

GRENDENE S.A.

Listed Company – CNPJ 89.850.341/0001-60 – NIRE 23300021118-CE

MATERIAL ANNOUNCEMENT

Grendene S.A (GRND3; 'Grendene' or 'the Company'), in accordance with Article 157, §4 of Law 6404/76, and CVM instruction 358/02, hereby informs its stockholders as follows:

1. As Grendene has previously announced in public announcements and in its 2019 and 2020 financial statements, on February 13, 2019 the Federal Appeal Court of Brazil's 5th region, in a judgment against which there is no further appeal, granted an order of *mandamus* to the Company, ruling that ICMS tax (already paid, or becoming due) cannot be included in the basis for calculation of the Company's liability for the two federal taxes PIS and Cofins, and recognized the Company's right to a credit of these taxes over a long period.

At that time, however, there was a certain insecurity as to precisely what value of ICMS tax should be excluded from the basis of calculation of the PIS and Cofins taxes paid by the Company, for the purposes of determining the amount of the credit due to the Company – to be offset against future ICMS tax, or to be repaid to the Company – and in particular whether only the ICMS tax actually paid on operations, or the ICMS tax stated and included in tax invoices to customers, should be used as the base figure.

2. For this reason, after the Brazilian Tax Authority (*Secretaria da Receita Federal*) had issued its ratification of the judgment, in the third quarter of 2019 Grendene and its managers opted for a conservative stance in relation to recognition of this credit, and in accordance with the response given by Brazil's tax authority oversight body (COSIT) to Internal Consultation 13/2018, Grendene posted in its accounts, by the accrual method, only the value of the credits of PIS and Cofins tax relating to exclusion of the ICMS tax actually paid in the Company's operations, and not the value of the amounts of ICMS tax stated on the Company's tax invoices to customers. The amount of the value of the credits is R\$51,3 million.
3. In recent months, however, there have been new developments, including the following:
 - (i) Regional Federal Appeal Courts, including that of the 5th Region, which has jurisdiction over the Company, have ruled that the ICMS tax amounts included in tax invoices should be excluded from the basis for calculation of the amounts of PIS and Cofins tax payable.
 - (ii) A draft law has been put forward in Congress proposing institution of a new, single Social Contribution tax on Transactions in Goods and Services (*Contribuição Social sobre Operações com Bens e Serviços – 'CBS'*).
 - (iii) Risk of the credits expiring: Under Article 103 of the Tax Authority's Normative Instruction 1717 of 2017, the period for presentation of an application for offsetting of the credits referred to, including those related to the amount of ICMS tax stated on invoices, expires at the end of five years from the date of the final judgment against which there is no further appeal.

As a result the Company's managers were of the opinion that it was necessary to reassess the assumptions that guided the accounting and tax procedures adopted in the past in relation to the subject.

It should be noted that until today's date the Federal Supreme Court has not made any statement on the basis for calculation of the amount of the credit of PIS and Cofins tax, nor on any modulation of the effects of the decision. Also, there is no hearing scheduled for discussion of this matter.

4. In this situation, the Company's management contracted lawyers specialized in the area to re-analyze the subject. Completion of this work has resulted in:
 - (i) the conclusion that today there are solid arguments to support recognition of the entirety of the PIS and Cofins tax credits calculated on the amount of ICMS tax stated on tax invoices; and
 - (ii) a legal recommendation that, to avoid expiry of the credit, declarations of offsetting of these credits should be presented, on the basis of the period for exercise of the right to obtain repayment of amounts of undue taxation, within the period specified in Article 103 of Normative Instruction 1717/2017, even though the Federal Supreme Court has not concluded judgment in Special Appeal 574.706-PR.

5. As a result, a meeting of the Company's Board of Directors on today's date has accepted a proposal by the Executive Board, with statement of opinion in favor by the Company's Audit Board, that the remaining balance of the PIS and Cofins tax credits should be recognized in the Company's accounts. In the fourth quarter of 2020 Grendene will post a credit in the total amount of R\$ 450,124,211.64 (the amount published on September 30, 2020), which will be updated to the reporting date, and on that date will pay the taxes arising from this credit.

Grendene is already taking the necessary corporate, fiscal and accounting measures within the periods and on the terms stated in the applicable legislation.

Sobral, Ceará, November 25, 2020.

Alceu Demartini de Albuquerque
Investor Relations Director