cumprimento do ODS 12, incluindo a adoção de princípios da economia circular, a avaliação do impacto dos fornecedores sobre o consumo de recursos e o estabelecimento e divulgação pública de metas de sustentabilidade.



VALUABLE connections

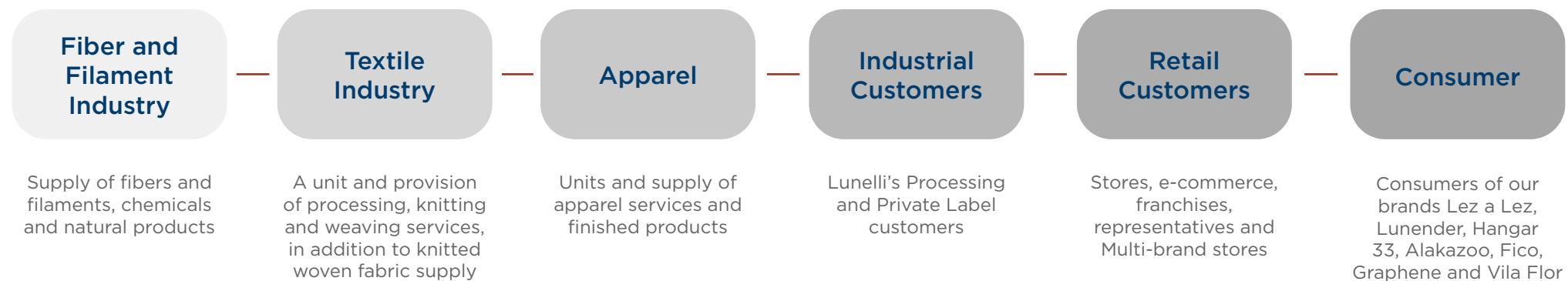
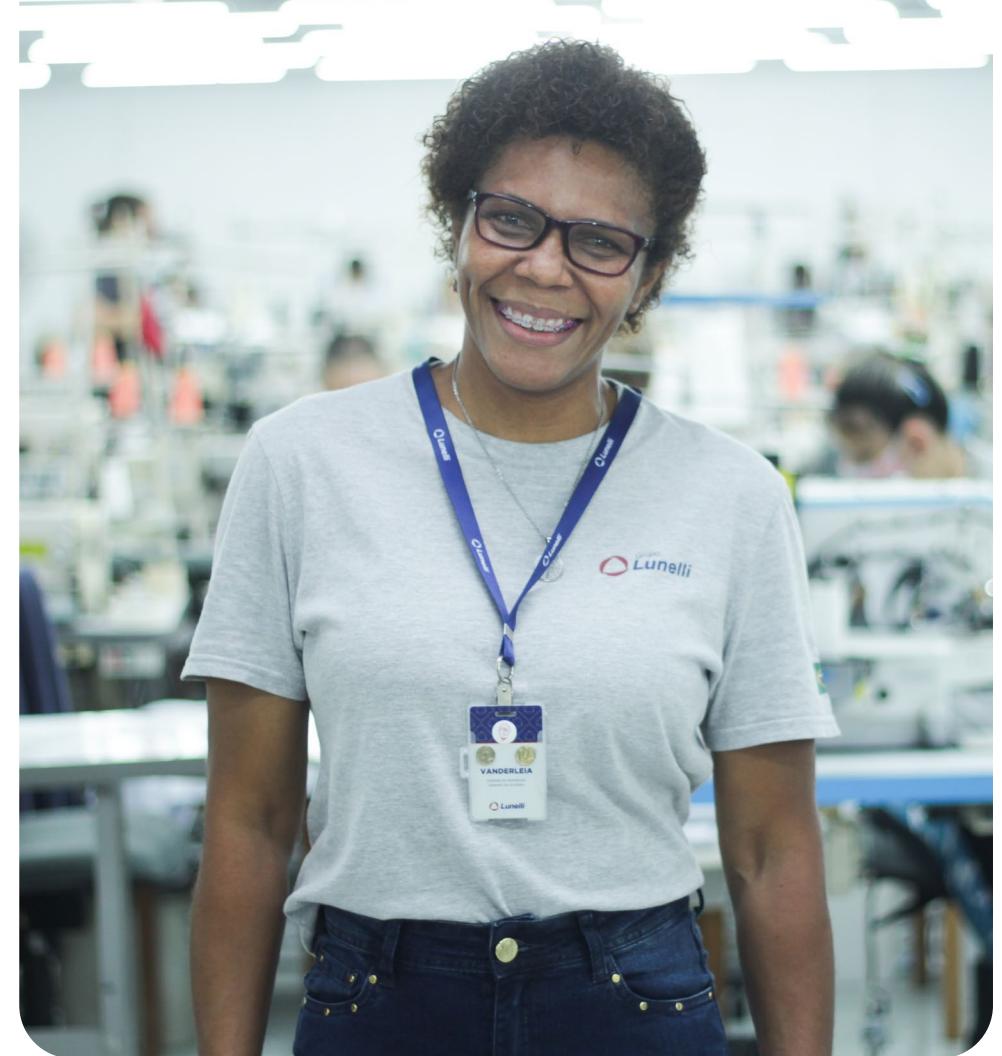
We work in close cooperation with our customers, in an active and dynamic listening processes. We seek to serve consumers by anticipating their demands and expectations, which allows a high turnover for our brands at points of sale and create value for all those involved in our chain. In this trust and reliability relationship, we intensify our transparency and a receptive attitude that captivates our customers and builds true relationships.

Network action

D102-9; D102-10

Fashion connects a long chain of companies, from material extraction, processing and production of knitted and woven fabric to the making and sale of clothing. Lunelli's companies are also present in important links, from industry to retail.

Lunelli's Value Chain



Challenges in the supply chain

There are many sustainability challenges in every economic and industrial activity and this is not different in the textile sector. The list includes significant impacts on climate changes, chemical pollution, loss of biodiversity, excessive use of water and energy, waste generation in manufacturing and post-consumption. There are also vulnerabilities and risks in labor relations, especially in outsourced apparel processes.

To face these challenges, we participate in organizations, adopt certified management systems and standards that guide innovation, production, and procurement practices aiming to reducing the negative socio-environmental impacts existing in our industry.

Other challenge in the supply chain in 2021 was price volatility and moments with risk of raw material shortage. Our care in 2020 was reflected in closer relationships with partners, making negotiations easier and ensuring the network's ability to respond to the increased demand in 2021. We also established connections with new national suppliers, extending our positive impact and ensuring the conditions to serve the market at full capacity.



GOVERNANCE WITH transparency and ethics

For us, a governance system should leverage the company's goals and culture. Here at Lunelli, doing the right thing and acting with integrity is more than a choice, it is how we make fashion with significance. It is about the way we establish partnerships and ensure ethical business in a win-win relationship for all.

REUNIÃO ANUAL
DE VINDAS

Lunelli



Governance structure

GRI 102-5



We are a privately-held organization with 3 shareholder partners who are members of the family that founded the company. We establish our Corporate Governance by means of a set of monitoring and control mechanisms, aiming at ensuring that business decisions are made in line with the long-term goals of the organization. Our governance, compliance and risk management activities are based on the good Corporate Governance practices established by the IBGC - Brazilian Institute of Corporate Governance.

To strengthen our governance system, we adopt a Corporate Governance Policy and have a Corporate Governance and Audit area, created in 2021. The governance structure is based on a Board of Trustees formed by 4 independent directors and by the shareholders, an Executive President, a Vice-President and a structure with Directors who supervise business operation. Over the year, we also started to prepare for a transition process in our Presidency, which will be implemented with agendas and formal communications to the market in 2022.

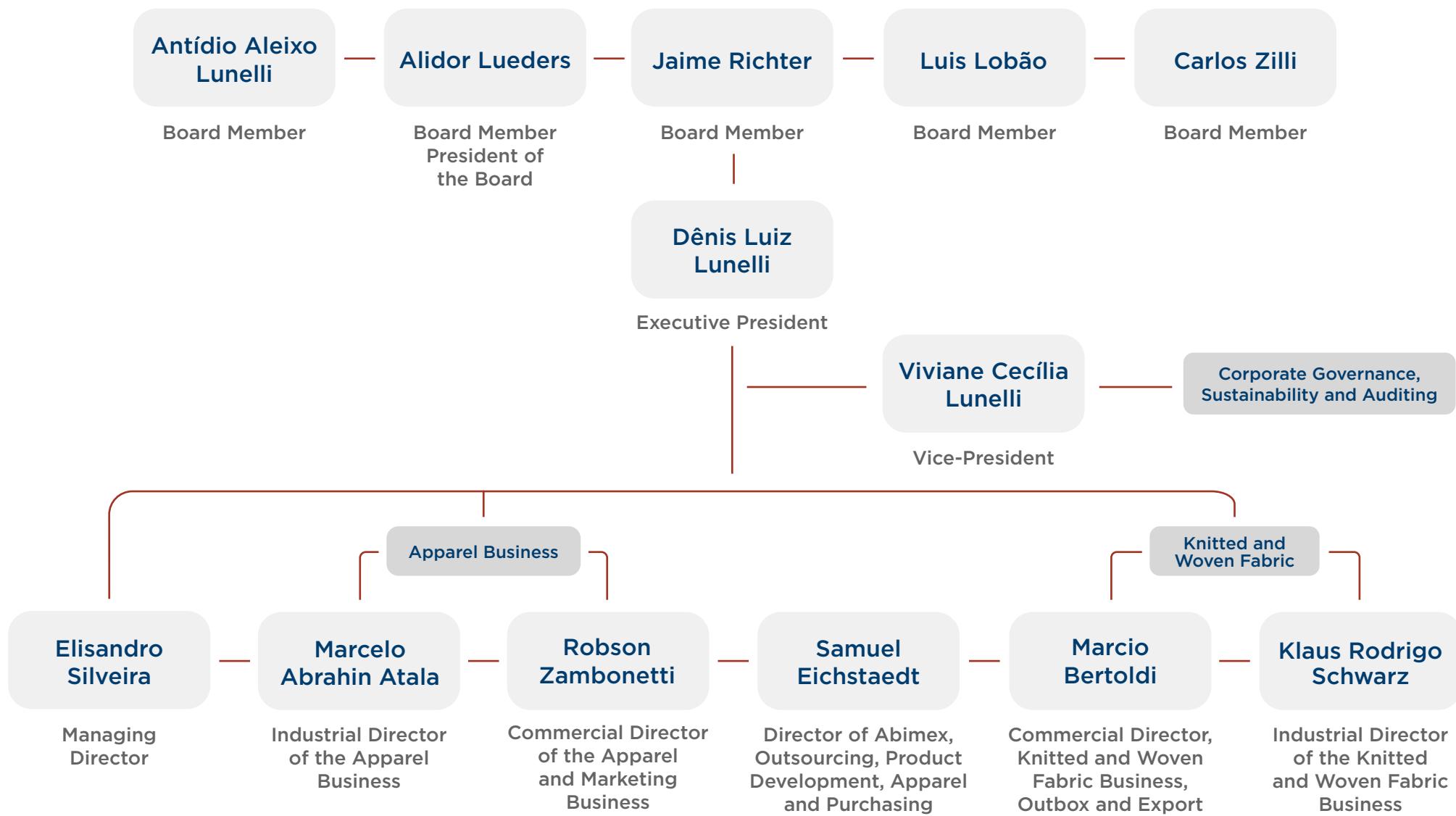
We have two committees with at least one board member which have the function of assisting the Board of Trustees, fostering the achievement of the company's strategic goals. We also count on Internal and External Audit structures with executive and advisory purpose which report to Lunelli's Executive President. In 2021, we intend to complement the internal audit activities by hiring 1,000 hours of External Auditing focusing on operational areas and more 1,400 hours directed at Financial and Tax Statements.



Governance structure

GRI 102-18

Board of Trustees and Presidency



We have also adopted important governance documents, such as the Bylaws, Internal Regulations, Code of Conduct, Business Plan and Long-Term Strategy and a Results Achievement Plan - PCR, in addition to a series of policies, such as our Sustainability Policy, the Purchasing Policy, the Risk and Crisis Management Policy, Registration, the Credit and Collection Policy and the Information Security Policy.

Risk management

GRI 205-1

Risk management is one of the important fronts of Lunelli's Governance Structure. With a robust and efficient system, we anticipate situations and transform challenges into opportunities. The Risk and Crisis Management policy is our main guideline and has the purpose of ensuring the governance level expected by the company, by adopting lines of defense and defining practices, responsibilities, action and contingency plans.

Lines of Defense Structure - Risk and Crisis Management

Shareholders/Board of Trustees/Committees

Board of Directors

Work Commissions

1st Line of Defense

Managers, Supervisors and Coordinators

Responsible for processes and directly manage risks, from their identification and monitoring to corrective actions for improvements in management, processes and internal controls.

2nd Line of Defense

Corporate Support Areas

Finance, Personnel Management, Accounting, Costs, IT, Process Engineering, Maintenance, Quality.

Risk Management follow-up, standardization, promotion and coordination of initiatives and results related to the topic.

3rd Line of Defense

Internal Audit

Performance of comprehensive and independent assessments related to policies, procedures, internal controls, risks and compliance.

4th Line of Defense

External Audit

Performance of comprehensive and fully independent assessments related to policies, procedures, internal controls, risks and compliance.

Regulatory - External Agents



Risk map

To ensure a broad view covering 100% of our operations, processes and areas, we implemented a Risk Map based on four major fronts: strategic, financial, operational and compliance risks. Based on this map, we define structures, responsibilities and procedures for actions within the organization's risk management.

Risk and crisis management and structure



The main financial risks are related to Financial Assets and Liabilities. The finance area is the main responsible for monitoring and managing these risks on an ongoing basis. For operational risks, we carry out periodic assessments at the major units to identify and analyze the potential risks inherent to the facilities, activities, security structure and related procedures. This process results in reports that support management and compile improvement suggestions.

Work commissions

To act in the face of strategic risks, we have Work Commissions to assist with the decision-making process by preparing proposals that are submitted to the Board of Directors for approval, expanding participative management. In 2021, 110 committee meetings were held, 364 proposals were submitted to the Boards of Directors and Trustees, 242 of which were approved.

The groups include managers, key leaders and at least one Sponsor Director, and work to encourage the adoption of good governance practices and the Code of Ethics, disseminate corporate culture and raise awareness about preventing and fighting corruption and bribery according to the Anti-Corruption Law 12.846/13. **GRI 205-2**

Work Commissions

- Purchases and Supplier Development
- Controllership and Finance
- Personnel Management
- Layout and Investments – Clothing Manufacture
- Layout and Investments – Knitted and Woven Fabric
- Brands and Channels
- Data Protection
- IT - Information Technology

To mitigate the non-compliance risk, the company's Senior Management is responsible for establishing the guidelines, policies and procedures related to activities considered as posing a risk to the business, with the purpose of ensuring compliance in all Lunelli's businesses. 100% of the company's operations are assessed for corruption risks. **GRI 205-1**

Ethics and compliance system

GRI 102-16 | 102-17 | 419-1

Our Code of Conduct is the main document that guides our employees on the principles and behaviors that are essential to Lunelli and bolsters our ethics and integrity culture. The document conveys the conduct we deem appropriate and that must be observed and incorporated in relationships between all stakeholders, be they shareholders, leaders, employees, customers, franchisees, suppliers, service providers, the government and the society in general.

In this Code, we establish our stance on several matters, such as valuing diversity, not allowing any type of discrimination, coercion or verbal violence. In it, we also stress that no type of corruption will be tolerated. To manage and update the document, we count on the Personnel Management Commission and also the approval of Lunelli's Boards of Directors and Trustees.

The document is disclosed to employees, who are granted access and receive training on its contents on their first day of work. In 2021, all new hirings were informed of the document, which includes instructions on practices against corruption, discrimination or any other disrespectful behavior that does not contribute to our welcoming and honest working environment. In 2022, the Code will be updated and everyone will receive guidance on the changes.

Ombudsman channel

In case of doubt or for situations that are in conflict with the Code, we advise our employees and all those with whom we maintain a relationship to contact the Ombudsman via e-mail or by phone; these electronic communication channels are available 24 hours a day and identification is not required. All reports are appropriately investigated and addressed.

In 2021, we registered 73 reports with themes such as relationship with leadership or friction between employees. During the year, there were no records of complaints regarding corrupt practices. **GRI 205-3**

Ombudsman Channels

Internal calls – branch 7488

External calls - (47) 9090 3373- 7488

e-mail - ouvidoria@lunelli.com.br



Compliance with laws and internal guidelines

We are constantly evolving and mindful of external changes. In the compliance sphere, we seek continuous updates, especially in topics such as labor laws, contractual issues, real estate law and the Consumer Protection Code. Through study groups and in close cooperation with the departments, we work to prevent and mitigate liabilities, as well as to develop solutions with managers so that we can adopt the practices that will give us the best results.

We believe that all employees have an important role in ensuring processes and behavior in compliance with the legislation and the company's guidelines. At Lunelli, we seek compliance through participative management with the engagement and commitment of all employees in the matter.

Some of the topics discussed by the study groups in 2021 were COVID-19, employee training focusing on occupational safety and legal aspects, management of third-party agreements and guidance on labor claims, as well as aspects regarding legislation and several topics related to the organization's activities.

This movement has driven a series of decisions, initiatives and projects that, in addition to encouraging compliance, have clarified topics that lacked any guideline, strengthening our trust relationships.

Some of the main topics defined regarded the use of WhatsApp for internal communications, limit periods to use of the image of dismissed employees and suggestions for negotiations in Collective Bargaining Agreements in the regions where Lunelli operates. If external support is required, consultants are hired to assist in specific matters, such as taxes and LGPD. In 2021, we did not record any non-compliance with laws and regulations in the socio-economic field.



Data security and protection

GRI 418-1

Thinking of data security, we have also implemented an Information Security Policy, aiming at maintaining the confidentiality, integrity and secrecy of the information under our responsibility. We respect the confidentiality of the strategic information of our business partners, suppliers, clients, consumers and service providers. In 2021, no complaints were filed regarding privacy violation and data loss from Lunelli's stakeholders.

CONTRACT automation

An important achievement that brought agility without impairing control and compliance was the implementation of signatures with digital certificate in 2020 and the electronic signature through a portal in 2021. The digital certificate is the electronic identity of a person or company. The electronic signature, given via a platform, is an option for users who do not have a digital certificate.

With the implementation of the electronic signature, we were also able to reduce environmental impact, since it was no longer necessary to print documents. Over the last 12 months, we cut back on the generation of 71 kg of paper waste and 1,000 kg of carbon emissions, in addition to saving nearly 10,700 liters of water and 435 kg of wood.



Communication with our relationship network

GRI 102-40 | 102-41 | 102-42 | 102-43 | 102-44

For us to be successful and relevant, we need to maintain open channels to dialogue and listen to our entire network of relationships. And, with the information obtained, we can improve our practices, programs, processes and business decisions, by encouraging a responsible relationship with all our stakeholders.

Stakeholder Engagement Method

Stakeholder (D102-40)	Engagement Method (D102-43)
Employees	Mood survey, Ombudsman Channels, Internal communications, our Internal magazine “Lunelli com Você” (Lunelli with You), Social and other media
Customers and Consumers	Satisfaction survey, Customer Service Center, Website, Social Media
Sales Representatives	Internal researches, Communication with the Sales and Marketing Teams, Sales Meetings, Social Media
Franchisees	Internal researches, Communication with the Sales and Marketing Teams, Sales Meetings, Social Media
Retailers	Internal researches, Communication with the Sales and Marketing Teams, Sales Meetings, Social Media
Suppliers	Communication with the Purchase Team, Website, Social Media
Community	Social Media and other Press Communications
Regulatory Bodies	Official Reports, Audits where applicable, Social Media and other Press Communications

Our participation in society

GRI 102-12 | 102-13

We maintain relationships with entities and professional associations to discuss proposals and issues that affect the operations carried out by Lunelli. We also maintain relationships with national and global movements that discuss issues relevant to sustainability.



ACIJS - Associação Empresarial de Jaraguá do Sul
ASSOCIAÇÃO EMPRESARIAL DE JARAGUÁ DO SUL

We partner with ACIJS for events and contributions to the local community



ACIAG - Associação Empresarial de Guaramirim
ASSOCIAÇÃO EMPRESARIAL DE GUARAMIRIM

We attend forums and events promoted by the institution



ACIAC - Associação Empresarial de Corupá
ASSOCIAÇÃO EMPRESARIAL DE CORUPÁ

Lunelli is a partner of the institution in events and actions promoted by ACIAC



ABRH - Associação Brasileira de Recursos Humanos
Associação Brasileira de Recursos Humanos

We take part in forums and contribute to discussions on Personnel Management topics conducted by ABRH



ABVTEX - Associação Brasileira do Varejo Têxtil
ASSOCIAÇÃO BRASILEIRA DO VAREJO TÊXТИL

We follow the agendas promoted by the institution and have ABVTEX certifications at Lunelli's sewing units



Sou de Algodão

We support the movement which is an initiative of Abrapa (Brazilian Association of Cotton Growers) and aims at strengthening the Brazilian cotton chain



ABIT - Associação Brasileira da Indústria Têxtil e de Confecção
textil e confecção

We are a member of ABIT's Sustainable Fashion League. The project, abbreviated BSFL, gathers a league of companies that take part in the Brazilian Textile and Fashion Industry (Texbrasil) Internationalization Program.



ABF - Associação Brasileira de Franchising
ASSOCIAÇÃO BRASILEIRA DE FRANCHISING

We work with the franchising model in our business and are always aware of the trends, opportunities and challenges in the sector through ABF



BCI - Better Cotton Initiative
Better Cotton Initiative

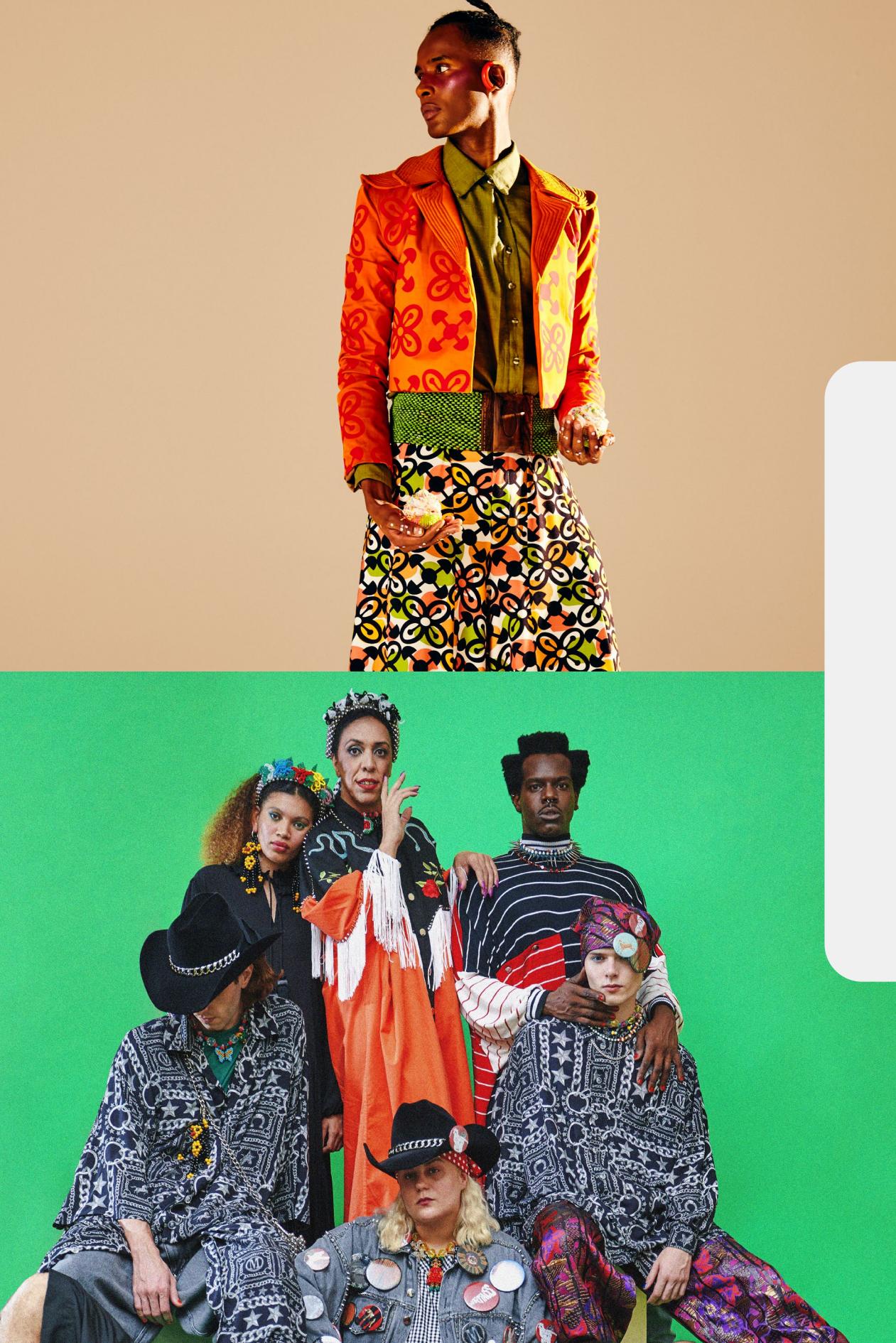
We support the global initiative and seek to include the BCI certification for the cotton chain as a criterion for purchases



OSD - Objetivos do Desenvolvimento Sustentável
OBJETIVOS DE DESENVOLVIMENTO SUSTENTÁVEL

In our choices within the ESG agenda, we seek to establish relations with the positive impacts we can generate, so that we can, as a society, reach the goals set by the UN





WE SUPPORT Brazilian fashion

Lunelli does everything with its heart, from its creations to encouraging new talent. By supporting and sponsoring new designers who are part of projects and events such as Casa de Criadores, São Paulo Fashion Week and London Fashion Week, Lunelli helps to bring them closer to the fashion market.

THE ESG AGENDA at Lunelli

In Lunelli's trajectory, we have always been committed to establishing responsible relationships among people and with the environment. We look back with pride on everything that has brought us to this point, certain that our choices today and our vision for the future will lead us to sustainable growth.



Sustainability management

GRI 103-1 | 103-2 | 103-3

We make fashion with significance and the goal of promoting a positive impact on the world, especially for those connected to us. To that end, in 2021 we took important steps towards integrating a structured ESG agenda into our business, with Lunelli's first prioritization process for sustainability matters. **GRI 102-48 | 102-49**

The Materiality Matrix was prepared based on analyses of external scenarios, internal policies and guidelines, in consultation with the 24 organization leaders and an online survey with stakeholders relevant to the organization, which had 112 respondents, among suppliers, sales representatives, employees, community and customers. **GRI 102-40 | 102-42 | 102-43**

From this process, we got to know and acknowledged the impacts of our operations, finally prioritizing 18 aspects considered highly relevant and representative of the stakeholders' expectations.



Key topics

GRI 102-44 | 102-47

Social

- Labor relations
- Health & safety
- Training
- Diversity
- Communication and awareness with relationship audiences
- Community engagement

Environmental

- Materials
- Waste
- Water
- Effluents
- Chemicals
- Greenhouse Gases

Governance

- Ethics and Integrity
- Anti-corruption
- Laws and Regulations
- Human Rights and Environmental Impact on the Supply Chain
- Communication with Stakeholders
- Sustainable Innovation

With these prioritized topics, in 2021 we defined our Sustainability Platform, which includes a Corporate Policy, a Sustainability Strategy, an Action Plan and a Sustainability Report. This platform establishes our approach on the matter, as well as our commitments, targets, indicators and initiatives, in addition to a monitoring system and the methods to manage the Organization's ESG agenda.

To understand our starting point and the progress targets on the key topics, we mapped our maturity level in each aspect, which allowed us to consciously and consistently define the evolution scale of our positionings and of the sustainability value proposition we seek to incorporate into the business by 2026.



Lunelli's sustainability Platform

Positioning:

2021

1 Legal compliance and risk mitigation.

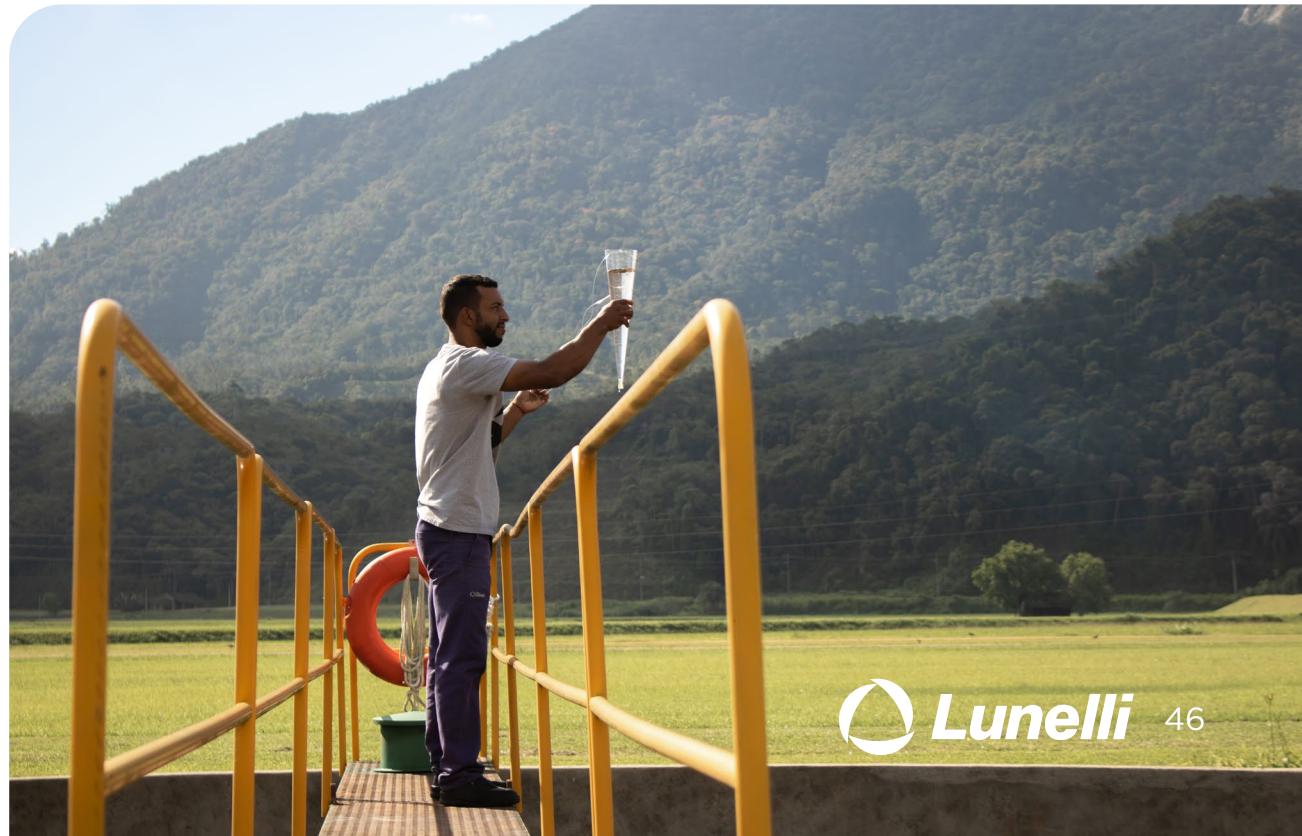
2026

2 Operational efficiency and stakeholder engagement.

3 Innovation in products and services for sustainability.

Sustainability Vision:

To make fashion with significance promoting a positive impact in the world and for all.



Lunelli's sustainability Platform

Sustainability Initiatives



In line with the ESG platform, we have also sought to obtain certifications that lead our operations towards responsible practices in production and procurement.



Certification by **ABVTEX (Brazilian Association of Textile Retail)** in our apparel units for compliance with labor relations and environmental criteria.



ISO 14001:2015 Standard - Environmental management system of the Processing unit

ESG Priorities

An important step to strengthen the management of the ESG agenda was including goals related to sustainability aspects in our 2022 Results Achievement Program. We also defined fronts to be prioritized in the short term, such as the diversity project, the creation of a supplier Code of Conduct and conduction of a GHG Inventory.

We are sure that this journey is only beginning and there are many opportunities to expand our positive impact in the world. We wish to improve people's lives through opportunities, products and services, by seeking to reduce and mitigate the negative impacts of our activities, promoting social, cultural, environmental and economic prosperity and making fashion that brings significance to the lives of those who choose to wear it.



ECONOMIC VALUE generation

GRI 103-1 | 103-2 | 103-3

We believe that when we take care of our people, our teams take care of our customers, our customers take care of our cash, all forming a virtuous cycle. Our economic performance is the result of a solid financial management and the respect and care relationships that we foster with everyone in our network.



Financial management

Lunelli's Financial Management is based on four macro steps distributed across guidelines and actions, so as to ensure our resources are better applied to achieve the organization's purpose.

Lunelli's Financial Management



FINANCIAL performance

GRI - 202-1

We reached R\$1.25 billion in revenues, a record that was possible with the enthusiasm and obsession for results of our teams, strategic planning and careful budget execution. The number represents an increase of 52.3% in revenue, as well as of 89.8% in EBITDA and 69.7% in net income when compared to the 2020* revenue.

*Year affected by the COVID-19 pandemic.

Challenges and expectations exceeded

In 2021 we still faced challenges from the pandemic scenario, with market instability affecting mainly the service, tourism, accommodation, retail and event sectors. Vaccination gradually led to the resumption of services and other activities and brought a good perspective of economic growth. To overcome the challenges and mitigate supply chain risks in this context, we made a series of decisions that led us to the results we achieved.

Another challenge was the high finished goods inventory. We started the year with production surpluses and returns, an accumulation due to the closing of stores in 2020. To address this challenge, we applied the agile project management methodology. We structured a multidisciplinary team that conducted commercial actions, in addition to the development of BI - Business Intelligence - for more assertive controls and monitoring. We reached the end of the year with a 47% reduction in the surplus inventory.



Investments

Over the year, we also invested in the expansion and improvement of our structures, totaling R\$70.6 million allocated for investments in the industrial, administrative and IT infrastructure areas in 2021.

ECONOMIC VALUE GENERATED AND DISTRIBUTED GRI 201-1

We have been a consolidated industry for decades, with strong brands and we are also present in the retail market. We develop solid businesses with prosperous results that grow each year and generate wealth for all our stakeholders. The Added Value Statement presented comprehends all of Lunelli's operations.

Added Value Statement	Consolidated	
	2021	2020
	%	%
Added Value Statement	100,0	100,0
Personnel	37,7	41,7
Taxes, fees and contributions	19,4	19,6
Remuneration of third-party capital	13,3	13,9
Remuneration of own capital	29,6	24,8

*The chart does not include social actions, which were curated and monitored by our internal team, with an investment of over R\$1.6 million.



Retail network

With our business model, we connect a network of multi-brand retail entrepreneurs, representatives and franchisees that integrate our retail platform, through which we bring our brands and products to final consumers. They are entrepreneurs who, like us, build businesses that generate jobs, income and contribute to local economies.

31 Franchisees

20 thousand multi-brand customers



Franchisees

We operate with the franchising business model in Lez a Lez. There are 31 stores managed by franchisees in states such as Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais, Bahia and Ceará, as well as Brasília, in the Federal District. To ensure a relationship in line with Lunelli's values, we have implemented a rules and procedures manual for stores, in addition to providing personnel, process and sales management training for our franchisees and their teams.

In 2021, the main strategies and challenges related to franchisee management were the recovery of financial results, bottom-line oriented field consulting, commercial actions at points of sale and 360-degree communication combining products, marketing and sales. In the second half of 2021, we opened 2 new franchise stores, a move that demonstrates the strength of our network, which is growing in pace with Lunelli.



Multi-brand customers and representatives

Our partnership with multi-brand retail — retailers that work with several products, including Lunelli's brands — allows us greater capillarity. Our sales representatives are the key link in the relationship with these customers.

Our commercial area is always close to build bonds of trust with customers and representatives, as well as expand our operations in new markets, with assertive and competitive products. We seek to establish relationships with partners that are aligned with our values and also work with the principle of delivering quality and fair price to consumers.



Online stores

2021 was a year of progress in our online stores: we changed our platform, adding more features to ensure a better browsing and shopping experience to consumers, especially when accessing it from mobile devices. These improvements led us to exceed our sales targets, closing the year with a 40% growth if compared to 2020.

To increasingly connect our audiences and expand the capillarity of our brands, in 2021, we made progress in the UNE program, Lunelli's online business platform. Based on the social selling format, the platform provides benefits for its members and maximizes the promotion of our brands' products, strengthening itself as a sales channel for the company.

As of 2022, all stores will have the same functionalities of the new platform and the possibility of enabling omnichannel tools in their own physical stores and franchises. We will bring even more convenience to our consumers, who will be able to buy the products online and pick them up at the nearest store, for example, or buy at the store and receive them at home.



Digital transformation

In addition to the implementations of our e-commerce platform, in 2021 we made improvements to the billing system, providing greater agility and confidence to the process. We migrated stores' systems to advance with the omnichannel integration in 2022, a project that is extremely important for Lunelli's Digital Transformation and which has already presented good results in pilot tests carried out by the end of 2021. We completed the tests with the Lez a Lez app, which has been showing significant results in sales and downloads.



SOCIAL VALUE generation

Our constant pursuit to develop people and build a legacy from our relationships to guides the steps of the business every day. We have been in the fashion market for 40 years and, since the beginning, an important point has always been integrated into our DNA — the care for the network of people with whom we share our values: employees, suppliers, retailers, and the community.



Employees

Producing fashion with significance is about much more than just making clothes. It is about providing a safe work environment for our employees, with respect for work relationships, in order to promote the well-being and evolution of the entire team.

Our professionals have, in their essence, a potential for creation, cooperation, dedication, care and generation of results. We only got where we are thanks to people. We are a family that has expanded over the last years, always valuing simplicity, enthusiasm and providing environments that leverage the growth and development of all.



Profile of our employees

In 2021, we reached 4,440 employees in our staff, 31% of which are men and 69% women, with 57% of them aged from 30 to 50 years old and 100% hired through permanent full-time contracts.

Employees per contract type GRI 102-7 | 102-8

	2019		2020		2021	
	Men	Women	Men	Women	Men	Women
Permanent contract	1412	3168	1299	2870	1397	3043
Full-time	1412	3168	1299	2870	1397	3043

Employees per function GRI 405-1

	2019		2020		2021	
	Men	Women	Men	Women	Men	Women
Director	88,9%	11,1%	85,7%	14,3%	87,5%	12,5%
Management	60,0%	40,0%	69,0%	31,0%	65,5%	34,5%
Supervision/ Coordination	53,9%	46,1%	55,2%	44,8%	53,0%	47,0%
Employees	29,1%	70,9%	29,4%	70,6%	30,4%	69,6%
Total employees	30%	70%	31%	69%	31%	69%

Employees per age bracket

	2019			2020			2021		
	up to 30 years old	30 - 50 years old	more than 50 years old	up to 30 years old	30 - 50 years old	more than 50 years old	up to 30 years old	30 - 50 years old	more than 50 years old
Director	0,0%	88,9%	11,1%	0,0%	85,7%	14,3%	0,0%	87,5%	12,5%
Management	14,3%	77,1%	8,6%	13,8%	79,3%	6,9%	13,8%	79,3%	6,9%
Supervision/ Coordination	11,8%	82,2%	5,9%	8,4%	86,0%	5,6%	8,7%	85,9%	5,4%
Employees	37,4%	55,5%	7,1%	35,4%	57,1%	7,5%	37,5%	56,3%	6,2%
Total Employees	36,23%	56,68%	7,09%	34,24%	58,36%	7,41%	36,35%	57,48%	6,17%



Labor relations

GRI 102-41

Lunelli complies with the Labor Legislation, always striving to be fair with its employees and respecting their rights. We seek to maintain close relationship with labor entities, both with employers' organizations and labor unions. We actively take part in collective bargaining and are always available to meet and understand any demand that may arise. All employees are covered by the collective bargaining agreements of the sector unions. For our units in Paraguay, the procedure is periodically carried out by means of agreements made directly with government agencies, since the country does not have labor unions. **GRI 102-41**

The personnel management is based on the strategic pillar of "attracting, retaining and developing the required competencies for growth", as well as on policies and processes standardization, so as to ensure equal treatment to all employees.



Personnel management policies

Salary Policy

Regulates our compensation practices, defining recognition standards, rules for salary adjustments, the monitoring and controls adopted, and the related forms and processes.

Scholarship Granting Policy

Formalizes the requirements for application, values and other procedures related to education benefit provided to our employees.

Operating Procedures

Prepared by each subsystem, its purpose is to formalize the standard operation of each activity, serving as a reference and training tool for the areas' employees.

Over the year, we kept all the procedures implemented since the beginning of the pandemic to ensure the care for our employees. We followed all required measures, such as social distancing, hand and environment sanitization, leaves for contaminated employees or suspected cases, wearing of masks and hand sanitizer use, in addition to monitoring the scenario with the Crisis Committee, assembled in 2020.





ABVTEX Certification

Our apparel units we are certified by ABVTEX (Brazilian Textile Retail Association) — in the “Gold” category — and have adopted the certification principles to the other Lunelli units. The seal was created in 2010 with Gold, Silver and Bronze categories and is only granted to industries that meet criteria such as: clean and safe work environment, overtime payment according to collective bargaining agreements, Government Severance Indemnity Fund for Employees (FGTS) and Social Security (INSS) payments, no use of child, forced or slave labor, compliance with environmental laws, among other topics related to the fashion chain.



People-oriented management



We celebrated the accomplishment of receiving the Great Place to Work certification, an international recognition that rates the best companies to work for. The program assesses, through an online survey and diagnosis tool, the organizational mood of corporations, covering topics such as physical safety, management competence, benefits and recognition. In 2021, we applied for this assessment for the first time and won the seal in the same year. 100% of our employees from all units in Brazil, including our stores, were invited to take part in the survey.

The answers from employees emphasized points such as a strong sense of pride, high trust in Senior Management, employees who value professional growth and balance between personal and professional life, in addition to a highly praised work environment.

This employee consultation process allowed us to identify points of attention in topics that are being worked on by Personnel Management and our leaderships.

Open and Transparent Communication

Through our communication with employees, we strengthen our culture and create more inclusive and cooperative environments. To ensure Lunelli's is connected to all employees, we disclose our information, opportunities, standards and guidelines through the following channels:

- Periodic meetings
- Physical Boards
- E-mail
- WhatsApp
- Our internal magazine “Lunelli com você”
- Communication with leaderships

We also provide clear and effective communication of any changes in the company, observing minimum notice periods for our employees.

GRI 102-41

Integration of values in our culture

In 2021, we invested in several actions aimed at strengthening our values to integrate them into each daily activity.

- We intensified actions focused on the ESG agenda and on retail aspects, to provide support to Lunelli's performance.
- We simplified and implemented new work models for employees in different areas, who alternate between presential and remote work.
- We held corporate events to celebrate 540 employees who completed 5, 10, 15, 20, 25 and 30 years working with Lunelli, birthday leaves for employees and celebrations on special dates.



We recognize our employees through the **Results Achievement Program (PCR)** and the Production Bonus. The former is paid in a single installment to employees in some units, while the latter is monthly distributed for the other units.

These programs are based on strategic pillars maintain the alignment with the budget planning guidelines and have the purpose of sharing the results obtained over the year, reinforce the importance of teamwork and deliver transparent communication. We shared **R\$18.8 million** with our teams through the programs in 2021.



LunelliPrev

LunelliPrev is a closed complementary pension fund available to the employees of units in Brazil. The pension program reinforces our values and keen eye for the care of our people.

Those who participate in the plan make monthly payments of amounts of their choice to be deducted from their payroll. Lunelli also makes contributions to the plan, to help and motivate the participants to build up their pension savings. The amounts paid by the company are divided among participants following equal criteria.

The benefit is structured as a Defined Contribution (DC) plan, in which the participant knows the contribution amount. The value of their benefit will be known in the future and will result from the capitalization of the payments made by the participant and the company, through the profitability of the plan.

As it is a CD plan and does not offer risk benefits, the plan is classified as "Pure CD," in which the mathematical provisions are always equal to the plan's balance — i.e., the plan is in permanent actuarial balance.

The plan is managed by PREVISC – Sociedade de Previdência Complementar do Sistema FIESC, a closed complementary pension entity specialized in managing pension plans since 1987.

Given the relevance of this issue, Lunelli participates in Previsc's governance. Lunelli's employees and managers have positions in the entity's Sponsor Council, the Deliberative Council, the Tax Council, the Investment Committee and the Ethics and Conduct Committee. These are the bodies responsible for establishing guidelines and norms, supervising and assessing the entity's operations.

In 2021, the plan had **3,344 participants**, with an adhesion rate of **83%** — an increase of **2%** in relation to the previous year — and had a total of **R\$7,838,611.50** in assets

LunelliPrev

A Previdência Privada da Lunelli



— Respect for differences

GRI 405-2

We are committed to making our work environment increasingly inclusive, respecting diversity and promoting equal conditions for all our employees. In 2021, we will invest in inclusion initiatives for people with disabilities, with awareness-raising actions for all employees, partnerships with entities and increased employee hiring.

We remain attentive, seeking the continuous evolution of diversity aspects in work relations, to ensure an environment of integrity, positivity and that favors the development of all, regardless of gender, race, age, sexual orientation or any other characteristic. We promoted a workshop with directors and managers in the year, to align concepts and map opportunities for evolution, and we added the topic to the leadership development track. In 2022, we will move forward with a diversity plan, which includes policies and engagement actions.



People development

GRI 404-2

People Development

People who connect to Lunelli find an opportunity to evolve and grow here. We centralize the curation of specific employee development courses according to the organization's needs and strategies, covering all of Lunelli's units. We also support personnel development with scholarships for technical, undergraduate, graduate and language courses. The initiative, which is governed by our Scholarship Granting Policy, benefited 228 employees, representing an investment of nearly **R\$ 395 thousand** for Lunelli, providing personal and professional growth for our people.

Leadership Development

In 2021, we prioritized the development of our leaders, preparing them to welcome and lead our teams to achieve the planned results. We have defined individual development plans, with the purpose of observing the potentials and weaknesses to be worked on with each leader, focusing on the search for self-knowledge as an important tool for performance improvement.



#soulunelli



SOCIAL AND EMOTIONAL DEVELOPMENT OF **leadership**

The main aspects were training focused on behavioral and emotional development, understanding that it is possible to maximize team engagement based on individuals and their emotional balance. The matter was included in the training schedule of our leaders and their mapped successors.

In 2021, we had 17,848 hours of training provided for 142 leaders.

Abílio Lunelli Training Center

In its 6 years of existence, the Abílio Lunelli Training Center has trained more than 640 employees in 36 classes, with courses mostly taught by Lunelli's own team, creating a space for exchange and mutual growth. With the Center, we reassure our mission of improving people's lives through opportunities, products and services.



CENTRO DE TREINAMENTO
Abilio Lunelli

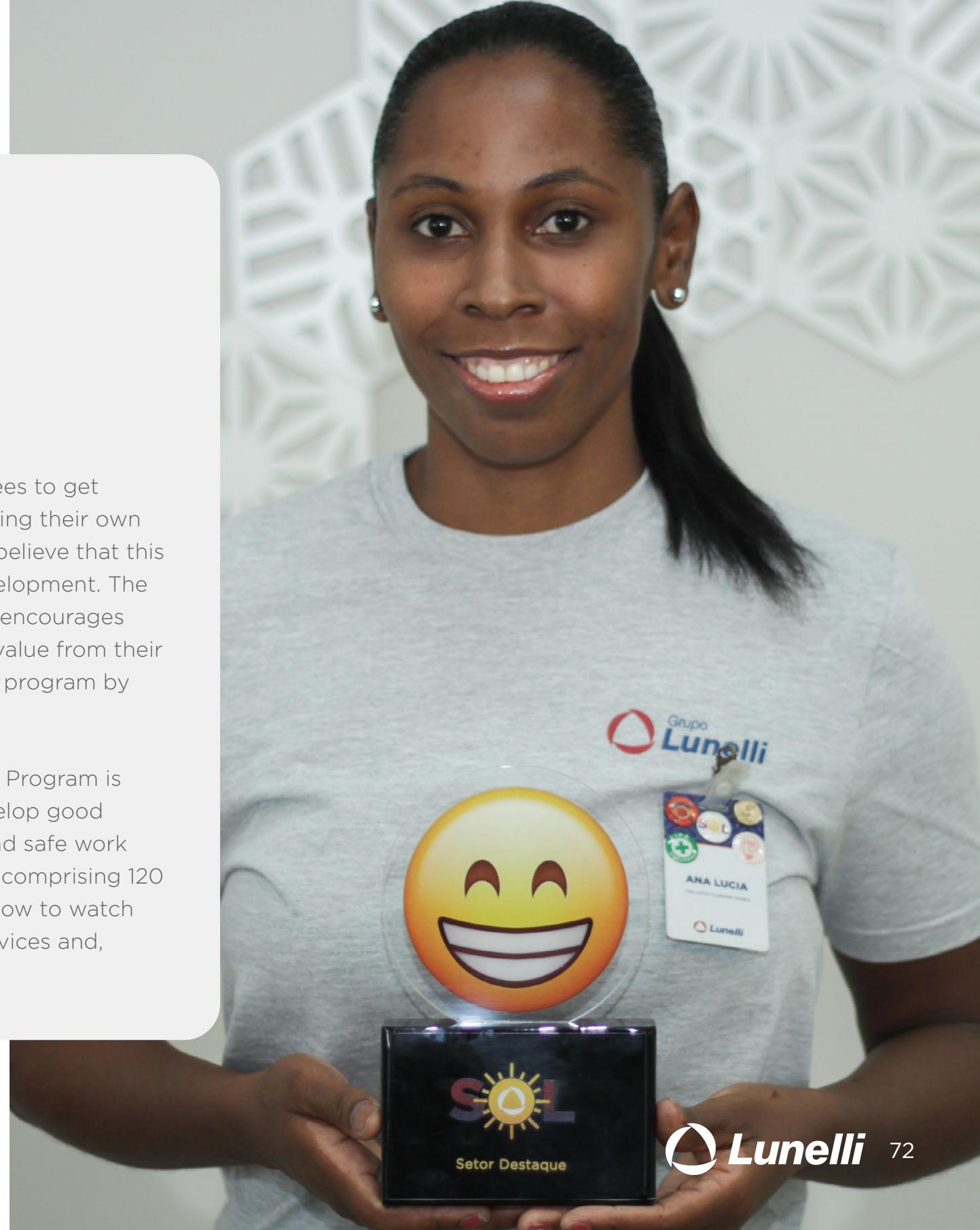




INNOVATION AND BEST PRACTICE programs

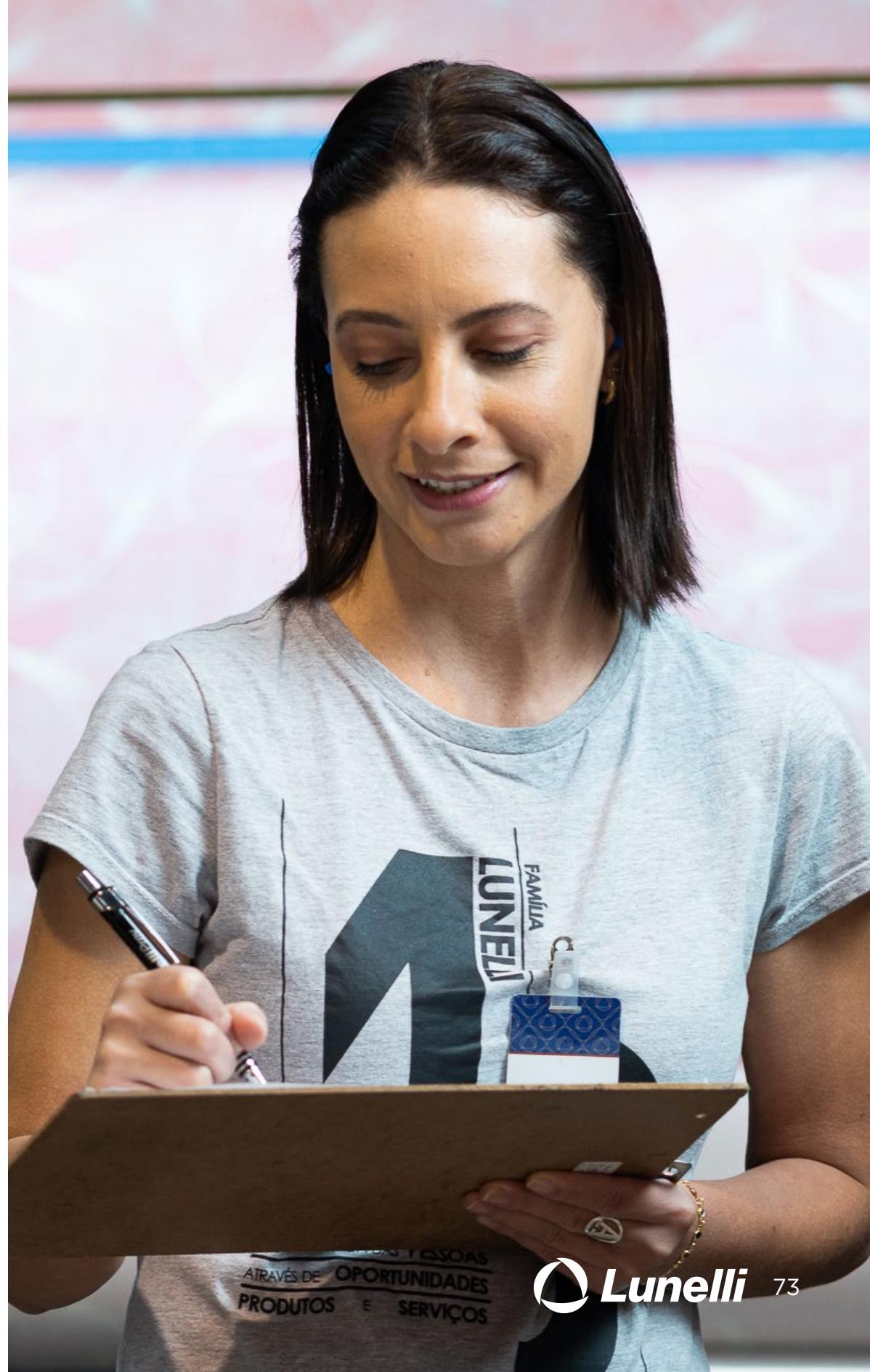
We strive to promote spaces for our employees to get involved in the company's development, sharing their own ideas for process improvement, because we believe that this movement also contributes to individual development. The New Ideas Program (PNI) is an initiative that encourages our teams to propose innovations and create value from their ideas. In 2021, 350 people participated in the program by sending more than 1085 suggestions.

The SOL (Safety, Organization and Cleaning) Program is another initiative to raise awareness and develop good habits and attitudes for a clean, organized and safe work environment. Through a group of employees comprising 120 trained volunteers, we provide guidance on how to watch for our spaces, with quality products and services and, mainly, quality of life for people.



Performance review

In 2021 we made progress in the organization of a performance review system, which will be implemented in 2022. Over the year, we prepared mappings to outline the profile of Lunelli's employees, so as to optimize their skills and identify development areas in our teams. **GRI 404-2**



Occupational health and safety

GRI 403-1 | 403-2 | 403-3 | 403-4 | 403-7

Caring for the well-being of our people is a principle that moves us every day. With several initiatives, we strive to promote the well-being, safety and health of each employee that is part of the Lunelli family. We have a health and safety system implemented in all Lunelli's units and stores, which is led by a technical team formed by doctors, occupational nurses, safety engineers and technicians.

The system is designed based on an occupational health and safety risk mapping that support us in identifying and classifying risks and, as a consequence, the areas and units that require greater attention for risk mitigation and promotion of safe environments according to regulatory standards.

Ergonomic analyses, PPE supply, the Internal Accident Prevention Commission (CIPA) work and the Emergency Brigade are important tools for health and safety promotion. The CIPA is responsible for carrying out safety inspections in sectors, always aiming at improving the work environment, with regard to employees' health and well-being, in addition to promoting campaigns and raising awareness about safety in our sectors.

The Emergency Brigade counts on 182 volunteer employees who are trained and qualified to deal with situations such as firefighting, occupational accidents and chemical spills. In 2021, Lunelli held its first emergency brigade competition. All units also have a safety and firefighting system (emergency exits, extinguishers, hydrants, emergency lights and safe zones) according to the Preventive Fire-fighting Project (PPCI) approved by the Fire Department.

The accidents that occur in Lunelli are recorded and managed in two ways: typical accidents, which are related to the activity developed, and commuting accidents, related to employees' commute. In 2021, the main risks and causes of the occurrences recorded were related to cuts or puncture wound, in addition to the number of cases and absences due to COVID-19.





THIRD-PARTY safety

To ensure safe conditions, we maintain a monitoring and follow-up process of all suppliers and third parties contracted to perform services at our units.

We apply the guidelines of Lunelli's Third-Party Security Policy and, depending on the type of hazard, the activity can only begin after a Preliminary Hazard Analysis (PHA) and a Work Permit (WP) are issued by the Occupational Safety team, which are monitored through a document control and management platform.

Training on occupational health and safety

GRI 403-5

We understand that safety also relies on individual behavior, which is why we invest in training and awareness-raising actions for employees to expand their diligent stance. The Safety Dialogues are short conversations monthly held with the teams, in addition to communications in our internal channels.

Other important measure to raise awareness and provide information to employees is the general evacuation exercises. As set in the Normative Instruction of the Fire Department, each unit carries out two evacuation exercises per year, one in each semester. The training is an opportunity to emphasize relevant information and safe behaviors that must be adopted in specific situations.

In addition, upon receiving their individual protection equipment, employees are trained on how to correctly use it. Specific training is also applied, in line with Regulation Standards (NR) 10, 11 and 35 for employees who perform activities involving heights, electricity and material movement with the pallet trucks or forklifts.

We periodically hold training sessions with employees who operate machinery and equipment regarding the preventive measures that should be adopted for a safe operation. During onboarding, all new employees have access to content and guidance for a safe and healthy behavior. In 2021, we recorded 7,764 hours of training covering health and safety topics.



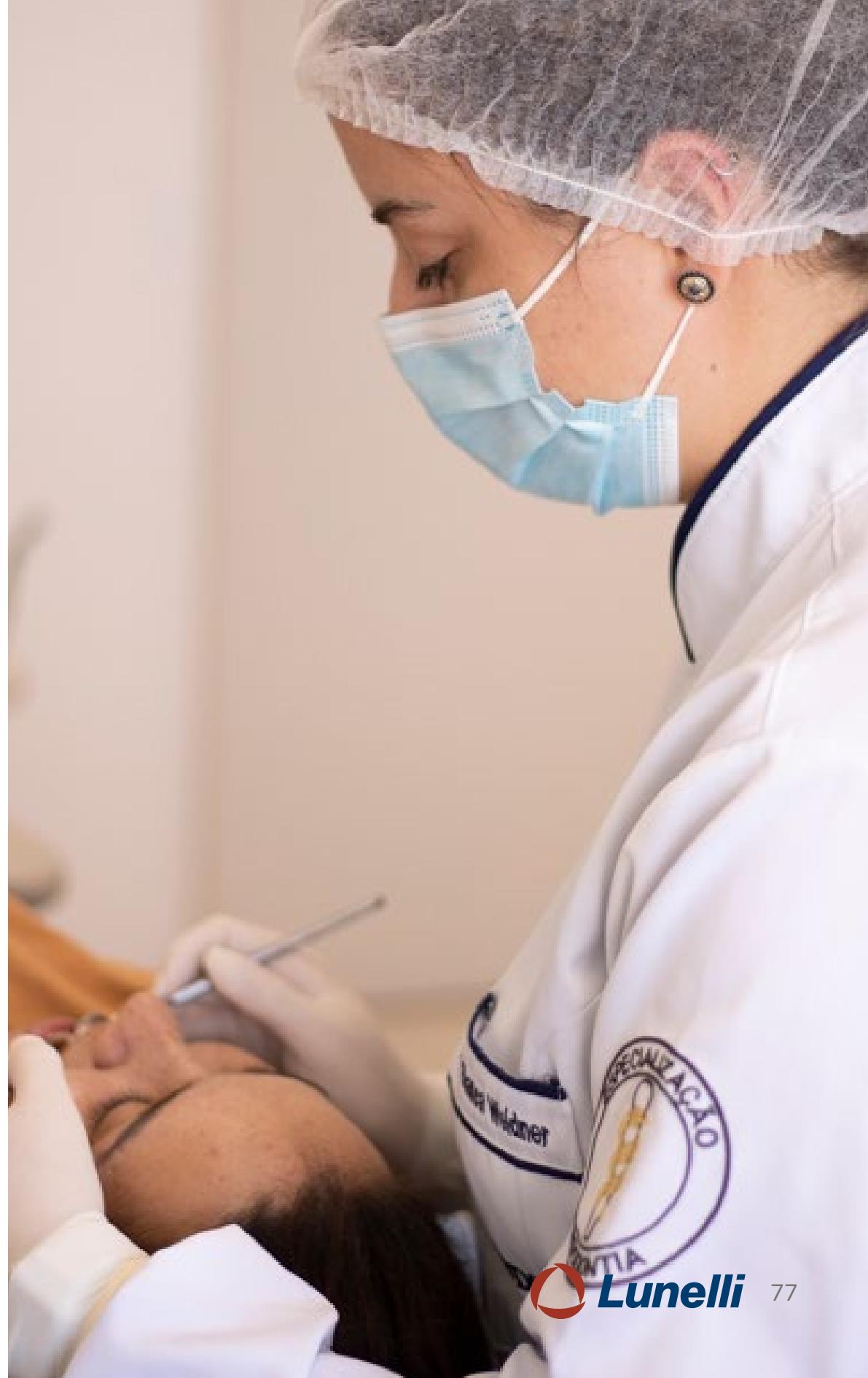
Health and well-being

GRI 403-6

Through the “Viva Você” (Live You) program, we provide access to practices and services to assist with health and well-being, such as yoga classes, nutritionist, psychologist, jogging groups and physical therapy. Other health benefits offered by Lunelli are our health plan, doctors and dentists available in our units, dental plan and labor gymnastics.

At Lunelli, we integrate mental health into our internal campaigns and provide psychological assistance to our employees, also including the topic in the Internal Work Accident Prevention Week (SIPAT), an initiative promoted by the CIPA. The event brought tips on actions for a balanced mental health, addressing common issues such as depression, anxiety during the pandemic and ways to cope with crisis situations. To further promote health and well-being, bicycles were raffled among our employees to encourage activities that bring benefits to physical health.

PROGRAMA
viva[♥]você



Prevention and care during the pandemic

The pandemic of the past two years has intensified the health and safety agenda at our company. In 2021, our main challenge was to maintain employee attention and awareness due to the emergence of new variants of COVID-19. In this sense, we strengthened active and constant communication regarding the importance maintaining the preventive measures.

We started offering presential and remote psychological counseling and made sanitation resources available in all circulation spaces. In our restaurants, cutlery was individually wrapped and disposable gloves were made available to serve meals, in addition to the use of hand sanitizer.

We maintained a distance of 1.5 meters between people in common areas and throughout the year we distributed kits with face masks to all employees, at no cost. We provided the flu vaccine with 50% discount, aiming at increasing employee immunity. We also joined the “United for the Vaccine” movement, promoted by Grupo Mulheres do Brasil, as a way to support and strengthen the fight against COVID-19.



Suppliers

GRI 102-9

We seek to maintain a close relationship with our partner network, so as to influence responsible conduct in procurement and manufacturing processes. For that, we have implemented a strategic supply chain management, supported by a Purchasing Policy that guides our negotiation and contracting processes with suppliers. We currently divide our partners into two major groups: domestic and international.

Purchasing volume from domestic* x international partners GRI 204-1

	2019	2020	2021
Domestic Market	40%	39%	35%
Third-party services	13,4%	11,9%	10,9%
Chemicals, Ancillary Products	12,4%	13,1%	11,7%
Accessories, Threads, Zippers	6,8%	5,7%	4,8%
Fabrics	4,8%	5,1%	4,5%
Packaging, Intermediary Materials	3,1%	3,2%	3,5%
International Market	60%	61%	65%

*We consider our domestic suppliers as local.

In our domestic chain, the Third-Party Service portfolio is subdivided into sourcing suppliers, which can make the clothes from raw materials supplied by Lunelli or execute 100% of the production process and deliver finished garments. Partner manufacturers, responsible for the sewing stage only, are yet other possibility.

The sourced products account for 3% of the total clothing items produced in the year. When we examine our apparel structure, 60% of the production is internally carried out at Lunelli's units and 40% of the volume is manufactured by partners.

The relationship with our international suppliers is handled by our unit specialized in imports. We seek product and raw material solutions in line with our values and social-environmental commitments.

Partner approval

GRI 412-1

We work towards a fair and responsible fashion chain. For this reason, we are seeking to improve the approval and traceability processes in our chain. We know that, as a strong link in this network, we have a key role in influencing the adoption of good conducts that respect the environmental, comply with the current social legislation and contribute to the creation of safe environments, free of forced, slave or child labor.

For Lunelli's Processing Unit, specific criteria are adopted for chemical supply in the supplier approval process. These partners are considered critical from a social and environmental perspective, and 100% of them are monitored through documentation to ensure compliance with Brazilian standards and laws. **GRI 308-2**

We enter into agreements with all service providers, documents that set out clauses determining compliance with laws regarding labor relations and environmental impact. For manufacturing sites that carry out stages of the production process, we conduct on-site audits, verifying the quality requirements and good social and environmental practices adopted by the service provider. For sourcing suppliers, we give preference to partners with the ABVTEX certification, with about 5% of them already certified. For manufacturing, we support the demands from the private label business model, 100% of manufacturing sites are ABVTEX certified.

We are also increasingly attentive to partners who, like us, seek solutions with less environmental impact. In 2021, 5% of the total of packaging purchased had sustainable attributes, which represents 6% of purchases in this category. Over the year, we also purchased yarns for knitted fabric production with the BCI (Better Cotton Initiative) certification in a volume that corresponds to 94% of the total purchased in 2021. BCI is an initiative that certifies fair and responsible social and environmental practices across the cotton chain.

For 2022, our purpose is to include more environmental criteria in contracting and boost control and documental monitoring initiatives regarding social and environmental aspects for all categories of suppliers. This progress will bring improvements to our partner approval process, with a focus on establishing strong links and recognizing entrepreneurs in the fashion chain who share our values.

Community

GRI 412-1

Improving people's lives is part of our mission and we experience this through the relationships we establish in the regions surrounding our operations. We exercise our culture of care that comes from the inside through support, projects, donations and volunteer work in projects that contribute to community development.

The investment strategy focuses on initiatives to support aspects such as education, citizenship and ecology, with work focused on individual education, early childhood care and appreciation of the local culture and environment.



Investments in the community

In 2021 more than R\$ 1.6 million was donated to projects and institutions, R\$ 742.2 of which in direct actions and R\$ 883.8 in contributions via incentive laws.

Focusing on the fight against the COVID-19 pandemic, we donated R\$ 275 thousand to support the Santo Antônio Hospital. The amount was transferred through the Solidarity Fund and financed the purchase of an ultrasound equipment and ten hospital beds, as well as the construction of five rooms that will accommodate emergency beds. We also donated R\$ 170 thousand to the city of Corupá for the purchase of Emergency Room equipment.

We took part in the “United for the Vaccine” campaign, promoted by Grupo Mulheres do Brasil, donating equipment and supplies for COVID-19 vaccination in Corupá and Guaramirim. The total amount donated in equipment and supplies for the two cities reached nearly R\$ 40 thousand. We donated more than 290 mammograms to Avaré, in São Paulo, where Lez a Lez's apparel unit is located. More than 90 of the exams went to the unit's employees and over 200 were donated to Associação Beneficente Oncológica Voluntários de Avaré - ABOVA (Beneficial Cancer Volunteers Association of Avaré).

We are also present when celebrating with the community. We made an important donation to the Corupá Volunteer Firefighters Association to celebrate its 34 years of existence. Part of the amount was used to purchase a new firefighting truck, expanding the local support capacity to respond to calls.



Projects supported by Lunelli

South Region

Culture Incentive Law | R\$ 243.2 thousand:

Entrelaços (Preservar é Amar 2.0), Entrelaços, Preservar é Amar Book Exchange Program, Jaraguá do Sul Philharmonic Orchestra, SCAR Chamber Orchestra and Group String Orchestra

Sports Incentive Law | R\$ 60.8 thousand:

Seleto Esporte Clube, Seleto Saúde and Seleto Escola, Clube Atlético Hermann Aichinger

Childhood and Adolescence Fund - FIA |

R\$ 60.8 thousand: Aqui o amor nasce (Love is Born Here) - Jaraguá do Sul Hospital and Maternity, Childhood and Adolescence Fund of Jaraguá do Sul

Fund for the Rights of the Elderly | R\$ 60.8

thousand: São José Hospital - 60+ Project and Structure Improvement Project.

Northeast Region

Culture Incentive Law | R\$ 276.00 thousand:

Casa de Vovó Dedé (Dedé Grandma's house), the International Circus Festival and the International Instrumental Music Festival of Ceará

Sports Incentive Law | R\$ 59.2 thousand:

Ceará Tennis Federation, Sociedade Pró-Amiga Cariri (A culture and sports NGO), Ceará Triathlon Federation, Fortaleza Triathlon School for Children

Childhood and Adolescence Fund - FIA | R\$ 61.5 thousand:

Fundaçao Terra

Fund for the Rights of the Elderly | R\$ 61.5 thousand:

Group for Oncological Education and Studies - GEEON, Casa da União - Project Agrofloresta do Futuro and the IDEAR Institute.



Volunteering program

One of the actions that is always part of the company's volunteer work is the distribution of special Christmas hampers. The initiative took place in all our units in Brazil and Paraguay, totaling more than **380 hampers** and **4,500 kilos** of food. The hampers delivered by the volunteers to associations and institutions that operate in local communities.



ENVIRONMENTAL Value generation

We acknowledge our role in building a better world and are seeking to expand our product manufacturing and innovation solutions, to reduce potential impacts on the environment.



Responsible operations

GRI 102-11

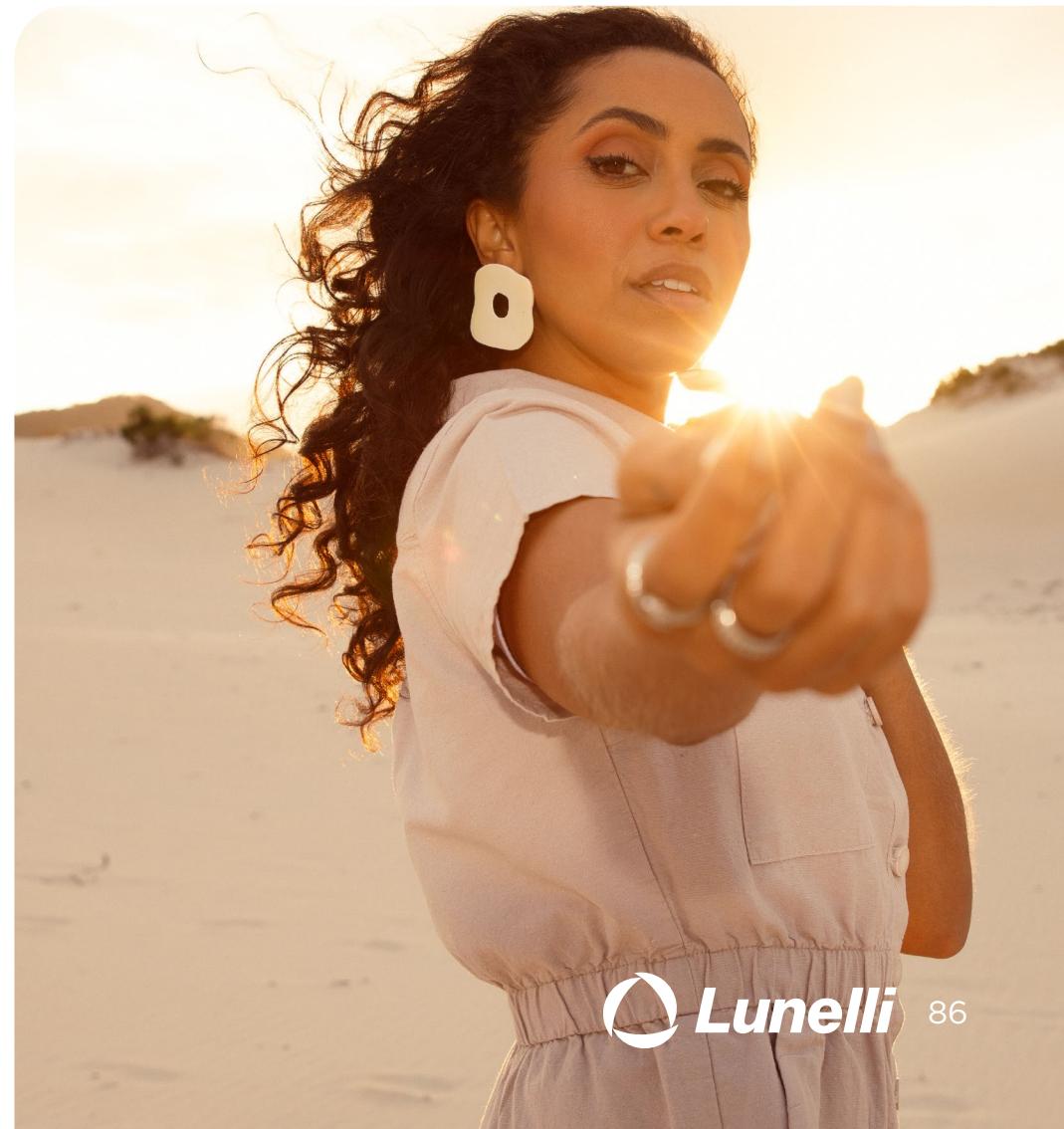
Through our operations, we have the chance and responsibility to reduce negative environmental impacts and make improvements to machines, processes and technologies, consolidating a strategy aimed at promoting smarter cycles in the use of natural resources. Lunelli's Environmental Management System (EMS) focuses its action specially on the units with knitted and woven fabric processing, such as dyeing and laundry, which is also where the greatest environmental risks and impacts are found.

The EMS is currently 100% implemented in our Processing Unit, in Santa Catarina, and under implementation in the Paraguay Unit. The purpose is to mitigate any type of pollution and maximize the ecological efficiency of operations. The system is controlled by the Quality, Safety and Environmental Policy and the Environmental Management Manual. Since 2006, the Processing unit is also certified by the international ISO 14001 standard, which is another important directive in its EMS.

The environmental indicators are monthly monitored and, based on them, action plans are defined for corrections and improvements, whenever necessary. We also work with risk analysis and internal and external audits to improve processes and ensure information reliability. In the other units, Lunelli applies environmental controls, for example, of the power consumed, the water withdrawn and the waste generated.

Another measure to support Environmental Management is the Lean System, which has the main purpose of creating an organizational culture focused on reducing waste and unnecessary expenses, therefore, maximizing resources. In 2021, 36 projects were executed, with annual gains of more than R\$1 million, generating greater productivity with reductions in processes, activity times, and paper use.

The company's main initiatives are related to the use of technologies to reduce water consumption, effluent treatment according to the current standards, energy saving, sorting, waste reuse and its correct disposal and waste reduction. We did not register any significant environmental irregularities or sanctions throughout the year. For 2022, we will increase the monitoring of greenhouse gas emissions from our operations. **GRI 307-1**



Materials

GRI 205-3

Automation is a great ally for the efficient use of resources and materials, ensuring aspects such as quality and durability. An example is the Colorimetry Laboratory of our Dyeing Sector, which, in addition to providing the best results in colors and patterns, doses the necessary dyes and products according to the recipes, reducing to zero the margin of error in the process and, with that, ensuring greater productivity without waste.

We monitor the volume of the main consumables used at our apparel units, to maintain our focus in waste reduction and a better use of all resources. We are looking for solutions to expand our portfolio of recycled materials used over the coming years, ensuring our usual quality with less environmental impact.



Water

GRI 303-1 | 303-2

The water cycle in the textile industry is extremely important for sustainability in fashion. Here at Lunelli, we control and manage water withdrawal, its use in the process and disposal of the effluent generated, always seeking reduced consumption and ecological efficiency.

The processing, dyeing and printing processes are the major water consumers within our production cycle. That is why we have a special concern regarding consumption reduction in these processes.

An important initiative to reduce water consumption was the improvement in the washing process of printed products, which reduced water consumption by 20%. We analyzed different products and their recipes and changed equipment settings, such as knitted fabric speed, amount of water and temperature, maintaining the final quality, but with greater ecological efficiency.

We reuse the water for the washing process and the cylinders of the rotary printing machine, a process with two cycles that use the same amount of water. For a more conscious use of the resource, we reuse the water from the second cycle for the next wash. In other words, the water is directed to a cistern and reused in the first step of the next cylinder cleaning. The system helped to reduce water consumption by 50% in this process.

At the Processing unit, the main source of water withdrawal is the Ribeirão Grande do Norte stream. In 2021, we recorded a consumption of 18.66 megaliters, which represents a reduction of 28.5% when compared to the previous year. Consumption is the difference between the total water collected and the total water returned to the environment, and Lunelli's result is mainly related to the loss of water in evaporation processes. **GRI 307-1**

We analyzed our water use efficiency by comparing how many liters of water are consumed per ton of knitted fabric produced. Over the year, we maintained the same level of natural resource use seen in 2020. In the historic records of this data, there was a great leap of improvement in the relationship between water consumption and production from 2019 to 2020, year in which we implemented most of the initiatives that remained active in 2021.

Water Withdrawal (megaliters) GRI 303-3

	2019	2020	2021
Withdrawal - sewing units	21,7	20,1	21,3
Withdrawal - Processing unit	974,2	772,9	944,5

Water consumption per ton of production (megaliters)

	2019	2020	2021
Water liters/tons - Processing unit	91	82	82



Effluents

In the Processing unit, we have implemented a biological and physicochemical treatment system for 100% of the effluents generated in the plant, in compliance with all current standards and legislation. The system has a treatment capacity of 200 m³ effluents per hour. In 2021, we saw an increase in the volume of effluents generated at the unit, a reflection of the rise in water withdrawal due to production increases.

At the Paraguay unit, the Sewage Treatment Plant (ETE) has been implemented since the beginning of operations, daily monitoring the disposal of effluents generated. In addition to following quality standards and local regulations in the disposal process, we have started to withdraw water for the process after the point where the effluent is disposed of, reducing the environmental impact on the water body.

Effluent generation (megaliters) GRI 303-4

	2019	2020	2021
Effluents - Processing unit	956,16	746,78	925,88

The implementation of ozone to treat treatment effluents in the Processing unit is planned for 2022. With this new system, we will use less chemicals in the treatment and will be able to reduce the generation of sludge, a waste product from the ETE, by about 30%. Another benefit will be the improvement in the ecotoxicity parameters of the effluent that returned to the river.



Waste

GRI 306-1 | 306-2

By 2021, we have evolved our corporate waste management by implementing a SWMP – Solid Waste Management Plan in 100% of our units, ensuring all waste we generate is correctly sorted and disposed of.

The reuse of materials, however, has been a major point of attention for Lunelli. In 2021, we generated 439 tons of textile waste, coming from scraps from the cutting process of garments or items that did not match our minimum quality requirements. Part of this material was recycled in the Circular Fashion project, where it is transformed into yarn again and returns to the production process. An initiative that boosts our journey towards a circular economy.

A similar process is been carried out for many years at Lunelli with the plastic waste, which is collected by a partner company, processed, transformed into polyethylene and goes back to the manufacture of the plastic packaging that protects Lunelli's knitted fabric rolls. In 2021, 54 tons of plastic waste were recycled, representing 46% of the total packaging used in the year.

For the treatment of sludge, the solid waste generated at the Processing unit's treatment plant, we use a press, a sludge drying system that uses heat from the thermal fluid heater and reduces the volume of the waste, consequently, demanding less space in the industrial landfill.



Because we understand our responsibility regarding the packaging used to protect and ship our products to consumers — which ends up being thrown away —, in 2021 we started a partnership to offset this waste. With this model, make investments in cooperatives to maximize recycling processes.

In 2022, we intend to expand our focus on the circular economy of clothing, by offering disposal and collection points for consumers at our stores. The goal is to ensure the smart disposal of clothing with lower environmental impact in post-consumption.

Waste Generation (tons) GRI 306-3 | 306-4 | 306-5

		2019	2020	2021
NON-Hazardous Waste	Recycling* - Processing unit	1.260,13	944,97	1.102,31
	Recycling* - Apparel units	1,65	1,32	1,73
	Total	1.261,77	946,29	1.104,04
	Industrial Landfill ** - Processing Unit	3.449,01	2.659,51	2.767,93
	Industrial Landfill ** - Apparel Units	1,51	1,27	1,68
	Total	3.450,52	2.660,78	2.769,61
Hazardous waste	Recycling* - Processing unit	1,97	26,73	21,44
	Recycling* - Apparel units	0,00	0,00	0,00
	Total	1,97	26,73	21,44
	Industrial Landfill ** - Processing Unit	341,99	129,65	171,06
	Industrial Landfill ** - Apparel Units	0,07	0,03	0,06
	Total	342,06	129,68	171,12
Total		5.056,32	3.763,47	4.066,22

*Recycled waste mainly comprises textile waste, plastics and paper/cardboard.

**Waste such as sludge, ashes, organic and contaminated materials is sent to industrial landfills.

***All waste is sent for final disposal outside Lunelli's units.

Energy

Lunelli's energy matrix is formed mainly by electricity purchased on the open market, natural gas, for use in machinery, and reforested woodchips for the boilers. We also have an initiative to generate solar power at the Unit that concentrates our import structure. In 2021, the percentage of generation represented 14% of the total energy consumed by this unit.

The Processing Unit is a major responsible for energy consumption, which is why we seek to optimize processes with a greater focus on this plant. In the boilers used for steam generation, we invested in automation by installing new sensors and making improvements to the operating programming logic, which resulted in a 5% reduction in the consumption of reforested woodchips.

Another important system to improve the energy efficiency of the production process were the heat exchangers. With this initiative, effluents that come out heated from the dyeing processes are reused as a source of heat for the water entering the same process, through heat exchangers. This change reduces the demand for other fuels, which would be necessary to heat the water used.

We have improved the efficiency and productivity of stenter, the equipment in that carries out the finishing process, in terms of knitted fabric adjustments and drying. In the Processing unit 9 pieces of equipment are responsible for consuming about 40% of the unit's electric energy and 90% of its natural gas. We increased equipment productivity, which had a 69.2% growth — 3.1 p.p. if compared to 2020—, by eliminating the interruptions in which equipment remained on, improving the energy and gas consumption ratio.

We also invested in new stenters with a better thermal insulation system, which ensures greater utilization and less waste of the natural gas used to power the machine. The two stents installed in the Paraguay unit already have this technology and the installation of this machine in the Processing unit in Brazil is planned for 2022.

Energy Consumption GRI 302-1

Apparel unit

	2019	2020	2021
Fossil fuel - Diesel (liters)	24.300	20.150	24.300
Natural Gas (m³)	94.303	61.366	90.994
Purchased electricity (kWh)	8.212.996	7.070.047	8.306.9799

Processing Unit

	2019	2020	2021
Woodchips (m³)	69.211,00	57.377,00	74.691,00
Kg of woodchip, considering a density of 0.350 (kg/m ³)	24.223,85	20.081,95	26.141,85
Energy consumed considered Comb. LHV 0.01800324GJ/kg	436,11	361,54	470,64
Natural Gas (Nm³)	5.067.242,00	4.229.626,00	5.077.445,00
Energy consumed considered Comb. LHV 0.03600648GJ/kg	182.453,55	152.293,94	182.820,92
Electricity (kW.h)	18.474.927,00	15.420.135,00	18.467.127,00
Energy consumed considered Comb. LHV 0.0036GJ/kW.h	66.509,74	55.512,49	66.481,66

Natural Lighting

To reduce energy consumption, we count on a natural lighting system with clear roof tiles. There are a total of 94 plates installed, covering a total area of 286.23m² of natural lighting. Generating about 3,594 Lux, or the equivalent to 1,061.04 Watts.



Products with less environmental impact

An important initiative that consolidates our movement towards increasingly sustainable businesses is the Circular Fashion movement, with products made from recycled textile fibers.

The production begins with the collection of the textile waste by a specialized partner company, which sorts the material according to color and proceed with the defibering and carding processes. The result is a thread ready for spinning. The material goes back to the production process: weaving, laundry, cutting, molding, and manufacturing. In the laundry stage, we use technologies that ensure a reduction of up to 80% in water consumption when compared to typical process.

In 2021, more than 1,500 tons of textile waste were sent to the partner in charge of the defibering process. Encouraging the circular economy, we used more than 12 tons of fabrics with recycled fibers to produce new garments.

We also apply biodegradable products in the washing and perform the biopolishing of the knitted fabric, which ensures quality and a more durable aspect for colors, contributing to the useful life of clothes. The brands that are part of this movement are **Lunender**, **Hangar 33** and **Alakazoo**, which include in their collections items with 69% recycled cotton in the composition. In 2021, 15 references were developed for Lunelli's Circular Fashion movement.



Environmental standards in products



We also adopt practices that have less impact on the environment and are more responsible towards consumers.

ECODENIM | Reduced water consumption

In a conventional finishing process, at the laundry stage of a pair of jeans, 25 liters of water were used. Nowadays, with the use of innovative technologies, only 250 ml are needed, i.e., 1 glass of water, reducing consumption by 99%. In addition, we use ozone, biodegradable products, biopolishing and reuse the water involved in this process.

We also use laser to make the “fading” effects on jeans, replacing the water-based laundry process and producing a garment with cleaner, chemical-free techniques.



ECOVERO | A more sustainable viscose fiber

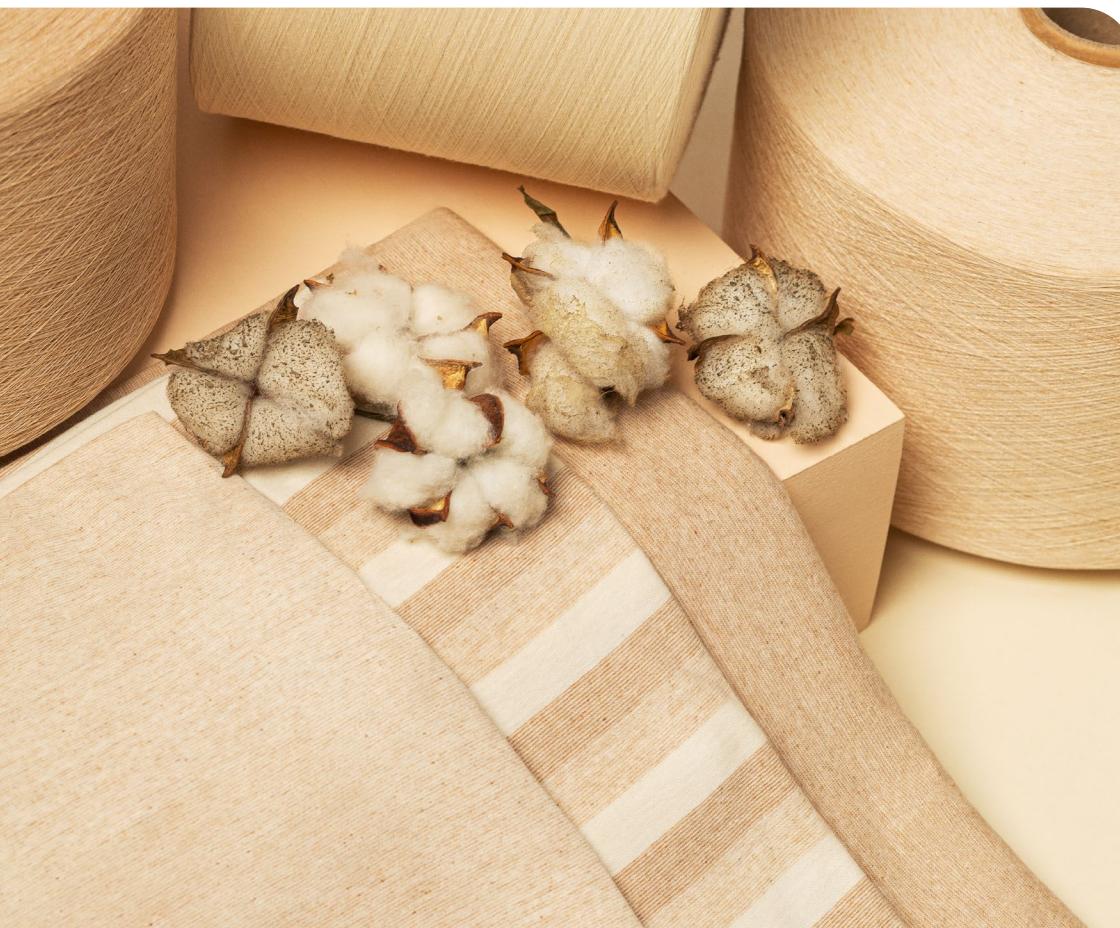
We are the first company in Brazil to use LENZING™ ECOVERO™ viscose fiber, which is developed following strict environmental standards that ensure a conscious production. The wood and pulp are from sustainable management and certified forests, with 50% less water used if compared to conventional viscose.

Through a QR Code it is possible to monitor the fiber from its production to destination, ensuring that all stages are in line with Lenzing's sustainability standards.



BIODEGRADABLE BAG | Packaging with less impact

The Lez a Lez brand uses packaging produced from the chemical reaction of polyvinyl alcohol and vegetable starch. The material is resistant to store and protect clothing, ensuring less impact in post-consumption: it dissolves in hot water or can be used in a composting process. With a smaller impact footprint, 1 kg of the material sequesters the emission of 2 to 6 kg of CO² as a raw material.



COLORED COTTON | Lowest impact base

The “Natural Colors” Cotton knitted fabric is made of cotton yarns that grow naturally colored and, when mixed with the raw fibers, result in different shades of earthy tones. This cultivation method uses less dyes and chemicals in dyeing processes, many of which are no longer applied.

COLORS COLLECTION

T-shirts from the Colors line go through a laundry dyeing process, on demand of the order placed. That is, the t-shirts are made “in white” and receive the colors that are in the order.

We avoid possible surpluses and even reduce the consumption of dyes, salts, acids and auxiliaries present in the dyeing process, contributing ecologically throughout the textile chain.

Ø ZDHC

ZDHC - Fewer hazardous chemicals

In 2019, we implemented the ZDHC (Zero Discharge of Hazardous Chemicals). The program aims to reduce to zero the use of hazardous chemicals in processes such as dyeing, finishing and printing in the textile industry. We made several adjustments, like, for example, changing the products used for alternatives that are free of the substances listed in the program in the Processing stage.

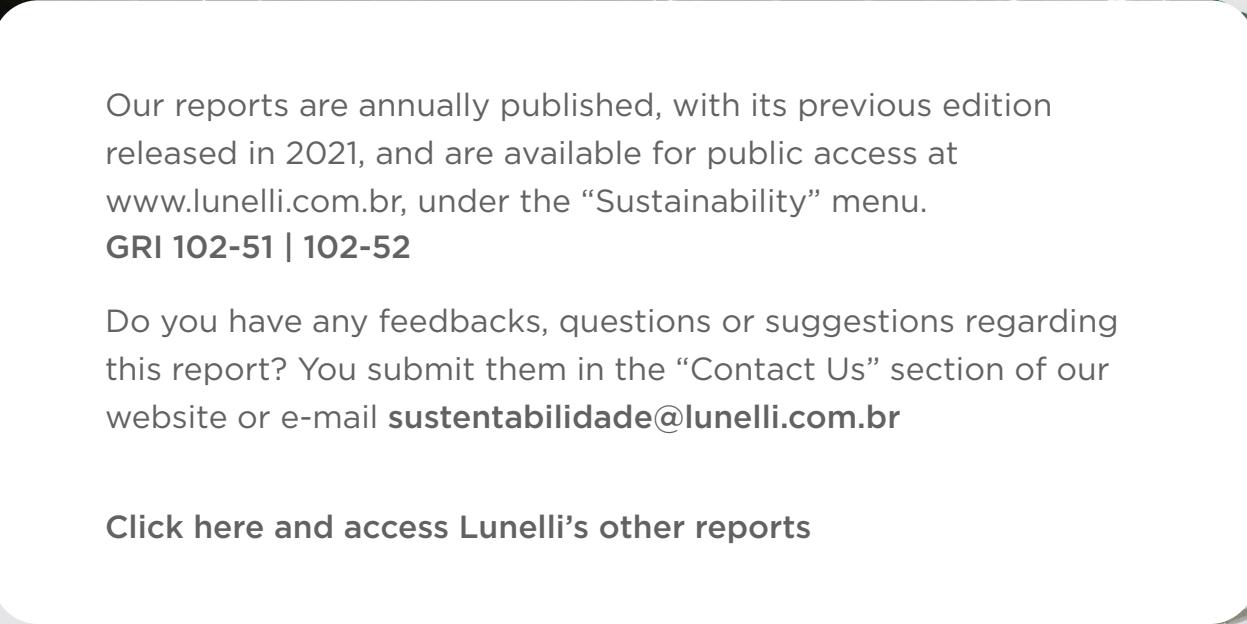


TO READ AND UNDERSTAND the report

This is Lunelli's third Annual Sustainability Report, which marks an important progress in transparency and in how we report our results. From this edition onwards, the GRI Standards will be integrated to our reporting, in the Core option, a globally recognized methodology to support companies in making the best choice and defining the scope of the information presented. GRI 102-54

This report comprises the main achievements, results and future prospects related to the priority topics defined in the company's Materiality Matrix, as well as relevant information about the organization's history, management and business model and financial performance, without independent external analysis. The report contains information regarding all Lunelli's operations and units from January 1, 2021 to December 31, 2021. GRI 102-45 | 102-46 | 102-50 | 102-56





Our reports are annually published, with its previous edition released in 2021, and are available for public access at www.lunelli.com.br, under the “Sustainability” menu.

GRI 102-51 | 102-52

Do you have any feedbacks, questions or suggestions regarding this report? You submit them in the “Contact Us” section of our website or e-mail sustentabilidade@lunelli.com.br

[Click here and access Lunelli's other reports](#)



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