



Sustainability

REPORT

22



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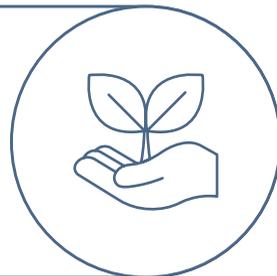
Our care comes from the inside out.

Even the smallest seed carries within its DNA the full potential of the plant it will become.

From that tiny grain, once nurtured and cared for, sprouts the primary raw material of our business.

In these more than 40 years of Lunelli, the seed that sprouted and sustained our development has always been the people who have been and are by our side, bearing incredible potential for creativity, collaboration, dedication, care, and the generation of results in their DNA.

We only reached where we are because we always relied on the best seeds.



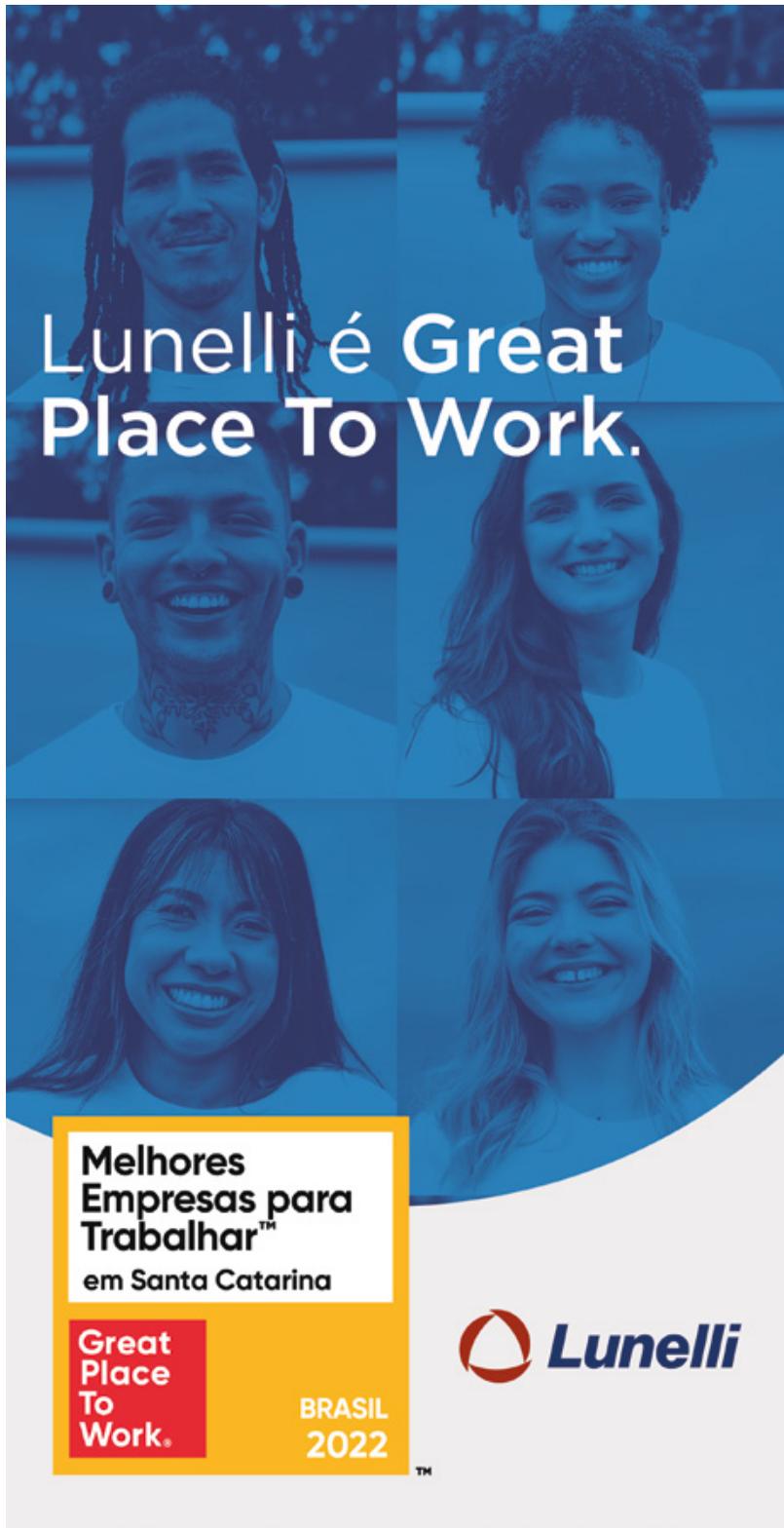
By valuing our roots and solid principles, we can transform the world around us. Today, we are a family that has grown, cherishing simplicity and enthusiasm, while seeking the growth and development of all.

Together, with every gesture, every action, we are confident that we are sowing a better future.

We are Lunelli, with great pleasure!



Ana Luíza Busnardo, Commercial. Lunelli Têxtil - Jaraguá do Sul/SC



We achieved the Large Companies ranking in the GPTW list.

Looks that reflect the love for what we do.

Hands that, united, build a story filled with meaning. Smiles that celebrate each of our achievements, from the simplest to the grandest.

We are proud to create fashion that inspires, embraces, and welcomes, reflecting our purpose in the most genuine way, reminding us daily why we are one of the best companies to work for.

From the inside out, we cultivate respect, harmony, and commit to being what we want for the world. The Great Place to Work certification reflects all our effort and dedication to spread our purpose.

We are Lunelli, and we achieved on the Great Place to Work's list of Great Companies.

Because the best place to work is built every day by all of us!

Message from the president

(GRI 102-14)

The year 2022 was marked by advances in all ESG pillars. With more than 4,600 employees in 14 units located in three Brazilian states and Paraguay, we made progress in sustainability management, **invested in technologies and industrial process improvements, and achieved a turnover of R\$1.5 billion.**

We recognize and value all the people involved in all processes, and in 2022, we achieved accomplishments that reinforce our mission to improve people's lives. These include the **Great Place to Work certification and the Ranking of the 20 Best Companies to Work for in the Large Companies** category in Santa Catarina. In 2022, we also initiated the Diversity Project, with the structuring of Diversity and Inclusion positioning, based on the collaborative construction and representation of identity groups in the process.

We aim to generate a positive impact on the world, develop and **invest in people and communities, and strengthen our partners and value chain.** In 2022, we invested over R\$1.7 million through donations and tax incentive laws in projects that contribute to our sustainability and social investment strategy in all regions where we operate.

Our Vision reinforces our commitment

to being recognized as the most respected textile group, and in this regard, we are increasingly working to strengthen the Governance pillar at Lunelli. As a recognition of our good initiatives, we were awarded the ESG Special Prize in the Governance category by LIDE Santa Catarina.

In 2022, I am concluding my role as President of Lunelli and taking on the position of President of the company's Advisory Board. I have been at the helm of Lunelli as President since 2009, during which we achieved significant growth and progress. We opened and expanded our production facilities, increased our manufacturing capacity, invested in technology and innovation for efficiency and productivity, and successfully established Lunelli's 8 brands. For 2023, our Vice President, **Viviane Cecilia Lunelli, will assume the presidency of the company.**

We will continue our serious work, with a management focus on people and a strong commitment to sustainability. Our goal will always be to seek sustainable growth, meeting the diverse interests of the entire value chain to generate value and significance for a fair, environmentally sound, and economically balanced society, in order to ensure the company's longevity and adhere to governance principles."

We celebrated the close of the year 2022 by distributing **R\$20.4 million to our employees through the Results Achievement Program and Production Award**, reaffirming Lunelli's economic strength and sustainability.

Once again, we extend our gratitude to all employees, franchise representatives, suppliers, partners, and customers who are committed to these achievements, reinforcing our purpose of promoting the success of our customers through the happiness and satisfaction of our employees.

Dênis Luiz Lunelli, Lunelli's president





2022

HIGHLIGHTS

1,5 billion
in revenues

20,4 million
distributed through the Results Achievement
Program and Production Award

Over
14,3 thousand
tons of knitted fabric produced during the year

Over
24,6 million
pieces produced during the year

Over

8,7 million

meters of digitally printed knits and fabrics

28 franchises

20,000

active customers

4,600 68% women
32% men

employees

Over

39,000 hours

of training in various categories, including Operational, Behavioral, Leadership Development, and Workplace Safety

Over

4,500 hours

of training focused on leadership

298 employees

benefited from scholarships

R\$ 1,7 million

donated to the community



A **5%** increase in the total waste sent for recycling



A **3%** reduction in the total waste generated across all units

Over

2.000 tons

of textile waste sent for recycling

86,7 liters of water per kilogram of knitted fabric produced

1,7 kWh per kilogram of knitted fabric produced



A history with purpose

Every day, in all our decisions, we choose to make fashion with meaning, fashion that develops people, supports the community, empowers entrepreneurs, and brings our best to those who choose to wear it.

Our essence in every choice

Our essence is what drives us. By cherishing our roots and embracing solid values, we believe we can transform the world around us. With Simplicity, Enthusiasm, and an Obsession for results, we challenge ourselves every day to do better, create more positive impacts, develop, and value people, and grow together with communities and all our partners.

(GRI 102-16)

MISSION:

Improving people's lives through opportunities, products, and services

VISION:

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

VALUES:

Enthusiasm;
Simplicity;
Obsession for results.

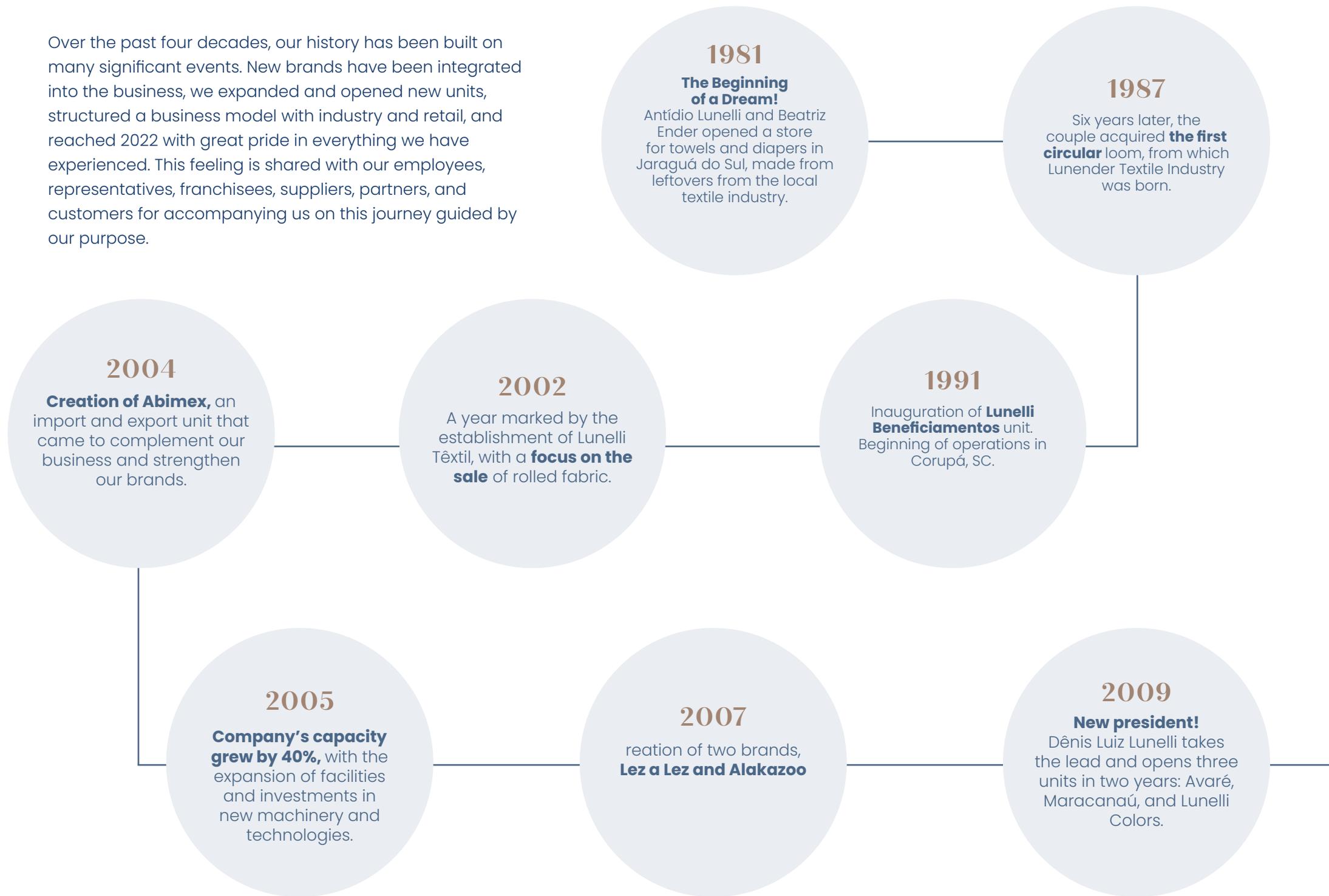
PURPOSE:

"Promoting our customers' success through the happiness and satisfaction of our employees."

Dênis Luiz Lunelli

Timeline

Over the past four decades, our history has been built on many significant events. New brands have been integrated into the business, we expanded and opened new units, structured a business model with industry and retail, and reached 2022 with great pride in everything we have experienced. This feeling is shared with our employees, representatives, franchisees, suppliers, partners, and customers for accompanying us on this journey guided by our purpose.



2010

2010 | Inauguration of the new administrative, financial, and warehouse building, Lunelli Comercial in Guaramirim. Also, the acquisition and installation of warehouse automation.

2011

Lunender becomes exclusively the name of the company's women's brand. In 2011, the Lunelli Advisory Board was also established.

2012

Creation of the **Hangar 33** brand.

2018

Expansion of the shirt production sector at the Luiz Alves unit. In Ceará, further expansion of the Maracanaú unit.

2015

Beginning of operational activities in Paraguay. For retail, it marks the beginning of **Lez a Lez franchises.**

2013

Expansion of the manufacturing plant in Maracanaú, in the Northeast. In the Knits and Fabrics business, we began investing in Digital Printing.

2019

Expansion of operations in Paraguay and **opening of the Hangar 33 Space** in Jaraguá do Sul.

2020

Launch of the first **Lunelli Sustainability Report.**

2021

celebration of 40 years of Fashion with Meaning and a record turnover of R\$1.25 billion.

2022

Lunelli in the Ranking among the Top **20 Best Companies to Work**, in the Large Companies category of GPTW. Transition of the Presidency from Dênis Luiz Lunelli to Viviane Cecilia Lunelli, assuming the position for 2023.

Strategic Operations

(GRI 102-3 | 102-4)

We create meaningful fashion when we value every stage and individual within the textile industry, when we pay attention to each customer's needs, and when we consider the impacts of every action. With this perspective, we have consciously and purposefully expanded our business. In recent years, we have broadened our presence with strategic industrial units in Brazil and Paraguay. (GRI 102-1)

Lunelli's first owned building was constructed in 1985 in Jaraguá do Sul, SC. Today, the company has units located in Guaramirim, Jaraguá do Sul, Corupá, Luiz Alves, Massaranduba, Barra Velha, all in Santa Catarina, one unit in Avaré, in the state of São Paulo, and in Maracanaú, Ceará, in addition to the unit in Paraguay, in the city of Minga Guazú, totaling 14 units.



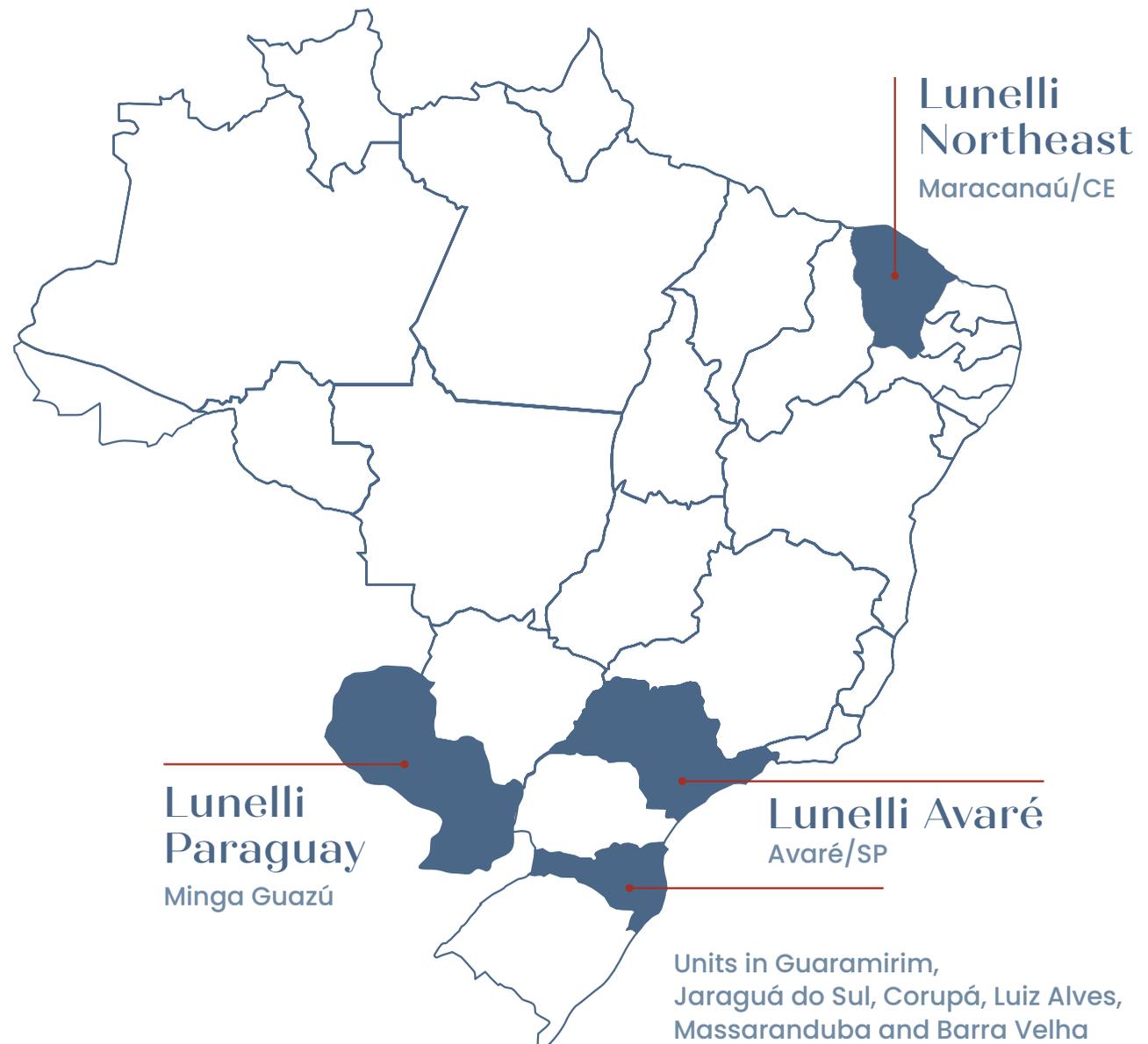
Operations's localization

From the entry of the thread into the weaving process to the delivery of the final piece, we rely on dedicated individuals committed to creating fashion with meaning.

The industrial structure encompasses knitting and weaving processes, printing, general finishing, garment manufacturing, and final touches.

This structure can produce over 15,000 tons of fabric annually, with 40% of it used for Lunelli's own brands.

Approximately 24 million pieces are produced each year.







Business model

(GRI 102-2 | 102-6)

Creating fashion with meaning and purpose is at the core of our essence.

It is reflected in our choices, our brands, and our perspective on the entire chain we influence. We operate with a diverse portfolio of brands that provide our customers with functionality and a high standard of quality.

We manage strong brands by combining production technology with effective business strategies.

Through the Lunelli brand, we provide knitwear and fabric solutions to clothing manufacturers and major national retailers. With Lunender, Lez a Lez, Alakazoo, Hangar 33, Fico, Graphene, and Vila Flor, we connect with a wide network of multi-brand retail entrepreneurs and franchisees in various cities across the country. We also operate in a private label format, manufacturing clothing for major national and international brands.



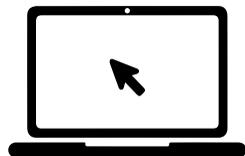
our
brands

Lunelli

A brand with a focus on the sale of unique knits and fabrics, distinctive prints, and unmatched fabric quality. It has a dedicated design team that conducts research to provide the latest trends in fabric types, colors, and prints. Inspiring and sustainable, Lunelli Knits and Fabrics consistently amazes with each release, leaving a mark in the largest and best creations.

www.lunellimalhas tecidos.com.br

Click here to find out more:



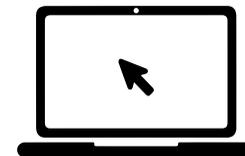


Lunender

A leading name in women's fashion, Lunender, with each collection, offers uncomplicated pieces that reinforce the concept of effortless fashion and enhance a modern look. Its lines are designed to cater to all women in a democratic manner, unveiling a surprising, elegant, comfortable, and inspiring style.

www.lunender.com

Click here to find out more:





Lunender
mais mulher

Lunender
HITS





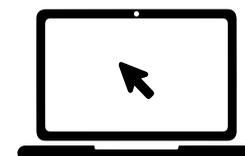
Lez a Lez

Lez a Lez is a brand of Urban Beach fashion and culture. The brand believes that the balance between the lightness of the beach and the modernity of the city makes our sun shine even more beautifully, and it translates this essence into every piece. It has made appearances in five editions of SPFW, a significant fashion event in Brazil, with runway shows and in the Cartel 01 space, a platform for youth culture and consumption in São Paulo. The brand has received the Selo de Excelência em Franchising (Franchise Excellence Seal) from the Brazilian Franchise Association (ABF) for four years.



www.lezalez.com

Click here to find out more:



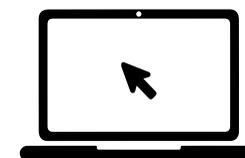


Alakazoo!

Alakazoo creates fashion to turn childhood into a magical world! Every detail evokes the beauty and fantasy of the children's universe, fostering imagination and the understanding that everyone can perform small magic to make the world a better place. With inclusivity and empathy, we create a world full of opportunities!

www.alakazoo.com.br

Click here to find out more:



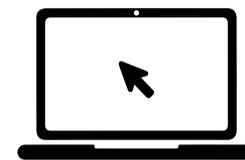


3|E HANGAR 33

Hangar 33 embodies the idea of letting fashion get wings. It's a brand born out of the passion of its idealizer, Denis Luiz Lunelli, for aviation. Just as a hangar serves as the sanctuary for every aircraft and a haven for aviators, the brand fosters this bond of friendship and enthusiasm between men's fashion and aviation enthusiasts. The brand is present at major aviation events in Brazil, such as the Brazilian Aerobatics Championship and the Cirrus Experience. Some notable achievements include providing uniforms for the Brazilian Air Force Smoke Squadron and the Hangar 33 Space in Jaraguá do Sul, SC, the brand's first retail operation.

www.hangar33.com.br

Click here to find out more:

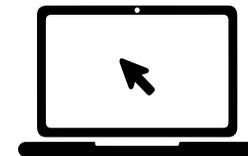




Fico Surfwear was born out of a deep connection with the sea along the coast of São Paulo, Brazil. Raphael Levy, who spent his adolescence surfing the beaches of Guarujá, decided to create a brand that would reflect his passion for the sport. In 1983, he officially launched the brand, making it 100% nationally. In 2019, Lunelli acquired Fico Surfwear.

www.fico.clothing

Click here to find out more:



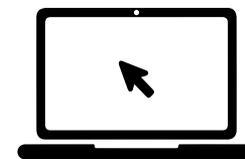


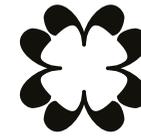
GRAPHENE

Graphene is a fitness brand that represents innovation, lightness, durability, and exclusivity in every detail, offering high-performance pieces that combine style and comfort at their core. Polyamide is a constant presence in all of Graphene's collections, ensuring quality, functionality, and long-lasting durability for their garments.

www.lunender.com/graphene-marcas

Click here to find out more:





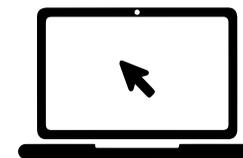
Vila flor

Vila Flor is a brand that has discovered, through fashion, a path to empower women and help them turn their dreams into reality.

With you by our side, our products reach where they need to be and can represent the full power of femininity, enriching lives with comfort and quality.

www.vilaflor.com.br

Click here to find out more:



List of Sustainable Development Goals (SDGs)

The 17 Sustainable Development Goals (SDGs),

besides 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, protecting the planet, and ensuring that all people enjoy shared and sustainable prosperity.

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

Learn about all 17 Goals:



SDG 1 - NO POVERTY

Economic growth must be inclusive to provide sustainable jobs and promote equality.



SDG 2 - ZERO HUNGER

The food and agriculture sector offers key solutions for development, and is central for hunger and poverty eradication.



SDG 3 - GOOD HEALTH AND WELL-BEING

Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development.



SDG 4 - QUALITY EDUCATION

Obtaining a quality education is the foundation to improving people's lives and sustainable development.



SDG 5 - GENDER EQUALITY

Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world.



SDG 6 - CLEAN WATER AND SANITATION

Clean, accessible water for all is an essential part of the world we want to live in.



SDG 7 - AFFORDABLE AND CLEAN ENERGY

Energy is central to nearly every major challenge and opportunity.



SDG 8 - DECENT WORK AND ECONOMIC GROWTH

Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs.



SDG 9 - INDUSTRY, INNOVATION, AND INFRASTRUCTURE

Investments in infrastructure are crucial to achieving sustainable development.



SDG 10 - REDUCED INEQUALITIES

To reduce inequalities, policies should be universal in principle, paying attention to the needs of disadvantaged and marginalized populations.



SDG 11 - SUSTAINABLE CITIES AND COMMUNITIES

There needs to be a future in which cities provide opportunities for all, with access to basic services, energy, housing, transportation and more.



SDG 12 - RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible Production and Consumption



SDG 13 - CLIMATE ACTION

Climate change is a global challenge that affects everyone, everywhere.



SDG 14 - LIFE BELOW WATER

Careful management of this essential global resource is a key feature of a sustainable future.



SDG 15 - LIFE ON LAND

Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss



SDG 16 - PEACE, JUSTICE AND STRONG INSTITUTIONS

Access to justice for all, and building effective, accountable institutions at all levels.



SDG 17 - PARTNERSHIPS FOR THE GOALS

Revitalize the global partnership for sustainable development.

Learn more in www.pactoglobal.org.br/ods

To emphasize the SDGs where we can maximize our positive impact, we conducted an analysis of various factors, such as the core of our business, the locations of our units, strategic objectives, ideology, and stakeholder engagement. **Using the SDG Action Manager tool, we have defined the SDGs to prioritize our efforts, which are:**



SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Highlights the key practices we can adopt to promote decent work and economic growth, including paying a fair wage, ensuring fair working conditions in our operations, and providing professional development opportunities.



SDG 9 – INDUSTRY, INNOVATION AND INFRASTRUCTURE

Highlights the main practices we can adopt to contribute to promoting industry, innovation, and infrastructure, including building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation.



SDG 10 – REDUCED INEQUALITIES

Highlights the key practices we can adopt to promote the reduction of inequalities, including social investment, benefits, and caring for people, promoting equal opportunities, increasing representation in the overall workforce and leadership, and empowering and promoting social and economic inclusion.



SDG 11 – SUSTAINABLE CITIES AND COMMUNITIES

Highlights the main practices we can adopt to contribute to promoting sustainable communities, including promoting inclusive urbanization practices, adopting ecological construction standards, and reducing the negative environmental impact of cities, with a special focus on air quality, municipal waste management, and more.



SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Highlights the key practices we can adopt to promote responsible consumption and production, including embracing principles of the circular economy, assessing the impact of suppliers on resource consumption, and establishing and publicly disclosing sustainability goals.



SDG 3 – GOOD HEALTH AND WELL-BEING

Highlights the key practices we can adopt to contribute to promoting Health and Well-Being for our employees and the community. This includes practices, benefits, and programs that support a healthy lifestyle and promote well-being for everyone, at all ages.



SDG 4 – QUALITY EDUCATION

Highlights the main practices we can adopt to contribute to promoting Quality Education, such as increasing the number of employees trained in technical and basic skills development, growing the number of leaders with training and capacity building, expanding the availability and participation in scholarships, and professional development opportunities for all.



SDG 5 – GENDER EQUALITY

Highlights the key practices we can adopt to promote Gender Equality, such as increasing overall female representation, especially in management positions and throughout the supply chain, addressing gender discrimination complaints, and providing training on non-discrimination.



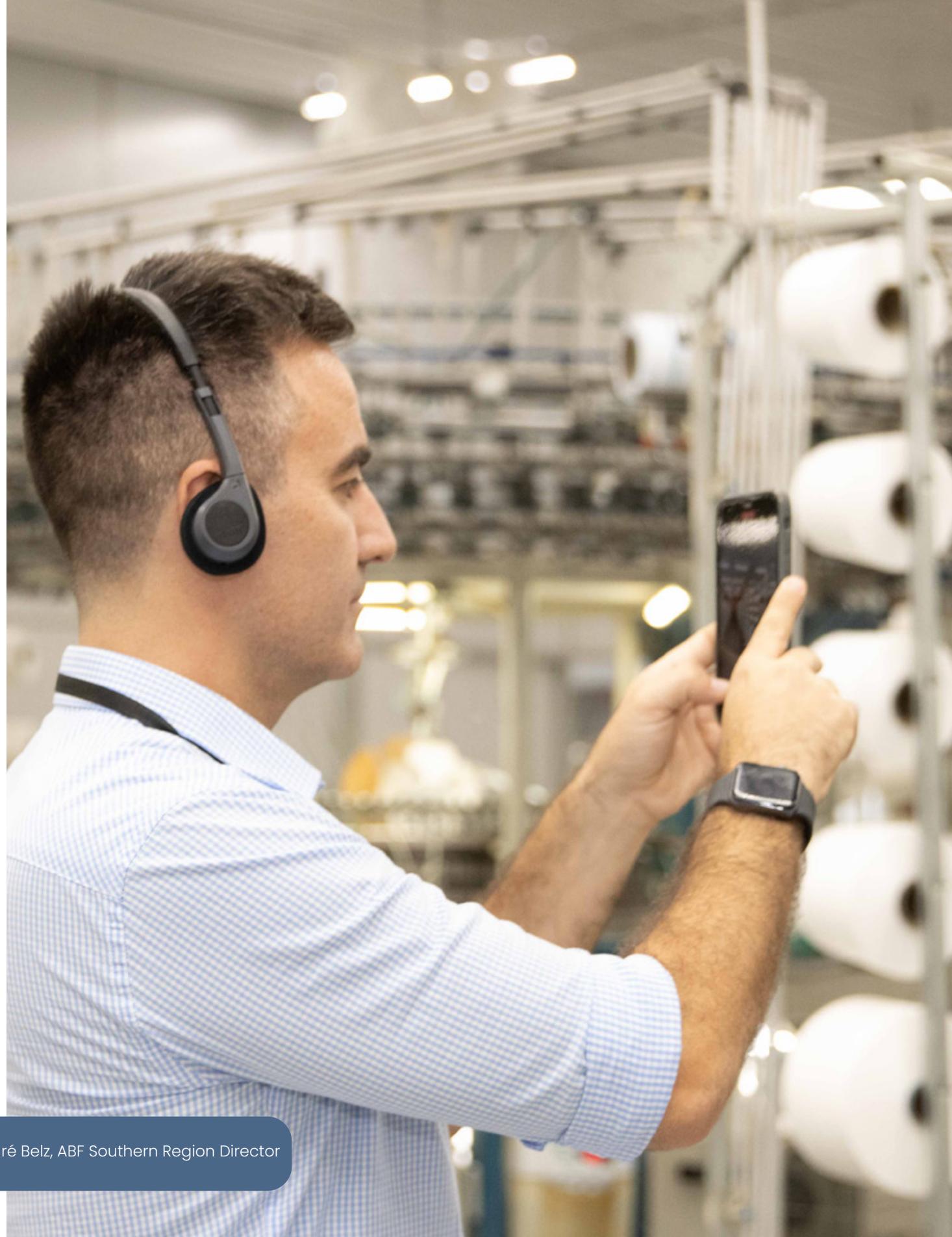
SDG 6 – CLEAN WATER AND SANITATION

Highlights the main practices we can adopt to contribute to the preservation of water and responsible use, including providing access to clean water and sanitation in our operations, community, and supply chain, conducting water risk assessments, and managing wastewater and chemicals in our operations.

Networked Activity

(GRI 102-9 | 102-10)

The textile industry connects a long chain of companies, from the extraction and production of fibers to the transformation and production of knits and fabrics, and finally, the manufacturing and commercialization of clothing. Lunelli's companies are present in significant links of the chain, spanning from the industry to retail.



Lunelli Value Chain



Supply chain challenges

Every economic and industrial activity faces numerous challenges for sustainability, and the textile industry is no exception. **The significant impacts on climate change, chemical pollution, loss of biodiversity, excessive water and energy usage, and waste generation in production and post-consumption are all on the list.** Additionally, there are vulnerabilities and risks concerning labor relations, especially in outsourced manufacturing processes.

In response to these challenges, **we participate in organizations, adopt certified management systems, and adhere to standards that guide innovative, production, and procurement** practices aimed at reducing the negative socio-environmental impacts present in our industry.

In 2022, we still experienced price volatility and moments of raw material shortages. **The care we took in 2020 and 2021 reflected in closer relationships with partners, facilitating negotiations and ensuring the network's capacity to respond to growing demand.** We also established connections with new domestic suppliers, expanding our positive impact and maintaining our market service capabilities at full capacity.



GOVERNANCE WITH

transparency and ethics

Here at Lunelli, doing what is right and acting with integrity is more than a choice; it is our way of creating fashion with meaning. It pertains to how we establish partnerships and ensure ethical business in a win-win relationship for all.

Governance Structure

(GRI 102-5)

We are a privately held organization with three shareholder-partners belonging to the founding family of the company. We define our Corporate Governance through a set of monitoring and control mechanisms aimed at ensuring that business decisions align with the organization's long-term objectives. Governance, compliance, and risk management activities are based on the best practices of Corporate Governance established by the IBGC - Brazilian Institute of Corporate Governance.

To strengthen our governance system, we have a Corporate Governance Policy and a dedicated department, Corporate Governance, Sustainability, and Auditing. The governance structure is built around an Advisory Board composed of four independent directors and the shareholders, including the CEO, Vice President, and a set of Directors responsible for the business operations. In 2022, we initiated a transition in the Presidency, with shareholder Dênis Luiz Lunelli assuming the role of Chairman of the Advisory Board, and the Vice President, Viviane Cecilia Lunelli, officially taking over as the company's President in 2023.

To support management, in 2022, we established a committee composed of at least one director, with the

purpose of assisting the Advisory Board in achieving the company's strategic objectives.

We also have both internal and external audit structures that serve executive and advisory functions, reporting to the Lunelli Presidency.

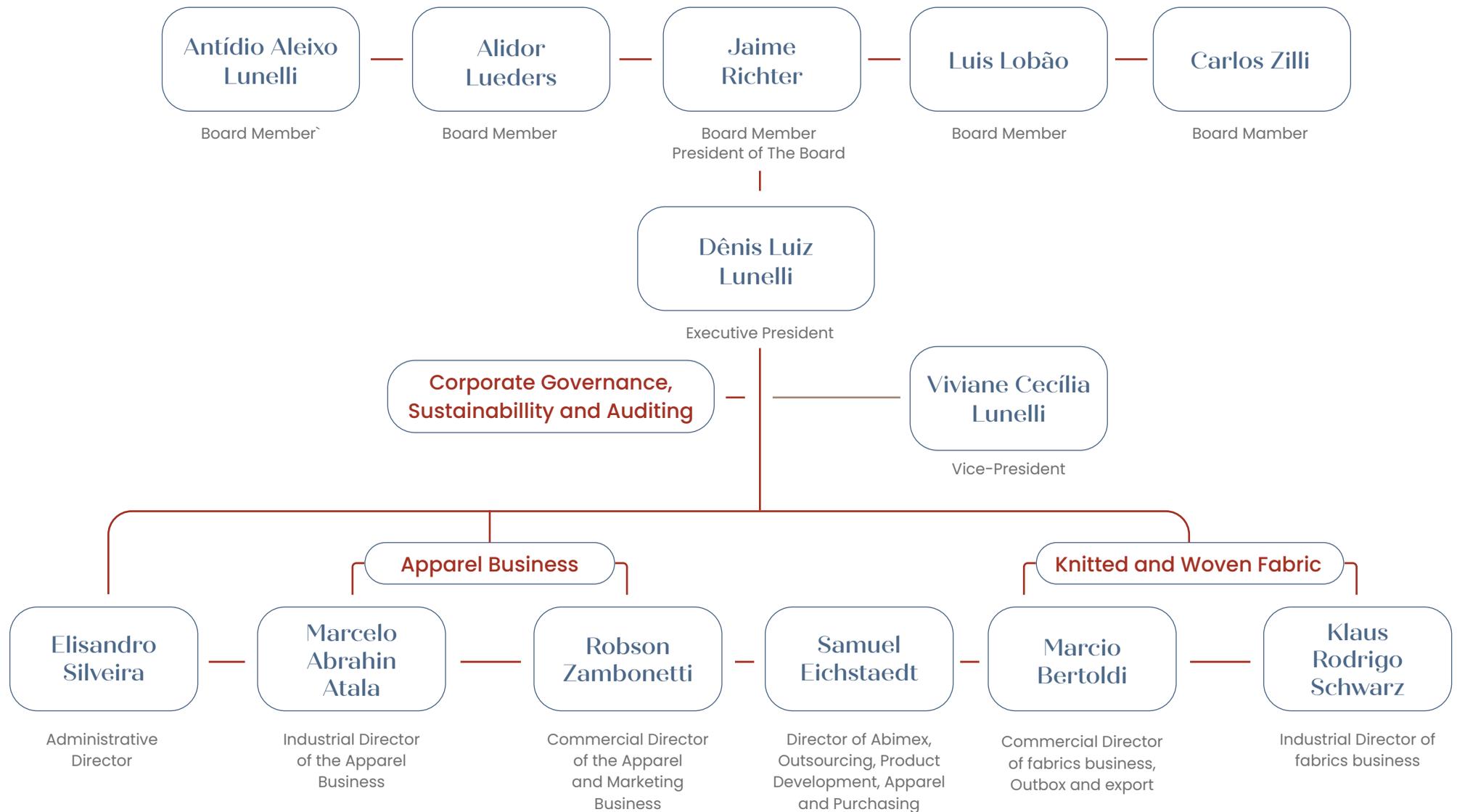
In 2022, we expanded the activities of the internal audit by contracting 2,300 hours of external auditing, with 800 hours focused on operational areas and 1,500 hours directed at financial and fiscal statements.



Governance Structure

(GRI 102-18)

Board of Trustees and Presidency





From left to right:
Samuel Eichstaedt, Marcio Bertoldi, Elisandro Silveira, Dênis Luiz Lunelli, Viviane Cecilia Lunelli, Klaus Rodrigo Schwarz, Robson Zambonetti and Marcelo Abrahin Atala

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

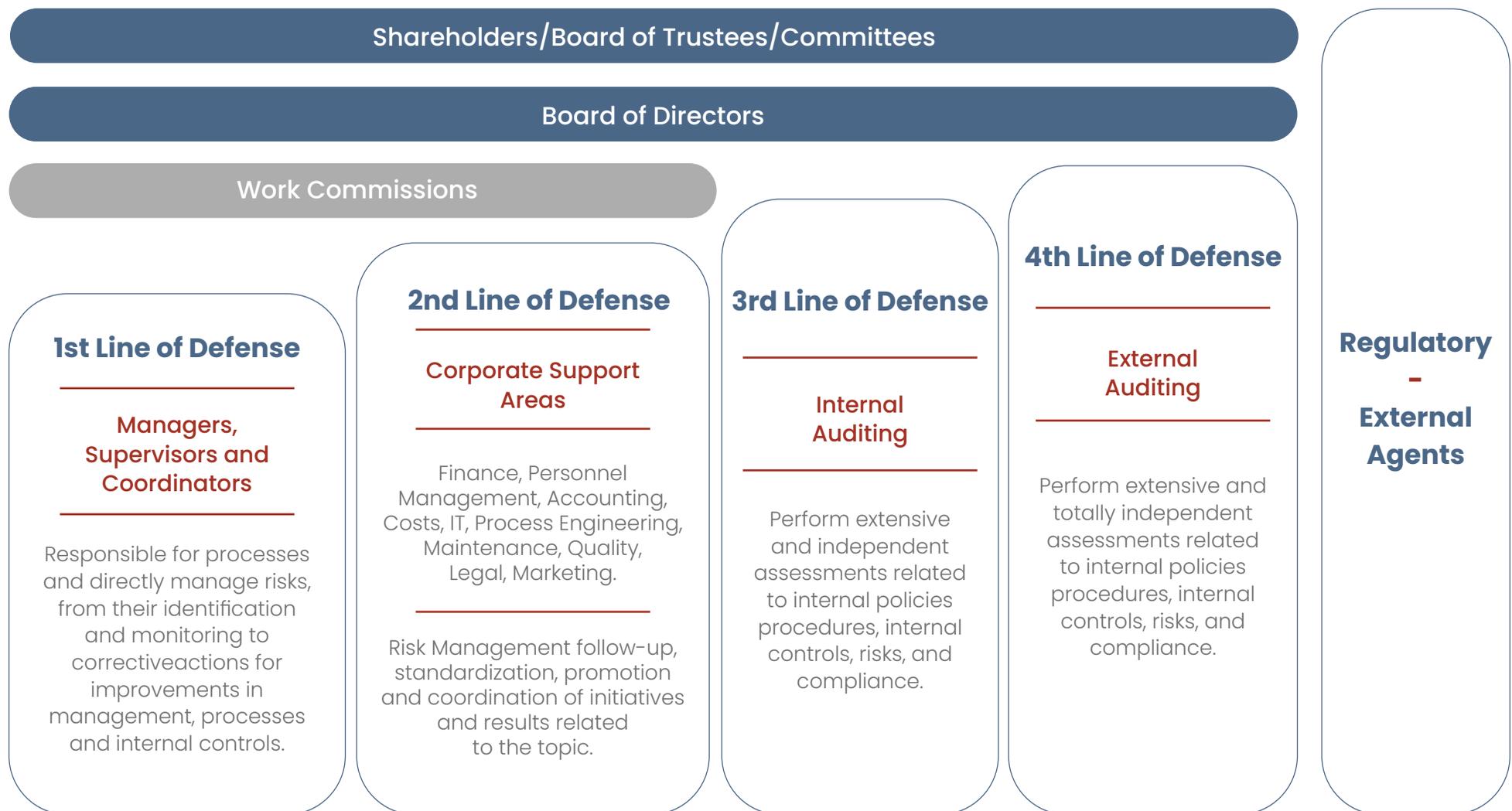


Risk management

(GRI 102-15)

Risk management is one of the important pillars of the Lunelli Governance Structure. Through this analysis, **we anticipate situations and turn challenges into opportunities.** The Risk and Crisis Management Policy serves as our primary guideline, aiming to ensure the attainment of the desired governance level for the company by adopting lines of defense, defining practices and responsibilities, and creating action and contingency plans.

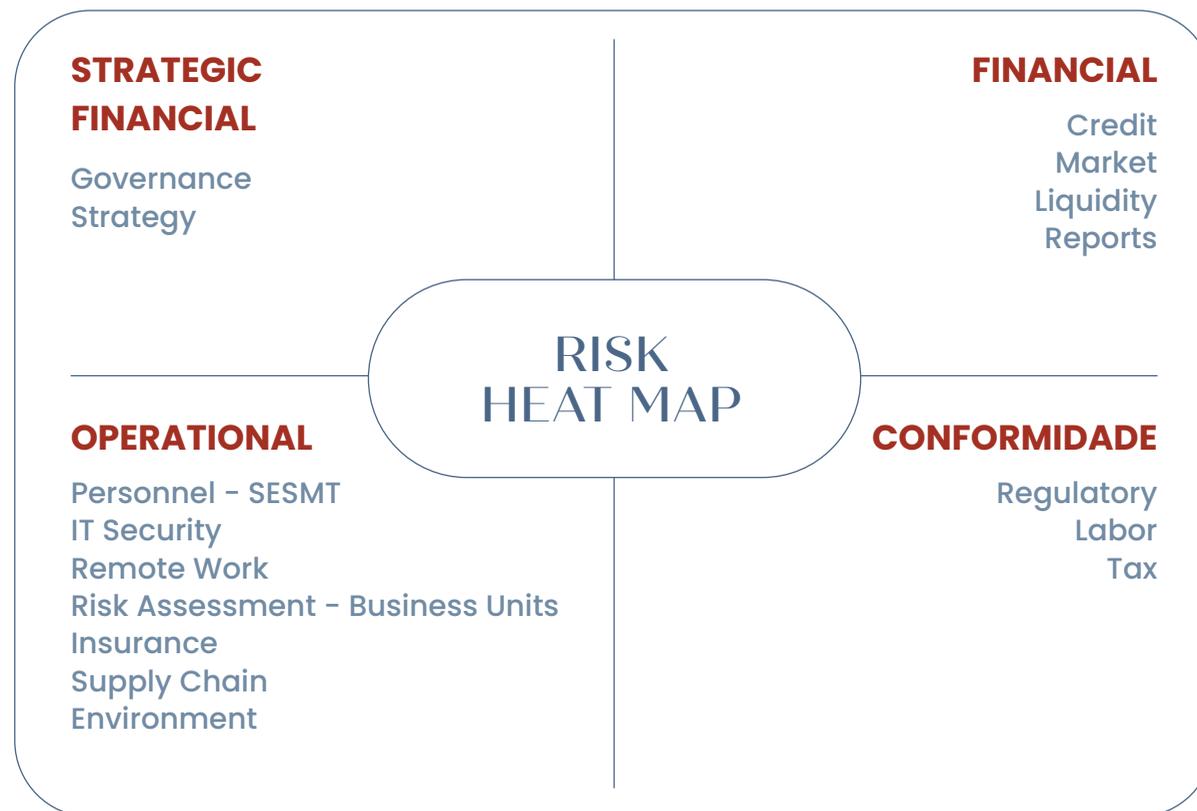
Lines of Defense Structure- Risk and Crisis Management



Risk heat map

To ensure a comprehensive view that encompasses our operations, processes, and areas, we have implemented a Risk Map based on **four major fronts: strategic, financial, operational, and compliance risks**. From this map, we define structures, responsibilities, and procedures for risk management within the organization.

Risk and Crisis Management Structure



The primary financial risks are associated with Financial Assets and Liabilities. The financial department is primarily responsible for continuously monitoring and managing these risks. In the case of operational risks, we conduct periodic assessments at our key units to identify and analyze potential risks inherent to facilities, activities, protective structures, and related procedures. This process generates reports that support management and compile suggestions for improvements.

To mitigate non-compliance risk, **the company's top management is responsible for establishing guidelines, policies, and procedures related to activities considered risky for the business**, aiming at ensuring compliance across all Lunelli operations. 100% of the company's operations are assessed for the risk of corrupt practices. (GRI 205-1)

Work committees



Lucas Pompeu da Silva.
Benefiting Unit - Corupá/SC

To address strategic risks, we have Working Committees responsible for assisting in the decision-making process by submitting proposals for approval by the Board, thereby enhancing participatory management. In 2022, there were 115 committee meetings with 470 proposals analyzed, of which 245 were approved by the Board and Council, considering approval thresholds.

The groups are composed of managers, leaders, key employees, and at least one director as a sponsor. They work to promote the adoption of good governance practices and the Code of Ethics, disseminate corporate culture, and raise awareness about corruption and bribery prevention and combat, in accordance with Anti-Corruption Law No. 12,846/13. (GRI 205-2)

INNER WORK COMMITTEES

	STATISTICS		
	2020	2021	2022
NUMBER OF MEETINGS	101	110	115
NUMBER OF PROPOSALS	321	366	470
PROPOSALS APPROVED	206	243	245
REGISTERED PROPOSALS	104	107	195
REJECTED PROPOSALS	11	13	26
RESUBMITTED PROPOSALS	0	23	4

The 10 committees are composed of 56 employees, predominantly male, with **63%** of the members being men and **82%** holding leadership positions.

2022 WORK COMMITTEES MAPPING

WOMEN	21	38%
MEN	35	62%
TOTAL	56	100%
<hr/>		
LEADERS	46	82%
NON-LEADERS	10	18%
TOTAL	56	100%

Work Committees

- Procurement and Supplier Development
- Controlling and Finance
- Human Resources
- Layout and Investments - Clothing
- Layout and Investments - Knits and Fabrics
- LunelliPrev
- Brands and Channels
- Data Protection
- IT - Information Technology
- Sustainability

In 2022, we established the Sustainability Committee to provide support, coordination, and management for the implementation of the Sustainability Policy and Plan, as well as to expedite actions, initiatives, and projects related to ESG (Environmental, Social, and Governance) topics.

Natasha Lohana Grandes, Marketing,
Apparel Unit - Guaramirim/SC



Ethics and Compliance system

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

Our Code of Conduct is the primary document that guides employees on the fundamental values and behaviors essential to Lunelli and reinforces our culture of ethics and integrity. This document reflects the conduct we consider appropriate and that should be observed and incorporated in relationships with all stakeholders, including shareholders, leadership, employees, customers, franchisees, suppliers, service providers, government, and society in general.

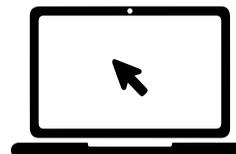
In this Code, we define our stance on various issues, such as the promotion of diversity, not allowing any form of discrimination, harassment, or verbal violence. We also emphasize that no form of corruption will be tolerated. The management and updates of the document are the responsibility of the Corporate Governance and Sustainability department, subject to approval by Lunelli's Board and Advisory Council.

The document is distributed to employees, who receive access and training on its content on their first day of work. In 2022, 100% of new employees were informed about the document, which includes instructions regarding practices against corruption, discrimination, or any other disrespectful behavior that does not contribute to our welcoming and integrity-driven work environment.

The Employee Code of Conduct was revised in 2022 with the aim of updating and deepening topics related to behavior, internal conduct, diversity and inclusion, respect in internal and external relationships, governance, information security, among others. The new Code is organized into three main themes: Environment, People, and Governance. In addition to the ESG framework, the Code of Conduct specifies which United Nations Sustainable Development Goals (SDGs) are associated with each theme. The updated document will be distributed to all employees, along with training and the collection of commitment signatures.

To expand our positive impact throughout the value chain, we have also developed a Supplier Code of Conduct. In this document, we recommend that our suppliers, service providers, third parties, and partners in general use their own supply network to disseminate and consolidate the requirements, parameters, and best practices outlined in this Code of Conduct, thereby extending its reach. The Supplier Code of Conduct will be communicated and distributed to the supply chain during the year 2023.

Click and access the Code of Conduct:





Ethics Reporting Channel

In case of questions or situations that are not in line with the Code, we advise our employees and any related audience to contact the Reporting Channel through email or phone, which are electronic communication channels available 24/7 and do not require identification. All reports are investigated and receive the necessary attention.

ETHICS REPORTING CHANNEL



Internal Calls - Extension 7488

External Calls - +55 (47) 9090 3373- 7488



Email - ouvidoria@lunelli.com.br

In 2022, we recorded 75 reports, and 100% of them were successfully resolved. During the year, there were no reports of corruption-related complaints.



Data Security protection

To prioritize data security, we have also adopted an Information Security Policy with the objective of 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, customers, consumers, and service providers.

In 2022, we recorded 17 incidents related to the information security policy and one complaint related to a customer privacy violation, all of which were clarified and addressed. Throughout the year, no complaints were registered regarding data loss among Lunelli's related stakeholders (GRI 418-1).

In addition to these records, the Information Technology department monitors activities such as Two-Factor Authentication in VPN connections, antivirus updates, controlled blocking of mobile devices, and others.



Contract Automation

The contracts automation has brought speed without losing control and compliance through the use of digital certificates in 2020 and electronic signatures through a portal in 2021.

A digital certificate is the electronic identity of a person or company, while electronic signatures, via the platform, are used when users do not have a personal digital certificate.

With the implementation of electronic signatures, we have also gained in reducing environmental impact, as there is no longer a need for paper printing. In 2022, we avoided printing 14,944 pages of paper, resulting in the following reductions:



Reduction of 115 kg of paper used



Reduction of 17,484 liters of water



Reduction of 1,670 kg of equivalent carbon emissions



Preservation of 711 kg of Wood

The digital signature process is applied to all contracts, from Employee Scholarships to Service Agreements.

These numbers reinforce our commitment to reviewing and improving processes to reduce negative environmental impact.



Dialogue with the stakeholder network

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

To achieve success and relevance, it's essential to keep open channels of dialogue and active listening with our entire network of relationships. Through this listening, we can improve our practices, programs, processes, and business decisions, fostering a responsible relationship with all our stakeholders.

Stakeholder Engagement Methodology

STAKEHOLDER (D102-40)	Engagement Method (D102-43)
Employees	Employee engagement surveys, Ombudsman Channel, Internal communication, Social networks, and other media.
Customers and Consumers	Customer satisfaction surveys, Customer Service, Website, social media.
Sales Representatives	Internal surveys, Communication with sales and marketing teams, Sales meetings, social media.
Franchisees	Internal surveys, Communication with sales and marketing teams, Sales meetings, social media.
Retailers	Internal surveys, Communication with sales and marketing teams, Sales meetings, social media.
Suppliers	Communication with the Procurement team, Website, social media.
Community	Social media and other press communications.
Regulatory Bodies	Official reports, Audits when applicable, social media and other PR communications.

Social Engagement

(GRI 102-12 | 102-13)

We maintain relationships with industry associations and organizations to engage in discussions on proposals and topics that impact the activities carried out by Lunelli. We are also connected with national and global movements that address issues relevant to sustainability.



ACIJS - Jaraguá do Sul Business Association

We are partners with ACIJS in events and contribute to the local community.



ABRH - Brazilian Association of Human Resources

We participate in forums and contribute to relevant discussions on Human Resources topics conducted by ABRH.



ustainable Development Goals (ODS)

In our ESG agenda choices, we aim to establish relationships with the positive impacts we can generate to contribute to achieving the goals defined by the United Nations as a society.



ACIAG - Guarapirima Business Association

We participate in forums and events organized by the institution.



ABVTEX - Brazilian Textile Retail Association

We follow the agendas promoted by the institution and have ABVTEX certification in Lunelli's sewing units.



"Sou de Algodão"

We support this movement, which is an initiative of Abrapa (Brazilian Association of Cotton Producers) with the goal of strengthening the Brazilian cotton chain.



ACIAC - Corupá Business Association

Lunelli partners with the institution in events and actions organized by ACIAC.



ABF - Brazilian Franchising Association

We operate with a franchising model in our business and stay connected with the trends, opportunities, and challenges in the sector through ABF.



Brazilian Textile and Clothing Industry Association

We are part of the Sustainable Companies League within ABIT. The project known as The Brazilian Sustainable Fashion League (BSFL) consolidates a league of companies participating in the Brazilian Textile and Fashion Industry Internationalization Program - Texbrasil.



ACIA - Avaré Commercial, Industrial and Agricultural Association

We are partners with ACIA in events and contribute to the local community.



BCI - Better Cotton Initiative

We support the global initiative and seek to incorporate BCI certification into the cotton supply chain as a procurement criterion.



Awards and Recognitions



Delton Batista, LIDE SC President
and Dênis Luiz Lunelli.

AWARDS

GPTW Ranking - 20 Best Companies to Work for in Santa Catarina - Large Companies Category

LIDE (Group of Business Leaders of Santa Catarina) Award - Special ESG Award received by Lunelli in the Governance category, in recognition of good implemented initiatives.

COMPLETE COMPANY, INCLUSIVE COMPANY award. The Government of Ceará honored Lunelli Têxtil Nordeste in the 12th edition of the award for the inclusion of professionals with disabilities in 2022.

ABF International Franchise Award 2022.

ABF Excellence in Franchising Award 2022.

ABF Sustainability Franchise Highlight Award 2022, through the "Use of plastic for biodegradable and compostable packaging" project.

RECOGNITIONS

Jaraguá do Sul - CITIZEN COMPANY - Recognition for providing opportunities for the insertion of adolescents from the "New Paths Program" in the labor market.

Jaraguá do Sul - I VOLUNTEER AWARD - Participation in volunteer programs in the municipality of Jaraguá.

Maracanaú - Municipal Council for Children's and Adolescents' Rights - CMDCA recognizes and appreciates the contribution to the Maracanaú Municipal Fund for Children and Adolescents' Rights.

Maracanaú - The PEACE IN THE HOME Project recognizes and thanks Lunelli for the support and work carried out.

Paraguay - Recognition for the registration of Lunelli Industria Têxtil Paraguai S.A. with the CNV (National Securities Commission of Paraguay) as a company issuing stocks and securities in the capital market.

A woman with long blonde hair and a man with short dark hair are high-fiving each other. They are both wearing grey Lunelli t-shirts and blue lanyards with Lunelli ID badges. The woman's badge says 'FRANCIELI' and the man's says 'VENANCIO'. They are outdoors with green foliage in the background.

We have always been committed to establishing responsible relationships among people and with the environment. We look to the past with pride for all that has brought us to this point, confident that our choices today and our vision for the future will lead us to sustainable growth.

The ESG Agenda at Lunelli

Sustainability management

(GRI 103-1 | 103-2 | 103-3)

We create fashion with meaning and aim to make a positive impact on the world and especially on the people connected to us. To achieve this, in 2022, we took significant steps in integrating a structured ESG agenda into the business, continuing the Sustainability Plan, meeting established strategic objectives, and implementing actions to shape the Sustainability Journey.

The material topics used to guide priority actions were mapped in 2021 through a Materiality Matrix process, which analyzed external scenarios, internal policies and guidelines, consultations with organization leaders, and an online survey with relevant stakeholders, including suppliers, sales representatives, employees, the community, and customers, with 112 respondents. In 2023, we will update the Materiality Matrix with a new dynamic involving all mapped stakeholders. (GRI 102-40 | 102-42 | 102-43)

Through this process, we understand and recognize the impacts generated by our operations, leading to the prioritization of 18 aspects that are considered of high relevance and represent the expectations of our stakeholders.

MATERIAL TOPICS

(GRI 102-44 | 102-47)

ENVIRONMENTAL

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

SOCIAL

- Labor Practices
- Health and Safety
 - Training
 - Diversity
- Communication and awareness with stakeholders
- Community Engagement

GOVERNANCE

- Ethics and Integrity
 - Anti-Corruption
 - Laws and Regulations
- Human Rights and Environmental Impact in the Supply Chain
- Engagement with Stakeholders
 - Sustainable Innovation

Sustainability management



With the prioritization of topics, we defined in 2021 and continued in 2022 our Sustainability Platform. This platform includes a Corporate Policy, Sustainability Strategy, Action Plan, and Sustainability Report. It consolidates our vision on the subject, as well as our commitments, goals, indicators, and initiatives, along with a monitoring system and management methods for the ESG agenda within the organization.

To understand our starting point and the improvement goals in material topics, we have mapped out our level of maturity in each aspect. The mentioned action has allowed us to define, in a conscious and consistent manner, the scale of evolution of our positioning and of the value proposition in sustainability that we want to incorporate into the business by 2026.

Positioning:

2021

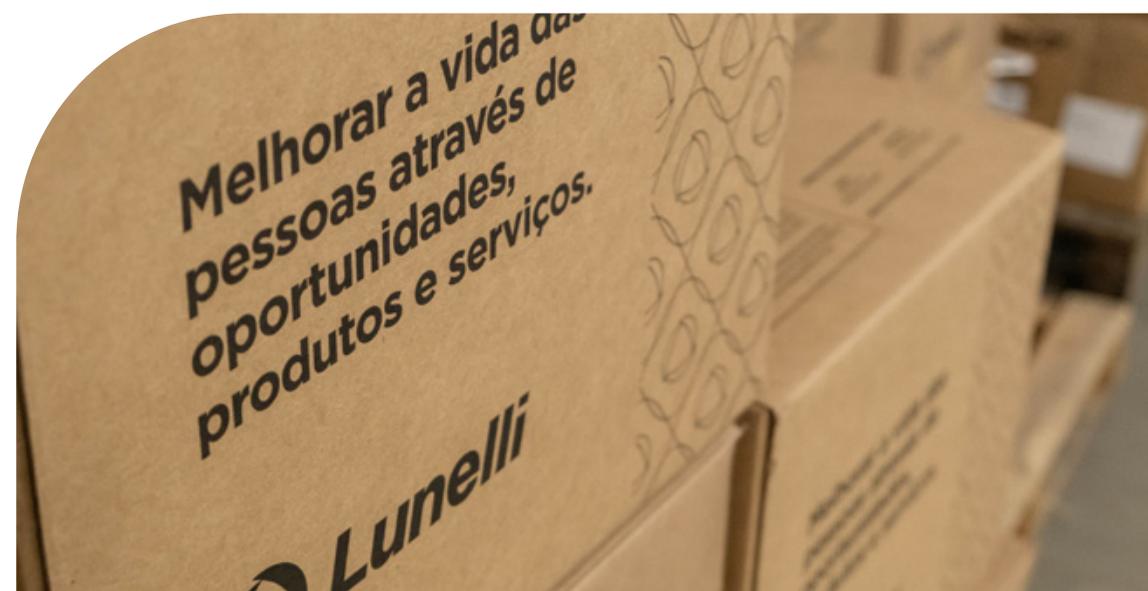


2026

- 1** Legal compliance and risk mitigation.
- 2** Operational efficiency and stakeholder engagement.
- 3** Innovation in products and services for sustainability.

SUSTAINABILITY VISION:

To create meaningful fashion that promotes a positive impact on the world and for everyone.



Sustainability Initiatives

INTEGRATING SUSTAINABILITY INTO STRATEGY, MANAGEMENT, AND CULTURE.

Enhancing risk and compliance management

Promoting a diverse and safe environment

Reducing environmental impacts of operations

Enhancing social investment management

Developing sustainable products

EDUCATING FOR SUSTAINABILITY

ENGAGING WITH STAKEHOLDERS

An important step in strengthening ESG agenda management was the incorporation of sustainability-related goals in the Results Achievement Program for 2022 for strategic projects and areas on the Sustainability Journey.

We are confident that the journey is ongoing, and we have many opportunities to enhance our positive impact on the world. We aim to improve people's lives through opportunities, products, and services while seeking to reduce and mitigate the negative impacts of our activities, promoting social, cultural, environmental, and economic well-being. We aim to create fashion that adds meaning to the lives of those who choose to wear it.

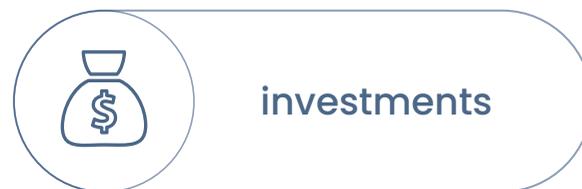


We believe that when we take care of our employees, our teams take care of our customers, and our customers take care of our cash flow, forming a virtuous cycle. Our economic performance is the result of sound financial management and the culture of respect and care that we foster within our entire network.

GENERATION OF economic value

Financial Management

Lunelli's financial management is carried out through four macro stages that break down guidelines and actions with the goal of ensuring that our resources are optimally utilized to consolidate the organization's purpose.



In the year, we also invested in expanding and improving our facilities, with a total investment of R\$22.4 million in 2022 allocated for investments in industrial, administrative, and IT infrastructure areas.

(GRI 203-1)

FINANCIAL performance

(GRI 201-1)

We achieved a record-breaking revenue of **R\$1.5 billion**, made possible by the enthusiasm and results-driven focus of our teams and meticulous strategic planning and budget execution. In 2022, our business remains resilient and continues to grow, delivering strong results throughout the year with a 22.5% increase compared to 2021.



Economic value generated and distributed

We are an industry with a decades-long track record, operating with strong brands and a presence in retail as well. We develop solid businesses with prosperous results, growing year after year and generating wealth for all our stakeholders. The Value-Added Statement presented encompasses all of Lunelli's operations.

GRI 201-1)

Direct economic value generated and distributed* (GRI 201-1)

LUNELLI'S CONSOLIDATED VALUE-ADDED STATEMENT - MANAGEMENT		
CONSOLIDATED		
VALUE-ADDED STATEMENT	2021	2022
	100,0%	100,0%
Personnel	37,7%	36,2%
Taxes, fees and contributions	19,4%	18,2%
Third-party capital remuneration	13,3%	22,4%
Remuneration of Own Capital	29,6%	23,2%

*The chart does not include the social initiatives, which were curated and overseen by the internal team, with an additional investment of over R\$1.7 million.

Retail network

With our business model, we connect the retail platform, responsible for bringing our brands and products to the end consumer, to a network of entrepreneurs, multi-brand retailers, representatives, and franchisees. These entrepreneurs, like us, develop businesses that generate employment, income, and stimulate local economies. In 2022, all channels showed growth.



20,000
multi-brand customers,



27,2%
in sales

35 stores
owned and franchises



23,1%
in revenue



17%
in SSS (Same Store Sales)

E-commerce



28,5%
in revenue for
own stores



15,4%
in revenue for the
marketplace

Program UNE



39,7%
in revenue

Exportation



48,6%
in revenue



Franchises

We operate with the franchise model under the Lez a Lez brand. There are 28 stores run by partner franchisees in states such as Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais, Bahia, and Ceará, as well as in Brasília, the Federal District. To ensure a relationship aligned with Lunelli's values, we have adopted a manual of store rules and procedures, as well as management training in people, process, and commercial management for the franchisees and their teams.

Recognition

In addition to being recognized, for the fourth consecutive time, with the Franchise Excellence Seal, Lez a Lez was acclaimed with the Franchise Sustainability Highlight Award through the project "Use of biodegradable and compostable plastic for packaging." The initiative involves replacing all common plastic used in product packaging with biodegradable and compostable plastic, developed from biomass, with the application of a biodegradability accelerator agent.



Since 2018, Lez a Lez, which has also been recognized by the Pequenas Empresas & Grandes Negócios Franchise Guide, has been awarded the ABF Excellence Seal.

The outcome is the result of a consistent and transparent franchise policy, whose primary goal is to promote the success of franchisees, sharing achievements and positive results year after year.



Multi-brand customers and representatives

Our engagement with multi-brand retail, which includes retailers handling various products, including Lunelli brands, provides us with a broader reach. Our sales representatives play a crucial role in our relationship with these customers.

Our sales department maintains close relationships to build trust with customers and representatives, as well as to expand our presence in new markets with accurate and competitive products. We seek to establish partnerships with individuals who share our values and who also prioritize delivering quality and fair prices to consumers.



Digital Meetings

In 2022, we conducted sales meetings in a hybrid format, combining both in-person and digital encounters to convey the essence of our brands, share collection information, and keep them connected with Lunelli.

During in-person meetings, we took the opportunity to honor the representatives who have been with the company for an extended period, reinforcing our ideology and commitment to people.

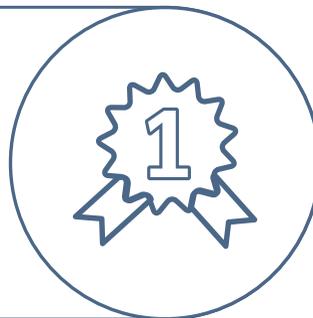


Omnichannel

2022 was a year of significant achievements for e-commerce. We migrated all our websites to a single platform, which improved our internal processes and enabled the implementation of omnichannel tools in our physical own stores and franchises.

Our online customer service channel was also recognized at the end of 2021 with the RA1000 seal, a prestigious acknowledgment that only companies excelling in online customer service and issue resolution can achieve. We maintained this standard throughout the year 2022.

Following the receipt of the RA1000 seal, we were also nominated for the Best E-commerce Award in the fashion and manufacturer categories.



In the B2C channel (Own E-commerce), we exceeded the established target, resulting in a 28.5% growth compared to 2021, closing the year on a high note.

UNE PROGRAM

To increasingly connect our audiences and expand the reach of our brands, **in 2022, we evolved with the UNE program, an online business platform** by Lunelli. Based on a social selling model, the platform offers benefits to participants and enhances the promotion of our brand's products, strengthening itself as a sales channel for the company. **In 2022, the program achieved a growth of 39.7% compared to 2021.**

Digital transformation

In addition to implementing improvements and migrating e-commerce platforms for our brands, we made changes to the billing system in the shipping department, resulting in a faster and more reliable process. We migrated the Point of Sale (PDV) systems in our own stores as part of the preparation for the Omnichannel implementation.

In 2022, we continued our strategy to include our products on new fashion marketplaces, and in 2023, this effort will continue, always aiming for the strategic positioning of our brands online.





We take pride in creating fashion that inspires, embraces, and welcomes, reflecting our purpose in the most genuine way, reminding us daily of why we are one of the best companies to work for.

From the inside out, we cultivate respect and harmony, and we are committed to being what we want for the world. After all, the best place to work is built every day by all of us!

SOCIAL

Value generation

Jonatan Jean Colaço.
Unidade Beneficiamentos - Corupá/SC

Employees

Producing meaningful fashion is much more than just making clothes. It's also about providing employees with a safe working environment and respecting labor relations throughout the process to promote the well-being and growth of the entire team.

Our professionals inherently possess the potential for creativity, collaboration, dedication, care, and achieving results. We have reached where we are today thanks to our people. We are a family that has grown in recent years, always valuing simplicity and enthusiasm, and creating spaces that foster the growth and development of all.



EMPLOYEE PROFILE

We closed the year 2022 with 4,591 employees in our workforce, of which 32% are men and 68% are women, with 57% of individuals in the age group of 30 to 50 years, all under full-time permanent contracts.

Employees by Country and Contract (GRI 102-7 | 102-8)

	2020	2021	2022
TOTAL NUMBER OF EMPLOYEES	4.054	4.453	4.591
Number of employees in Brazil	3.840	4.219	4.329
Number of employees in Paraguay	214	234	262
Percentage of employees in Brazil	95%	95%	94%
Percentage of employees in Paraguay	5%	5%	6%
Number of interns	4	9	4
Number of young apprentices	31	56	62



Kelma. Unidade Nordeste – Maracanaú-CE



Employees by function (GRI 405-1)

	2020		2021		2022	
	Men	Women	Men	Women	Men	Women
TOTAL EMPLOYEES	32%	68%	32%	68%	32%	68%
Directors	86%	14%	88%	12%	88%	12%
Managers	69%	31%	66%	34%	72%	28%
SUPERVISORS / COORDINATORS	73%	27%	75%	25%	76%	24%
SPECIALISTS	53%	47%	49%	51%	49%	51%
EMPLOYEES	31%	69%	30%	70%	31%	69%

Employees by Age Group, Job Function, and Gender (GRI 405-1)

		2020				2021				2022			
		Up to 21 years	22 years up to 29 years	30 years up to 49 years	Above 50 years	Up to 21 years	22 years up to 29 years	30 years up to 49 years	Above 50 years	Up to 21 years	22 years up to 29 years	22 years up to 29 years	Above 50 years
TOTAL EMPLOYEES	Men	4%	10%	16%	2%	4%	9%	16%	2%	4%	9%	16%	3%
	Woman	5%	17%	41%	5%	7%	16%	41%	5%	7%	15%	40%	6%
DIRECTORY	Men	0%	0%	72%	14%	0%	0%	75%	13%	0%	0%	75%	13%
	Woman	0%	0%	14%	0%	0%	0%	13%	0%	0%	0%	12%	0%
MANAGEMENT	Men	0%	7%	56%	7%	0%	3%	56%	7%	0%	3%	63%	6%
	Woman	3%	3%	24%	0%	0%	10%	24%	0%	0%	6%	19%	3%
SUPERVISION / COORDINATION	Men	0%	0%	68%	5%	0%	0%	70%	5%	0%	0%	70%	4%
	Woman	0%	0%	27%	0%	0%	0%	20%	5%	0%	0%	22%	4%
SPECIALISTS	Men	0%	8%	41%	4%	0%	5%	40%	5%	0%	4%	40%	4%
	Woman	0%	3%	41%	3%	0%	5%	43%	2%	0%	4%	45%	3%
TOTAL		9%	27%	57	7%	11%	26%	56%	7%	11%	24%	57%	8%

Employment Relations

(GRI 102-41)

Lunelli adheres to Labor Legislation, always aiming to be fair to its employees and respecting their rights. We strive to maintain close relationships with both employer and labor unions. We actively participate in collective bargaining and are always available to address and understand any arising demands. All employees are covered by collective bargaining agreements within the sector. In the Paraguayan units, this is done on a case-by-case basis through established agreements directly with government agencies, due to the absence of labor unions (GRI 102-41)

The management of human resources is guided by the strategic pillar of “attract, retain, and develop the competencies necessary for growth,” as well as by policies and standardized processes to ensure equal treatment for all employees.



Viviane Jordan, Estamparia.
Unidade Vestuário - Guaramirim/SC



Respect unites us, and our differences enrich us

(GRI 405)

We are committed to making our work environment increasingly inclusive, respecting diversity, and promoting equitable conditions for all our employees. In 2022, we invested in the Diversity project to structure the Diversity and Inclusion positioning, with the premise of building collaboratively and with representation of identity groups in the process.

Throughout the year, we conducted various actions to define the diversity and inclusion guideline and plan. We actively listened to employees who shared their feelings, perceptions, and recommendations to make the company more inclusive. To ensure representation, we individually heard from people with hearing impairments, with the support of sign language interpreters, as well as those with physical and intellectual disabilities. We also listened to LGBTQIAP+ individuals, individuals of both the female and male genders, individuals with racial and ethnic diversity, and those aged 50+ and 60+.

The listening process was essential for the development of the actions outlined in the Diversity Policy. The individuals who were heard formed the “Respect Inspires Respect” Working Group, along with other professionals

from strategic areas of the company, such as Human Resources, and all support areas for Recruitment and Selection, Training and Development, Health and Safety, Sustainability, and Leadership.

We also conducted Sensitization, Training, and Listening Workshops with directors and managers, Workshops and surveys with the Human Resources team from all company units, and meetings and interviews with professionals from strategic areas. We held meetings to present data and validate the next steps with the company’s Board of Directors and Advisory Board.

Furthermore, we carried out the internal campaign **RESPECT INSPIRES RESPECT** with employees representing each theme worked on, which was launched and promoted internally in 2023. With the campaign, we reinforce our commitment to prioritize RESPECT above all circumstances in our relationships.

RESPEITO INSPIRA RESPEITO



Respect inspires respect

We are all equal, even when different.

Our differences make us more connected and stronger.

We recognize differences not as a means of distinction but as a transformative force that generates growth and connection.

We respect everyone equally because we believe that respect is synonymous with empathy, and respect inspires respect.

**We believe that diversity unites, and respect transforms everything around us.
We believe that recognizing diversity connects us to the future.**

Diversity makes us unique.

At Lunelli, respect unites us, and differences enrich us!



Isabel Eccel Gogola, Corte e Andressa Rocha da Silva,
Loja de Colaboradores. Unidade Vestuário - Guaramirim/SC

In 2023, we will continue the project, always striving for the continuous improvement of diversity aspects in workplace relationships to ensure an inclusive, positive environment that fosters the development of all individuals, regardless of gender, race, age, sexual orientation, or any other characteristic.



Cicero Alves Vasconcelos, Costura.
Unidade Nordeste - Maracanaú/CE

ABVTEX Certification

(GRI 412-1)

We are certified by ABVTEX (Brazilian Textile Retail Association) in our clothing production units, and we have adopted the certification's principles in other Lunelli units. The certification was established in 2010, with gold, silver, and bronze classifications, and it is only awarded to industries that meet criteria such as a hygienic and safe work environment, payment of overtime in compliance with collective agreements, compliance with FGTS and INSS contributions, absence of child labor, forced or slave labor, adherence to environmental laws, and other topics related to the fashion industry supply chain.



People-centered management

For the second consecutive year, we celebrate the achievement of the Great Place to Work certification, an international recognition that acknowledges the best companies to work for. In addition to the certification, we have entered the exclusive ranking of the Top 20 Best Companies to Work For in the category of Large Companies in Santa Catarina.

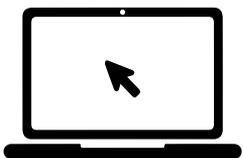
Now, being ranked among the best among the largest companies represents an even more significant accomplishment for all and celebrates the series of achievements, which are the result of effective actions from a management focused on people.



The program assesses organizational climate through an online survey and diagnosis tool, covering topics such as credibility, respect, fairness, pride, and camaraderie.

Employee responses have highlighted areas such as a strong sense of pride, high trust in senior leadership, employees valuing professional growth, and a balance between personal and professional life, in addition to a highly praised work environment. This process of gathering feedback from employees has allowed us to identify areas of focus in subjects being developed by our Human Resources and leadership teams.

At Lunelli, care comes from the inside out. It is believed that when the company takes care of its employees, the teams take care of the customers, and the customers, in turn, support the sustainability of the business, forming a virtuous cycle.



Click to access the video



Melhores Empresas para Trabalhar™
em Santa Catarina

Great Place To Work.

BRASIL 2022

OPEN AND TRANSPARENT COMMUNICATION

Through our communication with employees, we reinforce our culture and create more inclusive and collaborative environments. To ensure that all employees relate to Lunelli, we disseminate our information, opportunities, rules, and guidelines through the following channels:

- **Regular meetings**
- **Physical bulletin boards**
- **Email**
- **WhatsApp**
- **Communication with leadership**

We also adopt clear and effective communication about any changes in the company, respecting minimum adaptation periods for our employees (GRI 402-1).

Those who care, also value.

(GRI 401-2)

Contributing to our mission of “Improving people’s lives through opportunities, products, and services,” in 2022, we invested in and maintained various benefits for our employees, including:

- Corporate events to celebrate 534 employees who reached milestones of 5, 10, 15, 20, 25, and 30 years with Lunelli;
- The Birthday Day Off, where employees receive a day off in the month of their birthday;
- Profit sharing program;
- Food;
- Medical and social assistance;
- Training and development;
- Private pension;
- Celebrations on special occasions;

Employee Store: To bring our brands even closer to our employees, we maintain physical stores at our locations in Guaramirim, SC, and Maracanaú, CE, as well as an online store where Lunelli brand products are sold at special prices for employees.



Results achievement program and production award



We value our employees through the **Results Achievement Program (PCR) and the Production Award**. The first is a one-time payment for employees in some units, while the second is distributed monthly to other units. These programs are based on strategic pillars aligned with budget planning guidelines and aim to share results achieved throughout the year, reinforce the importance of teamwork, and foster transparent communication.



In 2022, through these programs, we shared a total of R\$20.4 million with our teams.



LunelliPrev

LunelliPrev is a supplementary pension plan available to employees in our Brazilian units. The program underscores our values and our attentive approach to taking care of our people.

Plan participants make monthly contributions, with the amount being their choice and deducted from their paychecks. Lunelli also contributes to the plan, to support and encourage participants in building their retirement savings. The company's contributions are distributed equally among participants based on predefined criteria.

The future benefit amount for each participant will result from the capitalization of both the participant's and the company's contributions by the plan's returns, and the plan is structured to maintain actuarial balance continually.

The plan is administered by a supplementary pension entity specialized in managing retirement plans since 1987.

Given the importance of the subject, Lunelli participates in the governance of this partner. Positions on the Sponsor's Council, Deliberative Council, Fiscal Council, Investment Committee, and Ethics and Conduct Committee are held by Lunelli employees and leaders. These bodies are responsible for establishing guidelines and rules, monitoring, and evaluating the entity's operations.

In 2022, the plan had 3,669 participants, with an adherence rate of 87.6%, an increase of 4.6 percentage points compared to the previous year, and a total equity of R\$19,646,917.68.

LunelliPrev
A Previdência Privada da Lunelli



Up to 21 years	22 years up to 29 years	30 years up to 49 years	Above 50 years
10%	23%	58%	8%

Financial security and a focus on financial planning, whether it's internal or for personal life, are always on the agenda. We believe we have a fundamental role in positively influencing our employees and partners in general.

We aim to participate and raise the topic in different ways and with various stakeholders. This includes conducting lectures on retirement education for sales representatives during our brand's sales meetings, as well as online meetings for leadership to present program results and provide training on Behavioral Finance. In addition, there are internal engagement and awareness campaigns.



People development

(GRI 404-2)

Individuals who connect with Lunelli find an opportunity to evolve and grow. We offer specific courses to foster the development of our employees in line with the organization's needs and strategies, encompassing all Lunelli units. We also support personal development through scholarships for technical courses, undergraduate and postgraduate degrees, and language courses. **This initiative, guided by the Scholarship Policy, benefited 298 employees, representing an investment of approximately R\$ 345,000 for Lunelli, fostering personal and professional growth for our people.**

In the year 2022, we conducted training programs related to Operational, Behavioral, Leadership Development, and Occupational Safety activities, along with training through the **Abílio Lunelli Training Center, totaling over 39,000 hours with an investment of R\$1.9 million.**

category	schedule
Operational	6.846
Behavioral	13.719
Abilio Lunelli Training Center	7.271
Leadership Development	4.562
Workplace Health and Safety	7.457
TOTAL	39.855

Abilio Lunelli training center

In its 7 years of existence, the Abílio Lunelli Training Center has been dedicated to the education of our employees. Most courses are taught by the Lunelli team, creating a space for mutual exchange and growth.

The Training Center is committed to sharing knowledge and best practices, aiming to provide valuable insights into people's lives and offering employees technical training and soft skills development. It also inspires our students to pursue continuous personal development and professional qualification.

In the year 2022, 8 new classes of the Production Operator course were opened, covering areas such as Sewing, Knitting, Cutting, Finished Products, and Dyeing, providing learning opportunities for 190 employees.



CENTRO DE TREINAMENTO
Abilio Lunelli



Formatura CT Abílio Lunelli.
Unidade Nordeste - Maracanaú/CE

Leadership development

Focused on the technical and behavioral development of leaders, the training program provides continuous development for managers to excel in business management, people management, and their personal competencies. In the year 2022, 5 new classes were opened, with the participation of 115 current and potential leaders.

INNOVATION AND BEST PRACTICES PROGRAMS

We aim to create spaces where our employees can engage in the company's development by sharing their ideas for process improvement because we believe that this movement also contributes to individual growth.



“PNI - Programa de Novas Ideias”

The New Ideas Program, as it's known at Lunelli, consists of cross-functional teams operating across three states: Santa Catarina, São Paulo, and the Northeast. It has been in existence since 2007 and serves as a significant tool for process improvement, cost reduction, productivity gains, innovation, and employee development. The program includes 73 PNI teams, 365 employees, and 1,245 ideas resulting in a return of R\$ 3.8 million in 2022.



The SOL Program (Safety, Organization, and Cleanliness)

is a tool used to raise awareness and develop habits and attitudes among employees to enhance the work environment, product and service quality, and most importantly, the quality of life for individuals. The program involves 220 consultants across various Lunelli units, including Clothing, Sales, Northeast, Avaré, Luiz Alves, Jaraguá Garment Manufacturing, ADJ, Lunelli Massaranduba, Jaraguá Dispatch, Paraguay, Knitwear and Fabrics Dispatch, and Outbox.



PNI Exhibit Award.
Beneficiation Unit - Corupá/SC

Health and safety at work

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

Caring for the well-being of our people is a principle that guides us every day. Through various initiatives, we aim to promote the well-being, **safety, and health of every employee who is part of the Lunelli family.** We maintain a health and safety system implemented in all Lunelli's units and company-owned stores, which is overseen by a technical team consisting of doctors, occupational health nurses, engineers, and safety technicians. (GRI 403-8)

The system includes a mapping of health and safety risks at work that assists us in identifying and classifying risks and, as a result, the areas and units that require greater attention for risk mitigation and the promotion of safe environments in accordance with regulatory standards.



Important tools in promoting health and safety include ergonomic analyses, the provision of Personal Protective Equipment (PPE), the activities of the CIPA (Internal Commission for Accident Prevention) and the Emergency Brigade. The CIPA is responsible for conducting sectoral safety inspections, always aiming to improve the work environment in terms of employee health and well-being, as well as promoting safety campaigns and awareness in various departments.



The Emergency Brigade consists of 430 volunteer employees covering all units, who are trained and equipped to handle situations such as firefighting, workplace accidents, and chemical spillage. All units also have a disaster protection and response system in place (emergency exits, fire extinguishers, hydrants, emergency lights, and safe points) as outlined in the PPCI - Preventive Firefighting Project - approved by the Fire Department.

Accidents that occur at Lunelli are recorded and managed in two ways: typical accidents related to the work activities and commuting accidents related to an employee's journey from home to work or vice versa. In both cases, these incidents are recorded and managed through an action plan to prevent or minimize the risk of recurrence. **In 2022, the main recorded risks and causes were related to minor cuts and/or small punctures, typically on the upper limbs.**



Medical care

In 2022, a total of 16,933 outpatient appointments were conducted across all units and regions. These appointments are categorized by type: pre-employment, periodic, return to work, medical consultation, change of function, and termination. Pre-employment appointments accounted for 36% of the total appointments conducted, followed by medical consultations and periodic check-ups.

THIRD-PARTY SAFETY

To ensure safe conditions, we maintain a monitoring and oversight process for all suppliers and third-party contractors hired to perform services within our facilities.

We adhere to the guidelines outlined in the **Lunelli Third-Party Safety Policy**, and depending on the type of risk, activities can only commence after the issuance of an **APR (Preliminary Risk Analysis) and a PT (Work Permit) – documents provided by the Occupational Safety team.**

These documents are monitored through a document control and management platform.

Cleiciane Ramos Sá, Sewing.
Northeast Unit - Maracanaú/CE

Health and safety education



(GRI 403-5)

We understand that safety also depends on individual behavior, which is why we invest in training and awareness actions for our employees to expand their sense of responsibility. Safety Dialogues are brief conversations with teams that occur monthly, in addition to communications through our internal channels.

Another important initiative to raise awareness and provide information to employees is the general area evacuation exercises. As per the regulations of the Fire Department's Instruction Norm, each unit conducts two general area evacuation exercises per year, one for each semester. These exercises serve as an opportunity to reinforce important information and safe behaviors to be adopted in case of emergency situations.

Furthermore, employees receive training on the proper use of their personal protective equipment when they are issued these items. **Specific training is also provided, in line with the regulations (NRs 10, 11, and 35), for employees engaged in activities involving height, electricity, and the movement of materials using pallet jacks or forklifts.**

We periodically conduct training sessions with professionals operating machinery and equipment, educating them about the preventive measures they should adopt for safe operation. All new employees have access to content and guidance for safe and healthy behavior during their onboarding process. **In 2022, we logged a total of 7,457 training hours covering health and safety topics.**



Health and well-being

GRI 403-6)



Through the “Viva Você” program, we promote access to practices and services that contribute to the health and well-being of our employees, such as yoga classes, nutritionist consultations, psychological support, running groups, and physiotherapy.

In 2022, we had 120 employees participating in the Running Group and 252 in the Yoga Group. There were a total of 1,465 physiotherapy sessions and 502 sessions with a psychologist.

Other health benefits offered by Lunelli include health insurance, on-site medical and dental services at the units, dental insurance, workplace gymnastics, and balanced meals at the company’s restaurants.

Workplace gymnastics is conducted in collaboration with a specialized company, serving all units and production departments. In 2022, we conducted **7,140 workplace gymnastics sessions**. During these breaks, we take the opportunity to provide information about health and well-being.

We provide carefully prepared meals. In our units, meals are designed with the guidance of nutritionists and comply with the Worker’s Food Program (Programa de Alimentação do Trabalhador - PAT). In 2022, a total of **862,402 meals were served**.



Yoga class, Avaré/SP Unit

Suppliers

(GRI 102-9)

We aim to maintain a close relationship with our network of partners to influence responsible conduct in the procurement and manufacturing processes. To achieve this, we have adopted a strategic supply chain management approach, guided by a Purchasing Policy that directs our actions in supplier negotiation and contracting processes. Currently, we categorize our partners into two main groups: domestic and international, with further subgroups **including Yarn, Knits and Fabrics, Chemicals and auxiliaries, Trimmings, Packaging, Sourcing, and Service Providers.**

Our relationship with international suppliers is managed by a specialized import unit. We seek product and raw material solutions that align with our values and “SOCIO-ENVIRONMENTAL COMMITMENTS.”



Partner approval

(GRI 308-1 | 412-1 | 414-1)

We work towards a fair and responsible fashion supply chain. Therefore, we are striving to improve our partner approval and supply chain traceability processes. As a strong link in this network, we understand our significant role in influencing the adoption of good practices that comply with current environmental and social legislation and contribute to the creation of safe environments, free from forced labor, slave-like conditions, or child labor.

In our partner approval process, we have specific criteria for chemical suppliers. This category of partners is considered critical from both social and environmental perspectives, with 100% of these suppliers being monitored through documentation to ensure compliance with national regulations and laws. (GRI 308-2)

We employ contracts with service providers that include clauses mandating compliance with laws related to labor relations and environmental impact. For garment manufacturers, who handle various stages of the production process, we conduct on-site audits to assess quality requirements and the adoption of good socio-environmental practices by the supplier. When it

comes to garment manufacturers, we rely on the private label demands, and 100% of them are ABVTEX certified.

We are also increasingly attentive to partners who, like us, are seeking solutions with lower environmental impact. In 2022, 85% of the yarn coils used were recycled, and 100% of the PVC tubes supporting the fabric rolls were recycled or reused.

During the year, we also purchased cotton yarns for knit production with BCI (Better Cotton Initiative) certification, equivalent to 100% of the total purchased in 2022. BCI is an initiative that certifies fair and responsible social and environmental practices in the cotton supply chain. **For viscose, 94% of the purchased volume holds certification for good socio-environmental practices.**

To enhance our positive impact on the value chain, we also developed the Supplier Code of Conduct in 2022. In this document, we recommend that our suppliers, service providers, third parties, and partners, in general, use their own supply network to

disseminate and consolidate the requirements, parameters, and best practices.

The Code is structured around three main themes: Environment, People, and Governance. In addition to the ESG framework, the Supplier Code of Conduct and partners, in general, indicates which UN Sustainable Development Goals (SDGs) are associated with each theme. This document will be communicated and distributed to the supply chain during the year 2023.

This evolution will lead to improvements in our partner approval process, with a focus on establishing strong connections and valuing entrepreneurs in the fashion supply chain who share our values.

Community

(GRI 413-1)

Improving people's lives is an integral part of our mission, and we experience this through the connections we establish in the regions near our operations. We extend our culture of care from the inside out by providing support, initiating projects, making donations, and participating in volunteer activities that contribute to the development of communities.

Our investment strategy is centered on initiatives that reinforce education, citizenship, and ecology, with a focus on individual development, early childhood care, and the promotion of local culture and environmental preservation.

COMMUNITY INVESTMENTS

In 2022, we donated over R\$1.7 million to projects and institutions, with R\$927,000 in direct actions and R\$818,000 through incentive laws.



HIGHLIGHTS OF SOCIAL INVESTMENT

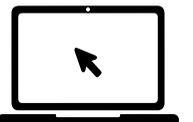
TO PRESERVE IS TO LOVE – ENTRELAÇOS PROJECT



Entrelaços was the realization of a traveling exhibition of the play 'A Princesa Margarida - a playful musical by Cia de teatro Metamorfose, storytelling, and playfulness in municipal schools for students from 1st to 5th grade in Guaramirim/SC, Corupá/SC, and Luiz Alves/SC. More than 25 schools were reached from May to August, with weekly performances involving **over 3,500 students.**



Click here to find out more:





PINK OCTOBER

We donated over 70 mammography exams to female employees at the Nordeste unit in Maracanaú, Ceará, Brazil. The mammography exams were provided to female employees aged 40 and over, with the aim of encouraging them to undergo the examination and raising awareness about breast cancer during Pink October.

The support for conducting exams for employees and the community has been ongoing since 2019 when 200 exams were donated to the Guaramirim/SC and Jaraguá do Sul/SC regions, benefiting employees and the community through the Women's Network to Fight Cancer. In 2021, we donated 100 exams to employees at the Avaré/SP unit, and the Municipal Health Department of the city received the equivalent of 200 exams for the community. The support in 2022 for the Maracanaú/CE unit and its employees reinforces our commitment to the cause and the care of women's health.

During the Pink October, Lez a Lez - our women's Urban Beach fashion brand - launched the 'aMAR-se' campaign, inviting singer Amanda Coronha to perform a song created specifically for the occasion, emphasizing the power of self-love. To connect the campaign's concept with the brand's essence, the artist Juliana Tang created a painting depicting the sea in shades of pink.

SÃO JOSÉ HOSPITAL

With a focus on supporting healthcare services, we donated R\$500,000 to the Hospital São José in Jaraguá do Sul, Santa Catarina, as part of Phase 4 of their Master Plan.



Marcio Bertoldi, Commercial Director and Maurício J. Souto-Maior, São José's Hospital of Jaraguá do Sul General Director.



FRIEND OF THE FIREFIGHTERS COMPANY

Lunelli has always supported community service organizations, such as the Fire Department. In 2022, we continued our support in various locations, including investments for the acquisition of equipment and infrastructure to better serve the community in Santa Catarina through the 'Friend of Volunteer Firefighters Company' program. We also provided support for the purchase of a firefighting truck for the city of Minga Guazú in Paraguay.

INSTITUTO BRAUDEL

Promoting reading and personal development is part of our social commitment, from inside out. Through the Braudel Institute, we conducted a Reading Circle with 02 groups of employees at the Nordeste Unit, located in Maracanaú/CE. During these meetings, we read and discussed texts as a group, encouraging reflection and personal development.



Lunelli-supported Incentivized Projects

SOUTHERN REGION

- **Culture Incentive Law | R\$ 75,000:** We Light Floripa Project and 'O Jeans do Brasil' Book.
- **Sports Incentive Law | R\$ 18,700**” Seleteo Esporte Clube, Seleteo Saúde, and Praias de Itajaí Surf Association – Down Festival.
- **Children and Adolescent Fund – FIA | R\$ 18,700:** Nossa Senhora da Conceição Hospital in Tubarão and APAE in Jaraguá do Sul.
- **Fund for the Rights of the Elderly | R\$ 18,700:** Hospital São José – 60+ Project.

NORTHEASTERN REGION

- **Culture Incentive Law | R\$ 345,600:** Territórios da Leitura and Festival Internacional de Música Instrumental do Ceará.
- **Sports Incentive Law | R\$ 86,400:** Escolinha de Triathlon de Maracanaú, Escolinha de Triathlon de Fortaleza, and Escolinha de Futebol Menina Olímpica.
- **Children and Adolescent Fund – FIA | R\$ 86,400:** Fundação Terra.
- **Fund for the Rights of the Elderly | R\$ 86,400:** Instituto IDEAR with the Chá Tecnológico project and Instituto Casa Sábios.



Lizete Arenhart Caleffi, Sewing.
Apparel Unit – Guaramirim/SC



Volunteer program – doing it our way

One of the annual volunteer actions by the company is the collection of special Christmas baskets. In addition to the basic items in a standard food basket, we also include chocolate, candies, and personal hygiene items such as toilet paper, toothpaste, and soap.

This initiative took place in all units in Brazil and Paraguay, totaling 600 baskets, which is a 156% increase compared to 2021. This amounted to 7.9 tons of food, a 172% increase in the volume collected in 2021.

The collection was delivered by volunteers to associations and institutions working in local communities.

In addition to the traditional action, volunteers also took part in specific initiatives such as fundraisers, clothing drives, and other support campaigns organized by the company and the Corporate Volunteer Center of ACIJS.

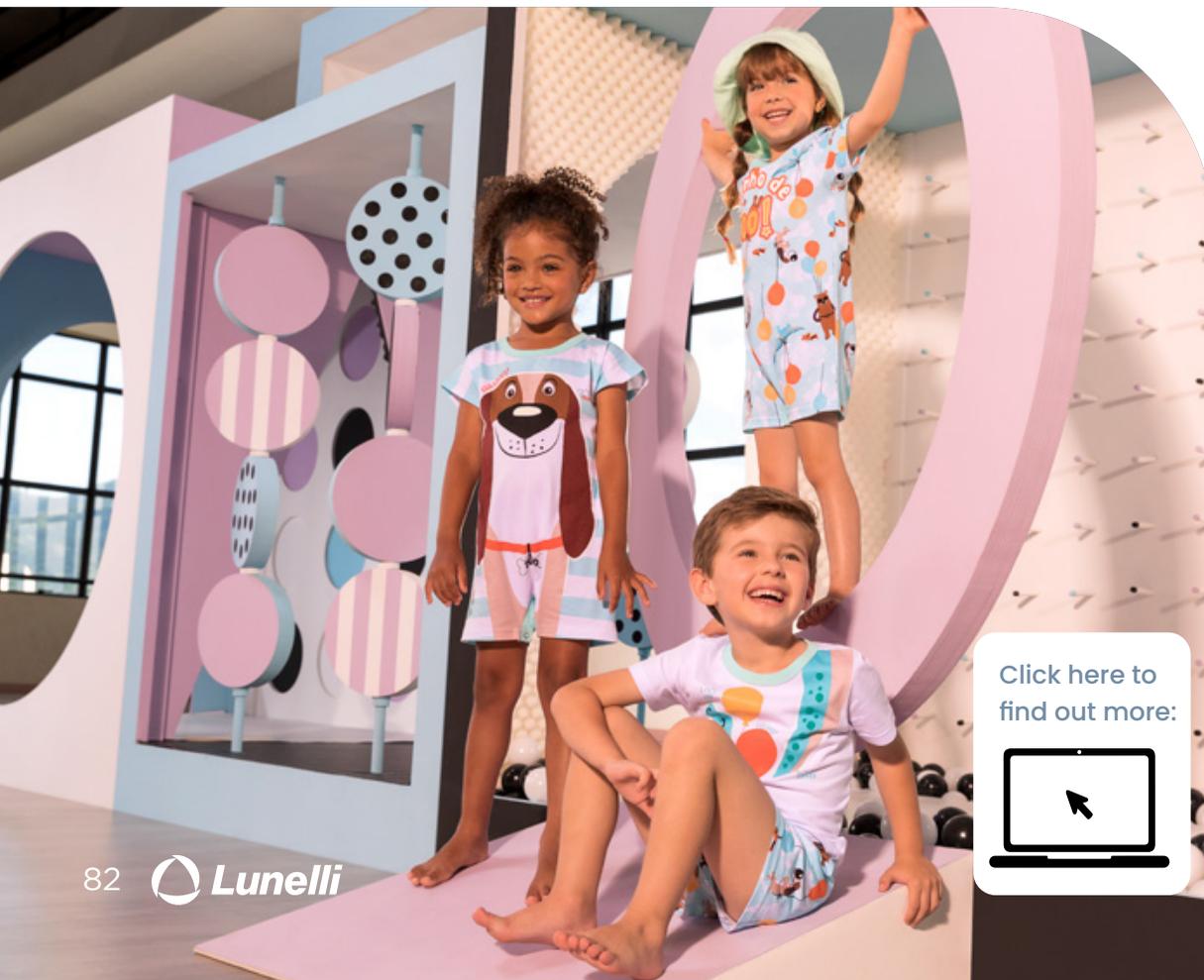


FASHION FOR ALL – ALAKAZOO

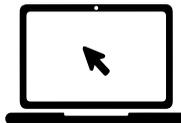
We are united by a universal language: a smile! Alakazoo launched the Moda para Todos (Fashion for all) movement through **inclusive pajamas that stimulate the senses** with applications and textures to promote motor and creative development for all children.

We created a children's book telling the story of Zoo, a wheelchair-bound little dog who discovers a magical place where everything is possible and different. This beautiful story is available in digital format and as an audiobook. You can access it with the QR CODE or via the link alakazoo.com.br/modaparatodos.

We also **donated 5,000 illustrated books in Braille** to institutions that support the cause of people with visual disabilities.



Click here to
find out more:



MODA EFICIENTE FASHION SHOW

**Lunelli supports movements
and initiatives that focus
on human beings and
communities in general.**

We were present at Moda Eficiente, a fashion show adapted for People with Disabilities (PwD).

The project, developed in collaboration with the Special Secretariat for Persons with Disabilities, involved apprentices from **Lunelli who crafted the clothes used in the event.**



A man with a beard, wearing a light grey t-shirt with a logo and dark pants, stands on a yellow metal structure. He is looking upwards and to the right. The background shows a green landscape with hills under a blue sky with light clouds.

We recognize our role in building a better world and are committed to finding solutions to enhance the production and innovation of products that reduce potential impacts on the environment.

GENERATION OF environmental value

Vanderlei de Almeida, Utilidades.
Beneficiation Unit - Corupá/SC

Responsible operations

(GRI 102-11)

Through our operations, we have the responsibility and opportunity to reduce negative environmental impacts and integrate improvements in machinery, processes, and technologies, consolidating a strategy focused on promoting smarter resource use cycles. **Lunelli's Environmental Management System (EMS) has a stronger focus on units with fabric and textile processing, such as dyeing and laundry, where the greatest environmental risks and impacts are concentrated.**

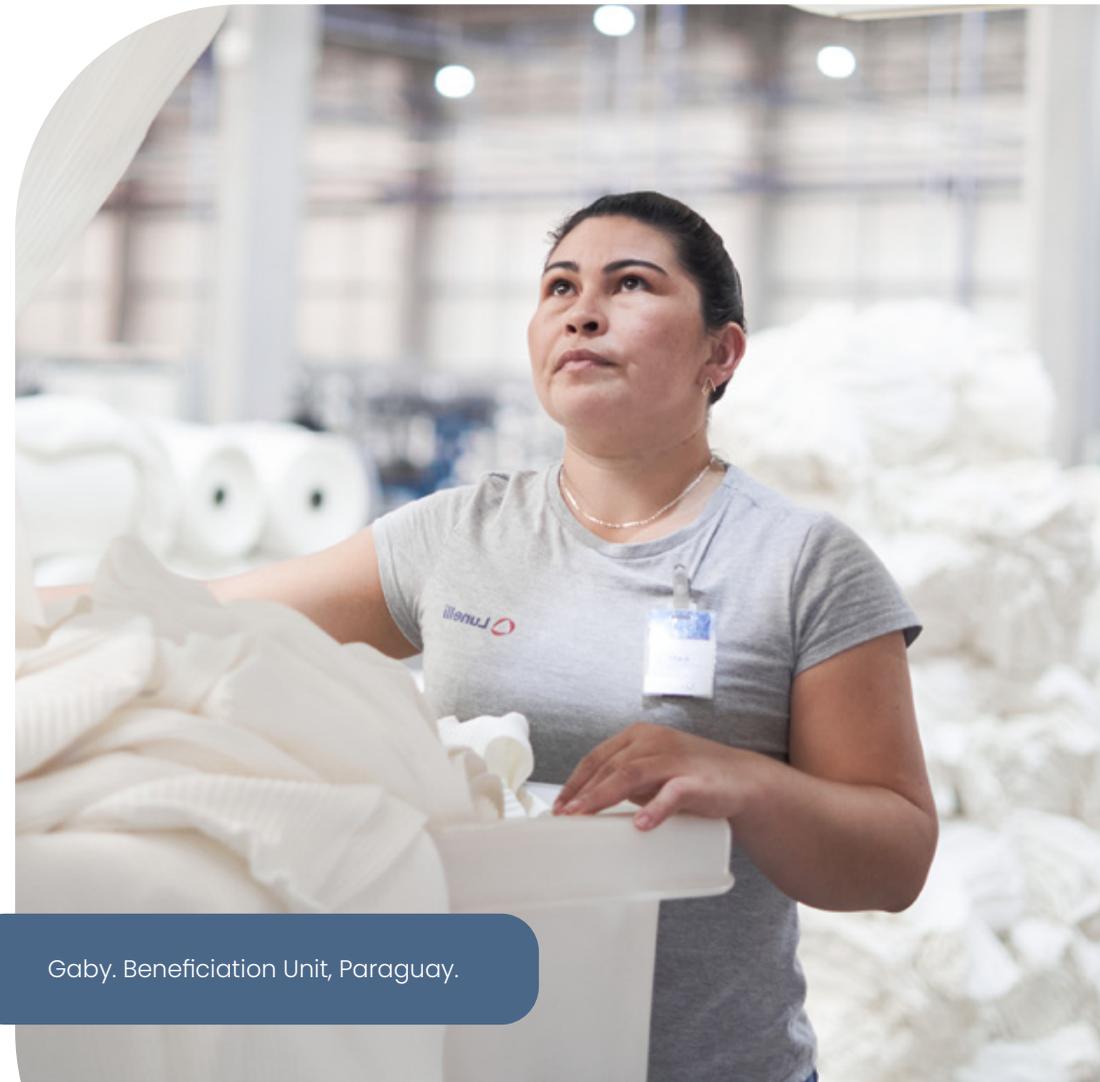
The system is guided by the Quality, Safety, and Environmental Policy and the Environmental Management Manual. Since 2006, the Processing unit has also been certified to the international ISO 14001 standard, another important guideline in the EMS.

Environmental indicators are monitored monthly, and based on this control, action plans for corrections and improvements are defined whenever necessary. We also engage in risk analysis and internal and external audits to enhance processes and ensure data reliability. In the other Lunelli units, we apply environmental controls for energy consumption, water usage, and waste generation.

Another area that supports Environmental Management is the Lean system, which aims to create an organizational culture focused on reducing waste and unnecessary expenses, maximizing resources. The Lean team consists of invited and cross-functional employees who act as project coordinators, forming temporary teams to implement projects in the production areas. **In 2022, we achieved a return of R\$1.9 million and implemented 20 projects.**



The company's main initiatives are related to the use of technologies to reduce water consumption, treating effluents in accordance with current regulations, saving energy, separating, reusing, and properly disposing of waste, as well as reducing waste. Throughout the year, we did not record any significant environmental irregularities or sanctions. In 2023, we will expand the monitoring of greenhouse gas emissions from our operations and assess a strategy for compensation. (GRI 307-1)



Gaby. Beneficiation Unit, Paraguay.

Materials

(GRI 301)

We monitor the volume of the main materials we consume in our clothing units with the purpose of supporting this perspective of waste reduction and better use of all resources. We are looking for solutions to expand our portfolio of recycled materials in the coming years, ensuring our quality with less environmental impact.

Material reuse, however, has been a major focus for Lunelli. In 2022, we sent 2,045 tons of textile waste for recycling. Some of these materials were recycled in the Moda Circular (Circular Fashion) program, where they are transformed back into threads and returned to the production process. An initiative that drives our movement towards a circular economy.

A similar process has been carried out at Lunelli for many years with plastic waste, which is collected by a partner company, processed, transformed into polyethylene, and reintegrated into the production of plastic packaging that protects Lunelli's fabric rolls. Likewise, we seek to reuse and consume recycled plastic coils and PVC tubes that support the fabric rolls.



Water

(GRI 303-1 | 303-3 | 303-5)

The water cycle in the textile industry is of utmost importance for sustainability in fashion. Here at Lunelli, we control and manage the collection, use in the process, and disposal of generated effluent, always seeking to reduce consumption and improve eco-efficiency.

The finishing, dyeing, and printing processes are the largest water consumers within our production cycle. **Therefore, we adopt a special focus on reducing consumption in these processes.**

In the Finishing unit, the main source of water collection is the Ribeirão Grande do Norte. **In 2022, we recorded a consumption of 86.7 liters per kilogram of fabric produced. In other units, water is used for domestic purposes, such as in bathrooms and restaurants.** (GRI 303-4)

The consumption of supply and collection water (megaliters) (GRI 303-3)

	2020	2021	2022
Supply and collection water - Garment Business	20,10	21,30	43,86*
Supply and collection water - Fabrics and Textiles Business	772,90	944,50	1.244,84

*Water consumption considering well water collection, not included in previous years' monitoring.

Total water collection by source (megaliters)

	2022
Supply - Garment Business	43,86
Total consumption of water from concessionaires	20,54
Total water collection	0,00
Total well water consumption	14,98
Supply - Fabrics and Textiles Business	1.244,84
Total consumption of water from concessionaires (liters)	11,66
Total water collection	1.233,17
Total well water consumption	0,00

Taking care of water means taking care of the future. That's why we invest in our processes with more productive and eco-efficient cycles. **We are the largest Digital Printing company in Brazil, with 8.7 million meters of digitally printed fabrics, a process with a lower environmental impact, reducing water usage by 15% compared to rotary printing.**



Efluentes

(GRI 303-2 | 303-4)

In the Beneficiation unit, we have implemented a biological and physicochemical treatment system for 100% of the effluents generated at the plant, complying with all current standards and regulations. The system has a treatment capacity of 200 m³ of effluents per hour.

In 2022, we recorded effluent generation of 72.4 liters of effluent per kilogram of produced fabric, reflecting the increased water intake due to production increases.

In the Textile Beneficiation units in Brazil and Paraguay, the WWTP (Wastewater Treatment Plant) infrastructure is fully implemented, with daily monitoring of the disposal of generated effluents. In addition to adhering to quality standards and local regulations in the disposal process, we have adopted the practice of water capture for use in the process after the effluent discharge, reducing the environmental impact on the water body.

Effluent generation (megaliters) (GRI 303-4)

	2020	2021	2022
Effluents - Garment Business	1,23	1,74	2,55
Effluents - Knitwear and Fabrics Business	746,78	925,88	1.039,98



Waste



(GRI 306-1 | 306-2)

We have evolved our waste management through the Solid Waste Management Plan (PGRS) for 100% of our units, ensuring the proper separation and disposal of all the waste we generate. In 2022, we reduced the total waste generation for all units by 3% and increased the amount of waste sent for recycling by 5%.

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

	2020	2021	2022	
NON-hazardous waste	TOTAL NON-HAZARDOUS WASTE	6.838,70	9.358,59	9.138,65
	Recycling* - Knitwear and Fabrics Business	992,85	1.129,52	1.172,84
	Recycling* - Clothing Business	1287,88	1764,972	1.104,04
	TOTAL SENT TO RECYCLING	2.280,73	2.894,50	3.026,83
	Industrial Landfill** - Knitwear and Fabrics Business	2.761,20	3.582,84	2.706,50
	Industrial Landfill** - Clothing Business	315,72	340,56	627,95
	TOTAL SENT TO LANDFILL	3.076,92	3.923,40	3.334,45
	TOTAL SENT TO OTHER DESTINATIONS (COPROCESSING, HEAT TREATMENT, INCINERATION)	1.481,06	2.540,69	2.777,37
Hazardous Waste	TOTAL HAZARDOUS WASTE	236,88	363,61	333,19
	Industrial Landfill** - Knitwear and Fabrics Business	134,41	241,04	280,89
	Industrial Landfill** - Clothing Business	36,49	60,60	37,25
	TOTAL SENT TO LANDFILL	170,90	301,64	318,14
	TOTAL SENT TO OTHER DESTINATIONS (COPROCESSING, HEAT TREATMENT, INCINERATION)	65,98	61,97	15,05
TOTAL WASTE GENERATED*** (tons)		7.075,58	9.722,20	9.471,84

*Recycled materials mainly consist of textile waste, plastics, and paper/cardboard.

**Waste such as sludge, ashes, organics, and contaminated materials are sent to an industrial landfill.

***The total waste generated includes both non-hazardous and hazardous waste, in addition to the breakdown presented as Recycling and Industrial Landfill, which may involve coprocessing, incineration, and thermal treatment.

All waste is sent for final disposal outside of Lunelli facilities.

Recognizing our responsibility for the packaging used to protect and ship products to consumers, which often end up being discarded, we have maintained a partnership to offset these waste materials. Through this model, we promote investment in cooperatives to enhance recycling processes.

In 2022, we expanded our focus on the circular economy of clothing by offering collection and drop-off points for consumers in some of our stores. We partnered with TROC, a company of the Arezzo & CO Group, which works to redefine the culture of consumption and create a positive impact by promoting Circular Fashion. This initiative encourages the buying and selling of used clothing and accessories in excellent condition. With intelligent and responsible curation, the platform specializes in high-quality secondhand items from premium and luxury fashion brands. The partnership was established with our own Lez a Lez brand stores, aiming to ensure a smart post-consumer disposal of items with the least environmental impact.

TROC





Energy

Lunelli's energy matrix is primarily composed of electricity acquired from the open market, natural gas used in machinery, and wood chips from reforested sources for the boilers. Additionally, we have a solar energy capture initiative at the unit that houses our import structure. In 2022, the average generation percentage was 23% of the total consumption for this unit.

The highest energy consumption is concentrated in the Processing Unit, so we strive to optimize processes with a greater focus on this facility. Heat exchangers are crucial systems for enhancing the energy efficiency of the production process. This initiative promotes the reuse of effluents that exit the dyeing processes as a heat source for the water entering the same process, using heat exchangers. This process reduces the demand for other fuels that would be necessary for heating the water used.

In recent years, we have enhanced the efficiency and productivity of the ram machine, which is used for finishing processes and drying of fabric. In the Processing Unit, there are 9 machines responsible for approximately 40% of the electricity consumption and 90% of the natural gas consumption in the unit.

Energy consumption (GRI 302-1)

Knitwear and Fabrics Business

	2020	2021	2022
Electric energy (kW.h)	15.420.135	18.467.127	25.054.025*
wood chip (m³)	57.377,00	74.691,00	88.348,30
Kilograms of wood chips taking density into account 0,350 (kg/m³)	20.081,95	26.141,85	30.921,80
Natural gas (Nm³)	4.229.626,00	5.077.445,00	4.655.910,00

Clothing business

	2020	2021	2022
Purchased electrical energy (kWh)	7.070.047	8.306.979	6.190.336*
Fossil fuels - diesel oil (liters)	20.150	25.000	26.000
Natural Gas (m³)	61.366	90.994	80.496

To improve efficiency in lighting, we changed from 400W metal vapor and sodium vapor lamps to LED lamps in 03 units. The energy consumption and heat generation of the bulbs were higher compared to the LED bulbs which, besides ensuring better lighting, also reduced the total consumption of electricity.



NATURAL LIGHTING

To reduce electricity consumption, we rely on a natural lighting system with translucent roofing. There are a total of 94 skylights installed, covering a combined area of 286.23 square meters of natural lighting. This provides approximately 3,594 Lux or the equivalent of 1,061.04 Watts.

Conscious fashion

We have adopted environmentally friendly practices for our products through partnerships and positive initiatives to minimize our environmental impact.



RECYCLED COTTON | Minimal Impact from Start to Finish

An important initiative that solidifies our commitment to increasingly sustainable business practices is the Circular Fashion movement with products made from recycled textile fibers.

The production of these items begins with the collection of textile waste, which is carried out by a specialized partner company. They separate the material by color and apply defibering and carding processes. The result is a fiber ready for spinning. The material is then reintegrated into the production process, including weaving, laundering, cutting, patternmaking, and assembly. In the laundering phase, we implement technologies that ensure up to an 80% reduction in water consumption compared to conventional methods.

In 2022, more than 2,045 tons of textile waste were sent to a partner that carries out the defibration process, encouraging the circular economy.

The brands that are part of this movement include Lezalez, Lunender, Hangar 33, and Alakazoo. They incorporate pieces in their collections made with 69% recycled cotton in the composition.

RESPONSIBLE COTTON | Minimal Impact from Start to Finish

The BCI (Better Cotton Initiative) is a non-profit organization dedicated to making global cotton production better for those who produce it, the environment in which it's grown, and the future of the industry. Driven by the mission to improve people's lives through opportunities, products, and services, Lunelli has joined BCI and the Brazilian "Sou de Algodão" (I Am Cotton) movement to produce increasingly sustainable pieces that align with the company's values.



COLORED COTTON | Minimal Impact from the Source

The Natural Colors Cotton fabric is made from cotton yarns that are grown naturally colored. When mixed with raw fibers, they create various shades of earthy tones. This cultivation method reduces the use of dyes and chemicals in the dyeing process, which are no longer applied.

COLORS COLLECTION | Eco-efficiency

The t-shirts in the Colors line undergo a dyeing process in the laundry, based on the customer's order. In other words, the t-shirts are manufactured in their natural state and receive the colors specified in the order. This helps us avoid potential surpluses and reduces the consumption of dyes, salts, acids, and auxiliaries commonly used in the dyeing process, contributing to ecological sustainability throughout the textile chain.



ECODENIM | Reducing Water Consumption

In the traditional finishing process for a pair of jeans in the laundry stage, 25 liters of water were used. Nowadays, with the adoption of innovative technologies, only 250 ml, equivalent to one glass of water, is required, resulting in a reduction of up to 99% in water consumption. Additionally, we use ozone, biodegradable products, biopolishing, and recycle the water involved in this process.

We also utilize laser technology to create the “worn” effects on the denim, replacing traditional water-intensive laundry processes and producing garments with cleaner techniques that are free from chemical products.



ECOVERO | More Sustainable Viscose Fiber

We are the first company in Brazil to use LENZING™ ECOVERO™ viscose fiber, which is developed following strict environmental standards to ensure responsible production. The wood and cellulose used are from sustainably managed and certified forests, and water consumption is 50% lower compared to conventional viscose production.

Through a QR code, it is possible to monitor the entire journey of the fiber, from production to its destination, certifying that all stages align with Lenzing’s sustainability standards.

BIODEGRADABLE BAGS | Packaging with Minimal Impact

At Lez a Lez, we have adopted packaging developed from the chemical reaction of polyvinyl alcohol and plant starch. This material is sturdy for storing and protecting the product, ensuring minimal impact in post-consumer use: it dissolves in hot water or can be applied in composting processes. With a smaller environmental footprint, 1 kg of this material captures the emission of 2 to 6 kg of CO² when used as raw material.



Ø ZDHC

ZDHC (Zero Discharge of Hazardous Chemicals) | Fewer Hazardous Chemicals

In 2019, we implemented the ZDHC (Zero Discharge of Hazardous Chemicals) program. This initiative aims to eliminate the use of hazardous chemicals in the textile industry, particularly in processes like dyeing, finishing, and printing. We made several adjustments, such as substituting products with alternatives that do not contain substances listed in the ZDHC program during the Finishing stage. By the end of 2022, we achieved 53.5% of chemical products complying with the ZDHC guidelines, surpassing our target of 40% compliance. In 2023, we will continue the program and work on further compliance with our suppliers and partners.



SUPPORTING BRAZILIAN FASHION

Lunelli does everything with passion, from its creations to supporting emerging talents. Through sponsorships and support for new designers involved in projects and events like São Paulo Fashion Week and London Fashion Week, Lunelli helps to connect them to the fashion market.



CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM | Certified Process

Lunelli has been certified since 2006 under the NBR ISO 14001:2015 standard by the international certifier BRTÜV. The Environmental Management System plays a vital role in promoting positive environmental impacts and, consequently, reducing and mitigating the negative environmental impacts of the production process.

DENIM CITY SUPPORT | Impactful Partnerships

Lunelli is a partner of DENIM CITY, which aims to connect various points in the denim production chain and create a hub for innovation, sustainability, and technology initiatives. This space, located in the Brás district of São Paulo, brings together showrooms, an auditorium, co-working spaces, three restaurants, and a concept store.





TO READ AND UNDERSTAND

The report

Report

This is the fourth Annual Sustainability Report from Lunelli, an important document for communication with our stakeholders and a reinforcement of our commitment to transparency and how we report our results. This is the second edition integrating the GRI Standards, specifically the “Essential” option, which is recognized globally and assists companies in choosing and defining the scope of the information presented (GRI 102-54).

This report covers the major achievements, results, and future perspectives related to the priority topics defined in the company’s Materiality Matrix, as well as relevant information about the company’s history, management model, business, and financial performance. Please note that this information has not been subject to external independent verification. **The report includes data from all Lunelli operations and units from January 1, 2022, to December 31, 2022 (GRI 102-45 | 102-46 | 102-50 | 102-56).**

Our reports are published annually, with the previous edition released in 2022. They are publicly accessible on our website at www.lunelli.com.br under the “Sustainability” menu (GRI 102-51 | 102-52).

If you have feedback, questions, or suggestions regarding this report, please don’t hesitate to contact us through the contact area on our website or via email at sustentabilidade@lunelli.com.br (GRI 102-53).

You can also access other Lunelli reports by [Click here](#)



Gri Summary

(GRI 102-55)

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General Coordination and Editing
Lunelli – Corporate Governance, Sustainability,
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