INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS





GRENDENE S.A.

Publicly Held Company CNPJ nº 89.850.341/0001-60 – NIRE nº 23300021118-CE

Internal Regulations of the Board of Directors

Chapter I

Objectives

Clause 1 - Subject to the provisions of the Bylaws ('the Bylaws') of Grendene S.A. ('the Company') on the matter, the purpose of these internal regulations ('the Internal Regulations') is to set the general rules on composition, election, swearing in, functioning, structure, organization and activities of the Board of Directors of the Company ('the Board'), for the performance of their duties in accordance with Law 6404/76, the applicable enabling regulations, and the Bylaws.

Chapter II

Members

Clause 2 - Under Article 15 of the By-laws, the Company's Board of Directors comprises at least five and a maximum of seven sitting members, of which at least two or 20% (twenty per cent), whichever is greater, shall be Independent Members – and must be expressly characterized as such in the minutes of the General Meeting of Stockholders that elects them, on the basis of the criteria and requirements established in the Listing Regulations of the Novo Mercado of the São Paulo stock exchange ('the Novo Mercado Regulations'). Any Board Member elected under the procedures made available by Article 141, §4 and §5 of Law 6404/76 shall also be deemed to be an Independent Member. In each Ordinary General Meeting the stockholders shall decide the number of sitting members to be elected at that Meeting. The Board of Directors shall have a Chair and a Deputy Chair, who shall be chosen by the General Meeting of Stockholders.

- §1 When the percentage referred to in this clause results in a fractional number of members, the number shall be rounded in accordance with the terms of the Novo Mercado Regulations.
- §2 The posts of Chairman of the Board of Directors and Chief Executive Officer or principal executive of the Company may not be held by the same person.

Clause 3 - Under Article 16 of the Bylaws the members of the Board shall have maximum periods of office of 2 (two) years, to run concurrently, re-election being permitted.

§1 - In addition to the provisions of Article 13 of the Company's By-laws, the Board Members shall be sworn into their posts against signature of the Instrument of Investiture, to be inscribed in writing in a book kept for the purpose, and which shall include their agreement to be subject to the arbitration commitment clause specified in the Novo Mercado Regulations. No other management guarantee is required.

- §2 The Board Members shall remain in their positions and in the exercise of their functions until the swearing-in of their replacement/s, unless decided otherwise by the General Meeting of Stockholders.
- §3 Nominations for membership of the Board of Directors of the Company, including the posts of independent member, must obey the criteria specified in Grendene's Policy on Nomination of Members of the Board of Directors, their Advisory Committees and the Executive Board, and also the other requirements under the bylaws, legislation and regulations.
- Clause 4 Under Article 17 of the Bylaws, in the event of absence, or temporary impediment, of the Chair, his or her function shall be exercised by the Deputy Chair. In the absence, or temporary impediment, of the Deputy Chair, his or her function shall be exercised by another sitting member of the Board, appointed by the other Board Members to assume those functions. In the event of absence, or temporary impediment, of any other Board Member, his/her functions shall be exercised by another Board Member to whom he/she has delegated powers, or if no such delegation has been made, by a sitting member appointed by the other Board Members to assume those functions.
- §1 In the event of any seat on the Board being vacant, a new member shall be elected by the General Meeting of Stockholders, to serve until the end of the concurrent period of office of the other Board Members. For the purposes of this Clause, a seat becomes vacant when a Member is dismissed from the Board, dies, resigns, is provenly impeded, is incapacitated, or is absent without justification for more than 30 consecutive days.

Chapter III

Functioning

- Clause 5 Under Clause 18 of the Bylaws, the Board of Directors meets ordinarily, 4 (four) times per year, and, extraordinarily, whenever called by its Chair or Deputy Chair or by decision of the majority of its members, or at the request of the Executive Board. To be valid, the convocation must be made with at least 5 (five) days' prior notice, and must indicate the date and time of the meeting and the subjects contained on the agenda.
- §1 Convocation is dispensed with if all the Board Members are present at the meeting.
- §2 The Board Members may be called by letter, using the Advice of Receipt service, or by fax, or by electronic message.
- Article 6 Under Clause 19 of the Bylaws, meetings of the Board of Directors shall be chaired by the Chair or in his/her absence by the Deputy Chair (or in his/her absence, by another member appointed by the majority of votes of the other Board Members). Meetings shall be in session when the majority of its sitting members are present. In meetings, a Board Member may be represented by another Member to whom the Member has granted powers for the purpose, and may send his/her vote in writing, or by fax or by electronic message.
- §1 Meetings of the Board of Directors should be held at the Company's head office, or at the Company's administrative unit in the city of Farroupilha, in the State of Rio Grande do Sul, or at another location to be stated by the Chair of the Board, or in the Chair's

absence, by the Deputy Chair of the Board, or in that party's absence, by the majority of the members of the Board of Directors, and shall require the standard period of advance notice for convocation of meetings of the Board of Directors.

- §2 Exceptionally, Board Members may take part in meetings by telephone or video conference call, provided that this possibility has been indicated in the announcement advertising the convocation. In this case, the minutes shall be transmitted by fax or electronic message to the Board Member who participates in this way, and retransmitted to the Company after signature by that Board Member.
- Clause 7 Under Clause 20 of the Bylaws, each Board Member has the right to 1 (one) vote in the meetings of the Board of Directors, either given personally or by one of his/her peers as representative, provided a specific power of attorney for the meeting in question is presented, containing the instruction by the absent Board Member of the vote to be cast, and that Member's related justification. Votes of any Members that have been sent to the Board of Directors in writing, prior to the meeting of the Board of Directors, shall be considered valid. The decisions of the meeting shall be valid if they have votes in favor by the majority of the Members present at the meeting. Decisions must be recorded in minutes and registered in the Board of Directors' Meetings Minutes Book; and whenever they contain decisions intended to produce effect in relation to third parties, summary minutes must be filed at the competent Commercial Board and be published.
- §1 Decisions of the Board of Directors shall be valid when taken at meetings duly called in accordance with Clause 5 of these Internal Regulations, and the requirements of law.
- §2 In October of each year the Chair of the Board of Directors shall set an annual calendar with the dates of the ordinary meetings, which shall not be less than four nor more than twelve, and call extraordinary meetings whenever necessary.
- §3 Through its Chair, the Board of Directors may invite members of the management of the Company, and any internal or external employees that have significant information related to the subjects that are on the agenda and relevant to the matters under their responsibility, to take part in its meetings.
- §4 Whenever the Audit Board has been constituted, its members shall be invited to take part in all the meetings of the Board of Directors; and they shall be called to attend, by the Chair of the Board of Directors, whenever there are matters on the agenda of the meeting on which Article 163 of Law 6404 of 1976 requires them to give an opinion.
- §5 At the end of any meeting where members are present in person, the Board of Directors may hold an exclusive session only for members of the Board of Directors, without the presence of any executives or other invited parties, for alignment of the members of the Board of Directors.
- §6 This session shall have duration specified on the convocation agenda, and shall deal with any subjects that the Board of Directors may decide. If there are decisions, separate minutes shall be drawn up, on the same date that the meeting is held.
- §7 The minutes of the meeting of the Board of Directors must be drafted with clarity and record the decisions taken, the persons present, any dissenting votes, and any abstentions.

- §8 No member of the Board of Directors may have access to any information, or participate in meetings of the Board of Directors related to any subject, on which that member has or represents an interest conflicting and/or potentially conflicting with the interests of the Company.
- §9 Every member of the Board of Directors has an obligation to declare any interest possibly in conflict with those of the Company in the subjects to be decided in a meeting of the Board, and the scope/extent of the conflict shall be included in minutes, and the Member shall abstain from participating in the decision in which conflict exists.
- §10 Every new member of the Board of Directors must undergo a structured integration program, introducing the member to the Company's key people and its facilities, and in which essential subjects for understanding of the Company's business are dealt with.
- §11 The members of the Board of Directors shall carry out their functions exclusively in the interest of the Company, and not in the individual interests of the stockholders nor of the group of stockholders which appointed them to their positions.
- §12 No function of a Member of the Board of Director may be delegated to any person who is outside the Board of Directors.
- §13 The Members of the Board of Directors shall obey all the formalities of the Company, especially those relating to the form of communication with the Executive Board and with the Company's employees.

Chapter IV

Duties and powers

Clause 8 - By Clause 21 of the Bylaws, the Board of Directors has the following duties and powers:

- a) Election, and dismissal, of the Executive Officers (defined as Members of the Executive Board) and setting of their duties and powers, including that of the Investor Relations Director.
- b) Approval of the Internal Regulations of the Company, if applicable.
- c) Setting of the general orientation of the Company's business and of any company controlled by the Company ('Subsidiary').
- d) Approval of a Business Plan for the Company and its Subsidiaries and any investments or capital expenditure not included in such Plan, if applicable.
- e) Monitoring and inspection of the management by the Executive Officers: the Board of Directors may at any time examine the minutes, books and papers of the Company and of its Subsidiaries, and may request information on contracts entered into, or in the process of being entered into, or any other acts.
- f) Convocation of the General Meeting of Stockholders, under Clause 9 of the Bylaws, whenever necessary or required by law, and in accordance with the terms of the Bylaws.
- g) Statement of opinion on the Report of Management and the accounts presented by the Executive Board and annual and/or interim financial statements, and proposal of allocation of the net profit for each business period.

- h) Decision on issuance of shares or warrants, within the limit set by the Authorized Capital.
- i) Authorization of any acquisition by the Company of its own shares to be held in treasury and/or subsequently sold.
- j) Decision on issuance of debentures, not convertible into shares and without asset guarantee, and Promissory Notes for public distribution in accordance with CVM Instruction 134.
- k) Appointment of, and dismissal of, the Company's external auditors.
- I) Authorization for raising of loans or financings by the Company or any Subsidiary, in any amount above R\$ 300,000,000.00 (three hundred million Reais), as measured over the period of 3 (three) months prior to the related transaction.
- m) Authorization of disposal of, or placement of a lien or charge on, any assets of the property, plant and equipment of the Company or of any Subsidiary, in an aggregate amount greater than R\$ 360,000,000.00 (three hundred sixty million Reais), as measured over the period of 3 (three) months prior to the related transaction.
- n) Authorization for giving of asset or personal guarantees of any nature by the Company or any Subsidiary in an aggregate amount greater than R\$ 360,000,000.00 (three hundred sixty million Reais), as measured over the period of 3 (three) months prior to the related transaction.
- o) Authorization of any acts that result in waiver of any rights by the Company or any Subsidiary in an aggregate amount greater than R\$ 45,000,000.00 (forty five million Reais), as measured over the period of 3 (three) months prior to the related transaction.
- p) Setting of the general conditions of, and authorization of signature of, contracts of any nature between the Company and any Subsidiary or Affiliated company, and/or any of their managers, or controlling stockholders, or between the Company and any company controlled by or affiliated with the managers or the controlling stockholders, and/or with any other companies that are, in fact or in law, part of a single group with those persons or entities, of which the value individually or jointly, in a period of one year, is 1% or more of the Company's Stockholders' equity.
- q) Pronouncement on such subjects as the Executive Board presents to it for its decision or for submission to the General Meeting of Stockholders.
- r) Decision on suspension of the activities of the Company or of any Subsidiary.
- s) Proposal, at any time, of examination of any subject relating to the business of the Company and/or any Subsidiary that is not within the exclusive competence of the General Meeting of Stockholders.
- t) Decision, in the event of cancellation of the registry for listing, or exit from the Novo Mercado, on the three-name list of companies specialized in valuation of companies, for preparation of a Valuation Opinion on the Company's shares.
- u) Approval of contracting of the depositary institution to provide share bookkeeping services.
- v) Making of statement in favor of or against any public offer for acquisition of shares issued by the Company, through a prior opinion, with grounds, published within 15 (fifteen) days after publication of the announcement of a public offering for acquisition of

shares. This statement must deal with at least the following matters: (i) whether the public offer for acquisition of shares is convenient and opportune for, and in the interests of, the stockholders as a whole, and in relation to the liquidity of the securities they hold; (ii) the repercussions, on the interests of the Company, of the public offer for acquisition of shares; (iii) the strategic plans for the company published by the offering party; and (iv) any other points that the Board of Directors considers to be relevant; and also the information required by the applicable rules laid down by the CVM.

- §1 The amounts specified in 'l', 'm', 'n' and 'o' above shall be adjusted annually, as from April 7, 2014, by the IGP-M inflation index published by the Getúlio Vargas Foundation, or any index which replaces it.
- §2 In the proposal by management to the General Meeting of Stockholders that decides on the election of managers, the Board of Directors shall state an opinion on: (i) acceptance, by each candidate for membership of the Board of Directors, of Grendene's Policy on Nomination of Members of the Board of Directors, their Advisory Committees and the Executive Board; and (ii) for each candidate, in the light of the provisions of the Novo Mercado Regulations, the reasons why that candidate is considered to be characterized as an independent member.

Chapter V

Committees

- Clause 9 For the optimum performance of its functions, the Board of Directors may create committees or working groups with specifically set objectives, for the purpose of giving advice to the Board of Directors. The members of these committees shall be persons designated by it from among members of management and/or other persons directly or indirectly connected with the Company.
- §1 The Board of Directors hereby rules that the Company shall, by the year 2021, institute the Audit and Risks Management Committee.
- §2 The Committees shall have at least 3 (three) and at most 5 (five) members, all nominated and previously approved by the Board of Directors itself.

Chapter VI

Rights and Duties

Clause 10 - The members of the Board of Directors shall carry out their functions obeying the duties of loyalty and diligence set out by law, within the legal limits, contributing to defense of the interests of the Company and of all the stockholders, without distinction, and avoiding any situations of conflict that could affect the interests of the Company.

Clause 11 - During meetings, any sitting member of the Board of Directors may request and examine, individually, all such documents as he/she deems necessary for the exercise of his/her functions, with the exception of the matters in Clause 7, §8, and may make annotations and remarks, which shall be discussed and decided upon in the related meetings. Any request for examination of documents or copies of documents must be made to the Chief Executive Officer, with grounds, by the Member of the Board

- of Directors who is requesting them, and must be signed by the Chair of the Board of Directors.
- §1 The examination of the documents will be permitted on premises of the Company, or exceptionally at such other location as is previously agreed with the Chief Executive Officer of the Company. Copying, photography or reproduction of the documents by any means will not be permitted.
- §2 Any documents or information that have not yet been published in accordance with the law, but have been placed at the disposal of the Board of Directors by the Company's Executive Board, shall be kept confidential, with a view to safeguarding the interests of the Company, its stockholders and the Market, and may not be published to third parties, and any Board Member who makes any such disclosure shall be made liable for such act.

Clause 12 - In the exercise of their activities, the members of the Board of Directors must comply with these Internal Regulations.

Chapter VII

Liability

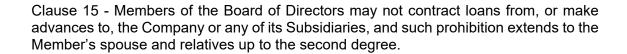
Clause 13 - The Members of the Board of Directors have the duties of the managers of the Company specified in Articles 153 to 156 of Law 6404/76, and shall be liable for any damages resulting from omission in compliance with their duties, and for any actions carried out with negligence or malice, or in violation of the law, the Bylaws, and/or these Internal Regulations. The Members of the Board of Directors shall hold joint liability in the event of omission in compliance with their duties; except that: a dissident Member shall be exempt from such liability if he/she causes his/her disagreement to be recorded in the minutes of the meeting of the Board of Directors and advises the bodies of Management, and the General Meeting of Stockholders, of it.

Chapter VIII

Matters prohibited

Clause 14 - Members of the Board are prohibited from directly or indirectly participating in trading in securities issued by the Company, or referenced to such securities, at the following times:

- a) before disclosure to the market of a material fact or event in the Company's business;
- b) within the 15 (fifteen) days prior to publication of the Company's quarterly information (ITR) and/or annual financial statements (DFP and Reference Form);
- c) whenever there is intention to arrange for absorption, total or partial split, merger, transformation or stockholding reorganization; and/or
- d) during any process of acquisition or disposal of shares in the Company, exclusively on the dates on which the Company is negotiating.



Chapter IX

Remuneration

Clause 16 - The General Meeting of Stockholders shall set the total annual remuneration of the Managers.

- §1 The Board of Directors shall carry out the distribution of the amount individually to each Manager.
- §2 The members of the Board of Directors shall be reimbursed by the Company for expenses of travel and accommodation necessary to the performance of their function.

Chapter X

Assumption of office

Clause 17 The Members elected shall be invested in their posts as sitting members upon signature of the following documents:

- a) Instrument of Investiture, in the Board of Directors' Meetings Minutes Book, which shall include acceptance of submission to the arbitration commitment clause contained in the Novo Mercado Regulations;
- b) Term of Agreement to the Company's Policy on Disclosure of Information on Material Facts or Events;
- c) Term of Agreement to the Policy for Trading in the Company's Securities, in accordance with CVM Instruction 358/02:
- d) Statement of Non-impediment under Article 147 of Law 6404/76, containing the following statements:
 - i) that the Member is not impeded by any special law, nor has been convicted for any crime related to bankruptcy, obstruction for gain, bribery, graft, embezzlement, or crime against the public economy or against public good faith or property, or suffered any criminal penalty;
 - ii) that the Member has not been subjected to the penalty of suspension or temporary disqualification applied by the Brazilian Securities Commission (CVM) such as makes him/her non-eligible for, or unable to occupy, a position in a Listed Company;
 - iii) that the Member is qualified under the requirement for unblemished reputation;
 - iv) that the Member does not occupy a position in any company that might be considered to be a competitor of the Company, and neither has nor represents any interest that conflicts with those of the Company or its other stockholders.

- e) If elected as an independent board member, the Statement of Independent Status, attesting to the candidate's qualification in relation to the criteria for independence established in the Novo Mercado Regulations.
- §1 If during the period of office of a Member of the Board of Directors any situation or event specified in the documents listed above occurs, the Member must advise the Chair of the Board of Directors, describing the circumstances and his/her own position in relation to his/her post.

Chapter XI

General Provisions

Clause 18 - Any cases of omission shall be resolved in meetings of the Board of Directors itself, in accordance with the legislation and the Bylaws.

Clause 19 - These Internal Regulations of the Board of Directors may be modified at any time by decision of the Board of Directors.

Clause 20 - The Company will adapt to the new rules within the period specified in the Novo Mercado Regulations which came into effect on January 1, 2018.