



ANNUAL SUSTAINABILITY
REPORT
2021



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Welcome to Alpa's Annual Sustainability Report!

GRI 102-53, 102-54

Here we present our leading achievements, challenges and results for 2021. For the first time we are publicly adopting the international standards of the Global Reporting Initiative (GRI). This has been done to reinforce our ESG agenda in a robust and transparent way, aligned with best market practices.

Any suggestions and questions regarding this document can be sent to sustainability@alpargatas.com.

We hope you enjoy the report.

Message from Beto

GRI 102-14

Flying high and flying far

Alpa celebrated its 115th anniversary this year. As a company, we've have always been ahead of our time. Our strength derives from a culture rooted in people, our capacity to quickly adapt to social and economic development and our ability to innovate at scale.

On 2021 we consolidated our strategy of being a global, digital, innovative and sustainable powerhouse of desired and hyperconnected brands. Focused on capturing the entire potential of our people and brands conducive to our strategic pillars, we continue growing and attracting investors with a proposition that prioritizes higher margins and higher global volumes.

The safety of people remained a top priority for Alpargatas in another year blighted by Covid-19. We directly supported communities close to our operating facilities and adopted

► 2021 saw us consolidate our strategy of being a global, digital, innovative and sustainable powerhouse of desired and hyperconnected brands

strict health measures that kept our more than 15,000 employees worldwide safe, allowing us to continue production and growth, despite such a challenging reality.

We accomplished important milestones in our strategy of expanding our global footprint and digitizing and diversifying products.

We unveiled a new innovation center in Campina Grande, a R\$ 20 million investment, and today have an 80-strong research and development practice. This investment will enable us to further adopt new materials and increasingly efficient processes, amongst other benefits.



Innovation and investment also enable us to expand our product portfolio, to beyond Havaianas flip-flop sandals. In September we launched TNS Havaianas, a casual sneaker with certain models made from natural fibers. In open footwear, we expanded our range of sandals, launching new models of slide sandals.

Havaianas has grown its flip-flop market share by 10 percentage points in the last three years, selling nearly 230 million pairs in 2021 in Brazil. The brand is becoming highly popular amongst young people, thanks to its growing reputation for comfort and style. Havaianas international sales accounted for 32% of the brand's revenue in 2021; we sold more than 31 million pairs in global markets, a number which is growing every year.

We acquired loasys to drive our digital transformation, a start-up specializing in the creation of digital solutions and developing applications. The acquisition brought in 350 specialists in technology, user experience and design for Alpa. Thanks to loasys, we now boast more than 20 digital transformation initiatives in progress.

We completed our withdrawal from non-priority businesses and set in motion the process of purchasing a 49.9% interest in Rothy's, a US digital native footwear brand that combines style,

innovation and sustainability and is completely aligned with our strategic pillars. This acquisition process was completed in early 2022.

We also made meaningful progress in ESG in 2021, mainly by structuring our Reputation and Sustainability and Reputation Department and implementing our Sustainability Comission. We reaffirmed our commitment to the United Nations (UN) Global Compact, defined our priorities, and in conjunction with our Committee evaluated the progress made and paths forward for the various initiatives currently being implemented by the company.

Our Annual Report also presents our corporate sustainability strategy that aims to guide and challenge us over the coming years aiming the reduction of the negative impacts caused by our operations and the increase of our positive impacts, through initiatives related to the circular economy, diversity and inclusion, and increasingly responsible value chains and operations.

Our plants are betting on technology to boost our productivity and cut waste. We changed our product packaging, reducing paper consumption by 2,700 metric tons and taking up less truck space, which began making fewer journeys, directly driving down greenhouse gas emissions.

We retained our close ties to society through Instituto Alpargatas and our brand Havaianas. AI enabled us to take first-class education, professional training and entrepreneurial incentives to people in our operating facilities. The Education through Sport and Education through Culture Programs helped enhance public education in 13 Brazilian municipalities. We believe that education leads to inclusion. One of Havaianas' leading initiatives was the 2.4 million Reais funding for the NGO All Out, a result of the partnership with the Pride Line. The sums were invested in more than 20 protection campaigns for LGBTI+ in 15 countries.

In 2022, Alpargatas is celebrating 115 years as a modern day company, with solid fundamentals and a unique ecosystem. Needless to say, only companies playing a meaningful role in society and having a real connection to their aspirations can boast such an achievement. The Company evokes feelings of pride and responsibility in us. We are now working to build the next 115 years of Alpa and preparing the company for a progressively innovative, digital connected and sustainable future.

Roberto Funari, CEO

What you will find in this report

GRI 102-40, 102-42, 102-43, 102-54

In line with the principles of creating shared value, we believe that to achieve enduring sustainability, our business must serve the interests of multiple stakeholders, as well as its shareholders. This means also creating value for society and the environment. This Annual Sustainability Report has therefore been structured to demonstrate how we create value for each of our stakeholders, in line with the Standards of the Global Reporting Initiative (GRI) - Core option. The contents and guidelines presented cover topics that are material to Alpargatas as identified through a materiality assessment conducted in 2019. This process will be revised.

This process included in-person consultation sessions with 184 stakeholders in São Paulo, Rio de Janeiro, Campina Grande (PB), Carpina (PE),

Montes Claros (MG) and Santa Rita (PB), and interviews with factory managers and Board members, in addition to an online survey with the general public. Internally, we interviewed a number of key executives and decision-makers within the Group.

The material topics listed below are, from the perspective of our stakeholders, the major topics reflecting our most significant economic, environmental and social impacts. Based on these topics, we selected the GRI disclosures we would report, which we then tracked and addressed in depth. These disclosures are germane to the operations of Alpargatas Corporate and Havaianas, but not the sales (Osklen) and acquisitions (Iosays and Rothy's) that occurred in 2021. [GRI 102-45](#)

We believe that our business should meet the interests of our multiple stakeholders

Material topics and their boundaries

GRI 102-44, 102-46, 102-47, 103-1

MATERIAL TOPICS	Where the impacts occur	Pages where you will find information about the topic
Waste (products and processes)	● Offsite	55
Sustainable production	● Onsite	35, 55
Climate change	● Onsite and offsite	55
Governance & Transparency	● Onsite	7, 13, 35
Diversity & inclusion	● Onsite	24
Biodiversity	● Offsite	55
Sustainable value chains	● Onsite	43



Offsite



Onsite



Onsite and offsite

Material topics and their boundaries

GRI 102-44, 102-46, 102-47, 103-1



Where the topic's impacts occur - outside or within the company



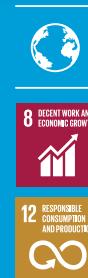
Sustainable production

We continually seek to develop increasingly sustainable products that can address critical topics over the value chain. This applies from the selection of materials in the supply chain and distribution and efficiency in our industrial manufacturing processes, including communications and transparency for consumers and accountability for the end-of-life treatment of the products we place on the market.



Climate change

We are committed to measurements over the value chain and reducing greenhouse gas (GHG) emissions in absolute and relative terms, with a view to mitigating our direct and indirect impact on the environment and consequently the climate crisis.



Sustainable value chains

We believe that reinforcing the production chain must include social environmental matters essential to responsible production, always respecting the individual potential and specificities of the various chains of the process and the commitment to joint development.



Governance and transparency

In order to guarantee the company's repute and managerial solidity, we endeavor to work with the highest standards of corporate governance and to report consistent information regarding environmental, social and governance matters to all parties concerned, underpinned by the best transparency and accountability practices.



Waste (products and processes)

In line with circular economy principles, we continually strive to reduce waste generation along our production process and post consumption, redesigning processes, investing in infrastructure and innovation, arranging and developing partnerships and raising stakeholder awareness.



Biodiversity

Aware of the responsibility shared over the value chain, we strive to increasingly foster alternatives favorable to protecting Brazilian biodiversity, especially by organizing with suppliers. We expect to reinforce this journey by fully complying with legislation and following environmental standards for accrediting suppliers, mapping raw materials with a small environmental impact that can be reintroduced into the chain, as well as structured initiatives for correctly disposing of produce post consumption.



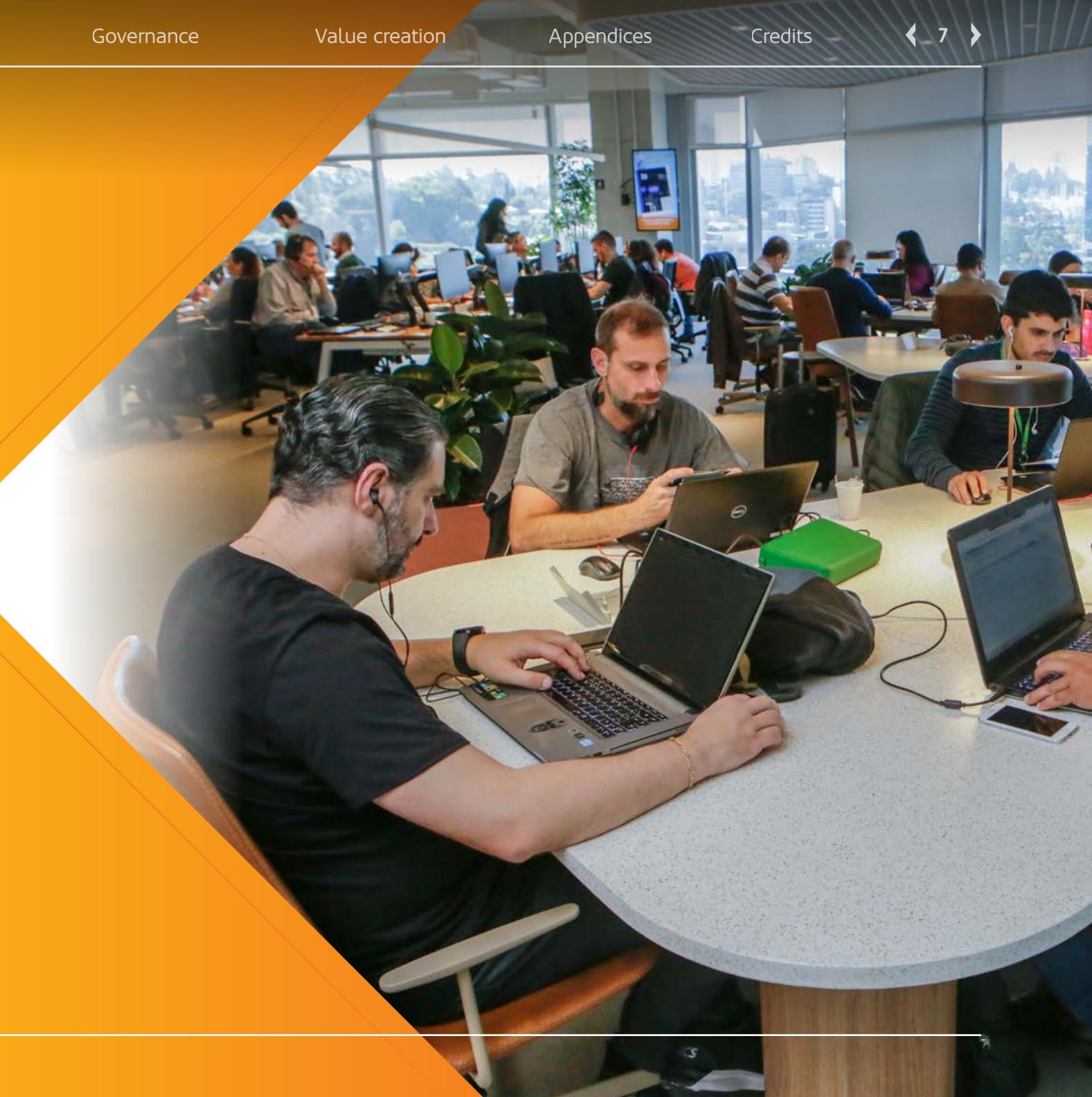
Diversity and inclusion

We bolster our organizational culture to be recognized as the best place to work at while simultaneously catalyzing changes in our ecosystem. As a company boasting conversant brands with a major presence both in Brazil and overseas, our production processes and products and services attempt to convey the importance of cultivating a diverse and inclusive society for all people.

#WeAre Alpa

► MATERIAL TOPIC:

Governance & Transparency



Our journey

We are a century-year-old company that is proud of its trajectory and brands. We were born in Brazil and conquered the world with the talent of our people and the strength of our culture. We built our history together with the courage to innovate and care for the future. [GRI 102-1, 102-2](#)

We began life on April 03, 1907 when the company Sociedade Anonyma Fábrica Brazileira de Alpargatas e Calçados was founded by Scotsman Robert Fraser, who entered an association with an English group. The factory in the São Paulo district of Mooca began producing Alpargatas Roda affordable shoes and truck tarpaulins. The alpargatas were ideally suited for working in coffee plantations and were a huge success.

We became a major producer of affordable and popular footwear in Brazil, such as the Conga and Bamba Basquete sneakers in the 1950s, the Sete Léguas Trator rubber boots and Havaianas in the 1960s. In the 1980s, the Havaiana was such an essential part of everyday life in Brazil that it was considered to be a staple household item. A marketing campaign expanding into other colors and models led to Havaianas being considered a fashion item in the early 2000s.

Alpargatas' share control has been owned by the group consisting of ITAÚSA S.A., Cambuhy* Alpa Holding Ltda and Alpa Fundo de Investimentos em Ações since September 2017, which jointly hold upwards of 50% of the total capital. To find out more about Alpargatas' Ownership Structure, please [click here](#).

We formed a publicly traded corporation with shares listed on the B3 Level 1 Corporate Governance special segment of B3 S.A. since 1913, one of the oldest listed companies in Brazil. [GRI 102-5](#)

Following the arrival of a new executive board, in 2019 we launched a new strategic business vision and made a huge push to make the Havaianas brand a global phenomenon. Alpargatas S.A. owns the Havaianas brand, 100% of the tech start-up loasys and 49.9% of US firm Rothy's. [GRI 102-10](#)

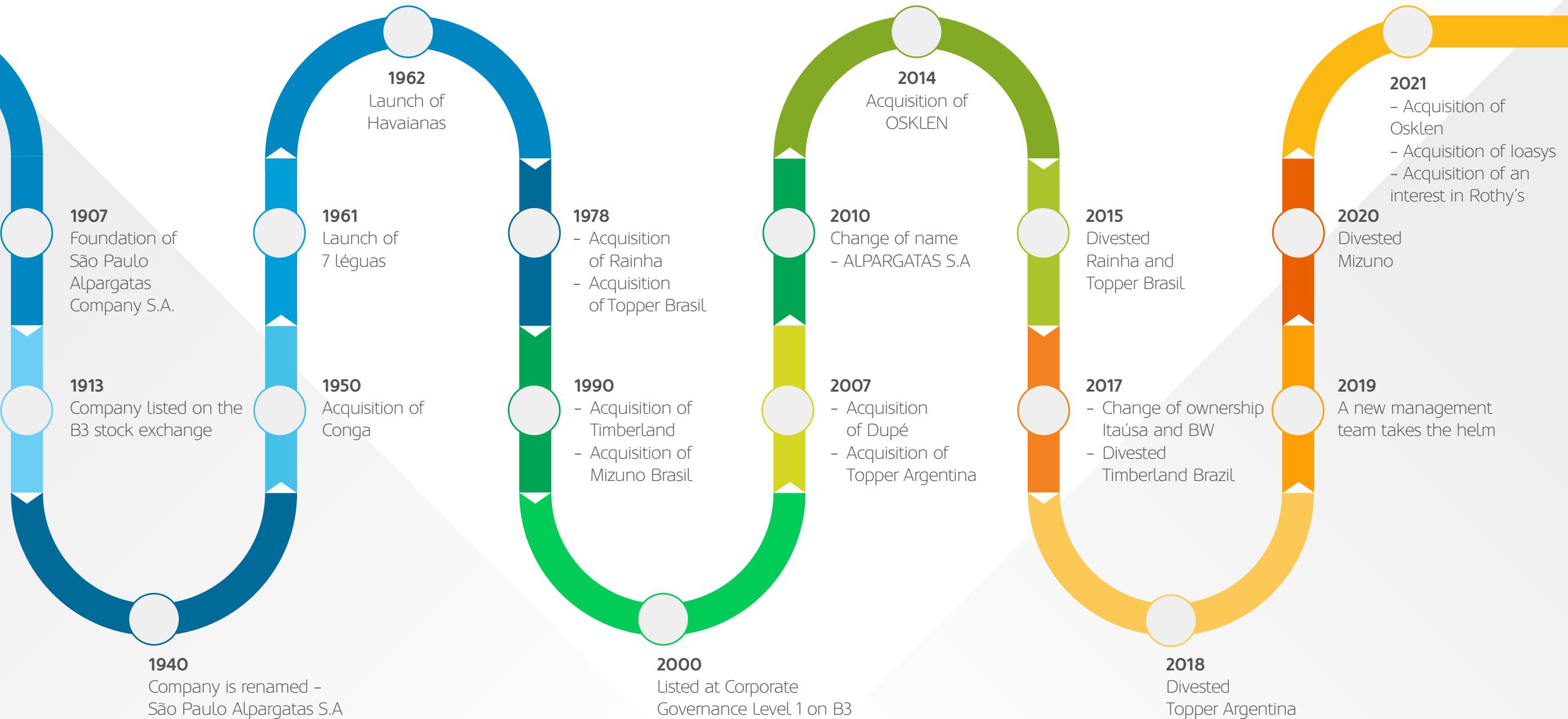
We have had to completely reinvent ourselves on multiple occasions. We stood firm in the face of the Spanish flu, world wars and economic crises. Our strength derives from the talent and ownership mindset of our people, who once again performed miracles during the Covid-19 pandemic.

We adapted, protected our staff and supported society and our communities, and nonetheless managed to achieve growth.

*Note: Owned by BW, our controlling shareholder at Itaúsa.



Our journey



Our brands

havaianas®

Adored worldwide, the open footwear leader epitomizes freedom. Havaianas is today found in around 350 thousand points of sale around Brazil, exports to more than 130 countries, has direct operations in more than 20 countries and offers products that go way beyond classic sandals. (See new product launches in 2021 on page 38)

Our footwear is restyled and different colors are used every year, but stays faithful to the essence of when it was created, in 1962.



ROTHY'S

Rothy's is a native digital brand of sustainable footwear and accessories based in San Francisco, California. Hyper-connected with the lifestyle and the purpose of users, the brand combines a sustainable and innovative look. It has transformed more than 100 million plastic bottles into modern-looking comfortable footwear, that is machine washable. It is also disrupting sustainable technologies, with a vertically integrated supply chain, being made of recyclable materials such as fabric produced from plastic bottles, and uses 3D technology to

avoid waste in the manufacturing process, whilst always concerned about the circular economy.

With more than 2 million customers, in 2021 Rothy's products were sold directly online and at eight retail stores, in São Francisco (Bay Area), Boston, Chicago, Los Angeles (two stores), New York (two stores) and Washington. It also has offices in New York and a factory in Shanghai, China, with massive internationalization potential.



ioasys

ioasys is a Brazilian tech innovation firm specializing in the creation and development of applications and other digital products. Founded in 2012, its customers include Basf, Latam, Pfizer and Burger King.

Acquired in 2021 by Alpargatas, ioasys continues to serve its existing clients and is pursuing growth. It has a team exclusively dedicated to Alpargatas.



ioasys was certified as one of the best places to work by Great Place to Work (GPTW) and in 2020 it boasted an employee satisfaction score of 91% – above the GPTW's national average.

Global footprint*

GRI 102-3, 102-4, 102-6, 102-7

-  Present in roughly **130 countries**
-  **Headquartered in São Paulo**
-  **4 plants in Brazil***
-  **1 distribution center in Extrema**
-  **Offices**
- 1 office in the USA**
- 1 office in Colombia**
- 6 offices in Europe**
- 1 office in Hong Kong**
- 1 office in Shanghai**



* In addition to two satellite operations in Alagoa Nova and Mogeiro, managed by Campina Grande and Santa Rita.

* This Annual Report's GRI content scope does not include the operations of Osklen, Iosys and Rothy's as they have been recently acquired or divested. [GRI 102-45](#)

KEY

-  OFFICES & FACILITIES
-  ALPARGATAS HEADQUARTERS
-  COUNTRIES IN WHICH ALPARGATAS OPERATES

Rothy's

-  Headquartered in São Francisco (California)
-  1 office in New York
-  1 office in Shanghai
-  Factory in Dongguan (China)
-  Proprietary stores in the USA
-  On-line sales in the USA and Canada

Iosys

-  Offices in Belo Horizonte and Lavras (MG) and São Paulo (SP)

ALPA

GRI 102-16

Vision

To be a global, digital, innovative and sustainable powerhouse of desired and hyperconnected brands.

Principles of Culture

INSPIRED BY PEOPLE

We place the consumer at the center of everything we do and believe in. We anticipate their desires, creating unforgettable trends and experiences with our brands.

FACE THE IMPOSSIBLE

We have the courage to innovate and take risks without the fear of mistakes. We combine analysis and creativity. We make simple, fast decisions and strive for continuous learning.

WE MAKE THINGS HAPPEN

We achieve outstanding and sustainable results by acting as protagonists. We recognize our people and the value of collaboration and meritocracy.

OWNER'S HEARTH

We are a team of passionate people, brand ambassadors that stand up for our company, tackle challenges with resilience and always lead by example

GROW TOGETHER

We work together in a simple and straightforward way. We focus on results while honoring the individuality that enriches inclusion and diversity. We promote continuous learning and cultivate the right place for your personal growth.

TAKING CARE OF THE FUTURE

We act now with our eyes on the future by building sustainable businesses that generate positive social, environmental and economic impact. We value transparency, ethics and integrity.



Governance

► MATERIAL TOPIC:

Governance & Transparency

Governance Structure

Belonging to the group of B3 Level 1 Corporate Governance companies, Alpargatas seeks to continuously enhance its governance practices, spearheaded by its **Board of Directors** and Executive Board, with the permanent support of the Audit Committee.

Our Executive Board is tasked with running our businesses, and is comprised of a CEO and ten vice presidents, four of whom are statutory and therefore chosen by the Board of Directors, with a term of one year after which they may seek re-election. [GRI 102-8](#)

The Board of Directors is made up of eight members, five of whom are elected to the controlling block, one represents noncontrolling shareholders and two are independent. All have broad global business experience, in particular in the consumer and financial industries as well as numerous areas of business, which gives

us a solid base for making decisions. They are responsible for setting the long-term strategy and for selecting members of the Executive Board. They also decide on matters relevant to company business and operations.

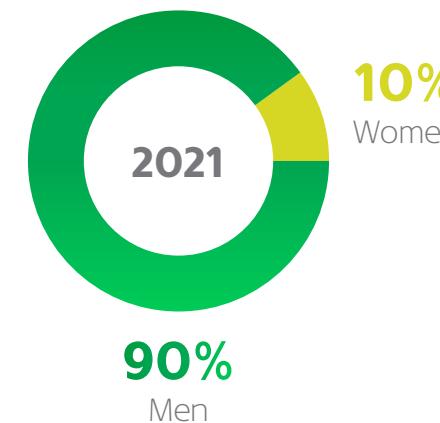
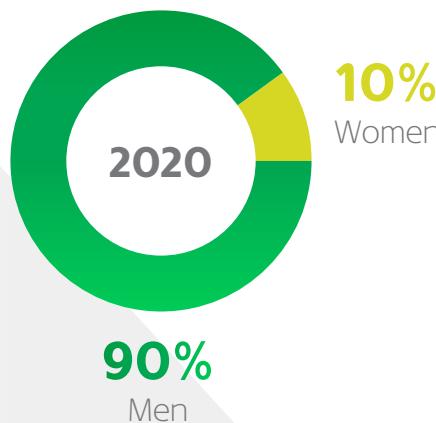
The Finances Committee, Strategy Committee and People Committee have technical duties and report directly to the Company's Board of Directors, in a permanent and nonstatutory advisory role. [GRI 102-22](#)

Our Sustainability Committee was created in 2021 with its own regulations. With eight members, it comprises leaders from key departments of Alpargatas and answers directly to the CEO. A new independent member joined in 2022. The Committee is responsible for the Sustainability Strategy connected to the company's strategic growth pillars.

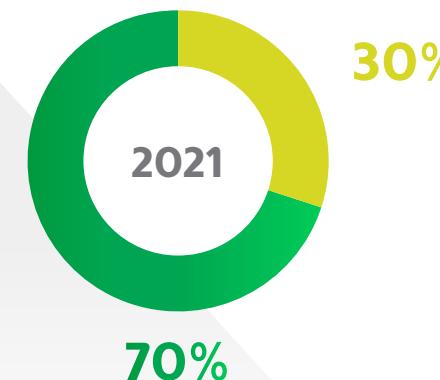
Alpargatas' Ethics Committee is responsible for managing ethics and integrity at the company and has its own internal regulations, the Policy of the Ethics and Compliance Committee.



Individuals within the organization's governance bodies, by gender* (%) GRI 405-1



Individuals within the organization's governance bodies, by age group (%) GRI 405-1

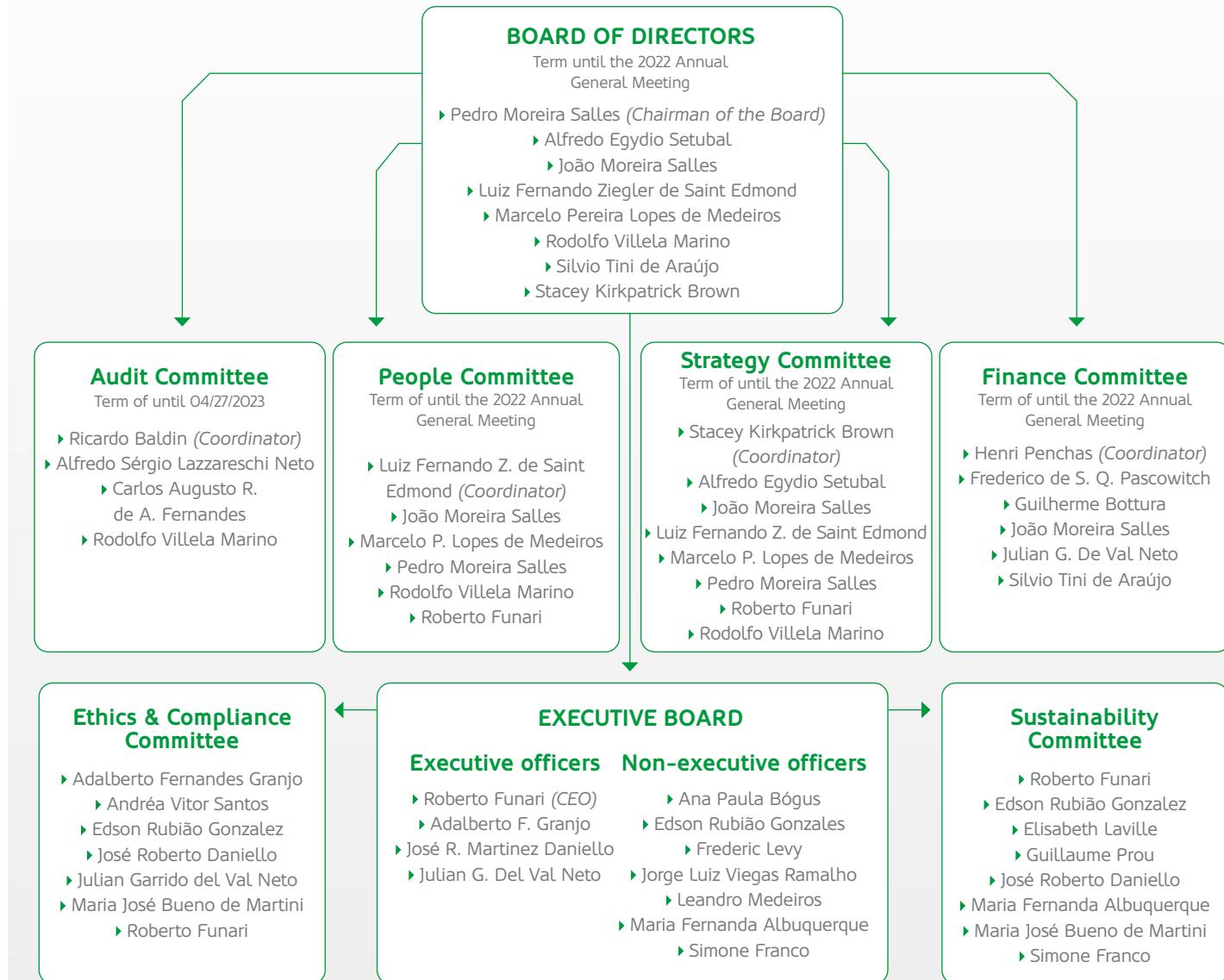


● 30 to 50

● Over 50

*The Board of Directors was considered to be a governance body

Organizational Structure GRI 102-18



[Click here](#) and learn more about our directors



Risk management

GRI 102-11

Our Internal Control practice is dedicated to managing and controlling Alpargatas' risks, based on the model of the Institute of Internal Auditors (IIA), which identifies the structures and processes that help us achieve strategic goals and facilitate the governance and management of risks detected. Our Risk management policy sets out the criteria for identifying, analyzing, treating and monitoring risk.

Alpargatas' Corporate Risk Matrix classifies strategic, operational, financial and regulatory risks in terms of their probability, impact and degree (high, medium or low) of exposure for the company. The level of appetite for each risk is determined by the Board of Directors.

The process is monitored quarterly, and the efficacy of the internal controls for treating the risks is also discussed. There are individual targets for each one.

- ▶ **Alpargatas has a risk matrix classified according to nature, probability, impact and company exposure in the event they materialize**

Compliance and ethics

GRI 103-2, 103-3 | 419

Alpa Compliance is tasked with maintaining the **Company's Code of Ethics, Compliance Helpline** and **Supplier Policy**. This practice also provides various types of training to employees around these matters.

Our Code of Conduct and Ethics sets out our "way of doing business". It is a source of inspiration for all the actions of our employees and underpins the way they should relate with our stakeholders, be they partners, competitors, suppliers, public sector, clients or any others.

Any grievances regarding conduct or breaches of our Code of Conduct and Ethics can be reported, confidentially if so desired, to our Compliance Helpline via the site or by calling 0800-770-77-91.

Our Confidential Channel is managed by an independent third-party which assures the anonymity of grievances received, also addressing

matters involving potential conflicts of interest. Grievances are sent to Compliance, which carries out the initial analysis and refers them to the Internal Audit or, when necessary, an external company for a more detailed investigation.

Once the investigation has finished, Compliance finalizes the grievance and reports quarterly indicators to the Audit Committee and the Ethics and Compliance Committee.

Most grievances consist of interpersonal conflicts, which is standard in the market. In respect of analyzing the conclusions, the number of cases with "insufficient data" diminished, therefore reflecting better use of the tool and better quality of the information reported by whistle blowers.

In 2022, we further disseminated our Confidential Channel through e-learning training, videos and in-person events.



Grievance mechanisms GRI 103-2

Grievances	2020	2021
Number of grievances filed through the Compliance Hotline	131	96
Number of grievances addressed	131	96
Grievances considered unfounded*	50	36
Grievances considered well-founded*	42	48
Grievances considered outside the scope	13	1
Grievances with insufficient data	21	4
Investigation underway	5	7
Number of grievances registered prior to the period covered by the report but resolved in the current year	10	5

* The number of grievances resolved is equal to the number of grievances considered well-founded and unfounded.

Tax

GRI 103-2, 103-3 | 207, 207-1, 207-2, 207-3, 207-4

Alpargatas complies fully with the legislation in its geographies, acknowledging that taxes are an essential part of corporate governance and public policy. As a listed multinational, our dealings with government agencies and sector associations are founded upon ethics and transparency. We have special tax arrangements with state entities, including federal incentives in the region administrated by the Northeast Development Agency (Sudene), to legally optimize our tax burden.

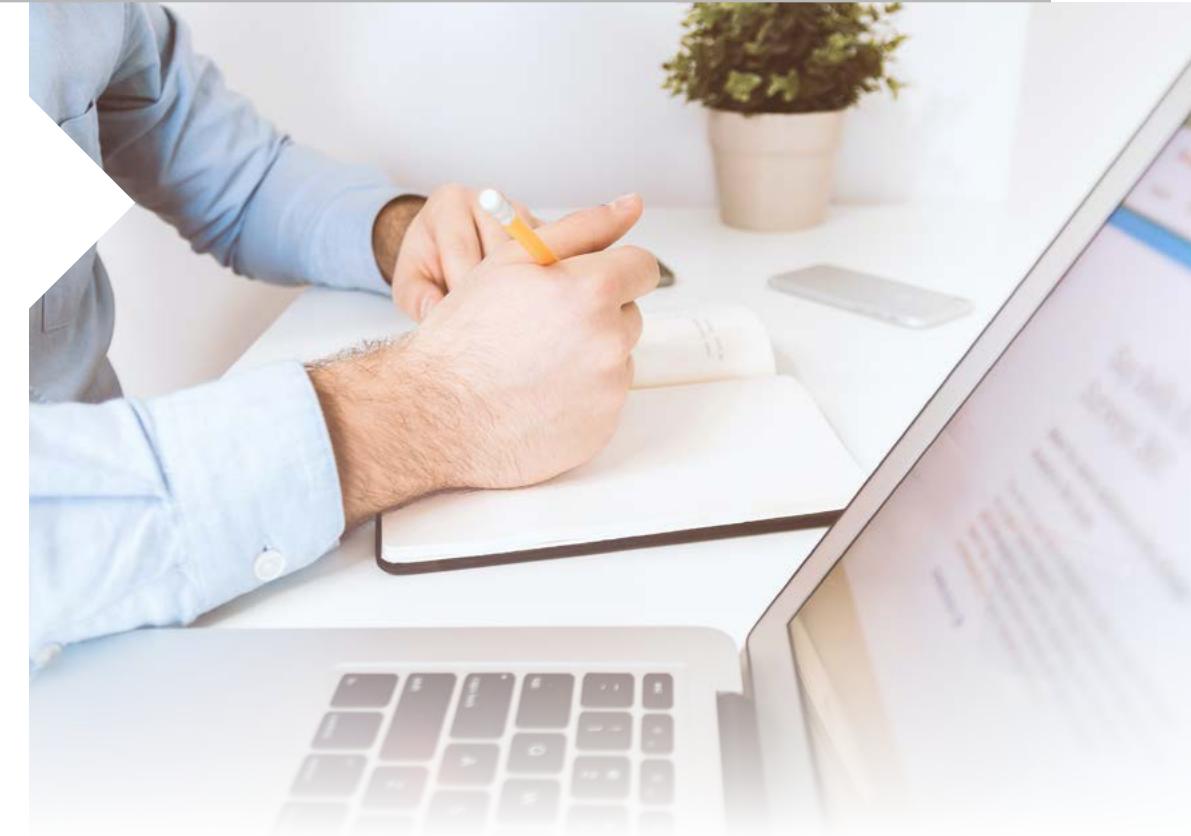
Alpargatas' tax strategy aims to duly comply with legal tax obligations and regulations. It also strives to generate tax funds for tax authorities at the three spheres of government, by creating jobs, training labor and social initiatives in its geographies.

Alpargatas' tax strategy is analyzed and approved by the Government Relations and Legal Vice

Presidency and the Investor Relations and Finances Vice Presidency, advised by Controller's Department and Tax Planning leadership, which should provide tax interpretations and guarantee compliance with standards and obligations, in order to mitigate risks and any tax deficiencies when taking business decisions. When applicable, the strategies are monitored by the Board of Directors and Audit Committee.

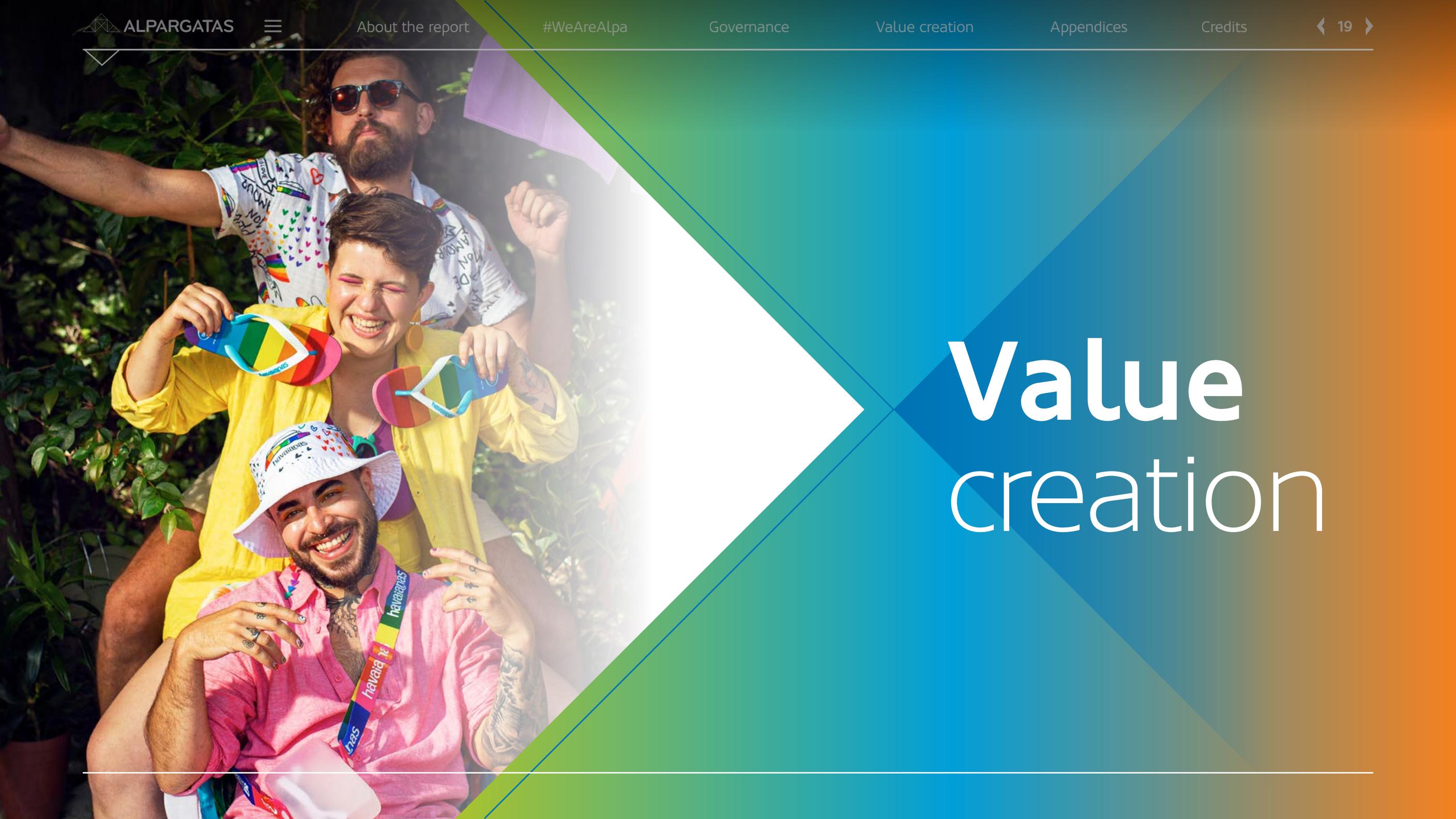
In turn, the strategy is informed by the Company's business plan. New operations and businesses are analyzed beforehand from a tax perspective, and any impacts identified are just one of the factors considered when taking the decision. The strategy is analyzed quarterly.

Alpargatas' participates in trade association committees, industrial federations and specific groups to discuss tax matters. Our tax policy lays down guidelines for efficient tax management.



We continually track tax risks by monitoring legislative amendments, case-law analyses and obtaining expert opinions. We regularly conduct internal and external audits to verify legal and compliance matters.

Further information can be obtained on our [Investor Relations](#) page.



Value creation

Alpargatas Corporate Strategy

Three years ago we decided that our long-term value creation strategy would be based on leveraging the force of our desired and hyper-connected brands. This strategy has proven effective in this short period of time, expediting the company's growth and restructuring our portfolio.

In 2021, we advanced further along our four strategic pillars:

GLOBAL

We planned the global expansion of the Havaianas brand in the priority markets of Europe, China, USA and Brazil.

In 2021, Havaianas international markets accounted for 32% of total net revenue (versus 27% in 2018), with 31 million pairs sold; we increased our market share by 10 percentage points by expanding distribution, increasing penetration in specialized channels and making direct-to-consumer sales.

DIGITAL

We are seeking ongoing growth in online sales in our DTC (Direct-to-Consumer) and B2B (Business to Business) channels.

In 2021, our digital channels, both DTC and B2B, were responsible for 39% of international sales. Havaianas' global flagship is our third largest individual sales channel. The brand commands high levels of engagement, conversion and Net Promoter Score (NPS) across all digital platforms.

INNOVATION

We expanded into new segments by launching products and innovation at scale.

Our flip-flops portfolio has grown more than 30% in the last three years, propelled by global innovations. Our range of sandals, open shoes

and sneakers including accessories and clothing items grew by more than 200% from 2018 to 2021.

SUSTAINABILITY

We innovated in the form of increasingly sustainable development and creating shared value, pursuing end-to-end systemic solutions along our entire value chain.

In 2021 we made progress in ESG, structuring the Sustainability and Reputation Department, tasked with defining, implementing and managing priorities, and the Sustainability Commission for guidance and debate about agenda advancements.

Last year we also progressed our post consumption reverse logistics program (ReCycle), expediting the development of products made from recycled and renewable materials, overhauling our packaging and nurturing debate and socio-environmental topics with special series focused on biodiversity and Pride, amongst other matters.



ESTRATÉGIA **Alpa** DE
Sustentabilidade

Whilst defining our 4 strategic pillars and following the company's progress in ESG, we spared no effort in maturing our Sustainability Strategy over the course of 2021.

RECENTLY LAUNCHED
OFFICIALLY
IN JUNE 2022.

Alpa's **Sustainability Strategy** was developed based on topics that are material to our business and our direct or indirect stakeholders. The information was obtained by surveying different stakeholders and sought to capture and translate the diversity of visions, understandings and expectations surrounding the company. This process led to our strategic focuses emerging.

Our Strategy is related to the company's current make-up (the same scope as this report). As it is a *house of brands*, our journey requires occasional tweaks (accompanying domestic and international trends), so we can integrate the entire scope and diversity of our business as well as possible.

We will periodically and publicly report on our progress (in our Annual Reports), presenting challenges, results and any other updates, ensuring complete alignment with our corporate strategy and the major challenges facing the world.

This movement is a part of our evolution towards increasingly **SUSTAINABLE DEVELOPMENT**.

WE KNOW THAT THIS IS A MOVEMENT OF CONTINUOUS EVOLUTION, THUS...

- ▶ As important as the steps we take are the footprints we leave.

GUIDED BY THESE PILLARS



Circular economy

WE ARE COMMITTED TO

Operate according to circular economy principles along our entire value chain, from conception to post-use



THROUGH THE FOLLOWING TARGETS BY 2030

► Low-impact materials in products

Achieving 60% use of renewable and/or recycled raw material in the product portfolio

► Low-impact materials in packaging

Achieving 90% use of renewable and/or recycled raw material in packaging

► Products returned under the Take-back program

Recovering 10% of the sandals sales volume via the reverse logistics program

► Stores in Take-back program

To have 100% of mono-brand stores with a Reverse Logistics Program implemented



Responsible operations

WE ARE COMMITTED TO

Reduce the impact of our operations, acting as catalysts for a responsible value chain



THROUGH THE FOLLOWING TARGETS BY 2030

► Carbon emission reduction

Reduce absolute emissions by 30% (scopes 1, 2 and 3)

► Suppliers evaluated Alpargatas' social and environmental criteria

To have 100% of suppliers approved and monitored in accordance with Alpargatas' socio-environmental criteria

► Using renewable electricity

Achieve 100% renewable electrical energy

► Energy intensity in our factories

Reduce the energy intensity of factories by 20%



D&I and local development

WE ARE COMMITTED TO

Acting in the regions and environments where we operate, contributing to a more diverse, inclusive and egalitarian society



THROUGH THE FOLLOWING TARGETS BY 2030

► Under-represented groups in management positions

Ensuring that 25% of management positions are held by under-represented groups

► Women in leadership positions

Ensuring that 50% of leadership positions are held by women

► People benefited by the local development program in the regions where we operate

Benefiting 3 million people in the regions where we operate, through local development programs

► Employees with base salary 20% above minimum national wage

Raise the company's base salary to 20% above minimum national wage for all employees*

*Expect for positions with fixed salaries by legislation



To find out further details about Alpa's Sustainability Strategy, [click here](#).

Awards and recognition



Top 30 in the Merco ranking of the 100 companies with the best corporate reputation and 1st place in the clothing and footwear category. Top 30 in the overall ranking of 100 companies disputing the Merco ESG award and first place in the category again



Great Place to Work Brazil 2021 Certification –
Organization acknowledges the best companies to work for



ABRH-PB Human Being award –
1st place in the sustainability category



Gupy Destaca – One of the 100 companies with HRs that inspire in the category Enchantment



Estadão Empresas Mais –
1st Place in the Textile and Clothing category



Melhores da Dinheiro –
1st place in the category Clothing, Textile and Footwear



Brandon Hall Award – 3rd place in the category Best Learning Program for supporting corporate strategy

The recognitions consist of awards and rankings in Brazil.

Alpa's engagement with stakeholders

GRI 102-43, 102-44

In addition to grievance mechanisms, we seek to actively listen to our multiple stakeholders, through different channels and approaches. We endeavor not only to assertively and transparently respond to demands

that we receive, but also to act pre-emptively, actively improving transparency and engagement with multiple parties.

STAKEHOLDER GROUP	FORMS OF ENGAGEMENT	FREQUENCY	TOPICS AND CONCERN RAISED	HOW WE APPROACHED THESE TOPICS
 Investors	Reports published, in person and online meetings, calls, in-person and online events	Annual, quarterly, sporadic and on demand	Financial risk, reputation and ESG factors	Financial reporting; Reference and Onboarding Forms; Management Proposal, Annual General Meeting; Press Releases and Announcement; Extraordinary General Meeting; Meetings, events and calls
 Employees	Engagement Survey	Annual	<ul style="list-style-type: none"> Difference in plants' results compared with Corporate and business units and markets; Major impact on the results of factories in the overall result; Improved results of brand units and markets; Need to reinforce the importance of the compliance hotline; Difference in engagement results of leadership; Employee acknowledgment should be an ongoing practice within the company. 	<ul style="list-style-type: none"> Forming the People Committee in factories, in order to develop and implement action plans to address the points of improvement specified in the Engagement Survey; Compliance Hotline: encourages use of the channel; Preparing a development plan exclusive for leadership; Expanding the remit of the People board in the brand's plants and international market; Global expansion of the program reinforcing the Principles of Culture and Acknowledgment.
 Press	Press Office	Monthly	Agendas about Alpargatas' business and its brands	Monthly press advisory service. Call with the company's CEO and CFO to report results
 General	Updating and monitoring the reputational health of the company's brands on social media such as LinkedIn and Instagram	Weekly	Information about Alpargatas on social media	Weekly updating of Alpargatas' social media



Our people

► MATERIAL TOPIC:

Diversity and Inclusion





Inspired by our people

Alpargatas is a company that since its foundation has taken pride in its respect for people and their individual traits. We were pioneers in hiring women to work on the production line in our factories in Brazil and awarded benefits to employees ahead of legal requirements.

In 2021 we strengthened the connection between the business strategy and people management. Our target is for Alpargatas to be the best place for people to work.

We also strive to reinforce our culture, an essential component for engaging our employees

▶ 82% of employees said they were proud to work at Alpargatas

and attracting new professionals. The brand's reputation and our people management filter through into our numbers.

The result of our internal climate survey was positive in 2021. 89% of our employees participated and we achieved a general favorability score of 71%. The leading points were occupational safety, quality and customer centricity, sustainability and our principles. The issues raised to be improved were recognition, compensation and benefits.

▶ And more than 80% said they would recommend Alpa to friends and relatives as a good place to work



Total workforce by employment contract and region GRI 102-8

Region	2020			2021		
	Definite term	Indefinite term	Total	Definite term	Indefinite term	Total
Northeast	0	12,058	12,058	0	11,679	11,679
Southeast	249	4,443	4,692	0	3,731	3,731
South	0	8	8	0	0	0
Total	249	16,509	16,758	0	15,410	15,410*

*Excludes employees allocated to international operations.

The disclosures related to "employees" are different from those related to "workers", under GRI.
The calculation is therefore separate for internees and trainees, who are considered "workers".

Workforce by employee category* GRI 102-8

	2020	2021
Executive	11	11
Executive Board	98	105
Middle managers	279	268
Administrative	2,561	1,417
Operational	14,066	13,863
Total	17,015	15,663

*The decrease in the total headcount in 2021 compared with 2020 was due to the divestment of Osklen.

Workforce by work category and gender GRI 102-8

	2021	
	Men	Women
Interns	12	20
Trainees	9	21
Total	21	41
		62

Workforce by employment type GRI 102-8

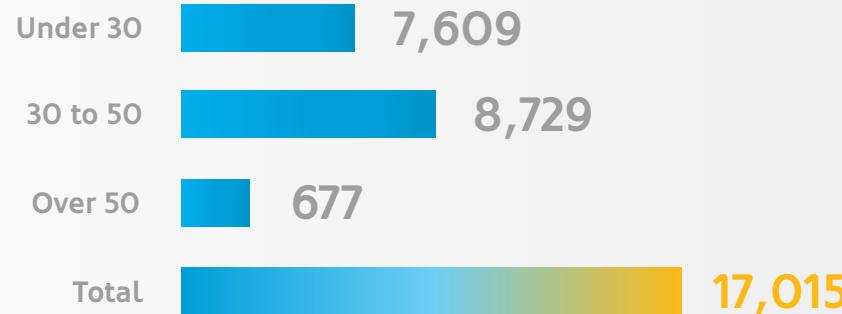
Employment type	2020			2021		
	Men	Women	Total	Men	Women	Total
Full time	11,705	3,390	15,095	11,986	3,589	15,575
Part time	292	280	572	60	28	88
Total	11,997	3,670	15,667	12,046	3,617	15,663

Total workforce by employment contract and gender GRI 102-8

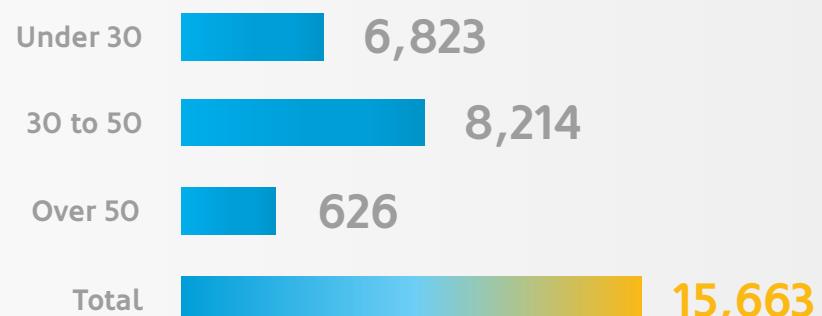
Type of contract	2020			2021		
	Men	Women	Total	Men	Women	Total
Permanent	12,471	4,295	16,766	12,046	3,617	15,663
Temporary	109	140	249	0	0	0
Total	12,580	4,435	17,015	12,046	3,617	15,663

Workforce by age group GRI 102-8

2020



2021

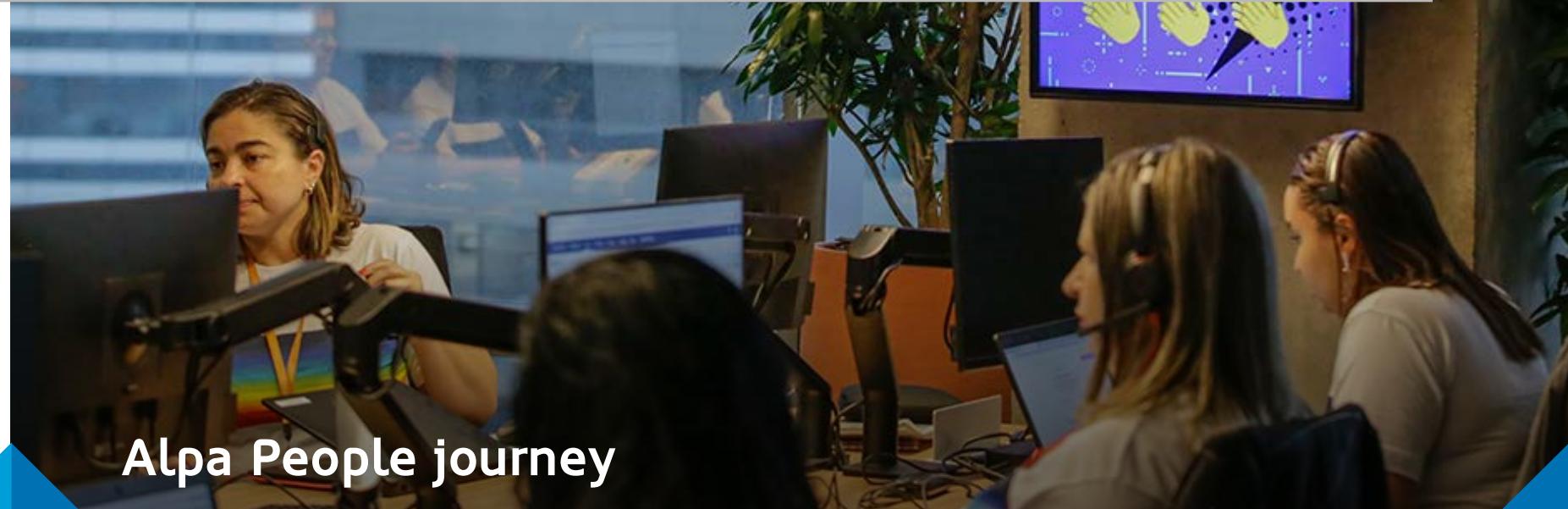


People

At Alpargatas, the People department is an essential part of the business strategy. In 2021, the most operational processes were delegated to a third party that works with Alpa, enabling the people management team to concentrate its efforts on strategic issues with higher value.

The practice also underwent a digital transformation process known as "HR of the Future", in order to make human resource processes more agile. This includes digitizing the recruitment process and adopting technologies such as people analytics and artificial intelligence.

The overarching goal of "HR of the Future" is to improve the employee experience, so that their interaction with Alpa is unforgettable, from the time they apply for a position until their recruitment and ultimate departure. To this end we have identified several important moments that mark an employee's journey.



Alpa People journey

- ▶ **Alpa on the Radar:** building employer branding, arousing the desire to work at Alpargatas and developing selection processes;
 - ▶ **Check-in:** 90-day process that includes the act of the employee joining the company and the entire integration process in their area;
 - ▶ **Virtuous Cycle:** everyday employees benefit from a workplace that maximizes their performance
 - ▶ **Routine and performance:** the company provides the conditions necessary for employees to work and grow
 - ▶ **Learning:** providing training and development initiatives through the Alpa Learning University - ALU;
 - ▶ **Well-being:** caring for and valuing people, benefits and wellness and health initiatives
 - ▶ **Career and recognition:** with development tools, clear promotion policies and recognition
 - ▶ **Check-out:** caring for and giving attention to professionals leaving the company.
- We seek to measure the efficacy of processes in each of the stages, so that people feel increasingly engaged and their sense of belonging grows. The net promoter score (NPS) – which measures the willingness of a person to recommend an experience to someone else – of our new employees stands at around 75%.



32,072

hours of training provided to
our employees in 2021



The Alpa Learning University (ALU) has been providing continuous development available to all our employees in order to drive business since 2020.

With a unique approach, ALU was structured so that everyone could not only learn, but also teach other employees.

Employees in all areas, including international operations, received 32,072 hours of training in the year. Administrative employees received 23,466 hours of training and factory employees 7,085 hours.

We also expanded our training initiatives to the Havaianas Franchisee Network, through our Havaianas Territory training platform, which now has 4,500 licenses, compared with 700 in 2020. In 2021, 51,519 hours of training were provided to the network of franchisees.

Aligned with the company's strategic pillars, in 2021 we launched ALUFLIX, a content streaming platform which provides digital training to our more than 15 thousand employees.

As is the case with platforms that transmit series and films, the user can access the content wherever and however they like. The digital training webseries addresses multiple topics, ranging from management methodologies, through soft skills, leadership, sustainability, diversity and well-being.

By using artificial intelligence, the algorithm recommends content based on the most watched videos and matters of interest to each employee. The content also follows storytelling principles to guarantee an unforgettable user experience.

In line with one of the pillars of our culture ("Inspired by People"), a key feature of ALUFLIX is the possibility of crowdlearning. I.e., Alpargatas' employees can act as content facilitators and producers, internally driving transmission of expertise. The platform shows that at Alpa innovation goes way beyond technology or products, permeating the entire company.

Sustainability Academy

Sustainability was also addressed in our training agenda, embedding the topic in the routines of all employees.

The Sustainability Academy is an internal program developed by the corporate sustainability practice in partnership with ALU which aims to expedite Alpargatas' sustainability development through employee training and coaching. The program is formed of three cycles, Sow, Cultivate and Blossom, and Sow was the focus of the year, with various education initiatives to disseminate and level up knowledge of the topic.

There were initiatives for all internal stakeholders including the creation of a Sustainability Community in our internal social network to promote engagement around the topic. Another key event was the production of a webseries on ALUFlix with 13 episodes completely tailored to the company, presenting topics related to corporate sustainability. The content can be seen by all employees - from leadership to operators - and



was seen more than 2,000 times since its launch in July 2021 through December the same year.

We also had specific initiatives for the corporate public, such as the **Corporate Sustainability Workshops**, which were adapted to the reality and challenges of the company regarding the topic, embracing 25 classes and nearly 300 employees trained in the topic.

Focused on the public of the operations, we also developed Daily Toolbox Talks (DDS) regarding sustainability in all plants, participated in by our operational staff of **nearly 14,000 people**. We also presented lectures in SIPAT (Internal Occupational Accident Prevention Week) at our Distribution Center in Extrema, attended by **more than 120 employees**.



Our talents

We also sought to ensure business longevity by forming a talent pipeline, mapping out key positions at the company and our succession process. Under the intern and trainee programs, we are seeing growing numbers of talent at the bottom of the pyramid, ensuring the leaders are being prepared to meet the company's future challenges. We created an Experiences Trail, with 15 development experience options, in order to prepare leaders and fast-track their careers. The program will expand in 2022.

Our talent pipeline goes from strength to strength every year. Promoting internally ensures less disruption, an ongoing connection with our corporate culture and sustains productivity and motivation in the workplace.

D&I - allpa

GRI 103-2, 103-3 | 405

Pursuing diversity and inclusion is what will help Alpargatas be the best company to work for. We accordingly created our Diversity and Inclusion (D&I) practice in 2020. We strive to ensure the highest global standards in non-discriminatory and inclusive policies through our code of ethics and conduct, and reviewing our recruiting, compensation and training policies.

Our Diversity & Inclusion Program, Allpa (formed from the words 'Alpa', an endearing nickname for our company, and 'all'), has the mission of creating initiatives nurturing a diverse and inclusive workplace, offering equal opportunities and valuing our differences.

2021 was a great year for such progress. We published our Respect for Diversity corporate policy, underpinning our relationship with all stakeholders. The policy ratifies our position, as stated in our Code of Ethics & Conduct, defines procedures and advises our employees and other stakeholders on how to act in the face of prejudice, discrimination and harassment. See the policy [here](#).

We invest in multiple training and awareness initiatives, including those related to Unlimited Talent, which aims to include people with disabilities. Our Reaprendizados Alpa campaign also reasserted our commitment to racial awareness. Moreover, we prepared a guide for our store staff on how to respond to prejudice, discrimination and harassment.

We held discussions and workshops to help create a playbook so people could adopt an inclusive mindset at all times. We addressed topics such as LGBTI+, black awareness, misogyny, violence against women and ableism.

The C-level initiated a training and development program for Inclusive Leadership, lasting approximately 1 year, split between collective gatherings and individual mentorship.

In 2021 we put together our first D&I squad focusing on Parenting by way of the Stork program. Opportunities for improvement were identified, which will be considered for 2022.



Inspiring Women

The campaign Inspiring Women placed Alpargatas' professionals at the center of the initiative, who play a starring role in this campaign, inspiring everyone at the company. The project boasts multiple initiatives, including shop-floor engagements and in the corporate social network, in addition to a series of webinars with our female leadership. The testimonials demonstrated female power and paved the way for many women to draw aspiration in the pursuit of their dreams. The campaign culminated with the launching of a [documentary](#) which tells the stories of 15 women from Alpa who knocked down barriers and transformed their lives, paving the way for many other women to also achieve their wildest dreams. We also initiated the Alpa Women League, a program that aims to fast-track careers for women in the company's senior leadership.

Workforce*, by employee category and gender (%) GRI 405-1

	2020		2021	
	Men	Women	Men	Women
Executive	82	18	70	30
Executive Board	57	43	58	42
Middle managers	55	45	53	47
Administrative	50	50	55	45
Operational	79	21	80	20
Total	74	26	77	23

Workforce* by employee category and age group (%) GRI 405-1

	2020			2021		
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50
Executive	0	50	50	0	50	50
Executive Board	0	72	28	0	74	26
Middle managers	5	81	14	5	85	10
Administrative	36	58	6	28	66	6
Operational	48	49	3	46	50	4
Total	45	51	4	44	52	4

Workforce, by work category and gender (%) GRI 405-1

	2021	
	Men	Women
Interns	38	62
Trainees	30	70
Total	34	66

Ratio of basic salary and remuneration of women to men - by employee category^{1,2} GRI 405-2

	2021
Executive Board	0.95
Middle managers	0.96
Technical/supervisor	1.22
Administrative	1.21
Operational	0.86
Trainees	1
Interns	1

¹ Data denotes the ratio of basic salary of women to men.

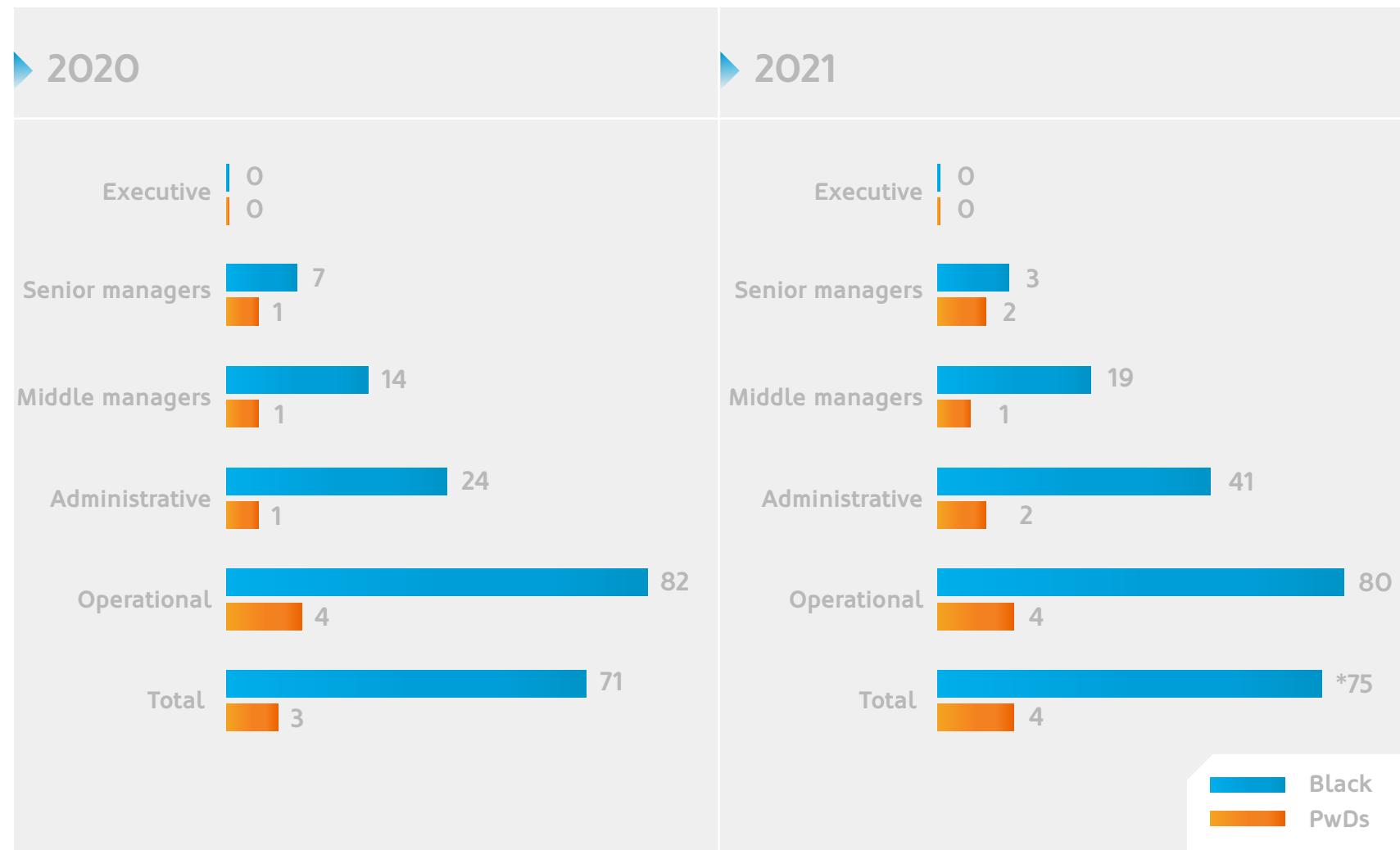
The compensation was not reported as it is confidential.

² The compensation statistics disclosed go up to executive board level only.³ The Technical/supervision category is a subgroup of Administrative**Workforce by work category and age group (%) GRI 405-1**

	2021		
	Under 30	30 to 50	Over 50
Interns	97	3	0
Trainees	97	3	0
Total	97	3	0

* The disclosures related to "employees" are different from those related to "workers", under GRI. The calculation is therefore separate for internees and trainees, which are considered "workers"

Employees in sub-groups, by employee category (%)** GRI 405-1

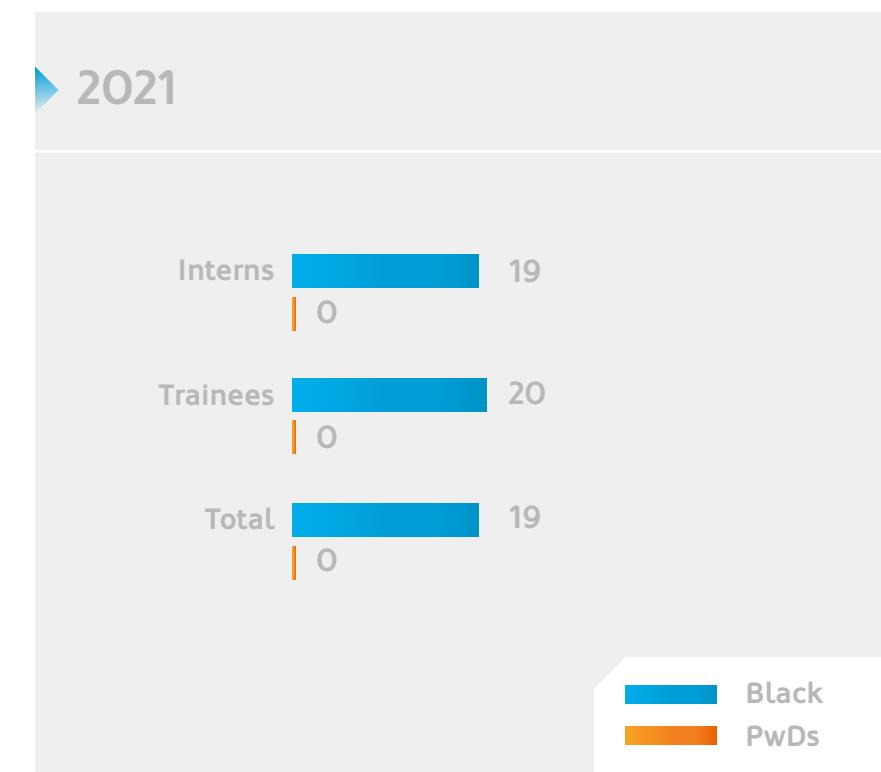


* The disclosures related to "employees" are different from those related to "workers", under GRI.

The calculation is therefore separate for internees and trainees, which are considered "workers".

** Brown people are included within the underrepresented group black people.

Employees in sub-groups, by employee category (%) GRI 405-1



Health and safety

Occupational safety is a nonnegotiable topic and a part of Alpargatas' cultural DNA. On the shop floor this is the first topic at the start of the day.

In 2021, **we invested R\$ 19 million in ergonomics and improving factory conditions.**

Initiatives included replacing and acquiring machinery and equipment, automating tasks and installing platforms that help diminish poor posture and upper limb fatigue. We also invested in improving temperature control and therefore thermal comfort, improving lighting, which improved worker satisfaction.

We adopted a system of revolving duties for professionals in paintwork and finishing, reducing time spent on repetitive activities and enabling workers to use various muscle groups. This helped achieve a 43% decrease in the OCRA indicator, which analyses repeated movements. We also introduced active breaks, during which employees carry out stretching exercises. The initiatives resulted in an improvement in the number of ergonomic issues. Every year we are reducing the number of lost time injuries, especially on the

shop floor, and our occupational injury rates are lower than the market average.

In February 2022 part of our plant in Santa Rita, Paraíba, caught fire. The factory was closed at the time and there were no victims. The inventory of finished goods was not damaged and part of the factory returned to work within 15 days.

Our pandemic response

In 2021, we maintained the excellent sanitary practices introduced in 2020, such as routinely measuring people's temperatures and adapting production lines, buses and canteens. Following the reopening of stores, we applied the lessons learned in our factories to them, also seeking to protect our customers and partners.

We maintained salaries and took precautions to ensure that employees working from home felt connected to each other. All employees at our head office (Brazil) and international offices



are able to work remotely, as well as a number of sales staff and professionals from factories' administrative departments. Alpa has adapted to each stage of the Covid-19 pandemic, preserving workstations in our head office and applying diagnostic testing. We are also reviewing our policies and benefits to include new more flexible working models.

Users and Partners

► MATERIAL TOPIC:

Governance & Transparency

Sustainable production



Always connected

Every year we benchmark our products against global and fashion trends, based on the behavior of users in multiple global markets. We continually re-evaluate our portfolio, researching new raw materials, pursuing partnerships and connecting our brand to current and new audiences.

In 2021, we gave an even greater platform to our Havaianas brand, ramping up its presence in people's everyday lives. We participated in essential debates about topics such as LGBTI+, women, race and others, getting closer to stakeholders through our communication channels, especially social media.

We also introduced new ways of reaching consumers, departing from our predominantly indirect sales model to expand direct sales, especially online. In 2021 we ramped up virtual sales through our Global Flagship Store e-commerce site, in Brazil and the USA. Online sales rose from single to double digits. We also bolstered our omnichannel service, which comprises marketing and sales channels, to enhance the consumer's experience. We launched our consumer services in e-commerce in sign language.

Our flagship product is the Pride Line. Comprised of flip-flops, clothing and accessories, such as pins and handbags, Pride is a permanent line in which 7% of net sales proceeds are invested in global projects fighting prejudice and supporting the LGBTI+ community through the global NGO All Out.

In 2021 Havaianas raised more than R\$ 2.4 million for the NGO. The initiatives taking place under the partnership include psychological support for the LGBTI+ community through the Acolhe LGBT platform. In 2021 we nearly eliminated the waiting list for Acolhe care, providing 458 new sessions.

In order to strengthen our international expansion, we improved our connectivity with the world. By collaborating with other global brands, we expanded our message and extrapolated the way of delivering the traditional Havaianas products. [GRI 103-2, 103-3 | 417, 417-1](#)





20 million

Reais invested in our innovation center

Successful collaborations in this process include partnerships with iconic Japanese brand BAPE and Oreo cookies, when we began selling a product that smells like cookies for the first time in our history. The BAPE collection was a limited edition, with major buy-in by users during pre-sales and which sold out in several countries within hours of being launched. Another milestone was the launch of the flip-flop line for 350 million users of the game Fortnite and a virtual Havaianas island, introducing our brand into the world of games, alongside names such as Louis Vuitton and Gucci.

Further innovation came in the form of the Havaianas Brazil Team collection, with an exclusive pattern to support Olympic and Paralympic athletes. This initiative is a partnership with the Brazilian Olympic Committee (COB) and Brazilian Paralympic Committee (CPB). 7% of net sales proceeds for the collection is allocated to two Committees, reasserting the brand's support for sport in the country. As the official sponsor of these Committees, the teams wore Havaianas during the opening ceremony of the Tokyo Olympics.

Sustainability was also addressed in great detail with users and partners in 2021, establishing programs and practices that influence the designing of our products to their production and delivery and dispatch logistics. In order to improve transparency and disseminate our Havaianas attributes and practices, we created a special page about the topic ([click here](#)).

With an investment of R\$ 20 million we opened a dedicated innovation center for the Havaianas brand in Campina Grande (PB).

The center expedited our capacity to innovate materials and processes. We can try out new raw materials, shapes and formats and design products that go beyond our core, strengthening our lifestyle brand vision and building systemic solutions with partners. With an 80-strong Research and Development practice that is fully equipped, the center works as a mini factory that can carry out prototypes through mass testing of new products.

Sustainable production

Sustainability is a part of our strategic pillars and transparency around socio-environmental topics is increasingly essential in our innovation and development processes. Offering products that can reconcile more responsible production with consumer lifestyles is therefore one of our overarching objectives.

TNS perfectly embodies this commitment. The Havaianas TNS Roots line has 60% of its sole and 50% of its upper made from renewable and recycled materials. The upper is made of a cotton broadcloth, which is 100% renewable, and also has a backstay made from PET bottles. The sole uses waste from other soles and items such as disposable gloves, rice husks and vegetable oil. The other TNS sneakers also have 40% of their vamp and more than 50% of soles made from renewable and/or recycled materials.

► **Havaianas TNS Roots Line:**
60% sole and 50% upper
made from renewable and/or
recycled materials

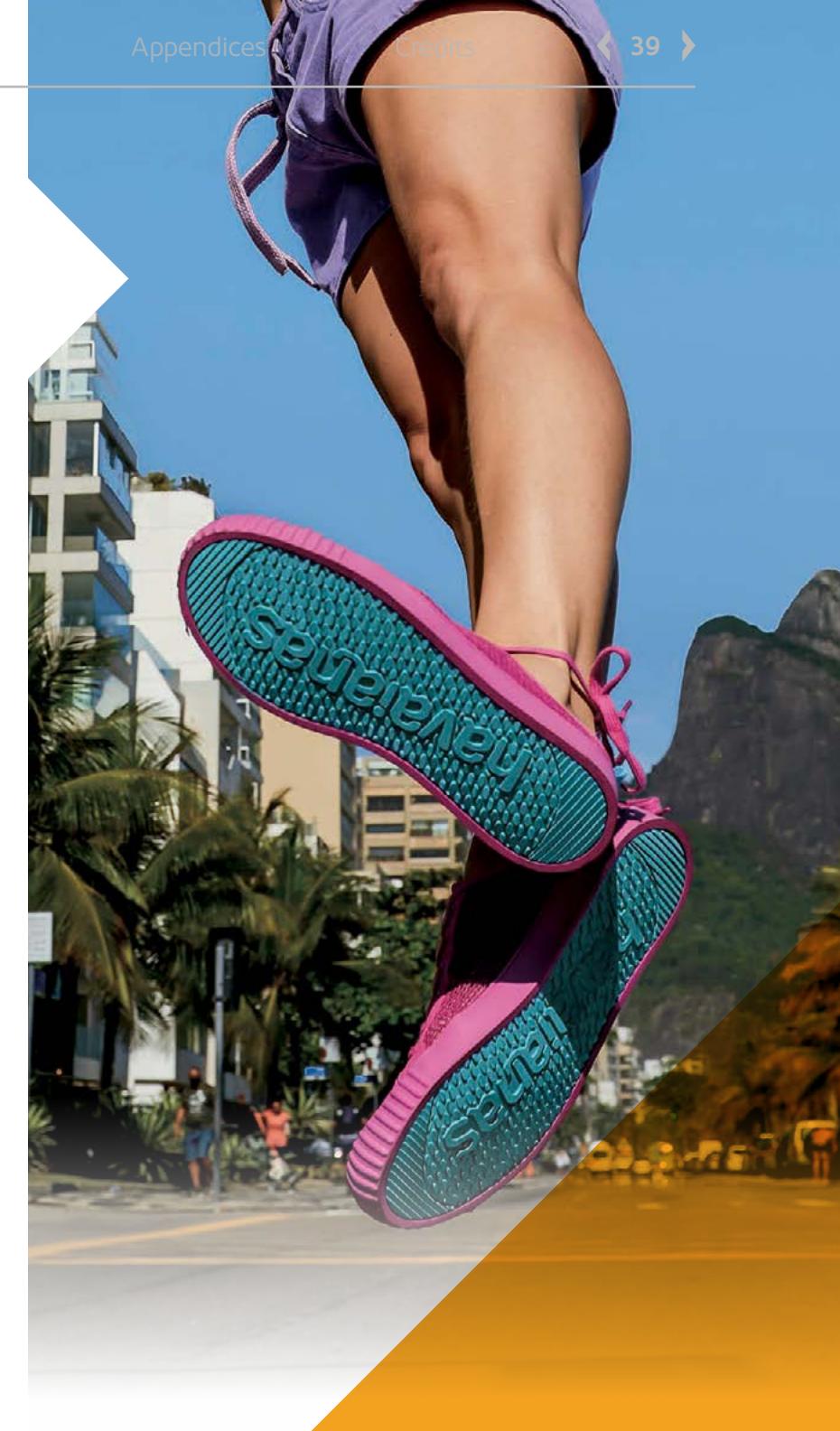
It's Bio!

In 2021, we identified an opportunity at the Montes Claros factory to replace the aliphatic-hydrocarbon solvent used to clean ribbons in the press area with a biodegradable solvent, made from highly refined biodegradable solvents and biodegradable synthetic esters.

Biodegradable degreasants are ecologically friendly products that do not use mineral oils, heavy metals, chlorine or phenols in their composition. They are used in industrial degreasing and cleaning processes, offering excellent penetration and contaminant removal, guaranteeing a thorough cleansing.

These products are used to clean industrial equipment, machinery and other items.

By replacing them, we provide greater comfort for workers in the press sector, removing the need to use masks and facepiece respirators, amongst other benefits for those handling the products and the environment.



havaianas reCicLO

para saber mais sobre o
programa ReCiclo.



In 2021, we used **Havaianas ReCycle**, a reverse logistics program for collecting and adequately disposing of sandals no longer wanted by the public.

The items can be placed into collection bins in our proprietary stores and franchises, with other brands also accepted. After sorting, products in a poor state of repair are sent to partnering processing centers of Havaianas ReCycle, which transforms them into raw materials, allowing them to re-enter the production chains and therefore give life to new products such as tires and floor tiles.

Old sandals consequently enter a new life-cycle, which not only involves re-signifying the product/waste but also generating income for those comprising our chain, such as the **15 partnering recycling cooperatives and 322 families impacted** which are now a part of the process. The value generated was 174.91% greater than that projected for 2021. GRI 301-3

In partnership with the specialized waste management start-up TrashIn, Havaianas ReCycle initiated a pilot in 2020, in the cities of São Paulo and Rio de Janeiro, but which in 2021 branched out to Recife and Ilha Grande, closing the year with some 55 points of collection in six Brazilian states.

Following its success in Brazil where the project debuted, ReCycle branched out overseas, in countries including the USA, South Africa, Australia, Portugal, Spain, France, Germany, Italy and Greece, with its first wave amassing **some 30,000 pairs collected worldwide**.

Our physical stores are also gradually implementing the circular economy concept. Our concept store, Havaianas Concept, on Rua Oscar Freire, in São Paulo, today has acrylic frames and mannequins made from recycled and recyclable materials. Shelves and stools are upholstered with rubber sheets made from the recycled sandals collected in the Havaianas ReCycle program. Each shopping bag in the store now results from reusing 75 plastic bottles.

The Havaianas ReCycle process explained

1



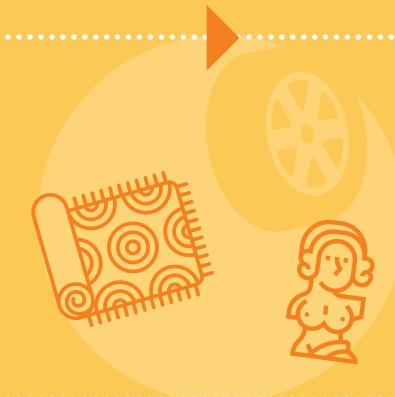
Take your Havaianas that you are no longer wanted to stores participating in the program and deposit them in the collection bin

2



The collected material is sent for recycling

3



The recycled material enters a new life-cycle by being transformed into other products or useful objects, such as mats, tires and even works of art

Havaianas ReCycle Results

Global overview

10,372.77 kg
of sandals collected
worldwide

162
collection points

Repassa

Despite our efforts to recycle materials and products being absolutely essential to society, the circular economy principles also reveal the latent need to reduce the use of resources and reuse manufactured goods. In order to improve in this direction, we accordingly closed a partnership with Repassa, a conscientious fashion start-up and the largest online thrift store in Brazil, which encourages the public to buy second-hand clothing.

In proprietary Havaianas stores consumers can pick up their "Sacola do Bem" shopping bag for

free, cobranded by Repassa and Havaianas, and take them home to choose which items will be donated. As well as Havaianas, clothing items in general are accepted, in addition to as watches, sunglasses, handbags and rucksacks, amongst other items, that are either new or in a good state of repair. The project was implemented on a pilot basis in Brazil. Thanks to its resounding success, it is now branching out to Portugal.

Around 5 thousand items have been sent, thereby extending the products' useful life and helping produce proceeds for partnering NGOs.



Aquarius Project

The Aquarius Project is an initiative created in 2021 to replace the individual packaging on certain models of Havaianas sandals. Upon analyzing the end-of-life process of this component with our clients, we noted that there were several ultimate destinations: part of the packaging was reused in other tasks, part was used to resell products and part was disposed of.

An investigation into this led to us proposing an overhaul that could implement optimizations to our processes, while encouraging the reuse of this packaging.

For e-commerce, we created a box from sturdier material that consumers can reuse to store their sandals, personal items or even use as packaging for a gift.

Under the Aquarius Business to Business strategy, for sales in our customers we replaced former cartridges with paper envelopes, with collective boxes being used more.

The envelope facilitates storage by our partners, as it takes up less space and protects our products. It also enabled to use 2,700 metric tons less of paper in packaging.

The project is being implemented gradually and by the end of the first half of 2022 we expect all of the models created in the project to have been received by customers in the new packaging. The project only changes the individual packaging of Havaianas sandals, which are currently delivered interwoven in paper cartridges.

Materials and raw materials

22.2%
of our packaging is made from renewable materials

1.2%
of the raw materials comprising our products is renewable



Materials used for production and packaging GRI 301-1

Name of material	Used in the final product or packaging	Unit of measure	2021
Raw materials	Final product	kg	92,063,764.00
Packaging	Packaging	kg	42,261,291.00

Percentage of raw materials or recycled materials used in the production of products and services GRI 301-2

Material	2021
Raw materials	33.9
Packaging	22.11

The value of recycled raw material includes industrial waste reintroduced into the process (pre-consumption).



Suppliers

► MATERIAL TOPIC:

Sustainable value chains

Our chain

GRI 103-2, 103-3 | 204, 308, 308-1, 308-2, 414, 414-1, 414-2

Aware of the ecosystem we are a part of, during the pandemic we paid special attention to our suppliers, meeting their demands on a case-by-case basis. Several of them needed financial support, through a financier, with others simply asking for special conditions.

With most suppliers we have long-term relationships with clear rules, making it easier to suitably process solutions during the crisis.

All new suppliers of raw materials, finished goods and indirect suppliers of services and operations handling the Havaianas logo (suppliers of displays, materials or operating services, factory overalls, factory transportation, molds, waste bins in factories and warehouses) are ratified for legal, procedural and quality, health, safety and environment, social responsibility, traceability, use of restricted substances and compliance.

Supplier monitoring and management are performed from time to time by means of re-qualification audits for our raw material suppliers

(all of them), annual traceability audits of finished product suppliers (all of them) and semi-annual document management.

We do not tolerate suppliers who use child, informal or illegal labor, those who do not provide the minimum required documentation, do not manage their effluents or waste, or use non-qualified subcontractors.

GRI 103-2, 103-3 | 417, 417-1

After the qualification audit process, any issues related to non-compliance with Alpargatas' prerequisites leads to an action plan subsequently sent to the supplier, which has to propose corrective actions to meet the requirements within the time frame established for each issue. We monitor these actions until their completion. We continue purchasing from suppliers with action plans underway, providing they are not guilty of any "critical non-compliance".



We periodically audit
our suppliers



Once a supplier and its subcontractors have been through the qualification process and are considered “capable”, they must sign documents related to our [supplier policy](#).

Domestic suppliers of inputs and end products, along with international apparel suppliers must be compliant with legal, quality, health and safety, social responsibility and labor, traceability, environmental compliance and the use of restricted substances requirements.

Alpargatas' Procurements department will only purchase raw materials and finished goods from domestic or international suppliers, as well as indirect suppliers and services and operations that have been audited and duly qualified by the Supplier Development Area, fulfilling the same criteria and requirements imposed on end-product and input suppliers. In the case of finished product suppliers, we consider ourselves responsible for overseeing up to the second link in the chain (the suppliers of our supplier).

90% of our total suppliers are based in Brazil, equal to 60% of the purchasing spend.

This year there were some 226 suppliers procured, including suppliers in the raw material, packaging and petrochemical product industry, in addition to finished products (clothing and accessories ready for sale) whose labor is more intensive.

In the pursuit of continuous improvement, Alpargatas' purchasing department is putting together a plan to be validated by senior management in 2022 and implemented by 2024.

GRI 102-9

Proportion of spending on locally-based suppliers* GRI 204-1

2021

Supplier budget (R\$)	1,228,087,051.559
Amount spent with local suppliers (R\$)	763,181,988.072
% budget spent with local suppliers	62.14

* The company understands local as meaning originating from Brazil. It defines Important Operating Units as production plants (Montes Claros /MG, Santa Rita /PB, Carpina /PE, Campina Grande/PB) and Alpargatas' Distribution Center (Extrema/MG).

Percentage of new suppliers screened using social criteria (%) GRI 414-1

	2020	2021
Total new suppliers considered for onboarding	41	117
Total of new suppliers that were screened using social criteria	41	117
Percentage of new suppliers that were screened using social criteria (%)	100	100

Suppliers with real and potential negative social impact GRI 414-2

	2020	2021
No. of suppliers assessed for social impacts	390	401
No. of suppliers identified as having significant actual and potential negative social impacts	291	111
No. of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	17	42
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	5.8	37.84
No. of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment.	26	27
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment.	8.9	24.32

New suppliers that were screened using environmental criteria GRI 308-1

	2020	2021
Total new suppliers considered for onboarding	41	117
Total new suppliers screened using environmental criteria	41	117
% new suppliers that were screened using environmental criteria	100	100

Suppliers having significant actual and potential negative environmental impacts GRI 308-2

	2020	2021
# of suppliers assessed for environmental impact	390	401
No. of suppliers identified as having significant actual and potential negative environmental impacts	228	67
No. of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	32	6
% of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	14.03	8.96
No. of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment.	23	1
% of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment.	10.08	1.49



The 2021 Brazilian Fashion Transparency Index published by Fashion Revolution Brasil assigned Havaianas the highest traceability score (96%) among 50 retail brands for the second consecutive year (2020 and 2021). This is based on whether suppliers publish their list of suppliers and the amount of detail disclosed. Our overall score for transparency was 52%. Learn more [here](#).



Society

Our work in society

Our relationship with society is without doubt a core part of our business. As a century-old company directly connected to millions of people around the world in all of their diversity and depth, we recognize our responsibility as an agent for transformation of society and every day have striven for a more inclusive world with more equal opportunities.

Our **Global Social Responsibility** strategy is strongly connected to the business aims. Our work strives for collective well-being, nurturing a sense of community and identification and making everyone feel included.

ALPA SUPPORTS GRI 102-12

► **UN Global Compact** – We participate in multiple action platforms of the organization, such as the Brazil Network Advisory Council (CORB)

► **Business Coalition for Racial and Gender Equity** – We signed up to this initiative, which aims to promote inclusion and diversity within organizations.

ALPARGATAS INSTITUTE



The transformative power of education is the cornerstone of Instituto Alpargatas' initiatives, our primary social operation in Brazil. Through innovative and creative educational exercises, IA's programs place teachers and students at the forefront of the learning process. With the Institute's help, students become aware of their role in society and the steps needed to build a better future. "Caring for tomorrow" is one of our guiding principles.

In 18 years, IA has benefited more than 2 million children and adolescents in projects related to qualified sporting practices, recovering popular culture and volunteering.

In 2021, IA invested a total of 4.56 million Reais in its initiatives

During the Covid-19 pandemic, numerous practices were adapted to work remotely or through digital tools. We overcame the challenge of not only virtually connecting students and teachers, frequently located in the outskirts of towns and cities, but also maintained engagement with classes.

Our Education through Sport and Education through Culture programs took place in 13 municipalities, qualifying nearly 20,000 teachers and managers.

► **Associação Fala Mulher** – This combats domestic violence against women, building gender equity, promoting women's financial independence, facilitating access to information about the Maria da Penha Act and women's rights.

Instituto Alpargatas in numbers

	2021	IN 18 YEARS OF WORK
CITIES	2	13
PARTNER SCHOOLS	35	399
TEACHERS AND MANAGERS TRAINED	6,619	19,524
CHILDREN AND ADOLESCENTS ASSISTED	around 200 thousand	2 million
HOURS OF TRAINING	22,140	162,268
MILLIONS INVESTED	R\$ 4.56 million	R\$ 49.4 million



The main projects of Instituto Alpargatas:

Education through Sport Program

The goal of the Education through Sport program is to help improve the quality of public education by valuing and strengthening physical education. We refurbished 215 schools and 100 sports courts, building a further two.

One of Education through Sport's initiatives is known as Development Trail, which provides training to PE teachers, facilitating their daily work and increasing their competence. In 2021, we trained 3,533 teachers, the equivalent of 16,804 hours of training, benefiting 93,858 students.

The program also awards the Education Prize, which identifies, values and disseminates quality and innovative learning experiences in public schools. Due to the premium quality of the scientific papers delivered, 57 were published in international congresses.

Education through Sport

	2021	FROM 2003 TO 2021
INVESTMENTS	R\$ 2 million	R\$ 23.6 million
STUDENTS BENEFITED	93,858	2 million
PAPERS PUBLISHED	57	203
TEACHERS AND MANAGERS TRAINED	3,533	14,175
HOURS OF TRAINING	16,804	110,316

Education through Culture Program

Our Education through Culture Program is present in 100% of the municipalities IA operates in. The program currently serves 399 schools in 13 municipalities, and 820 teachers have received training, in what amounts to 13,120 hours of training. 93,858 children and adolescents benefited.

With an innovative pedagogical proposal, the program seeks to promote quality education by reformulating school content and experiences, adding themes and aspects that are normally left out of traditional school curriculum. The program also attempts to recover Brazilian culture through dance, music and capoeira.

In 2021, IA also entered a partnership with the National Union of Municipal Education Councils (UCME) to provide ongoing training to all Municipal Education councilors in 13 municipalities of Paraíba, certified by the Federal University of Paraíba. 107 people graduated from 5,136 hours of training.

Education through Culture

	2021	FROM 2014 TO 2021
STUDENTS BENEFITED	5,639	93,858
SCHOOLS	35	399
CITIES	2	13

Educational Sustainability and Innovation Laboratory

We launched the Educational Sustainability and Innovation Laboratory, a pioneering project in Brazil and the world, in partnership with SENAI-PB. The project aims to help nurture a culture of innovation in public primary schools, through an atmosphere that encourages students to participate, arouses curiosity, creativity, innovation and a sustainable mindset. The project benefits 1,000 students of the school Escola Iraci Rodrigues, in Mogeiro (PB).

Empreender Alpa

A groundbreaking project promoting inclusion and equal opportunities, focusing on professional training to encourage entrepreneurship and make participants more employable. Carried out in partnership with SENAI-PB, this initiative is present in 13 Brazilian municipalities and trained 2,444 students, providing 239,600 hours of training and development.

Learn more about Instituto Alpargatas' projects on the [site](#).

IA's Awards and Acknowledgments in 2021

- ▶ Winner of the ABRH PB 2021 Human Being award – 1st place Gold Status. Category: People Management – Sustainability, for the Empreender Alpa case.
- ▶ Solidarity Medal of the Paraíba Legislative Assembly (ALPB). Alpargatas received the Solidarity Medal, as recognition for the work carried out by Alpargatas Institute to strengthen public education in the state and its social work during the pandemic.
- ▶ 11th edition of the Banco do Brasil Social Technology Award. Instituto Alpargatas' Education through Culture practice – Innovating and Transforming Public Schools was acknowledged and certified as Innovative Social Technology in the category Education for the Future.
- ▶ Trophy of the 2021 edition of SENAI World in Paraíba. Instituto Alpargatas was given a trophy as recognition for its contribution to the development of education in Paraíba state via the Empreender Alpa project.



Alpa TRANSforma

In partnership with Instituto Alpargatas and with the support of Alicerce Educação, the Science and Technology Department (SECTI) and the Social Action Department (Semas) of Paraíba, we initiated the project Alpa TRANSforms, a professional development program for trans people in the city of Campina Grande, in Paraíba.

The AlpaTRANSforms project aims to expand opportunities to enter and develop the labor market for these people, who generally live on the margins of society.

With training targeting elementary, life and digital education skills, the program initially had 40 places in 2021, in addition to allowances for transportation and meals during the three-month course. A total of 34 students successfully completed the course.

At the end of the course, in addition to certification and the possibility of disputing new vacancies at Alpargatas Campina Grande factory, our wish is for these people to leave with a life plan to build the future they desire, helping boost their self-esteem and participate more in society.



Alpa TRANSforma graduates
hired at the Campina Grande
(PB) plant:

25

Corporate Volunteering

We are committed to the social development of the communities surrounding our factories and offices. With fixed projects and initiatives in several areas, we encourage Alpargatas employees, their relatives and members of the community to participate in activities that strive to build a fairer, more equal society.

Under the global volunteering program, AVA - Alpa Volunteers in Action, volunteers receive citizenship training and can also become Local Volunteering Leaders, who jointly develop and articulate activities aligned with the program's global social responsibility strategy and policy. Since its creation in 2003, the program has carried out 160 volunteering events.

► **IA has carried out 160 volunteering events since its creation**

In its 13th edition, our annual volunteering event Alpa Bem-Fazer, raised more than R\$ 48 thousand, carrying out 25 initiatives participated in by more than 1,555 volunteers.

In 2022 we also launched a new global volunteering platform, where our employees can find out about various volunteering initiatives near them to choose and contribute to over the year.

Social mentoring

The Social mentoring program connects Alpargatas' volunteers with young people from partnering social institutions, helping them discover skills and develop life and career projects.

In its 7th edition, 62 Alpargatas employees volunteered under the program, with 43 acting as mentors to share experiences and guide and support young talent.

We assisted 43 mentored people in the states of São Paulo, Rio de Janeiro, Minas Gerais and Paraíba.

Dream Factory

The Dream Factory does minor repairs and refurbishing work in the homes of plant employees. Funds are raised by volunteer employees who sell raffles and organized a bazaar.

The 3rd edition of Dream Factory realized 51 dreams, with 244 people enrolled. R\$ 85,800 was raised through a bazaar in the Paraíba cities of Alagoa Nova and Mogeiro.



Our COVID-19 response for society

We adapted our production lines as soon we realized what society needed to get through the pandemic. Our factories were adjusted to produce surgical masks approved by the National Health Surveillance Agency, Anvisa. We trained 460 employees to work in the production of masks and special footwear for health care professionals.

We continued our initiatives to assist the communities impacted by the health crisis, which entered its second year in 2021. Via Instituto Alpargatas we donated sandals, masks, protective equipment and grocery kits to socially at-risk communities and to health professionals. We also donated 5 million Reais to Sociedade Beneficente Israelita Albert Einstein for the acquisition of materials and equipment to fight Covid-19. The previous year we made donations worth R\$ 60 million* for similar initiatives.



In 2021

5 thousand+
masks donated to public schools in vulnerable communities

207 thousand+
pairs of sandals for the Education and Diversity Departments in assisted municipalities

76 thousand+
pairs of sandals donated to public schools in vulnerable communities

18 thousand+
pairs of footwear donated to health care professionals

3 thousand+
grocery kits donated to the IA Solidarity Fund

R\$ 5 million
to the "Ação da Cidadania" committee to purchase 70 thousand grocery kits

Operations

► MATERIAL TOPIC:

- Waste**
- Sustainable production**
- Climate change**
- Biodiversity**



Our way of doing business

Envisaging the company's sustainable future, based on continuous improvement, excellence and operational perfection, coupled with better environmental and health and safety management, we are undergoing a phase of sweeping transformations in our industry and supply chain. The Excellence in Manufacturing and Logistics program is one such initiative materializing this vision, and is a robust plan to expand our manufacturing capacity, optimize our logistics network and new product and process technologies, to meet the strong demand for Havaianas and growth potential by expanding our portfolio in Brazil and international markets.

We are investing R\$ 600 million in the pursuit of efficiency, cost-cutting and improving service levels for physical and online channels and serving global customers.

We are already reaping excellent returns on these investments. In manufacturing we adopted a leaner line in line with the LEAN Manufacturing concept. We revisited the production flow and factory layout, and eliminated non-essential activities, concentrating our efforts on processes

that create value for our products, diminish our environmental footprint and improve the well-being of our employees. These measures are already helping mitigate logistical bottlenecks that blight various sectors of industry, demonstrating the resilience of our operation.

In 2019, we implemented Sales and Operations Planning (SOP), to optimize processes and provide greater integration between key areas of the company: sales, planning and production. This accordingly reduced our service delivery time and optimized the use of our resources. The implemented measures helped us mitigate risks and foresee future demands, enabling better planning for purchasing materials, production and our entire logistics requirements. In 2021, we consolidated SOP in Brazil and branched out our program to Europe and the USA.

► **R\$600 million**

invested to boost efficiency and reduce operating costs



Excellence in Management and Logistics Program

To facilitate our production, storage and distribution capacity expansion strategy for both a larger portfolio and better chain efficiency and productivity indicators, we created the Excellence in Management and Logistics Program.

The Program is a major project that adapts our industrial operations to the company's strategy, encompassing designing future lines, layouts and technologies. This plan aims to make the industrial sector more flexible and agile to meet the fluctuations in demand and innovations, whilst also enabling more competitive costs.

It also includes socio-environmental efficiency improvements. For example, the plan entails distributing production volumes between factories, so that products are produced closer to where they will be consumed. This allows us to spend less on transportation fuel, which consequently reduces greenhouse gases, amongst other advantages. Through the adjustments to production lines we also sought to improve energy and water consumption, investing in ergonomics to improve employee safety and satisfaction.

The Excellence in Management and Logistics Program targets:

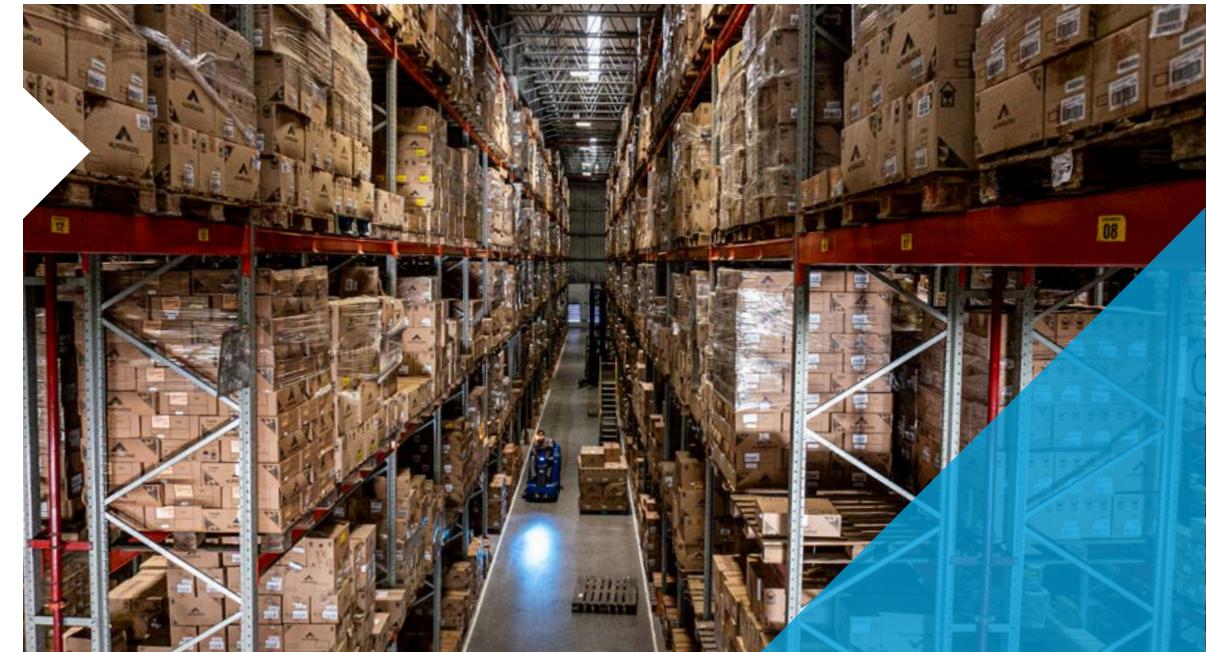
- ▶ **1. Quality: Consumers first**
- ▶ **2. Meeting demand with flexibility and high service levels**
- ▶ **3. Rapid response to new product innovation**
- ▶ **4. Sustainability in processes and products**
- ▶ **5. Cost efficiency**

The projects are in progress and are already generating savings, due to implementing technologies, raising productivity and diminishing fixed costs due to the higher production volume. Furthermore, **our productivity leapt by 5 percentage points**.

The project creates a plan to grow production capacity to meet demand with a minimum flexibility of 10% for all product families.

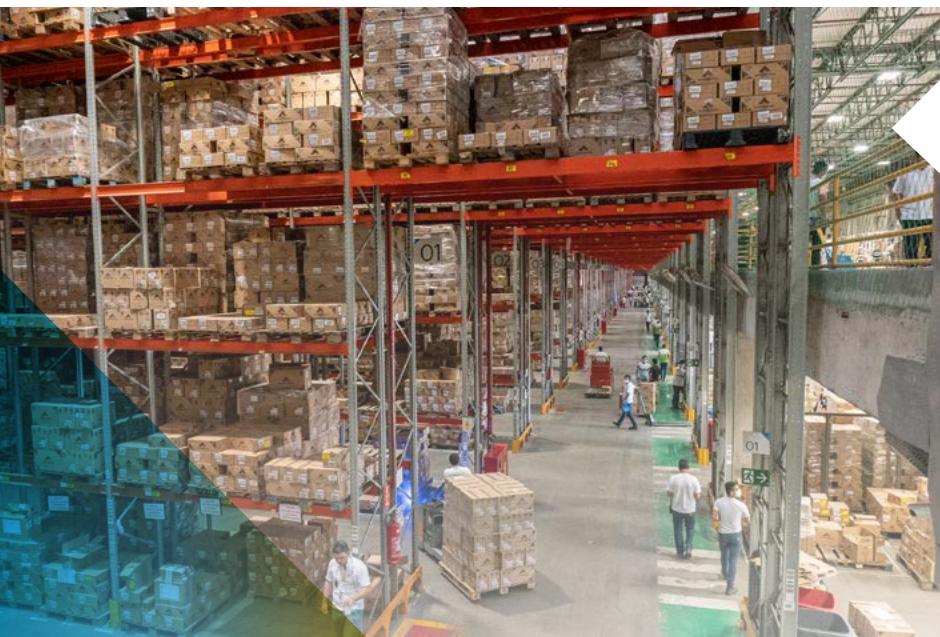
For 2022 we are expecting to increase our capacity by changing layouts, installing new equipment and improvement projects, boosting our annual pair production capacity.

To guarantee our global expansion, service quality and business sustainability, we are also reviewing our logistics network.



We used to maintain inventory at all plants in the north-east, which added extra stages to the process of dispatching goods to domestic clients and exports, further increasing transportation vulnerability and making operations more expensive, not to mention greenhouse gas emissions.

However, based on our mission to be closer to the end consumer, we decided to consolidate distribution into a single location. We therefore set up a major Distribution Center (DC) in Campina Grande, in Paraíba, home to our largest factory. This DC will allow us to meet domestic and international demand quickly, securely and efficiently, before the end of 2022.



Tetris and collaborative shipping

In addition to improving our logistics network, we also pursue operational efficiency within trucks – quite literally. Using the Six Sigma methodology, we seek to completely fill trucks with our products, avoiding waste. We call this project Tetris, an allusion to the game which consists of stacking falling geometric shapes to form complete rows at the bottom of the game board. Thanks to the Aquarius project, which replaced cartridges with paper envelopes, we can now transport many more items in a single trip. We ultimately enhanced the consumer experience, who receives the right product as quickly as possible.

The fact that our leading factory is in Campina Grande means we are going against the logistics flow. Our fully laden trucks leave the north-east of Brazil, distributing our products southwards. The opposite takes place for other manufacturers: in general, carrying products from plants in the south to units in the north-east; returning empty.

Our commitment to the environment goes beyond our walls. We are therefore talking with other companies, to use the concept of collaborative shipping. This guarantees that our or their trucks are always full – once again sustaining efficiency gains and diminishing CO₂ emissions.

- ▶ Between the six months from July to December 2021 we saved **R\$ 6.6 million** thanks to the Tetris project.

- ▶ We expect to save **R\$ 240 million** thanks to collaborative shipping in 2022.

Order to Cash

We mapped all stages of our delivery processes, from the time orders are entered into the system until the products are sent to the points of sale. We initiated a pilot project in Brazil involving key accounts, franchises and international operations.

The project entailed improvements to the entire supply chain, integrating sales, manufacturing, finance, supply and logistics systems. We accordingly managed to enhance our processes, achieve more efficient planning, more assertive production scheduling and consequently improve order management. We also nurtured a service provision culture throughout our organization, raising employee engagement.

► In 2021, we made improvements to our entire supply chain



Environmental management

The alignment of our strategic pillars (global, digital, innovation and sustainability) was a leading achievement in 2021 for Alpargatas. All our projects and initiatives – from picking

raw material suppliers to delivering products to consumers' homes – sought to include these four verticals essential for our future. As a result, we are a more global, innovative, digital and sustainable company.

We have a [Health, Safety & the Environment corporative policy](#), which establishes guidelines essentially focused on diminishing or eliminating risks and impacts routine to our business and in all related processes. We have enhanced our processes and operations in order to use resources ever more rationally, improve our energy efficiency and diminish our greenhouse gases.

We are also periodically tracking indicators, and where necessary develop action plans to address any deviations.

- ▶ **In 2021, we improved the efficiency of our water and energy use per pair of footwear items manufactured in comparison with the previous year**

Leading environmental Indicators

- ▶ **Improvement in production efficiency:**
 - ▶ **21% decrease** in water consumption volume (m³/pair)
 - ▶ **9.5% decrease** in energy consumption
 - ▶ **2.7% decrease** in scope 1, 2 and 3 emissions (tCO₂e/pair)
- ▶ **However,** our waste generation intensity rose, as a result of changing our analytical methodology.

Energy

GRI 103-2, 103-3 | 302

Energy is one of the indicators we track in order to drive down consumption. The main investments have been made in retrofitting, more efficient machinery, employee training and campaigns and mapping out renewable energy alternatives.

Our Health, Safety and Environment teams are tasked with monitoring and assessing energy indicators, with dedicated systems and controls and technical audits. The results are presented for monthly C-level assessment.

Although intensity has diminished, i.e., energy consumption per pair produced, absolute consumption has risen. This is due to the higher production in the compared periods.

Energy generated by fuel use (GJ) GRI 302-1

	2020	2021
RENEWABLES		
Anhydrous Ethanol	152.94	116.80
Biodiesel	1,750.52	1,290.00
Subtotal	1,903.46	1,406.80
NON-RENEWABLES		
Acetylene	63.86	25.96
Gasoline	413.50	506.94
Diesel	14,163.30	11,354.02
LPG	44,967.39	46,657.81
Natural Gas	189,772.90	209,359.52
Subtotal	249,380.95	267,904.25
Total	251,284.41	269,311.05

Electricity consumption (Total GJ) GRI 302-1

	2020	2021
Electricity	420,953.65	461,725.79

Total energy consumption (GJ)^{1,2} GRI 302-1

	2020	2021
Fuels	251,284.41	269,311.05
Electricity consumed	420,953.65	461,725.79
Total³	672,238.06	731,036.84

¹ Alpargatas uses the GHG Protocol and does not make energy sales.

² The conversion factor is determined by a GHG emissions inventory calculation software.

³ Consolidated figures for manufacturing operations.



Water and effluents

GRI 103-2, 103-3 | 303, 303-1, 303-2

Even if we include manufacturing processes in our industrial operations, the largest volume is for human use and facilities. Most water is drawn from deep cased wells, duly authorized and licensed by the environmental authorities in accordance with the maximum volume permitted, based on average consumption data and the flow from groundwater sources. A number of units receive water directly from local water utilities.

Only sanitary effluent, and no industrial effluent, is discharged directly into the public sewage system, with the authorization of sanitation companies.

Water indicators comply with the existing legislation and Alpargatas has internal targets to meet the company's strategic goals related to the topic, reducing the use of natural resources always in line with best market practices. Monitoring is monthly and management carries out assessments to produce action plans to direct or address deviations in water use, where necessary.

Total water consumption at each plant/unit/operation (in ML) GRI 303-5

	2020	2021
Campina Grande (PB)	113.08	105.80
Santa Rita (PB)	31.32	23.45
Carpina (PE)	15.59	16.47
Montes Claros (MG)	43.97	47.31
Distribution Center, Extrema (MG)	0.28*	0.78
Total	204.26	193.81

* The DC was inaugurated in the second half of 2020, which is why the total number of months is less than one year.

Sandals are produced internally, which is why we have no supplier water consumption with significant impacts related to areas with water stress.

The factories in Santa Rita (PB) and Montes Claros (MG) have Wastewater Treatment Plants (ETE) which aid water stewardship at these plants, enabling greater annual reuse of this resource. 37% of the water used by the Santa Rita (PB) factory in 2021 was reused within the plant. This figure was 31% at the Montes Claro (MG) factory.



Emissions

GRI 103-2, 103-3 | 305, 305-1, 305-2, 305-3, 305-4

Climate change is considered a material topic for our business and we therefore continually invest in developing our measurement processes and factoring climate impact into our investment decisions. These are elements that provide us with a strategic vision of the topic, focusing our efforts on the ongoing reduction of greenhouse gas emissions throughout our production chain.

Our emissions inventory follows Greenhouse Gas Protocol (GHG Protocol) guidelines and is monitored by the digital climate platform CLIMAS, with monthly information entered. It is not yet audited. In 2022 we will publish¹ our data in the [Public Emissions Registry](#) for the first time and will strive to strengthen our scope 3 measurements.

Our scope 1 accumulated emissions rose, mainly due to the higher production volume compared with 2020, a year when production was directly impacted by the Covid-19 pandemic. We accordingly recorded an 11% percent increase in scope 1 emissions at the Campina Grande plant (PB). However, the Santa Rita (PB) factory reduced its scope 1 emissions by 43% as a result of closing down satellite plants in 2021.

We also found a significant increase in scope 2 emissions at all our plants. This change was due to the increase in the SIN emissions factor, which practically doubled in comparison with 2020. Bearing in mind that the energy consumption increase was benchmarked against 2020, an atypical year because of the Covid-19 pandemic.

In 2021 we also made progress by starting to measure all our proprietary stores, distribution center and offices in Brazil.

The 21% increase in scope 3 emissions of the Campina Grande plant (PB) was due to generating extra waste used in co-processing, even if most of the industrial waste generated is reused within production and the remainder recycled. This increase was due to swapping raw material in the production process, which is still undergoing adjustments for the volume of waste to normalize.

¹The Brazil GHG Protocol Program is expected to publish the inventories in the second half.



Direct greenhouse emissions - scope 1 (t CO₂ equivalent) GRI 305-1

	2020	2021
Production of electricity, heat or steam	14,113.43	14,733.24
Physical-chemical processing	-	73.62
Transportation of materials, products, waste, workers and passengers	509.86	530.02
Fugitive emissions	1,147.90	1,176.99
Total gross CO₂ emissions	15,812.49	16,513.87

*Emissions include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbons (HFCs).

**It includes 4 manufacturing operations, the distribution center, proprietary stores and offices in Brazil. Scope 1 does not yet include international stores and offices.

Biogenic CO₂ emissions - scope 1 (t CO₂ equivalent) GRI 305-1

	2020	2021
Emissions	129.95	104.20

Energy indirect (Scope 2) GHG emissions (t CO₂ equivalent) GRI 305-2

	2020	2021
Emissions	7,611.30	16,375.28

The only indirect gas emitted is carbon dioxide (CO₂). We adopted ISO 14.064, based on the Brazilian GHG Protocol Program and the Ministry of Science, Technology, Innovation and Communication (MCTIC).

Biogenic CO₂ emissions - scope 3 (t CO₂ equivalent) GRI 305-3

	2020	2021
Emissions	-	3,755.82

**Other Greenhouse Gas Emissions - scope 3 (t CO₂ equivalent) GRI 305-3**

UPSTREAM	2020	2021
Upstream transportation and distribution	20,237.63	15,772.64
Waste generated in operations	31,894.57	40,535.43
Business travel	246.99	268.21
Employee transportation	4,847.94	4,894.07
Subtotal	57,227.13	61,470.35

Emissions include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O).

Greenhouse gas emissions intensity GRI 305-4

	2020	2021
Metric (reference) to calculate relative emissions	tCO ₂ e/pair*1000	tCO ₂ e/pair*1000
Total GHG emissions (t CO ₂ equivalent)	80,650.94	94,359.50
GHG emissions intensity	0.36	0.35

*Emissions include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbons (HFCs).

Waste

GRI 103-2, 103-3 | 306, 306-1, 306-2

One of the leading fronts in waste management could be considered the Excellence in Management and Logistics Program, which follows industry 4.0 principles, through modernizing machinery and adapting processes, in order to reduce the volume of products not used that consequently becomes waste.

We have also established a well-structured internal cycle to reuse the wastewater from most of our main raw material, rubber. The percentage not yet possible to recover is sent to cement mills for co-processing – an incineration process by which the waste generates energy. The soot produced in the process is added to the cement blend.

Alpargatas has set an internal target of zero landfill waste for all its industrial facilities. We accordingly developed the Integrated Waste Management (GIR), which allows us to manage and evolve this process. Thanks to the GIR, two manufacturing facilities have achieved this target.

All our waste is sent to qualified suppliers only, which have passed our internal audit process, which all our partners undergo.

Waste disposal and generation indicators are monitored monthly at a management level. Action plans for improvements are made based on these results, when necessary.

In general, the increase in the volume of waste created was due to swapping raw material in the production process, which is still undergoing adjustments for the volume of waste to normalize, due to higher production.

Our sandal manufacturing processes are consolidated monthly and the result presented within industrial executive management forums.

Total waste generated by composition (t) GRI 306-3

Category	2020		2021	
	Type	Quantity generated (t)	Type	Quantity generated (t)
Recyclable Waste Produced in the Process	Non-hazardous	34,508.978	Non-hazardous	43,455.11
Non-Recyclable Waste Produced in the Process	Non-hazardous	9,564.670	Non-hazardous	12,426.78
Recyclable Waste Produced outside the Process	Non-hazardous	1,129.020	Non-hazardous	1,859.70
Non-Recyclable Waste Produced outside the Process	Non-hazardous	284.940	Non-hazardous	664.12
Other	-	631.142	-	1,116.69
Total	-	46,118.75	-	59,522.40

Total waste directed to disposal, by composition (t) GRI 306-5

	2020	2021
Composition	Quantity directed to disposal (t)	Quantity directed to disposal (t)
Non-Recyclable Waste Produced in the Process ¹	9,564.670	12,426.78
Non-Recyclable Waste Produced outside the Process ²	284.940	664.121
Other ³	631.142	1,116.69
Total	10,480.752	14,207.59

¹ Rubber, leather, unused products, contaminated materials, PPE² Ambulatorial waste, contaminated materials, lightbulbs, regular and organic waste, oil and grease³ Regular and organic waste, construction and refurbishment waste and sweepings**Total waste directed to disposal, by recovery operation (t) GRI 306-5**

Composition	2020		2021	
	Offsite/Onsite	Total	Offsite/Onsite	Total
Incineration with energy recovery ¹	8,999.74	8,999.74	11,537.54	11,537.54
Incineration without energy recovery ²	438.94	438.94	1,583.72	1,583.72
Landfilling ³	1,022.08	1,022.08	506.14	506.14
Other disposal operations ⁴	67.17	67.17	580.20	580.20
Total	10,527.93	10,527.93	14,207.59	14,207.59

¹ The process does not use hazardous waste, meaning it is not directed to disposal.¹ Rubber, EVA and contaminated waste² Regular waste, contaminating materials, leather, PPE, oil, ambulatorial waste and sweeping waste³ Regular waste, construction and refurbishment waste⁴ Organic waste**Total waste diverted from disposal, by composition (t) GRI 306-4**

	2020	2021
Composition	Quantity diverted from disposal (t)	Quantity diverted from disposal (t)
Recyclable Waste Produced in the Process ¹	34,508.978	43,455.11
Recyclable Waste Produced outside the Process ²	1,129.020	1,859.701
Total	35,637.998	45,314.81

¹ The waste comes from the "items not used in production", although it undergoes a milling process and is reinserted into production.¹ Rubber, oil, plastic, solvents, nonferrous metals, iron, wood, cardboard, foam, adhesive, EVA² Paper/cardboard, wood, plastic, oil, PVC, ferrous and nonferrous metals, organic waste**Total waste diverted from disposal, by recovery operation (t) GRI 306-4**

Composition	2020			2021		
	Onsite	Offsite	Total	Onsite	Offsite	Total
Nonhazardous waste						
Preparation for reuse	30,221.172	0	30,221.172	38,875.24	0	38,875.24
Recycling ¹	0	5,416.826	5,416.826	0	6,439.57	6,439.57
Total	30,221.172*	5,416.826	35,637.998	38,875.24*	6,439.57	45,314.81

¹ Refers to the process of reintroducing rubber into sandal production¹ The process does not use hazardous waste, meaning it is not directed to disposal.¹ Paper/cardboard, wood, ferrous and nonferrous metals, plastic, oil, rubber, solvent, foam and organic waste.

Market



In 2018, we outlined Alpargatas' long-term value creation strategy. Since then the plan has proven effective and 2021 was a year of milestones.

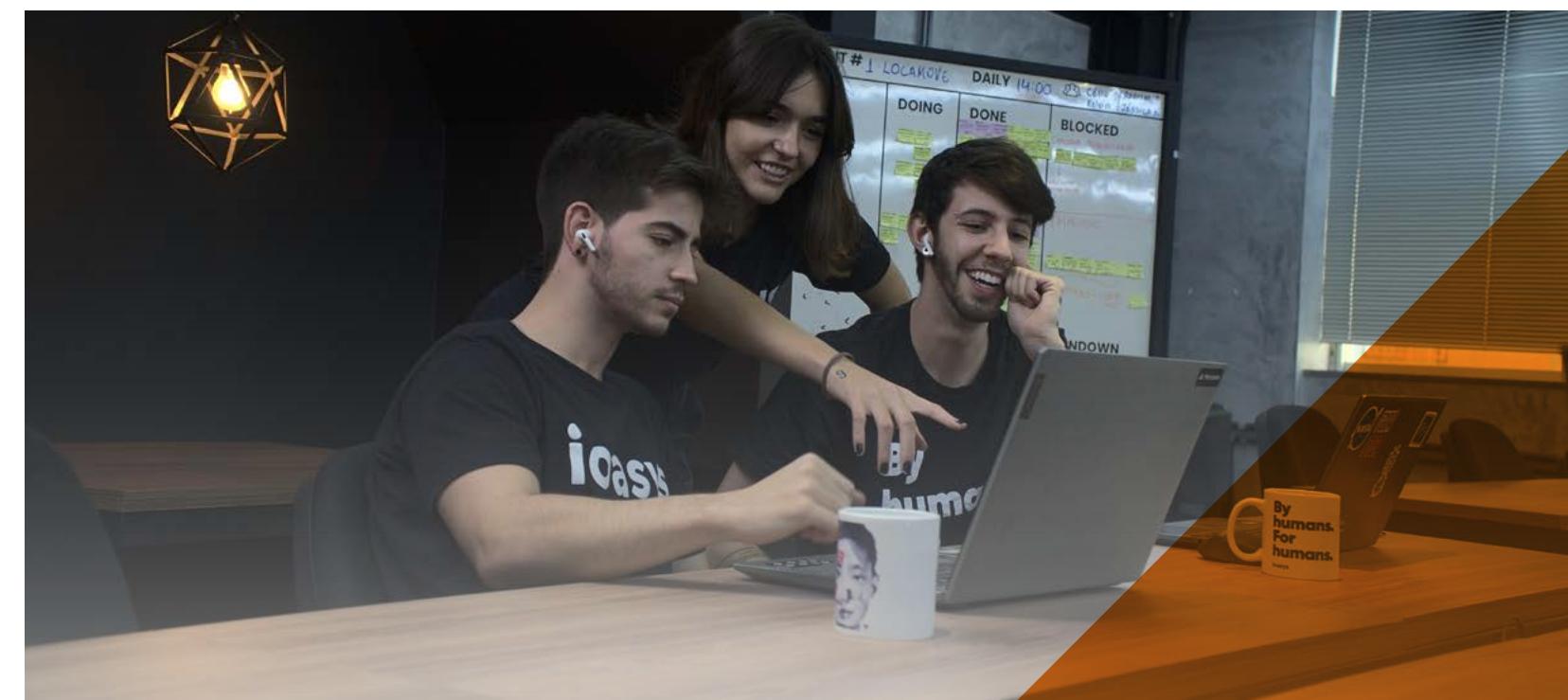
We are restructuring our business portfolio as we expedite our growth. Our international expansion, strengthening the ESG agenda - including by structuring governance and accountability related to the topic - and Alpargatas' digital and cultural transformation are just a number of the highlights of this ever so eventful year for us.

Listed on the São Paulo Stock Exchange since 1913, Alpargatas joined Ibovespa in 2021, an index that lists the most important companies in Brazil's capital market. The company was also included in the IGPTW index, for companies certified by Great Place to Work as the best places to work.

Strategic acquisitions

Few companies are as resilient as Alpargatas. We believe in the strength of our brands, and we therefore focus on iconic, in-demand and hyper-connected brands, which satisfy our increasingly demanding and aware customers.

In 2021, we closed a cycle of divesting from operations no longer harmonious with our growth strategy, selling the Mizuno operation in Brazil in 2020 and Osklen in 2021.



To further expand our international presence, at the end of 2021 we strategically invested in Rothy's, an innovative and sustainable US digital native, especially connected with our socio-environmental responsibility values.

We acquired a 49.9% interest in Rothy's, which had a pre-investment value of USD 800 M. The transaction initially took place for an investment of USD 200 million in primary capital, followed by a secondary total offering of approximately USD 275 million of shares from current shareholders.

This acquisition cements our position as a global powerhouse of desired and hyper-connected brands, also positioning us as one of the leading players in the global footwear market in line with global fashion trends: casual clothing, digitization and sustainability. We initially intend to expedite Rothy's expansion in retail and increase the brand's recognition in the USA and international markets.



New products

Globally, Havaianas has demonstrated its capacity to innovate by launching the models Slim Square, K&B Papetes and Top Home Fluffy. Also in our core business we surprised our consumers by collaborating with other brands. We work with 11 brands and launched 13 lines, including eight internationally. The leading collaborations were with Oreo cookies, street fashion brand Reality to Idea and Tradi Zori – which sold out in Brazil, the Philippines, Taiwan, Korea and New Zealand and occupied a leading position for three days in the USA. Our flip-flops menu has grown more than 30% in the last three years, propelled by global innovations.

Our range of sandals, open shoes and sneakers including accessories and clothing items grew by more than 200%. Our beyond core product revenue grew by 53%, also performing well overseas, especially in the USA and EMEA (Europe, the Middle East and Africa). In 2021 we expanded our product range by launching TNS Sneakers, made from cotton, recycled materials and other renewable sources. The product marked Havaianas' entry into this new casual sneakers category.

Financial results

GRI 103-2, 103-3 | 201

We are flying fast and far. Our revenue has more than tripled in recent years. And our net income, which grew at an average annual rate of 5% between 2012 and 2017, grew by 29% between 2018 and 2021. The return on invested capital rose from a historic average of 12%, to 29% last year.

In what was another daunting year due to the pandemic, in 2021 we demonstrated the resilience of our business. The impact of inflation on raw materials and adjustable bottlenecks that pressured production costs across industry was mitigated by action such as Revenue Growth Management (RGM), which allowed us to adjust the price per pair of sandals without compromising the sales volume. This led to Alpargatas' revenue growing 25.6% in 2021, and the volume of pairs sold was 13% greater than the previous year. We also put into practice cost-cutting and opex-control programs.

The growth was driven by Havaianas' international sales, which rose nearly 39% in 2021, then accounting for 32% of the total, compared with 27% in 2018. We achieved record sales in Europe, with upwards of 12 million pairs sold and revenue 27%* higher than the previous year. Similar revenue growth was observed in China. Sales rose 16%* in the USA and Ebitda rose by 92%* on 2020.

In Brazil, our largest market (accounting for 68% of sales and 72% of operating income), we surpassed the mark of 230 million pairs sold in 2021 and gained 10 percentage points in market share by expanding distribution and increasing penetration in specialized and direct to consumer channels.

The company's net income accordingly closed 2021 at R\$ 692.6 million, compared with R\$ 127 million in 2020. In December the board of directors members signed off on the distribution of R\$ 90 million to Alpa's shareholders in the form of interest in equity, to be paid in 2022.

Our rate of annual revenue growth rose by 3.5 x

Havaianas is the main driver, with growth of



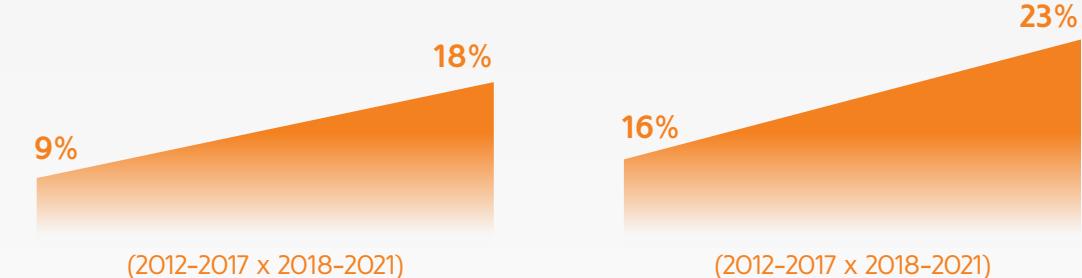
Return on capital employed of



The net profit margin rose



Return on equity of



* The specified percentages are comparative in constant currency.

Sustainable results for the future

GRI 201-1

Alpargatas works to meet the targets agreed with the Board of Directors. Monthly internal reports are reviewed by the executive team, and meetings held with each business unit and corporate area to understand deviations from targets, and define action plans and any course-corrections necessary. The Board of Directors and Finance Committee also meet ten times a year to review the business, analyze progress against the targets set, and manage our long-term projects.

In 2021, we undertook a range of strategic movements to usher in the next cycle of growth, with competitive advantages. These include

the acquisition of loasys to ramp up our digital transformation capacity, with more than 430 technology and design personnel joining us, and the investment with a call option in Rothy's (see more on page 8). In 2022 we will invest the sizeable sum of R\$ 600 million in the Logistics network manufacturing operational excellence program (see more on page 56 in order to fuel Havaianas' growth capacity in terms of both production volume and new technologies, cost-cutting and service level improvements.

Further financial information can be obtained on our [Investor Relations page](#).

Direct economic value generated (R\$ million) GRI 201-1

	2020	2021
Revenue	3,156.42	3,948.56

Economic value retained (R\$ thousand) GRI 201-1

	2020	2021
"Direct economic value generated" less "Economic value distributed"	137,894	69,116

Economic value distributed (R\$ thousand) GRI 201-1

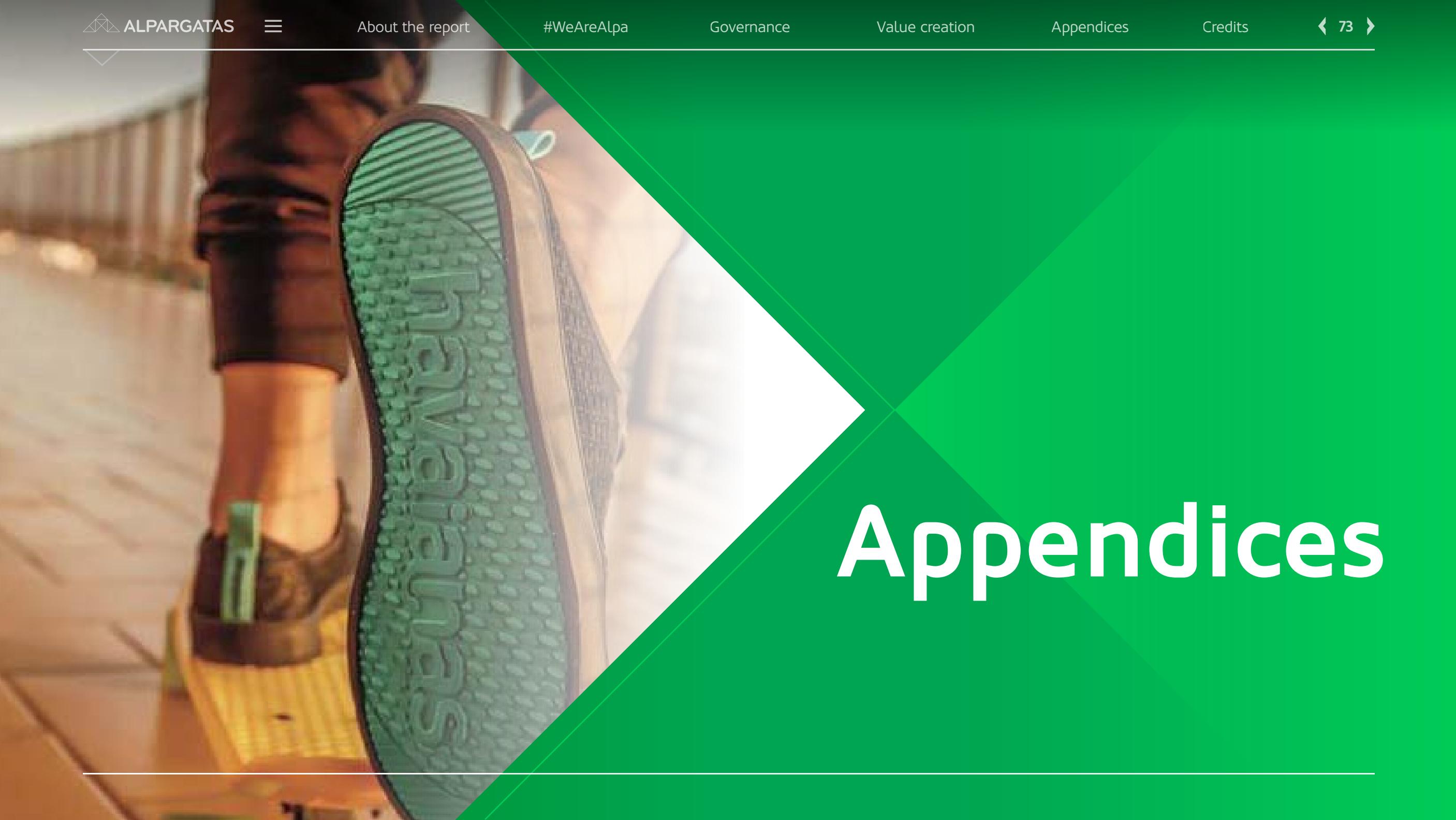
Distributed	2020	2021
Operating costs	1,455,675	1,991,914
Employee wages and benefits	771,505	925,708
Payments to providers of capital	243,807	115,933
Payments to government	487,540	834,877
Community investments*	60,000	11,012
Total	3,018,527	3,879,444

* Community investments include investments in Instituto Alpargatas and the projects it carries out, as well as donations and participation in other social projects, product donations and fighting the pandemic.

Economic value distributed (%) GRI 201-1

Distributed	2020	2021
Operating costs	48.22	51.35
Employee wages and benefits	25.56	23.86
Payments to providers of capital	8.08	2.99
Payments to government	16.15	21.52
Community investments	1.99	0.28
Total	100	100

* Community investments include investments in Instituto Alpargatas and the projects it carries out, as well as donations and participation in other social projects, product donations and fighting the pandemic.



Appendices

GRI Content Index

GRI 102-55

GRI Standards	Disclosure	Page/URL	Omission	SDG
GENERAL DISCLOSURES				
GRI 101: Foundation 2016				
GRI 101 contains no disclosures				
GRI 102: General disclosures 2016	Organizational profile			
	102-1 Name of the organization	8		
	102-2 Activities, brands, products, and services	8		
	102-3 Location of headquarters	11		
	102-4 Location of operations	11		
	102-5 Ownership and legal form	8		
	102-6 Markets served	11		
	102-7 Scale of the organization	Financial statements		
	102-8 Information on employees and other workers	14, 26, 27		8, 10
	102-9 - Supply chain	45		
	102-10 Significant changes to the organization and its supply chain	8		
	102-11 Precautionary principle or approach	16		
GRI 102: General disclosures 2016	102-12 External initiatives	48		
	102-13 Membership of associations	Associação Brasileira de Anunciantes (ABA); Associação Brasileira de Comunicação Empresarial (Aberje); Associação Brasileira das Companhias Abertas (Abrasca); Grupo de Proteção a Marca (BPG); as well as those mentioned on page 48.		

GRI Standards	Disclosure	Page/URL	Omission	SDG
Strategy				
GRI 102: General disclosures 2016	102-14 Statement from senior decision-maker	3		
Ethics and integrity				
GRI 102: General disclosures 2016	102-16 Values, principles, standards, and norms of behavior	12		16
Governance				
GRI 102: General disclosures 2016	102-18 Governance structure	15		
	102-22 – Composition of the highest governance body and its committees	14		5, 16
Stakeholder engagement				
GRI 102: General disclosures 2016	102-40 List of stakeholder groups	5		
	102-41 Collective bargaining agreements	The percentage of total employees covered by collective bargaining agreements is 98%. The 2% not covered are employees in our international operations.		8
	102-42 Identifying and selecting stakeholders	5		
	102-43 Approach to stakeholder engagement	5, 23		
	102-44 Key topics and concerns raised	5, 6, 23		

GRI Standards	Disclosure	Page/URL	Omission	SDG
Reporting practices				
GRI 102: General disclosures 2016	102-45 Entities included in the consolidated financial statements	5, 11		
	102-46 Defining report content and topic Boundaries	5, 6		
	102-47 List of material topics	5, 6		
	102-48 Restatements of information	Not applicable		
	102-49 Changes in reporting	Not applicable		
	102-50 Reporting period	January 1 to December 31, 2021		
	102-51 Date of most recent report	This is our first GRI-compliant report		
	102-52 Reporting cycle	Annual		
	102-53 Contact point for questions regarding the report	2		
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards—"Core" option		
	102-55 GRI content index	73		
	102-56 External assurance	81		

GRI Standards	Disclosure	Page/URL	Omission	SDG
MATERIAL TOPICS				
Economic performance				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5		
	103-2 The management approach and its components	17, 70		
	103-2 The management approach and its components	70		
GRI 201: Financial performance 2016	201-1 Direct economic value generated and distributed	71		8, 9
Procurement practices				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and Boundary	5		
	103-2 The management approach and its components	17, 44		
	103-2 The management approach and its components	44		
GRI 204: Procurement practices 2016	204-1 Proportion of spending on locally-based suppliers	45		8
Taxes				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5		
	103-2 The management approach and its components	17, 18		
	103-3 Evaluation of the management approach	18		
GRI 207: Taxes 2020	207-1 Approach to tax	18		1, 10, 17
	207-2 Tax governance, control and risk management	18		
	207-3 Stakeholder engagement and management concerns related to tax	18		
	207-4 Country-by-country reporting	18. All revenue, equity and taxes for 2021 have been reported in the company's financial statements. Click here .		

GRI Standards	Disclosure	Page/URL	Omission	SDG
Materials				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 43		
	103-3 Evaluation of the management approach	43		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	43		8, 12
	301-2 Recycled input materials used	43		8, 12
	301-3 Reclaimed products and their packaging materials	40		8, 12
Energy				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 62		
	103-3 Evaluation of the management approach	62		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	62	Renewable fuels consumed and energy sold (GJ) do not apply to Alpargatas	7, 8, 12, 13
Water and effluents				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 65		
	103-3 Evaluation of the management approach	65		
GRI 303: Water and effluents 2019	303-1 Interactions with water as a shared resource	65		6, 12
	303-2 Management of water discharge related impacts	65		6
	303-5 Water consumption	65		6

GRI Standards	Disclosure	Page/URL	Omission	SDG
Biodiversity				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17		
	103-3 Evaluation of the management approach	17		
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	Alpargatas' factories comply with the existing legislation and have all the environmental licenses necessary and meet their respective conditions, not causing significant impacts on the environment.		6, 14, 15
Emissions				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 64		
	103-3 Evaluation of the management approach	64		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	64, 65		3, 12, 13, 14, 15
	305-2 Energy indirect (Scope 2) GHG emissions	64, 65		3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	64, 65		3, 12, 13, 14, 15
	305-4 GHG emissions intensity	64, 65		13, 14, 15

GRI Standards	Disclosure	Page/URL	Omission	SDG
Waste				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 66		
	103-3 Evaluation of the management approach	66		
GRI 306: Waste 2021	306-1 Waste generation and significant waste-related impacts	66		3, 6, 11, 12
	306-2 Management of significant waste-related impacts	66		3, 6, 11, 12
	306-3 Waste generated	66		3, 6, 12, 14, 15
	306-4 Waste diverted from disposal	67		3, 11, 12
	306-5 Waste directed to disposal	67		3, 6, 11, 12, 14, 15
Supplier environmental assessment				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 45		
	103-3 Evaluation of the management approach	45		
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	45, 47		
	308-2 Negative environmental impacts in the supply chain and actions taken	45, 47		
Diversity and equal opportunity				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 32		
	103-3 Evaluation of the management approach	32		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	15, 33, 34		5, 8
	405-2 Ratio of basic salary and remuneration of women to men	33		5, 8, 10

GRI Standards	Disclosure	Page/URL	Omission	SDG
Supplier social assessment				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 45		
	103-3 Evaluation of the management approach	45		
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	45, 47		5, 8, 16
	414-2 Negative social impacts in the supply chain and actions taken	45, 47		5, 8, 16
Marketing and labeling				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	5, 6		
	103-2 The management approach and its components	17, 37, 45		
	103-3 Evaluation of the management approach	37, 45		
GRI 417: Marketing and labeling 2016	417-1 Requirements for product and service information and labeling	37, 45		12
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	5, 6		
	103-2 The management approach and its components	17		
	103-3 Evaluation of the management approach	17		
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Alpargatas considers fines to be significant that are individually worth over R\$ 50,000.00. Significant fines received in 2021 which may or may not be appealed amounted to R\$ 1,597,812.13.		16

Assurance report

GRI 102-56



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Limited assurance report issued by independent auditors

To the Board of Directors and Shareholders of
Alpargatas S.A.
São Paulo - SP

Introduction

We were engaged by Alpargatas S.A. ("Alpargatas" or "Company") to apply limited assurance procedures on the sustainability information disclosed in its Annual Sustainability Report 2021 ("Report"), in the accompanying information to this report related to the period ended December 31, 2021.

Responsibilities of Alpargatas's Management

The Management of Alpargatas is responsible for adequately preparing and presenting the sustainability information in the Annual Sustainability Report 2021 in accordance with both the Standards for Sustainability Report of Global Reporting Initiative – GRI and the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Report based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Report, taken as a whole, is free from material misstatement.

KPMG Auditores Independentes Ltda. ("KPMG") applies Brazilian and international standards on quality control, and consequently maintains a comprehensive quality control system including documented policies and procedures related to compliance with ethical and professional standards, in addition to the legal and regulatory applicable requirements. We comply with the comprehensive code of ethics including detailed independence requirements, established based on the ethical principles of integrity, objectivity, competence and professional care, confidentiality and professional behavior.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Alpargatas and other professionals of the Company involved in the preparation of the information disclosed in the Report and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Report taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- a. engagement planning: considering the material aspects for Alpargatas's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Alpargatas's Report. This analysis defined the indicators to be checked in details;
- b. understanding and analysis of disclosed information related to material aspects management;
- c. analysis of preparation processes of the Report and its structure and content, based on the Principles of Content and Quality of the Standards for sustainability report of the Global Reporting Initiative - GRI (GRI - Standards);
- d. evaluation of non-financial indicators selected:
 - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Report;
 - analysis of evidence supporting the disclosed information;
- e. analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- f. comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Report.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures performed, described in this report, we have not identified any relevant information that leads us to believe that the information in the Annual Sustainability Report 2021 is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI- Standards) and with the records and files that served as the basis for its preparation.

São Paulo, June 21st, 2022

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6

Original report in Portuguese signed by
Sebastian Yoshizato Soares
Contador CRC 1SP257710/O-4

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Corporate information

Credits

Coordination of the Annual Sustainability Report

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Maria José De Martini

Maria Augusta Bottino

Maira Pinheiro

Filipe Augusto Ribeiro

Juliana Eggers

Giovanna Bissoli

Content, consultancy for GRI indicators, graphic design and layout

grupo report - rpt sustentabilidade