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# REPORT OF MANAGEMENT

2021

In accordance with the provisions of law and the by-laws, the management of Grendene S.A. presents to you, below, the Report of Management and the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM). The Company has adopted all the rules, revisions of rules and interpretations issued by IASB which are in effect for financial statements at December 31, 2021.

# I. MESSAGE FROM MANAGEMENT

In 2021 people and organizations continued efforts to overcome the uncertainties caused by the coronavirus pandemic, which is still causing severe impacts on the Brazilian public: closing of companies, increasing unemployment, high inflation, de-structuring of supply chains, and loss of loved ones, among other factors. Like 2020, 2021 will always be remembered as a painful chapter of our history.

The global advance in vaccination resulted in a significant reduction in the number of deaths and cases of severe illness caused by the coronavirus – enabling reopening of retailers and some relief on the measures restricting people's movement.

On the other hand, with more than one year since vaccination started worldwide, we are still facing innumerable challenges in combating the pandemic. Some of these are new – such as the propagation of a much more transmissible variant ('Omicron'), which is growing all over the world. Others are already familiar, such as the crisis in the worldwide supply chain, which has been a factor since the second half of 2020.

The stoppages that were necessary to contain dissemination of the virus led to a fall in production, and consequently a fall in supply of products. At the same time, demand from the population grew as economies reopened, boosted by incentives from assistance programs by various governments attempting to mitigate the economic effects of the pandemic. In this scenario, the law of supply and demand was inexorable: if demand is greater than supply, prices increase – inflation.



Inflation is now punishing the consumer, especially those in the lower income groups, in foods, electricity and fuels, which together are a significant proportion of the budgets of people in this part of the population. As well as high inflation, other factors – high interest rates, phasing out of emergency assistance programs, and the high rate of unemployment – contributed to a more challenging scenario for the consumer at the end of 2021.

In spite of the continuous challenges from Covid-19, in the year in which we celebrated 50 years since Grendene's foundation, we have delivered excellent results, reflecting the dedication and hard work of our more than 17,000 employees, all focused on creation of value for all our stakeholders – clients, employees, stockholders, trading partners and communities.

During the year, we completed the process of bringing all the online stores of our brands in-house. As from February 2021, when we migrated the *Melissa*, *Grendha* and *Cartago* brands, we now operate on Grendene's own proprietary platforms with all our brands – and the result has been significant growth compared to the previous year.

We formed a joint venture (JV) with 3G Radar ('3G'), for distribution and sale of our products in the international market. Allying Grendene's manufacturing capacity with the track record of the 3G brand for attracting and retaining talents, we seek to make the most of our brands' potential in worldwide footwear sales, expanding our position in a market that represented revenue of approximately US\$360 billion in 2019.

We have opened 45 new *Melissa Clubs* in Brazil, increasing their total from 346 to 391 stores. We have also continued the process of internationalization of the *Melissa* brand. At the end of 2021 we had 5 *Melissa Clubs* in the USA, and another 136 exclusive Melissa stores in various regions of the world.

The ICMS tax incentives under the *Provin* program of the State of Ceará were renewed, extended and increased – the program is now called **Proade** – for a new period from October 1, 2021 to December 31, 2032.

We announced construction of a new manufacturing plant at Crato, in the Brazilian state of Ceará, for planned investment of R\$30 million, to increase production of footwear and components in EVA (ethylene-vinyl acetate), increasing Grendene's production capacity by 6 million pairs/year.

We published our second annual Sustainability Report, for 2020, in accordance with the orientations of the Global Reporting Initiative (GRI). In this document we provide a portrait not only of our results to date, but also of all that we intend to do in the future to ensure a sustainable new world.

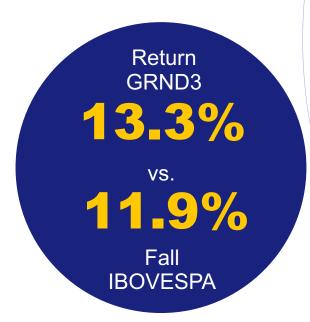


In 2021 we have delivered R\$ 2.8 billion in gross revenue, 21.9% more than in 2020. Recurring operational profit, measured as Ebit, was 11.7% higher in 2021 than 2020, at R\$ 415.6 million, with recurring net profit 15.6% higher, at R\$ 541.8 million.



Operational cash flow in 2021 was R\$ 556.4/mn. The proposed dividends represent a dividend payout (defined as {sum of dividends and Interest on Equity} divided by {profit after constitution of the legally required reserves}) of 63.0%, and a dividend/yield of 4.5%.

Of this result, the company proposes distribution of R\$ 395.2 million in dividends and Interest on Equity, reinvesting the rest in the Company. Our return on equity in 2021 was 14.7%.



In 2021, holding of Grendene's shares (*B3 ticker*: *GRND3*), with reinvestment of dividends, provided a return of 13.3%, which compares with a fall in the Ibovespa index of 11.9% in the year.

In an environment that continues to be uncertain, our performance in 2021 reflects our management's efforts to position the company for sustainable growth in the long term, even with the volatile short-term environment caused by Covid-19.

These results would not have been possible without the effort, dedication and creativity of all of our employees. We are proud of our employees' commitment to the Company and to its clients.

We thank you for your confidence in Grendene, just as we also have confidence in our ability to generate value for our stockholders. For as long as the pandemic lasts, we will continue to support our employees, clients and suppliers in the fight against Covid-19.

Thank you very much and we look forward to new achievements in the future.

The Management

# **II. MAIN CONSOLIDATED INDICATORS**

(IFRS)

R\$ mn	2018	2019	2020	2021	Change, 2020–2021	CAGR <sup>1</sup> 2018–2021
Gross revenue from sales	2,825.0	2,513.3	2,334.8	2,847.2	21.9%	0.3%
Domestic market	2,168.0	1,979.5	1,903.6	2,160.9	13.5%	-
Exports	657.0	533.8	431.2	686.3	59.2%	1.5%
Net revenue	2,333.4	2,071.0	1,896.8	2,342.5	23.5%	0.1%
Cost of goods sold	(1,227.3)	(1,126.5)	(1,022.3)	(1,312.4)	28.4%	2.3%
Gross profit	1,106.1	944.5	874.5	1,030.1	17.8%	-
Operational expenses	(649.2)	(375.2)	(573.3)	(636.5)	11.0%	-
Ebit	457.0	569.4	301.2	393.5	30.7%	-
Recurring Ebit	457.0	335.6	372.2	415.6	11.7%	-
Ebitda	522.7	646.6	389.2	484.5	24.5%	-
Recurring Ebitda	522.7	412.8	460.2	506.6	10.1%	-
Net financial revenue (expenses)	158.9	374.4	137.4	159.2	15.9%	0.1%
Recurring Net financial revenue	158.9	178.1 819.2	137.4 405.2	159.2	15.9%	0.1%
Net profit	585.5		405.2	601.0	48.3%	0.9%
Recurring net profit	585.5	478.8 52.4	73.2	541.8	15.6%	40.0%
Investments (fixed and intangible)	72.3	4.006.7	4,230.2	121.6	66.2%	18.9%
Stockholders' equity	3,465.0	4,006.7	4,230.2	4,094.3	(3.2%)	5.7%
R\$ per pair	2018	2019	2020	2021	Change, 2020–2021	CAGR <sup>1</sup> 2018–2021
Gross revenue	16.33	16.66	16.06	18.48	15.1%	4.2%
Domestic market	16.36	16.50	15.94	17.84	11.9%	2.9%
Exports	16.22	17.30	16.60	20.87	25.7%	8.8%
Exports (in US\$)	4.44	4.39	3.22	3.87	20.2%	-
Cost of goods sold	(7.09)	(7.47)	(7.03)	(8.52)	21.2%	6.3%
R\$	2018	2019	2020	2021	Change, 2020–2021	CAGR <sup>1</sup> 2018–2021
Basic profit per share	0.6501	0.9084 0	0.4494	0.6663	48.3%	0.8%
Diluted profit per share	0.6483	0.9070	0.4491	0.6662	48.3%	0.9%
Dividend per share	0.3494	0.5947	0.2432	0.4381	80.0%	7.8%
						CAGR <sup>1</sup>
Millions of pairs	2018	2019	2020		Change	
Volumes			2020	2021	Change. 2020–2021	2018–2021
+ Oldinoo	173.0	150.9	145.4	<b>2021</b> 154.0		
Domestic market	173.0 132.5	150.9 120.0			2020–2021	
			145.4	154.0	<b>2020–2021</b> 5.9%	
Domestic market	132.5	120.0	145.4 119.4	154.0 121.1	2020–2021 5.9% 1.4% 26.6% Change,	2018–2021 - - - - - - Change,
Domestic market Exports	132.5 40.5	120.0 30.9 <b>2019</b>	145.4 119.4 26.0	154.0 121.1 32.9 2021	2020–2021 5.9% 1.4% 26.6% Change, 2020–2021	2018–2021 - - - - Change, 2018–2021
Domestic market Exports  Margins, % Gross	132.5 40.5 <b>2018</b> 47.4%	120.0 30.9 <b>2019</b> 45.6%	145.4 119.4 26.0 2020 46.1%	154.0 121.1 32.9 <b>2021</b> 44.0%	2020–2021 5.9% 1.4% 26.6% Change, 2020–2021 (2.1 p.p.)	2018–2021 - - - Change, 2018–2021 (3.4 p.p.)
Domestic market Exports  Margins, %	132.5 40.5 <b>2018</b> 47.4% 19.6%	120.0 30.9 <b>2019</b> 45.6% 27.5%	145.4 119.4 26.0 2020 46.1% 15.9%	154.0 121.1 32.9 2021	2020–2021 5.9% 1.4% 26.6% Change, 2020–2021 (2.1 p.p.) 0.9 p.p.	2018–2021 - - - Change, 2018–2021 (3.4 p.p.) (2.8 p.p.)
Domestic market Exports  Margins, %  Gross Ebit	132.5 40.5 <b>2018</b> 47.4%	120.0 30.9 <b>2019</b> 45.6%	145.4 119.4 26.0 2020 46.1%	154.0 121.1 32.9 2021 44.0% 16.8%	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.)	2018–2021 - - Change, 2018–2021 (3.4 p.p.) (2.8 p.p.) (1.9 p.p.)
Domestic market Exports  Margins, %  Gross Ebit Recurring Ebit	132.5 40.5 <b>2018</b> 47.4% 19.6%	120.0 30.9 2019 45.6% 27.5% 16.2%	145.4 119.4 26.0 2020 46.1% 15.9% 19.6%	154.0 121.1 32.9 <b>2021</b> 44.0% 16.8% 17.7%	2020–2021 5.9% 1.4% 26.6% Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p.	2018–2021  Change, 2018–2021 (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.)
Domestic market Exports  Margins, %  Gross Ebit Recurring Ebit Ebitda	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4%	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2%	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5%	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7%	2020–2021 5.9% 1.4% 26.6% Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.)	Change, 2018–2021 (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.) (0.8 p.p.)
Domestic market Exports  Margins, %  Gross Ebit Recurring Ebit Ebitda Recurring Ebitda	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4%	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9%	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3%	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6%	2020–2021 5.9% 1.4% 26.6% Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p.	2018–2021  Change, 2018–2021 (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.)
Domestic market Exports  Margins, %  Gross Ebit Recurring Ebit Ebitda Recurring Ebitda Net	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4% 25.1%	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9% 39.6%	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3% 21.4%	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6% 25.7%	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.) 4.3 p.p.	Change, 2018–2021  Change, 2018–2021  (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.) (0.8 p.p.) 0.6 p.p. (2.0 p.p.)
Domestic market Exports  Margins, % Gross Ebit Recurring Ebit Ebitda Recurring Ebitda Net Recurring net margin	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4% 25.1% 25.1%	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9% 39.6% 23.1%	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3% 21.4% 24.7%	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6% 25.7% 23.1%	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.) 4.3 p.p. (1.6 p.p.)  Change, 2020–2021	Change, 2018–2021  Change, 2018–2021  (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.) (0.8 p.p.) 0.6 p.p. (2.0 p.p.)  CAGR¹ 2018–2021
Domestic market Exports  Margins, %  Gross Ebit Recurring Ebit Ebitda Recurring Ebitda Net Recurring net margin	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4% 25.1%	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9% 39.6% 23.1%	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3% 21.4%	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6% 25.7% 23.1%	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.) 4.3 p.p. (1.6 p.p.) Change,	Change, 2018–2021  Change, 2018–2021  (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.) (0.8 p.p.) 0.6 p.p. (2.0 p.p.)
Domestic market Exports  Margins, % Gross Ebit Recurring Ebit Ebitda Recurring Ebitda Net Recurring et margin  R\$ Dollar at end of period Average US dollar	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4% 25.1% 25.1% 2018 3.8748	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9% 39.6% 23.1% 2019 4.0307	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3% 21.4% 24.7% 2020 5.1967	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6% 25.7% 23.1% 2021 5.5805	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.) 4.3 p.p. (1.6 p.p.)  Change, 2020–2021 7.4% 4.6%  Change,	Change, 2018–2021  (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.) (0.8 p.p.) 0.6 p.p. (2.0 p.p.)  CAGR¹ 2018–2021  12.9% 13.9%  CAGR¹
Domestic market Exports  Margins, % Gross Ebit Recurring Ebit Ebitda Recurring Ebitda Net Recurring net margin  R\$ Dollar at end of period Average US dollar  Liquidity	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4% 25.1% 25.1% 2018 3.8748 3.6545	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9% 39.6% 23.1% 2019 4.0307 3.9451	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3% 21.4% 24.7% 2020 5.1967 5.1558	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6% 25.7% 23.1% 2021 5.5805 5.3950	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.) 4.3 p.p. (1.6 p.p.)  Change, 2020–2021 7.4% 4.6%  Change, 2020–2021	2018–2021  Change, 2018–2021  (3.4 p.p.) (2.8 p.p.) (1.9 p.p.) (1.7 p.p.) (0.8 p.p.) 0.6 p.p. (2.0 p.p.)  CAGR¹ 2018–2021  12.9% 13.9%
Domestic market Exports  Margins, % Gross Ebit Recurring Ebit Ebitda Recurring Ebitda Net Recurring et margin  R\$ Dollar at end of period Average US dollar	132.5 40.5 2018 47.4% 19.6% 19.6% 22.4% 22.4% 25.1% 25.1% 2018 3.8748 3.6545	120.0 30.9 2019 45.6% 27.5% 16.2% 31.2% 19.9% 39.6% 23.1% 2019 4.0307 3.9451	145.4 119.4 26.0 2020 46.1% 15.9% 19.6% 20.5% 24.3% 21.4% 24.7% 2020 5.1967 5.1558	154.0 121.1 32.9 2021 44.0% 16.8% 17.7% 20.7% 21.6% 25.7% 23.1% 2021 5.5805 5.3950	2020–2021 5.9% 1.4% 26.6%  Change, 2020–2021 (2.1 p.p.) 0.9 p.p. (1.9 p.p.) 0.2 p.p. (2.7 p.p.) 4.3 p.p. (1.6 p.p.)  Change, 2020–2021 7.4% 4.6%  Change,	Change, 2018–2021  Change, 2018–2021  (3.4 p.p.)  (2.8 p.p.)  (1.9 p.p.)  (0.8 p.p.)  0.6 p.p.  (2.0 p.p.)  CAGR1  2018–2021  12.9%  13.9%  CAGR1

<sup>1)</sup> CAGR = Compound annual growth rate.

<sup>2)</sup> p.p. = percentage points.



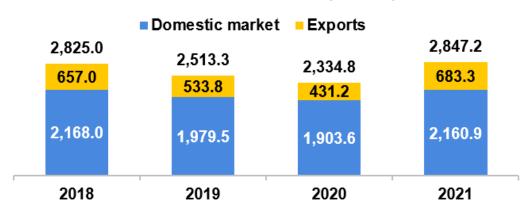
## III. FINANCIAL RESULTS

#### 1. Gross revenue from sales

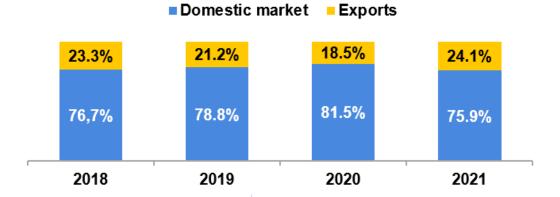
In 2021, Gross revenue was R\$ 2.8 billion, 21.9% more than in 2020. We shipped 154 million pairs of footwear in the year, 5.9% more than in 2020. Stronger exports, and a mix with higher added value, combined with our price increases, resulted in gross revenue per pair 15.1% higher than in 2020.

These charts give a clearer picture of the numbers:

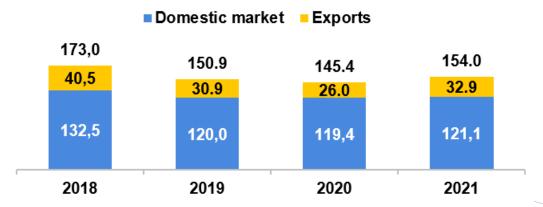
### Gross sales revenue (R\$ mn)



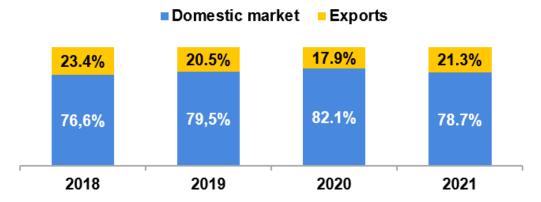
### % of gross sales revenue



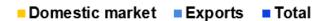
# Volume of pairs sold - millions of pairs

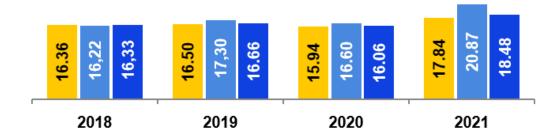






#### Gross revenue per pair (R\$)

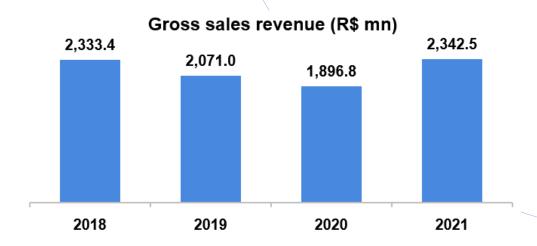




Data from the Trade Ministry, Secex and Abicalçados (the Brazilian Footwear Manufacturers' Association) show Brazilian footwear exports in 2021 36.8% higher in dollars than in 2020, and 31.9% higher in number of pairs sold, with average price per pair exported 3.7% higher in US dollars.

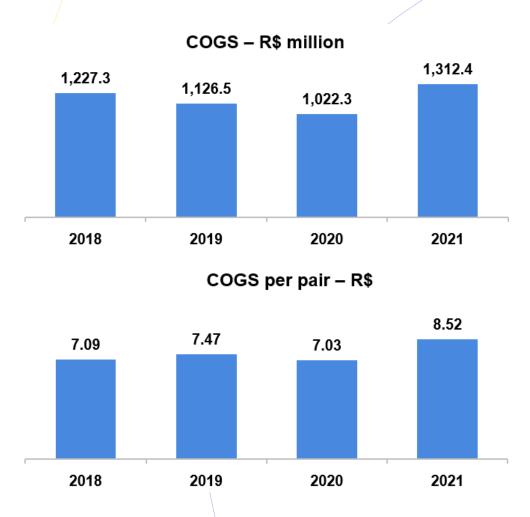
In comparison, Grendene's export revenue in dollars was 52.1% higher, with volume of pairs exported 26.6% higher, and average price per pair exported 20.2% higher in US dollars. Our share in the total of Brazilian footwear exports (in number of pairs) in 2021 was 26.6% – compared to 27.7% in 2020.

#### 2. Net sales revenue



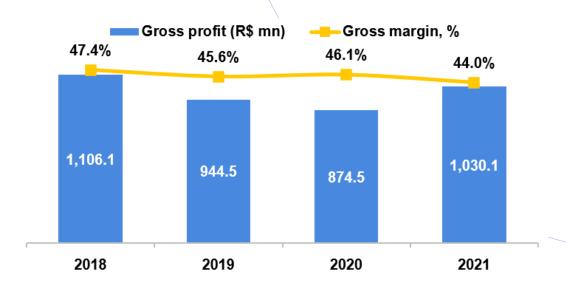
#### 3. Cost of goods sold (COGS)

In 2021 our unit cost of goods sold was 21.2% higher. The pandemic continued to produce challenges for the logistics chains, interfering in the availability of resources, generating bottlenecks, and adding pressure on costs of raw materials.



#### 4. Gross profit

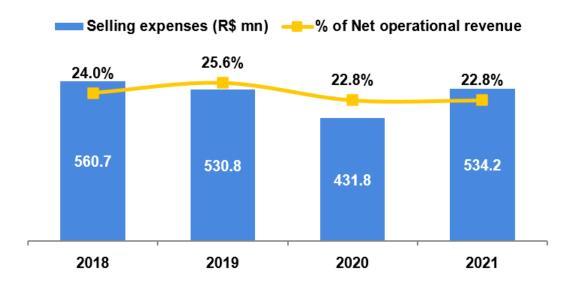
Gross margin fell from 46.1% in 2020 to 44.0% in 2021 – a reduction of 2.1 percentage points – reflecting the increase of costs of raw materials.



#### 5. Operational expenses (SG&A)

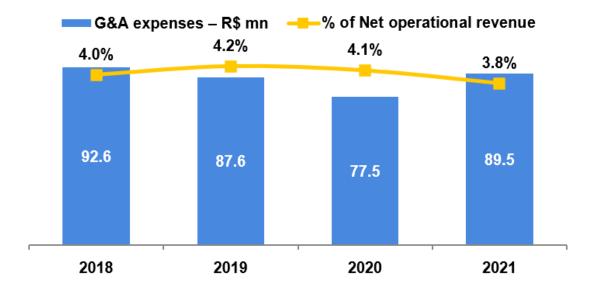
#### 5.1. Selling expenses

Grendene's selling expenses predominantly comprise variable items such as freight, licensings, commissions, advertising and marketing.



#### 5.2. General and administrative (G&A) expenses

In 2021, G&A expenses were 15.5% higher than in 2020, and continued at approximately 4% of net revenue.



#### 6. Ebit e Ebitda

#### 6.1. Ebit

Ebit – Earnings before interest and taxes = Operational profit before Financial revenue (expenses). We believe that because we have a high cash position which generates significant financial revenues, the operational profit of our activity is best characterized by Ebit.

		/				
Reconciliation of Ebit and Ebitda (R\$ mn)	2018	2019	2020	2021	Change, 2020–2021	CAGR, 2018–2021
Recurring Net profit for the year	585,530	478,789	468,598	541,761	15.6%	-
Non-recurring effect	-	340,428	(63,392)	59,244	-	-
Net profit for the year	585,530	819,217	405,206	601,005	48.3%	0.9%
Taxes on profit	30,311	124,552	33,406	(48,276)	-	-
Net financial revenue (expenses)	(158,878)	(374,408)	(137,413)	(159,207)	15.9%	0.1%
Ebit	456,963	569,361	301,199	393,522	30.7%	
Non-recurring effect	-	(233,809)	70,955	22,068	(68.9%)	-
Recurring Ebit	456,963	335,552	372,154	415,590	11.7%	
Depreciation and amortization	65,761	77,222	88,049	91,020	3.4%	11.4%
Ebitda	522,724	646,583	389,248	484,542	24.5%	
Recurring Ebitda	522,724	412,774	460,203	506,610	10.1%	
Ebit margin	19.6%	27.5%	15.9%	16.8%	0.9 p.p.	(2.8 p.p.)
Recurring Ebit margin	19.6%	16.2%	19.6%	17.7%	(1.9 p.p.)	(1.9 p.p.)
Ebitda margin	22.4%	31.2%	20.5%	20.7%	0.2 p.p.	(1.7 p.p.)
Recurring Ebitda margin	22.4%	19.9%	24.3%	21.6%	(2.7 p.p.)	(0.8 p.p.)

#### Non-recurring items:

2019	In 2019 we had the following non-recurring expenses: a provision of R\$ 11.3 million for receivables from a client that entered Judicial Recovery; costs of rescission of contract with representatives, totaling R\$ 14 million; R\$ 5.1 million in adjustment to present value of credits under the <i>Proapi</i> export incentive scheme; and there were other costs of R\$ 0.3 million. We also recognized a non-recurring gain of R\$ 264.0 million, arising from the legal judgment to exclude amounts of ICMS tax from the basis for calculation of the PIS and Cofins taxes.
2020	In 2020 we had non-recurring expenses of R\$ 71.0 million, as follows: R\$ 48.0 million in expenses arising from the effects of Covid-19; a provision of R\$ 11.0 million for receivables from a client that entered Judicial Recovery; R\$ 4.0 million for advice and consultancy fees; and R\$ 8.0 million in other non-recurring expenses.
2021	In 2021 we had non-recurring items as follows: credits of PIS and Cofins taxes on ICMS amounts tax on inputs (R\$ 10.0 million); procedural credits (R\$ 0.9 million); estimated losses on doubtful debtors (–R\$ 13.9 million); expenses related to Covid-19 (–R\$ 14.0 million); proceedings with Incra (–R\$ 2.1 million); write-off of PP&E of Grendene UK (–R\$ 2.1 million), and other non-recurring expenses totaling R\$ 0.9 million – an overall net negative total of R\$ 22.1 million.

#### 6.2. Ebitda

Our business is low capital-intensive. Depreciation is around 4.0% of net revenue. The Company regularly invests an amount close to the amount of its depreciation in any period, to keep its production capacity up to date. It also maintains positive net cash, and has no costs of interest that need to be paid with funds from operations. As a result we believe that analyzing Ebit makes more sense as an indicator for the Company's management.

#### 7. Net financial revenue (expenses)

For 2021 Grendene reports net financial revenues, of R\$ 159.2mn, which is 15.9% higher than in 2020. Income from cash investments and the profit/loss on Other financial assets (silent partner companies – SCP's) were the items making the largest contribution, as follows:

Financial revenue (expenses) (R\$ mn)	2018	2019	2020	2021	Change, 2020–2021	CAGR, 2018–2021
Revenue from cash investments	135,499	144,839	83,806	116,230	38.7%	-
Revenue from cash investments	135,499	144,839	83,806	116,230	38.7%	-
Gain on equity financial instruments	-	-	76,418	5,338	(93.0%)	-
Gain on equity financial instruments	-	-	76,418	5,338	(93.0%)	-
Net gain (loss) on FX variations	(18,599)	5,169	(52,864)	157	-	-
Net gain (loss) on FX derivatives transactions – B3	(19,804)	6,377	(67,346)	(23)	(100.0%)	-
Gains on FX derivatives transactions – B3	62,052	53,975	64,331	44,942	(30.1%)	-
Expense on FX derivatives transactions – B3	(81,856)	(47,598)	(131,677)	(44,965)	(65.9%)	-
Net gain (loss) from FX variation	1,205	(1,208)	14,482	180	(98.8%)	-
FX variation – gains	75,213	54,209	109,033	54,073	(50.4%)	-
FX variation – loss	(74,008)	(55,417)	(94,551)	(53,893)	(43.0%)	-
Profit/loss on other financial assets – SCPs*	-	-	8,020	17,837	122.4%	-
Profit/loss on other financial assets – SCPs	-	-	8,020	17,837	122.4%	-
Other financial transactions	(11,830)	181,930	(5,883)	(1,410)	(76.0%)	-
Interest received from clients	2,110	2,128	1,937	3,585	85.1%	19.3%
Borrowing costs	(10,445)	(9,007)	(7,891)	(6,041)	(23.4%)	-
PIS and Cofins taxes on financial revenues	(6,949)	(16,024)	(4,902)	(7,075)	44.3%	0.6%
Other financial revenues (expenses)	3,454	204,833	4,973	8,121	63.3%	33.0%
Gains on adjustments to present value	53,808	42,470	27,916	21,055	(24.6%)	-
Adjustments to present value	53,808	42,470	27,916	21,055	(24.6%)	-
Net financial revenue (expenses)	158,878	374,408	137,413	159,207	15.9%	0.1%

<sup>\*</sup> SCPs = Silent Partner Companies.

Reconciliation of Net financial revenue (expenses) (R\$ mn)	2018	2019	2020	2021	Change, 2020–2021	CAGR, 2018–2021
Net financial revenue – formal accounting	158,878	374,408	137,413	159,207	15.9%	0.1%
Non-recurring effect	-	(196,336)	-	-	-	-
Recurring Net financial revenue	158,878	178,072	137,413	159,207	15.9%	0.1%

#### 8. Net profit for the year

Recurring net profit was 48.3% higher in 2021, basically due to the higher volumes of pairs sold, a higher-added-value product mix, and stronger net financial revenues.

Net profit(R\$ mn)	2018	2019	2020	2021	Change, 2020–2021	CAGR, 2018–2021
Net profit for the year	585,530	819,217	405,206	601,005	48.3%	0.9%
Non-recurring effect	-	(340,428)	63,392	(59,244)	-	-
Recurring Net profit for the year	585,530	478,789	468,598	541,761	15.6%	-
Net margin	25.1%	39.6%	21.4%	25.7%	4.3 p.p.	0.6 p.p.
Recurring net margin	25.1%	23.1%	24.7%	23.1%	(1.6 p.p.)	(2.0 p.p.)

#### 9. Cash generation

In 2021 cash generated by operations provided cash flow od R\$ 556.4 million, in addition, there was a net gain of R\$ 1.6 million on purchase and sale of treasury shares for exercise by holders of options under the Company's stock options program; raising of loans and financings totaling R\$ 92.0 million; and net redemption of cash investments in the amount of R\$ 504.8 million. This cash total was applied in: investments and paying up of subscribed capital in subsidiaries and affiliated companies, totaling R\$ 265.3 million; acquisition of property, plant and equipment and intangible assets totaling R\$ 105.7 million; payment of dividends and Interest on Equity totaling R\$ 780.8 million. The remaining balance resulted in an increase of R\$ 3.0 million in the total held in cash and cash equivalents.

#### 10. Net cash and cash equivalents

The chart below shows the distribution of the cash position (cash, cash equivalents and short and long-term financial investments), loans and financings (short-term and long-term) and net cash:

R\$ mn	2018	2019	2020	2021
Cash and cash equivalents plus cash investments (ST and LT)	1,976.9	2,128.5	2,000.9	1,588.0
Loans and financings (ST and LT)	(152.9)	(95.2)	(9.8)	(124.3)
Net cash	1,824.0	2,033.3	1,991.1	1,463.7

#### 11. Investments (fixed and intangible)

Investments in 2021 were in: maintenance of industrial buildings and facilities; replacement of fixed assets; acquisition of new equipment for modernization of manufacturing plant; and various projects to improve the company's efficiency.



#### 12. External auditors – CVM Instruction 381/03

Complying with CVM Instruction 381/2003, we report that Grendene S.A. used the independent auditing services of Ernst & Young Auditores Independentes S.S. ('EY'), for a special review of its quarterly information and an audit of its financial statements for the year ended December 31, 2021. The total fees paid to EY were R\$ 540,200. During this business year EY carried out other services relating to fiscal and tax advice, and to Technological Innovation Incentives, in the amount of R\$ 230,100, or 29.9% of the total value of the external auditing services.

The Company's policy in contracting of the external auditors for any services not related to external auditing is based on the principles that preserve the auditor's independence, namely: (a) the auditor may not audit its own work; (b) the auditor must not exercise management functions in its client; and (c) the auditor must not promote the interests of its client.

The services provided by EY in relation to assurance work were executed in compliance with the Brazilian Accounting Rules – NBC (Brazilian Accounting Standard) PA 291 (R1) – *Independence - Other assurance work*, as approved by Federal Accounting Council Resolution 1311/10, of December 9, 2010, and do not include any services that could compromise independence as described in those rules.

#### 12.1. External auditors' Statement of Reasons – EY

The rendering of other professional services not related to external auditing, described above, does not affect the independence nor the objectivity in conduct of external auditing examinations made on Grendene S.A. and its subsidiaries. The operational policy in provision of services to Grendene not related to external auditing is based on the principles that preserve the independence of the External Auditor, and all these principles were complied with in provision of the said services.



CAPITAL MARKETS AND CORPORATE GOVERNANCE

# IV. CAPITAL MARKETS AND CORPORATE GOVERNANCE

#### 1. Capital markets

In 2020 a total of 502.2 million common shares were traded (1.87 times the free float), in 1.4 million trades, with total financial volume of R\$ 4.7 billion. Daily averages were: quantity – 2,033,300 common shares (0.76% of the free float); financial volume – R\$ 19.1 mn; number of trades – 5,832.

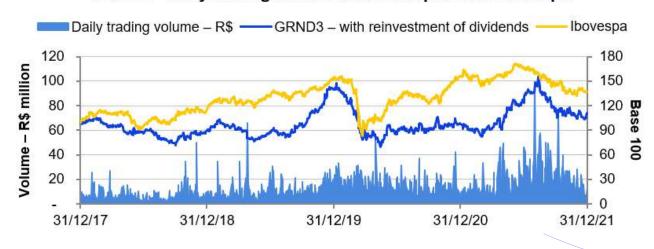
Over the whole of 2021 Grendene's shares (GRND3) provided a return of 13.3%, when reinvestment of dividends is included. The minimum share price was R\$ 6.79 on March 2, 2021 and the maximum was R\$ 12.61 on August 12, 2021. In the same period (full-year 2021), the Ibovespa index fell 11.9%. The dividend yield calculated on the basis of the weighted average price of the share in 2021 was 4.5% p.a. (2.7% p.a. in 2020).

This table gives the number of trades, shares traded, financial volume, and daily average trading:

Year	No. of	No. of trades	Number of shares	Volume R\$	Price, R\$			ge daily ding		laily volume R\$
i edi	trading sessions				Weighted average	Close	No. of trades	No of shares	Per trade	Daily
2018	245	530,403	207,637,700	1,710,201,770	8.24	8.20	391	847,501	3,224	6,980,415
2019	248	928,550	282,204,700	2,428,829,992	8.61	12.28	304	1,137,922	2,616	9,793,669
2020	249	1,408,309	444,831,700	3,714,553,078	8.35	8.38	316	1,786,473	2,638	14,917,884
2021	247	1,440,522	502,221,900	4,707,044,572	9.37	8.65	349	2,033,287	3,268	19,056,861

This chart shows the performance of Grendene shares (all shares are ON) compared to the Bovespa index (Base: Dec. 31, 2017 = 100), and daily trading volume.

GRND3 - Daily trading volume and stock price vs. Ibovespa



On December 31, 2021 Brazilian institutional investors held 8.8% of the share capital of Grendene S.A. (29.5% of the free float); foreign investors held 13.6% (45.6% of the free float); small investors including individuals and shares held in treasury totaled 7.3% (24.9% of the free float). The other 70.3% of the share capital was owned by the controlling stockholders and managers.

Participation in share capital, %	2018	2019	2020	2021
Controlling stockholders and managers	70.0%	69.9%	70.0%	70.3%
Non-Brazilian investors	15.2%	13.7%	11.1%	13.6%
Institutional investors	7.3%	9.2%	10.2%	8.8%
Individuals	7.0%	7.2%	8.4%	7.3%
Other expenses	0.5%	0.0%	0.3%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

% <u>of</u> free float	2018	2019	2020	2021
Non-Brazilian investors	51.4%	45.1%	37.3%	45.6%
Institutional investors	24.4%	30.7%	34.0%	29.5%
Individuals	23.3%	23.8%	28.1%	24.5%
Public and private companies	0.8%	0.3%	0.5%	0.3%
Financial institutions	0.1%	0.1%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%

#### 2. Dividends

#### 2.1. Dividend policy

For 2022, we maintain our policy, established on February 13, 2014 and published in a Material Announcement on that date, of distributing, as dividends, after the constitution of the Legal reserve and the Reserve under the by-laws, the totality of such Profits as do not originate from tax incentive arrangements with individual Brazilian states. We remind you that these dividends may be paid in the form of Interest on Equity, as allowed by the legislation. Additionally, we will maintain our policy of quarterly distribution of dividends.

#### 2.2. Dividends and Interest on Equity declared

Under Grendene's by-laws, the minimum obligatory dividend is calculated as 25% of the net profit remaining for the year after payments to the reserves specified by law.

This table shows the totals for payment of Interest on Equity, and dividends:

R\$ mn	2018	2019	2020	2021
Minimum dividend – 25%	82.7	134.1	54.9	94.2
Additional dividend	232.4	402.4	164.6	301.0
Total	315.1	536.5	219.5	395.2

	2018	2019	2020	2021
Dividend + Interest on Equity, per share (R\$)	0.3494	0.5947	0.2434	0.4381
Payout, % *	52.0%	65.7%	51.6%	63.0%
Dividend yield, % **	4.0%	6.7%	2.7%	4.5%

<sup>(\*)</sup> Payout: (Dividend plus net Interest on Equity), divided by (Net profit after constitution of the legal reserves).

<sup>(\*\*)</sup> Dividend yield: (Dividend per share + net Interest on Equity per share in the period) divided by (weighted average price of the share in the period, annualized).

Under the Bylaws and the present dividend policy, established on February 13, 2014 and published in a Material Announcement on that date, and based on the amounts set out below, management proposes allocation of the net profit for the 2021 business year as follows:

- a) R\$ 94,238,643.80 as minimum mandatory dividend, corresponding to 25% of the dividend calculation base, shown below;
- b) R\$ 282,715,931.39 as dividends in addition to the mandatory minimum; resulting in total dividends for the 2021 business year of R\$ 376,954,575.19;
- c) The Board of Directors has additionally proposed distribution to stockholders of R\$ 1,254,000.00 for the net positive balance of allocations under the *Provin* tax incentive scheme in 2014 and 2015, plus part of the Retained Earnings reserve (arising from reversal of the reserve for acquisition of shares), in the amount of R\$ 17,000,000.00, comprising a total additional amount of R\$ 18,254,000.00.

The sum of these amounts is a total of **R\$ 395,208,575.19**, which after deduction of the quarterly interim dividends already paid, totaling R\$ 321,986,057,77, results in a balance of **R\$ 73,222,517.42**, which the Company will pay, subject to confirmation by the Annual General Meeting that approves the accounts for the business year 2021, as from **May 18, 2020** as follows:

- a) R\$ 73,000,000.00 as Interest on Equity (gross), which is imputed as part of and on account of the dividend (net amount R\$ 62,050,000.00);
- b) R\$ 222,517.42 as complementary dividends for the 2021 business year.

This will be payable to holders of common shares (GRND3) in the Company's records on **May 2, 2022** (cut-off date). Thus Grendene shares (GRND3) will be traded ex-dividend on the São Paulo stock exchange (B3) on **May 3, 2022**.

#### Basis for the distribution of dividends in 2021

Grendene S.A.	R\$
Net profit for the year	601,004,937.05
( – ) Tax Incentives reserve	(204,210,647.37)
Basis for calculation of the Legal reserve	396,794,289.68
( – ) Legal reserve	(19,839,714.49)
Value of the dividend for the 2021 business year / Basis of calculation of the minimum mandatory dividend	376,954,575.19
(+) Allocation other than tax incentives (1Q21)	1,254,000.00
(+) Allocation to reserve for acquisition of shares (2Q21)	17,000,000.00
Total of dividends (Interest on Equity) proposed by management	395,208,575.19
(–) Distribution of interim dividends	(321,986,057.77)
Balance available for distribution for the 2021 business year	73,222,517.42
Balance to be distributed in the form of dividends	222,517.42
Balance to be distributed in the form of Interest on Equity	73,000,000.00
(-) Income tax withheld at source (15%)	(10,950,000.00)
(+) Interest on Equity net of tax	62,050,000.00
Mandatory minimum dividend – 25%	94,238,643.80
Dividend proposed in excess of the obligatory minimum dividend for the 2021 business year	282,715,931.89
Sum	376,954,575.19
Allocations of tax incentive amounts + allocation of the reserve for acquisition of shares	18,254,000.00
Total	395, 208, 575. 19

Dividends + Interest	on Equity distri	buted / propose	e <b>d</b>				
Dividends + Interest on Equity	Date approved	Ex-dividend date	Date of start of payment	Gross value R\$	Gross value per share R\$	Net value R\$	Net value per share R\$
Dividend <sup>1</sup>	Apr. 29, 2021	May 11, 2021	May 19, 2021	81,971,596,22	0,090861484	81,971,596,22	0.090861484
Dividend <sup>1</sup>	Jul. 29,2021	Aug. 6, 2021	Aug,18, 2021	33,702,818,19	0,037357917	33,702,818,19	0.037357917
Dividend <sup>1</sup>	Oct. 28, 2021	Nov. 8, 2021	Nov. 24, 2021	134,658,598,45	0,149262435	134,658,598,45	0.149262435
Dividend <sup>1</sup>	Dec. 13, 2021	Dec. 17, 2021	Dec. 28, 2021	71,653,044,91	0,079441975	71,653,044,91	0.079441975
Dividend 1 and 2	Feb. 24, 2022	May 3, 2022	May 18, 2022	222,517,42	0,000246706	222,517,42	0.000246706
Interest on Equity 1 and 2	Feb. 24, 2022	May 3, 2022	May 18, 2022	73,000,000,00	0,080935348	62,050,000,00	0.068795046
			Total	395,208,575,19	0,438105865	384,258,575,19	0.425965563

Dividends and Interest on Equity approved by the Board, subject to approval by the Annual General Meeting of Stockholders that will consider the financial statements for the 2021 business year.

#### 3. Statement by the Executive Board

We declare, as statutory directors of Grendene S.A., n accordance with Sub-item V of Article 25 of CVM Instruction 480 of December 7, 2009, Subsection III – *Financial Statements*, that we have reviewed, discussed and agree with the opinions expressed in the Opinion of the independent auditors, and;

We declare, as statutory directors of Grendene S.A., in accordance with Sub-item VI of Article 25 of CVM Instruction 480 of December 7, 2009, Subsection III – *Financial Statements*, that we have reviewed, discussed and agree with the information presented in the Financial Statements of the Company and subsidiary companies (Consolidated), for the business years ended December 31, 2021, and 2020.

Value per share subject to alteration depending on the balance of shares in treasury on the cutoff date (May 2, 2022).



## V. SUSTAINABLE DEVELOPMENT

Grendene carries out its operations in a safe and efficient manner, giving value to and respecting people, and continually assessing opportunities to reduce the impacts of its operations and products on the environment.

Programs, projects and actions that seek improvements in sustainability indicators are guided by the three central components of Grendene's Sustainable Development Policy: valuing and respecting people; eco-efficient operations; and products with lower impact.

The Policy, published in 2019, is based on the UN Sustainable Development Goals, and a series of targets related to the evolution of global standards for quality of life and productive activity up to 2030.

We see ourselves as on a sustainability journey – as we will always have opportunities to evolve. We are proud of our results, but we know that there is still a lot to do. We want to be protagonists in the transformation to the world that we wish to see, always conscious of our challenges and committed to achieving our objectives.

#### The circular economy

With an eye to our future and the future of the planet, we are committed to constant awareness and development of the way we manufacture our products and manage our operations and materials. The circular economy aims to reduce generation of waste, and waste in general, to the lowest possible level, increasing the life cycle of products and reducing their impact when discarded at the end of their useful lives – helping to build and maintain a more prosperous and sustainable economic model.

Since October 2019, all the *Clubs* and *Galerias* of the *Melissa* brand have been receiving footwear products that are no longer usable, as donations or for exchange, so as to provide better allocation of their materials – through recycling. At present more than 400 stores have reverse logistics collection points, to receive footwear from all Grendene brands, accompanying the strategy of expansion of *Melissa Clubs* and *Galerias*, but also based on partnerships with fashion retailing networks.





The Grendene brands are increasingly developing collections involving these materials. The main lower-impact product launches of 2021 were: *Melfree* (*Melissa*), *Rider R4 II* (*Rider*), *Ipanema Recria* (*Ipanema*), *Cartago Tauá* (*Cartago*) and *Nuar* (*Nuar*).

The brands also understand the importance of their positioning in relation to sustainability, and of serving a consumer who is increasingly concerned on issues involving the well-being of people and the planet. With directions from Company policy and institutional guidelines, the Sustainable Development structure offers solid base sees for these positionings to become possible.



#### **Material Announcements**

We highlight, as material developments, attitudes that underline and reinforce our commitment to transparency of information, and recognitions which confirm that important steps forward have been taken in our sustainability journey.



- Sustainability Report: In May 2021, Grendene published this Report with the data for 2020, following the international standard structure provided by the Global Reporting Initiative (GRI). This document is a transparency tool that indicates future intentions and targets, expressed in accordance with the principal themes of materiality of the organization related to questions of sustainability.
- Fashion Transparency Index (ITM): Grendene is assessed annually by the Brazilian Fashion Transparency Index (*Índice de Transparência da Moda Brasil*). Ipanema and Melissa are among the brands that made the five largest increases in performance compared to 2020.



- Grendene Suppliers' Manual: The launch of this publication brings together in a unified form the policies for supply of materials and services that are already part of the Company's routine, and also establishes a new system of approval, monitoring and certification of trading partners. The manual is divided into four groups of suppliers.
- Expo 2020 Dubai: Grendene was part of the mission of Abicalçados (the Brazilian Footwear Manufacturers' Association), which took representatives of the Brazilian footwear sector to participate in this world fair, in the United Arab Emirates. In the Brazil Pavilion, Grendene presented its actions for sustainable development, and exhibited products of lower impact.



• The Zero Grau Fair: At this event, Grendene presented a more sustainable stand. The 368m² space had walls finished in recyclable materials, and decoration including exposed bricks made from PVC, the principal material used in Grendene footwear — which is 100% recyclable. The furniture, and the visual communication materials, were reused after the event. Painting on the stand was with water-based non-toxic paint, and the woods used were from responsibly managed forests. Priority was also given to energy saving, with use of natural and LED light.

- The Carbon Disclosure Project (CDP): Grendene filled in the CDP questionnaire for the second year running, scoring a "C" classification in the Climate Change and Water programs. Because it responded to the complete version of the CDP Climate Change questionnaire, Grendene was awarded a "B" classification in Supplier Engagement Rating ('SER').
- Brazil GHG Protocol Program: Grendene published its greenhouse gas emissions inventory on this public access platform for the first time, being awarded a 'Silver' Seal.
- Sustainability in France: Melissa received the "Unis vers le beau responsable" Seal from **Printemps** of France, and had footwear exhibited in its "7<sup>th</sup> Heaven" ("7éme ciel") space a whole floor dedicated to the circular economy in fashion.
- 2nd *Plástico Sul* award: The presentation of our 100% recycled *Melissa Flox M Edition* won first place in the "*Recycled Content Transformer*" category of the *Plástico Sul* Innovation and Sustainability Awards.

#### **Energy Efficiency**

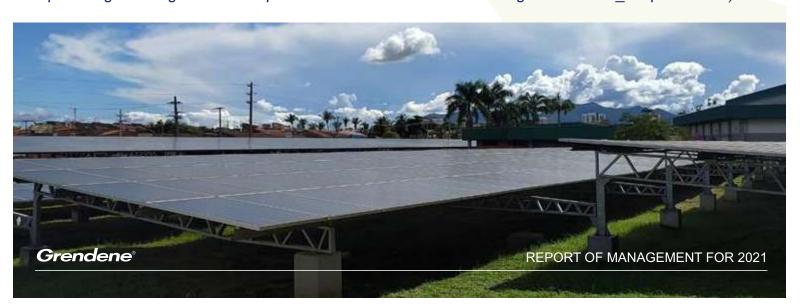
We continue to accept the challenge of reducing energy consumption per pair each year, but in 2021 our result was 1.1% higher than in 2020, due to lower efficiency of the industrial utilities during the seasonal period of lower production. To achieve the target of improving the result by 2% in 2022, we already have automation and modernization projects in place in the utilities blocks, maintaining monitoring, control and management of industrial indicators.

In 2021 Brazil suffered its worst hydrological situation in the last 90 years. Bringing together all the managements of industrial operations, on August 20, 2021 Grendene held a forum mapping 227 opportunities, actions and projects for reducing energy consumption. One of the highlight actions was reduction of equipment switched on during the national peak demand time, from 6 p.m. to 9 p.m.

Consumption of electricity	2018	2019	2020	2021	Change, 2020–2021
Annual consumption (GWh)	115,269,454	100,756,580	92,127,784	104,133,661	13,0%
Consumption of electricity (kWh/pair)	0.664	0.670	0.646	0.653	1.1%

With the responsibility to use carbon-free energy, the photovoltaic solar generation plant installed at our unit at Sobra I (Ceará State) generated 5,142 Mwh in the period from June 2018 to December 2022, corresponding to elimination of 2,691 tons of CO2 equivalent\*.

\* Basis of calculation: Brazilian National CO<sub>2</sub> Equivalents Inventory, as calculated under the current structure of Brazilian supply. Average for January-October 2021. (Available at: https://antigo.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao despacho.html)



#### **Management of waste**

We aim to continually improve our product quality management, optimizing resources and increasing operational efficiency, with a focus on elimination of waste.

However, the result of our indicator of wastes generated in 2021 was 10% higher than for 2020. The main factors causing this result were: (i) new types of waste originating from compliance with authorities' Covid prevention and hygiene protocols for our employees\*, and (ii) new raw materials and production processes.

\* In accordance with municipal decrees, we have removed electric hand dryers and replaced them with paper towels in all units. In the restaurant rooms, we now deliver food in individual packaging. As a further contribution to combat of coronavirus, we practice daily disposal of all paper and cloth used in cleaning of workstations and tools. All these actions have resulted in excellent barriers for control of the spread of Covid-19 in our units, but as a consequence, common waste generated per employee has increased by 32%.

For 2022 we are projecting operational efficiency actions in the new production processes, focused on reduction of offcuts and losses, plus internal recycling of polymers and recycling in general; and planning of an overall closed materials cycle.

Grams/pair	2018	2019	2020	2021	Change, 2020–2021
Waste	9.21	9.27	9.56*	10.48	9.6%

<sup>\*</sup> Data on general waste was updated in 2020.

In 2021, we maintained our commitment to **sending zero waste to industrial landfills**, with a focus on: reduction of generation of waste; reuse; recycling in general; and optimum management of energy.

Note that our main raw material, PVC is a continuous-use material and is 100% recyclable. We have our own recycling technology, which incorporates all the PVC fragments generated prior to consumption in new products, resulting in lower-impact footwear (with recycled content up to 30% in its formulation).

#### **Water consumption**

Our industrial operations are in an arid region, which strengthens our efforts to increase availability of water – and consequently reduce our water consumption footprint.

- a) We have re-used 146 million liters of wastewater. The re-used water is currently employed in toilet flushing, and for irrigation of the Company's green area and gardens.
- b) We currently have one of the lowest water consumption footprints in footwear production.
- c) Approximately 75% of the consumption of water is for human use.

#### **Target achieved**

In 2021 we improved our program of Conscious Consumption of Resources, maintaining low water footprint management in our operations. Through the actions we took, we reduced water consumption by 14% from 2020, beating our target of a 7% reduction in the year (the 2020 target was 1.60 liters/pair).

Liters/pair	2018	2019	2020	2021	Change, 2020–2021
Consumption of drinking water	1.58	1.67	1.74	1.50	(13.8%)

In 2021 we achieved our best water consumption footprint since the Company started monitoring environmental performance indicators.

#### Sustainable development audits and certifications for our operations



We are regularly audited by the Brazilian Textile Retailers' Association (ABVTex), which attests to good practices in the whole of our production chain. In the most recent audit, in August 2021, we were recognized with the **ABVTex Gold Seal**, the highest score in this process.



This year we were also audited by **SMETA** (*Sedex Members Ethical Trade Audit*), one of the world's most widely recognized audits of ethics and social responsibility, obtaining excellent results. This audit generates an report open to the more than 55,000 members of the *Sedex* program in 180 countries.



**Vegan:** All **Grendene** footwear is registered with the Vegan Society and bears the Vegan Seal. The seal is recognized worldwide, and granted by The Vegan Society (headquartered in the United Kingdom). The Seal certifies that Grendene footwear does not contain any component of animal origin, and that we do not carry out any tests on animals.

Investment and expenses in environmental management have been as follows:

R\$ mn	2018	2019	2020	2021	Change, 2020–2021
Investment and expenses in environmental management	6.2*	3.8	3.6	4.8	33.3%

<sup>\*</sup> Installation of the Photovoltaic System at our Sobral Unit: the total amount for this investment was R\$ 3.4 million.

More information: http://www.grendene.com.br/sustentabilidade

# **HUMAN RESOURCES**



#### VI. HUMAN RESOURCES

As part of the Company's principles, Grendene recognizes a protagonist attitude taken by people for their growth. People are at the center of everything we do. We believe that when people grow, we also grow, and it is through respect that we build the relationship with our employees.

Challenges that are shared by **Grendene**'s HR department and *Universidade Grendene* include developing and updating the employees' knowledge, skills and abilities to ensure that business and human abilities are maintained, and continuous training of managers for the exercise of leadership.

Our Human Resources area has the mission of contributing to the strategy of the business, through integrated and competitive actions in people management. Aligned with our values, we give priority to professional realization – both individually and as a part of a team, through constant feedback, education programs and training. We also encourage the collaborative environment, and balance between professional and personal life.

In other words, we work hard in our human resources initiatives, mainly on the culture of learning. The return on the investment in our people is reflected in the Company's low turnover, and in the maintenance of its track record of good results.

Social and corporate data	2018	2019	2020	2021
Employees (average/year)	20,240	18,809	18,340	17,692
Hours of training (per employee)	65	76	68	12
Meals (year)	5,147,132	4,363,688	2,896,659	3,407,656
Employees with special needs (year)	1,001	948	847	793
Dental service (appointments/year)	13,530	14,685	3,521	6,922
Absenteeism	2.01%	1.71%	3.47%	3.61%
Turnover (month)	1.53%	1.29%	1.75%	1.98%
"Basic food baskets" distributed (units/yr) *	244,012	220,066	210,374	206,727

<sup>(\*)</sup> Grendene's policy for distribution of "basic food baskets", adopted since 1990, aims to reinforce the employee's food security. The nutritional value of this 'basic basket' is maintained over time, with a varying set of options in the items offered. All the employees and interns of Grendene, without distinction, receive it after the first month of work, until they leave the Company.

#### **Grendene University (***Universidade Grendene* – UG)

Since 2005, Grendene has been investing in and improving its corporate education, based on the needs of employees and the business. We are focused on optimization of employees' potential, through an integrated system of training and development, aligned with the Company's values.

The structure of the Grendene University includes educational schools and solutions that set out the central issues for knowledge and Grendene technical and behavioral learning.

Among the highlights of 2021, we continued online training and education sessions, in accordance with the pandemic prevention measures.

Through learning methodologies, constructive collective work and themes linked to the needs of the business and of people, we boost organizational efficiency, and innovation. We also encourage employees to take home the knowledge that they acquire at Grendene and share it with their family and the community.

# **APPENDIX I**

# **OPINION OF THE AUDIT BOARD**

The Audit Board of Grendene S.A., in compliance with the provisions of law and the Bylaws, has examined the Report of Management and the Individual Financial Statements of the Company (holding company) prepared in accordance with accounting practices adopted in Brazil, and the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, for the business year ended December 31, 2021, which were approved by the Company's Board of Directors on February 24, 2022. Based on our reviews, and further considering the report of Ernst & Young Auditores Independentes S.S., without qualification, dated February 23, 2022, and the information and explanations received during the business year, it is the opinion of this Audit Board that the said documents are in the proper condition to be considered by the Annual General Meeting of Stockholders.

Farroupilha, February 24, 2022.

João Carlos Sfreddo Member of the Audit Board

Eduardo Cozza Magrisso Member of the Audit Board

Herculano Aníbal Alves Member of the Audit Board

# **APPENDIX II**



Parent company and consolidated financial statements
December 31, 2021 and 2020.



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#### Independent auditor's report on individual and consolidated financial statements

To the Management and Shareholders of **Grendene S.A.**Sobral - CE

#### **Opinion**

We have audited the individual and consolidated financial statements of Grendene S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Grendene S.A. as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

#### Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Sales revenues recognition

The Company produces and ships daily a large number of products ordered by its customers, which are grouped according to orders and transported by independent carrier trucks, delivered to all regions of the country.

In view of the large volume sales and number of customers, and the significance of the respective amount recorded in its financial statements, the Company controls the product delivery confirmation to account for these revenues in the appropriate accrual period. The determination of the amount of revenue to be recognized, as well as the timing of its recognition, requires Company management to carry out a detailed analysis of the sales terms and conditions, in addition to involving the use of professional judgment. This professional judgment can lead to the risk of early recognition of revenue, especially with regard to the monthly accounting closing period. The disclosure of revenues earned by the Company is included in Note 22 and its recognition criteria are described in Note 4 (a).

Due to these aspects, we consider revenue recognition a key audit matter.

#### How our audit addressed this matter:

Our procedures included, among others: (i) the assessment of the design and the operational effectiveness of the key controls implemented by the Company on determining the timing of revenue recognition; (ii) analysis of the monthly changes in revenue balances recognized by the Company in order to assess the existence of variations contrary to our expectations established based on our knowledge of the sector and the Company; and (iii) for a sample of sales recorded in the year, we obtained the respective supporting documentation to assess whether the revenue was recognized in the appropriate accounting period.

Additionally, we performed audit tests on sales transactions carried out at the end of the year in order to confirm the consistency of the application of the accounting policy for revenue recognition, having identified an audit adjustment indicating the need to reverse certain revenues and costs recognized in advance by the Company in the cut-off period, which was not adjusted by the Company due to its immateriality on the financial statements taken as a whole.



Deficiencies in the design of internal controls related to the cut-off in revenue recognition that resulted in the adjustment identified by the aforementioned audit, altered our assessment as to the nature, timing and expanded the scope of our planned substantive procedures to obtain sufficient and appropriate audit evidence regarding Company's revenues. Based on the foregoing, based on the results of the audit procedures performed, which are consistent with management's assessment, we considered the estimates prepared by management to be acceptable, as well as the related disclosures in Notes 22 and 4(a) in the context of the financial statements taken as a whole.

#### Government grants

As mentioned in Note 16, the Company benefits from a tax incentive related to State VAT (ICMS) arising from the Program to Encourage the Industrial Development (PROVIN) and the Program to Attract Strategic Enterprises (PROADE) on its activities located in the state of Ceará.

These incentives represent part of the Company's consolidated net revenue and its recognition arises from compliance with the conditions established in the agreements, among which are the compliance with specific clauses related to the corresponding requirements and the effectiveness of the respective programs.

In this context, we consider this a key audit matter due to the significance of the tax benefit amounts when compared to the result of its operations and the necessary rigor to comply with the requirements of each of the agreements, in addition to the process of determining these incentives, which require controls and criteria to comply with current legislation.

#### How our audit addressed this matter:

Our procedures included, among others: (i) the understanding and tests in the calculations for determining the benefit; (ii) the analysis of the documentation to fulfill the conditions for the enjoyment of said tax incentive; and (iii) checking the reasonableness of sales taxes and the tax benefit recognized under Revenues – ICMS tax incentives (Provin/ Proade), in comparison to the net sales revenue.

Based on the result of the audit procedures carried out, which is consistent with management's assessment, we consider the policies adopted by management for the recognition and measurement of government grants appropriate to support judgments, estimates and information contained therein in the context of the financial statements taken as whole.



#### Other matters

#### Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2021, prepared under the responsibility of Company's management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, the individual and consolidated statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

# Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Report of Management.

Our opinion on the individual and consolidated financial statements does not cover the Report of Management and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Report of Management and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Report of Management, we are required to report that fact. We have nothing to report in this regard.

# Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.



In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

# Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(A free translation of the original in Portuguese)

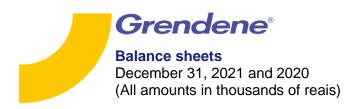


From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

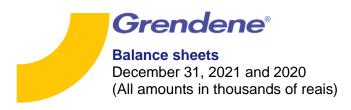
Porto Alegre, February 23, 2022.

ERNST & YOUNG Auditores Independentes S.S. CRC 2SP015199/F-7

Guilherme Ghidini Neto Accountant CRC-RS 067795/O-5



		Parent c	ompany	Conso	lidated
	Note	2021	2020	2021	2020
ASSETS					
Current assets					
Cash and cash equivalents		5,353	5,248	22,146	19,162
Financial investments	6	1,299,827	1,483,706	1,299,827	1,483,706
Trade receivables	7	1,043,517	1,170,084	1,030,529	1,162,538
Inventories	8	449,949	295,919	497,642	316,360
Tax credits	9	145,055	155,443	149,609	159,645
Income tax and social contribution recoverable		12,635	736	12,839	1,140
Securities receivable	16	13,284	12,221	13,346	12,280
Costs and prepaid expenses		8,104	7,094	10,389	10,293
Other receivables	_	21,267	37,034	22,236	37,750
Total current assets	_	2,998,991	3,167,485	3,058,563	3,202,874
Non-current assets Long-term receivables:	0	000.045	100.004	000.045	400.004
Financial investments	6	266,045	498,004	266,045	498,004
Judicial deposits	•	1,360	1,243	1,454	1,312
Tax credits Income tax and social contribution	9	339,061	334,736	339,061	334,736
recoverable		-	16,852	220	16,852
Deferred income tax and social contribution	17	29,275	32,259	27,730	31,560
Securities to receive	16	30,781	38,958	30,781	38,958
Other receivables	_	1,416	1,979	10,163	11,008
		667,938	924,031	675,454	932,430
Investments	10	351,767	60,401	277,326	12,091
Property, plant and equipment	11	404,275	386,766	499,231	491,638
Intangible assets	12	38,570	33,044	43,921	36,673
Total non-current assets	-	1,462,550	1,404,242	1,495,932	1,472,832
Total assets	-	4,461,541	4,571,727	4,554,495	4,675,706



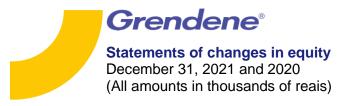
		Parent c	ompany	Conso	lidated
	Note	2021	2020	2021	2020
LIABILITIES					
Current liabilities					
Borrowings	13	117,479	577	117,479	577
Leasing contracts	13	-	-	19,052	20,366
Trade payables		49,348	78,163	55,954	81,441
Contractual obligations - Licensing		12,065	18,484	15,885	24,113
Commissions payable		51,816	59,361	52,325	59,710
Taxes and contributions		21,223	46,000	21,294	46,077
Income tax and social contribution payable		4,487	7,063	4,492	7,063
Salaries and social security charges payable		63,015	55,092	65,005	56,463
Provision for labor risks, tax and civil	14	1,882	2,807	1,891	2,818
Minimum mandatory dividend payable	15	-	33,361	-	33,361
Advances from clients		23,762	18,048	24,629	18,860
Other payables		3,284	56	3,284	180
Total current liabilities		348,361	319,012	381,290	351,029
Non-current liabilities					
Borrowings	13	6,806	9,244	6,806	9,244
Leasing contracts	13	-	-	59,328	70,590
Trade payables		10,120	13,019	10,120	13,019
Provision for labor risks	14	1,924	284	1,924	284
Other debits				697	1,372
Total non-current liabilities		18,850	22,547	78,875	94,509
Equity	15				
Share capital	. •	1,231,302	1,231,302	1,231,302	1,231,302
Capital reserves		809	3,275	809	3,275
Revenue reserves		(1,832)	(4,945)	(1,832)	(4,945)
Treasury shares		2,828,869	2,968,738	2,828,869	2,968,738
Other comprehensive income		35,182	31,798	35,182	31,798
Total equity		4,094,330	4,230,168	4,094,330	4,230,168
Total liabilities and equity		4,461,541	4,571,727	4,554,495	4,675,706
i otal habilities and equity		7,701,071	1,011,121	7,007,700	1,010,100



		Parent c	ompany	Conso	lidated
	Note	2021	2020	2021	2020
Net sales revenue Cost of goods sold	22 24	2,315,277 (1,313,117)	1,873,204 (1,017,965)	2,342,546 (1,312,479)	1,896,785 (1,022,330)
Gross profit		1,002,160	855,239	1,030,067	874,455
Selling expenses General and administrative expenses Other operating income Other operating expenses Non-recurring expenses (Covid-19)	24 24 1.b	(456,202) (84,790) 15,097 (29,626)	(373,766) (72,725) 5,187 (20,366) (47,732)	(534,203) (89,462) 16,220 (29,012)	(431,846) (77,471) 7,906 (23,870) (47,980)
Equity in the results of subsidiaries	10.b	(56,207)	(46,097)	(88)	(47,300)
Operating profit before finance result and taxes		390,432	299,740	393,522	301,199
Finance result Finance income Finance costs	25	269,263 (107,958) 161,305	377,827 (239,065) 138,762	270,031 (110,824) 159,207	378,478 (241,065) 137,413
Profit before taxation		551,737	438,502	552,729	438,612
Income tax and social contribution Current Deferred	17	52,252 (2,984) 49,268	(15,679) (17,617) (33,296)	52,106 (3,830) 48,276	(15,679) (17,727) (33,406)
Profit for the year		601,005	405,206	601,005	405,206
Total comprehensive income attributed to: Controlling interests		601,005	405,206	601,005	405,206
Basic earnings per share Diluted earnings per share	15.g 15.g	0.6663 0.6662	0.4494 0.4491	0.6663 0.6662	0.4494 0.4491



	Parent c	ompany	Consol	idated
	2021	2020	2021	2020
Profit for the year Items potentially reclassifiable to the Statement of	601,005	405,206	601,005	405,206
income in the future: Exchange differences on subsidiaries abroad	3,384	11,848	3,384	11,848
Comprehensive income for the year, net of taxes	604,389	417,054	604,389	417,054
Total comprehensive income attributed to:				
Controlling interests	604,389	417,054	604,389	417,054



Condition   Cond				Capital	reserves			Income re	serves		Compreh	ensive income	
Total comprehensive income		Note			sale of treasury			the acquisition of		proposed		comprehensive	Total
Profit of the year	On December 31, 2019		1,231,302	6,658	-	(3,928)	193,588	29,768	2,155,341	374,020	-	19,950	4,006,699
Exchange differences on subsidiaries abroad   1,6	Total comprehensive income		-	-	-	-	-	-	-	-		11,848	417,054
Purchase of reasury shares   15.0   16.079    15.062	Profit for the year		_	-	-	-	-	-		-	405,206	-	405,206
Change of the stock option or purchase subscription plan:  Slock options exercised in the exercise  15.c  Slock options exercised on the stock option or subscription plan  15.d  Slock options exercised in the exercise  15.c  Slock options exercised in the exercise  15.d  Slock options exercised in the exer	Exchange differences on subsidiaries abroad	10.b	-	-	-	-	-	-	-	-	-	11,848	11,848
Sale of treasury shares through exercise of purchase options   5,543	Change of the stock option or purchase subscription plan:		-	-	-	, , ,	-	-	-	-	-	-	(16,079)
Purchase options			-	-	(15,062)	15,062	-	-	-	-	-	-	-
Specimen or subscription plan   21.b   1.974   1.975   9.519   1.974   1.975   1.574	purchase options	21	-	-	5,543	-	-	-	-	-	-	-	5,543
Expenses with stock option or subscription plan		04.6		(4.057)	0.540			(4.500)					
Proposed appropriations:   Constitution of reserves   15.d			_		9,519			(4,562)			_	-	1 57/
Constitution of reserves		21.0		1,574									1,57 4
Minimum mandatory dividend		15.d	-	-	-	_	11,554	-	174,122	-	(185,676)	-	-
Additional proposed dividends   15.5	Dividends distributed	15.f	-	-	-	-	· -	-	-	(19,741)	(21,521)	-	(41,262)
Interest on Equity (counted as part of total dividends)   15.5	Minimum mandatory dividend	15.f	-	-	-	-	-	-	-	-	(33,361)	-	(33,361)
Interest on Equity (counted as part of total dividends)   15.1			-	-	-	-	-	-	-		(54,648)	-	-
December 31, 2020   1,231,302   3,275   - (4,945)   205,142   25,206   2,329,463   408,927   - 31,798   4,230,168			-	-	-	-	-	-	-		<del>.</del> .	-	
Profit for the year		15.f											
Profit for the year	On December 31, 2020		1,231,302	3,275		(4,945)	205,142	25,206	2,329,463	408,927		31,798	4,230,168
Exchange differences on subsidiaries abroad 10.b 3,384 3,384 Change of the stock option or purchase subscription plan:  Purchase of treasury shares 15.c (4,945) 4,945	Total comprehensive income						-					3,384	
Change of the stock option or purchase subscription plan:  Purchase of treasury shares 15.c (4,945) 4,945 (5,832) (1,832) (1,832) (1,832) (1,832) (1,832)			-	-	-	-	-	-	-	-	601,005		
Subscription plan:   Purchase of treasury shares   15.c	Exchange differences on subsidiaries abroad	10.b	-	-	-	-	-	-	-	-	-	3,384	3,384
Stock options exercised in the exercise   15.c	subscription plan:												
Sale of treasury shares through exercise of purchase options			-	-			-	-	-	-	-	-	(1,832)
Purchase options			-	-	(4,945)	4,945	-	-	-	-	-	-	-
Result on sale of shares related to the stock option or subscription plan 21.b - (2,835) 1,541 1,294 369  Expenses with stock option or subscription plan 21.b - 369 1,294 369  Proposed appropriations:  Constitution of reserves 15.d 19,840 - 204,210 - (224,050) 0  Dividends distributed 15.f 19,840 - 204,210 - (224,050)		21			2 404								2 404
option or subscription plan 21.b - (2,835) 1,541 - 1,294 369 Expenses with stock option or subscription plan 21.b - 369 1,294 369 Proposed appropriations:  Constitution of reserves 15.d 19,840 - 204,210 - (224,050)			-	-	3,404	•	-	-	-	-	-	•	3,404
Expenses with stock option or subscription plan   21.b   369   -   -   -   -   -   -   -   369     Proposed appropriations:		21 h	_	(2.835)	1 541	_	_	1 294	_	_	_	_	_
Proposed appropriations:   Constitution of reserves			_		- 1,041	_	_	1,204	-	_	_	_	369
Dividends distributed 15.f													
Interest on Equity distributed 15.f		15.d	-	-	-	-	19,840	-	204,210	-	(224,050)	-	-
Interest on Equity (counted as part of total dividends) Additional dividend proposed – Allocation of Provintax incentive  15.d  1 5.d  1 5.f			-	-	-	-	-	-	-		-	-	
Additional dividend proposed – Allocation of Provin tax incentive			-	-	-	-	-	-	-		-	-	
Tax incentive reserve — Other allocations (Corporate income tax)  15.d  375  Additional proposed dividends  15.f  223 (223)  15.f  (17,000)  - (1,254) (303,732)  - (321,986)	Additional dividend proposed – Allocation of Provin		-	-	-	-	-	•	-	,	(73,000)	-	
income tax) 15.d 375 375 Additional proposed dividends 223 (223) Interim dividends 15.f (17,000) - (1,254) (303,732) - (321,986)		15.d	-	-	-	-	66	-	(2,000)	1,254	-	-	(680)
Additional proposed dividends 223 (223)		15 d	_	_	_	_	_	_	375	_	_	_	375
Interim dividends 15.f (17,000) - (1,254) (303,732) - (321,986)		13.0	-		-		-		3/3	223	(223)	-	3/3
		15.f	_	-	_	-	-	(17.000)	-			-	(321.986)
			1,231,302	809	-	(1,832)	225.048		2,532,048		-	35,182	



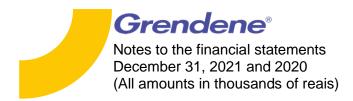
## Statements of cash flows - Indirect method

December 31, 2021 and 2020 (All amounts in thousands of reais)

	Parent company		Consolic	lated
	2021	2020	2021	2020
Cook flows from an austing a setiviti				
Cash flows from operating activities Profit for the year	601,005	405,206	601,005	405,206
Adjustments to reconcile results to cash generated by operating	001,003	400,200	001,003	405,200
activities:				
Equity in the results of subsidiaries	56,207	46,097	88	(5)
Depreciation and amortization Residual value after write-down the property, plant and	66,855	64,181	91,020	88,049
equipment and intangible	4,695	1,813	8,068	2,019
Income tax and social contribution tax – credit for Selic interest	(77,947)	-	(77,947)	_,0.0
Deferred income tax and social contribution	2,984	17,617	3,830	17,727
Stock option or subscription plan	369	1,574	369	1,574
Reducing accounts receivable from clients	(28,190)	32,933	(28,391)	33,163
Estimated losses for obsolete inventories Provision for labor, tax and civil risks	(734) 715	(5,069) (62)	(2,625) 713	(2,419) (59)
Interest expenses on loans, financings and leasing contracts	506	878	933	486
Interest income on financial investments	(121,663)	(84,826)	(121,663)	(84,826)
Fair value of equity financial investments	32,683	(74,824)	32,683	(74,824)
Foreign exchange variations, net	2,633	50,898	4,115	58,406
Changes in assets and lightlities	540,118	456,416	512,198	444,497
Changes in assets and liabilities: Trade receivables	154,757	(290,881)	160,400	(287,404)
Inventories	(153,296)	(32,587)	(178,657)	(36,835)
Tax credits	84,010	41,453	83,658	41,229
Other receivables	27,270	(16,696)	28,165	(19,743)
Trade payables	(31,714)	46,286	(28,386)	48,824
Salaries and social security charges payable	7,923	1,151	8,542	797
Taxes and contributions Income tax and social contribution paid	(19,227) (2,576)	6,432 (108,160)	(19,233) (2,571)	6,325
Tax on allocation of tax incentives, net	(305)	(100,100)	(305)	(108,160)
Advances from clients	5,714	1,194	5,769	1,679
Other payables _	(10,736)	16,159	(13,184)	17,677
Net cash provided by operating activities	601,938	120,767	556,396	108,886
Cash flows from investing activities:				
Investment in subsidiaries and affiliated company	(344,189)	(46,415)	(265,323)	(11,674)
Purchases of property, plant and equipment and intangible	(94,585)	(64,468)	(105,721)	(66,247)
Financial investments Redemption of financial investments	(3,575,480) 4,003,326	(2,804,483) 2,990,301	(3,575,480) 4,003,326	(2,804,483) 2,990,301
Interest received of financial investments	4,003,326 76,972	102,507	4,003,326 76,972	102,507
Net cash provided by (used in) investing activities	66,044	177,442	133,774	210,404
Cash flows from financing activities:	,-	,	,	-, -
New borrowings	183,696	143,698	183,696	143,698
Payments of loans, financings and leasing contracts	(72,290)	(280,362)	(90,306)	(298,566)
Interest paid on loans, financings and leasing contracts	(81)	(483)	(1,374)	(1,534)
Dividends paid	(670,774)	(41,262)	(670,774)	(41,262)
Interest on Equity paid	(110,000)	(110,000)	(110,000)	(110,000)
Purchase of treasury shares  Sale of treasury shares through exercise of purchase options	(1,832) 3,404	(16,079) 5,543	(1,832) 3,404	(16,079) 5,543
Net cash used in financing activities	(667,877)	(298,945)	(687,186)	(318,200)
<u> </u>	<del>.</del>			
Increase (decrease) in cash and cash equivalents	105	(736)	2,984	1,090
At the beginning of the year	5,248 5,252	5,984	19,162	18,072
At the end of the year	5,353	5,248	22,146	19,162
Item not affecting cash flow:	(2.22.0)	(4.5.5)		
Foreign exchange variations on investments	(3,384)	(11,848)	45.050	
Right of use – initial recognition Leasing liabilities – Initial recognition	-	-	15,856 (15,856)	6,926 (6,926)
Rights of use – Written down	-	-	(15,220)	(0,320)
Leasing liabilities – Written down	-	-	15,220	-
Dividends, and Interest on Equity, payable, net of income tax				
withheld at source	62,273	33,361	62,273	33,361



	Parent company				Consol	idated		
	2021		2020		2021		2020	
Davienus								
Revenue Sales of goods	2,633,901		2,139,177		2,662,989		2,165,142	
Other income /expenses	(1,073)		(627)		(3,360)		(135)	
Provision for impairment of trade	(1,010)		(0=1)		(0,000)		(100)	
receivables	8,283		(11,362)		8,490		(11,539)	
	2,641,111		2,127,188	=	2,668,119	_	2,153,468	
Inputs acquired from third parties								
Raw materials used	(835,615)		(585,552)		(787,904)		(571,850)	
Other production costs	(2,612)		(4,939)		(49,684)		(22,585)	
Materials, electricity, outsourced services								
and other	(564,615)		(458,521)		(596,612)		(481,128)	
Impairment and recovery of assets	734 (1,402,108)		5,069 (1,043,943)		2,966 (1,431,234)	-	2,955 (1,072,608)	
Gross value added				_		-		
Gross value added	1,239,003	ı i	1,083,245	-	1,236,885		1,080,860	
Retentions			<b></b>					
Depreciation and amortization	(64,936)	. ,	(72,247) (72,247)	_	(89,102)		(96,122)	
	(64,936)		( , ,	_	(89,102)	_	(96,122)	
Net value added	1,174,067	, ,	1,010,998	-	1,147,783	•	984,738	
Value added received through transfer								
Equity in the results of subsidiaries	(56,207)		(46,097)		(88)		5	
Finance income	275,814		386,483		276,614		387,147	
Rentals	219,723		109 340,495	=	276,642	-	134 387,286	
Value added to distribute	1,393,790		1,351,493	-	1,424,425	-	1,372,024	
	1,000,000	i	1,001,100				.,	
Distribution of value added Personnel								
Direct compensation	466,428		392,805		489,075		406,428	
Benefits	51,445		45,936		51,562		46,114	
Government Severance Indemnity Fund	,		-,		,		-,	
for Employees (FGTS)	46,034		35,783	_	46,033	_	36,004	
	563,907	40.46%	474,524	35.11%	586,670	41.19%	488,546	35.61%
Taxes and contributions								
Federal	70,204		182,357		72,534		183,868	
State	47,146		47,154		47,851		48,441	
Municipal	1,620	0.540/	822	47.040/	2,163	0.000/	2,526	47.400/
	118,970	8.54%	230,333	17.04%	122,548	8.60%	234,835	17.12%
Third-party capital remuneration								
Interest, discounts and financial charges Rentals	107,958 1,950		239,065 2,365		110,824 3,378		241,065 2,372	
Remais	109,908	7.89%	241,430	17.86%	114,202	8.02%	243,437	17.74%
Demonstration of our comital	100,000	110070	211,100	11.0070	,202	0.0270	2 10, 101	11.1 170
Remuneration of own capital Dividends	303,732		109,530		303,732		109,530	
Interest on Equity (counted as part of	303,732		103,550		303,132		103,330	
total dividends)	73,000		110,000		73,000		110,000	
Profits for the year	224,273		185,676	_	224,273	_	185,676	
	601,005	43.11%	405,206	29.99%	601,005	42.19%	405,206	29.53%
	1,393,790	100%	1,351,493	100%	1,424,425	100%	1,372,024	100%
		•		=		•		



#### 1. General information

#### a) Operational context

Grendene S.A. ('the Company') is a Brazilian listed corporation with shares traded on the *Novo Mercado* segment of the Brazilian stock exchange (*B3 S.A. – Brasil, Bolsa, Balcão*) under the ticker GRND3. It began trading in 1971. Its head office is at Av. Pimentel Gomes 214, Sobral, Ceará State, Brazil. Grendene S.A. is controlled by Alexandre Grendene Bartelle.

The Company and its subsidiaries ('the Group') have the following principal activities: development, production, distribution and sale of plastic footwear for all the socioeconomic classes, in the women's, men's and children's market segments.

The Group currently has five industrial plants, in three States of Brazil: Ceará, Bahia and Rio Grande do Sul. It owns the brands Melissa, Grendha, Zaxy, Rider, Cartago, Ipanema, Pega Forte, Grendene Kids and Nuar.

## b) Impacts of Covid-19

In 2020, results were affected by the impacts of the Covid-19 pandemic. The fixed costs incurred in the second quarter, correlating with the significant fall in the Company's levels of production, were considered to be costs of plant idle time. The Company also incurred expenses on donations, and on protective measures aiming to combat dissemination of the Coronavirus to ensure the safety of its employees, its clients, store owners, and suppliers.

This table shows these effects on the results of the Company and its subsidiaries:

	Parent company	Consolidated
Idle capacity costs	(44,120)	(44,393)
Donations	(1,502)	(1,502)
Expense on protection measures	(2,110)	(2,085)
	(47,732)	(47,980)

The management of the Company and its subsidiaries continue to monitor the possible impacts of Covid-19 on its businesses, making analyses that include the following: (i) Any losses of credit, without the risk of non-receipt of credit beyond the losses already recognized; (ii) cash investments where subsequent appreciation has not been found; and (iii) confirmation of the continuity of the investments in real estate projects where no prospect has been identified of delays or risks of their not being executed.

We continue to operate the protection measures to combat the pandemic, to ensure the safety of employees, clients, store owners, suppliers and the public.

On the date of publication of these financial statements, the Company does not see any risk to continuity of its businesses, nor to the accounting estimates and judgments made.



#### 1. General information -- Continued

#### c) Authorization for issuance of the financial statements

Issuance of the Company's financial statements for the period ended December 31, 2021, was authorized by the Statutory Board on February 23, 2022.

## 2. Basis of preparation and presentation of the financial statements

## a) Accounting policies

Of the accounting policies presented on December 31, 2020, those which have changed are the result to updates of accounting rules which came into effect on January 1, 2021, and they do not present any significant effect on the individual and consolidated financial statements.

#### b) Statement of compliance

The parent company financial statements of the Company has been prepared in accordance with accounting policies adopted in Brazil and rules of the Brazilian Securities Commission (*Comissão de Valores Mobiliários* – CVM), obeying the accounting rules stated in the Brazilian Corporation Law legislation (Law 6.406 of 1976) and also International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All the material information in the financial statements accounting information, and only that information, is being presented, and is the information used by the Company in its management.

## c) Basis of measurement

The financial statements have been prepared considering the historic cost as the basis of value, except in the case of certain financial instruments, and a stock purchase option and subscription plan, which are measured at fair value, when applicable.

## d) Functional currency and currency of presentation

These individual and consolidated financial statements are presented in Reais, which is the Company's functional currency.



#### 2. Basis of preparation and presentation of the financial statements--Continued

## e) Rules, and interpretations of rules, not yet in force

The rules and revisions issued by the IASB, but not yet adopted up to the reporting date of these financial statements, are as follows:

## i) Revisions in effect from January 1, 2022

Revisions	Nature of change
IFRS 1 / CPC 37 (R1) – Initial adoption of IFRS (International Financial Reporting Standards)	This rules that a subsidiary may choose, in its financial statements, to measure the accumulated differences arising from conversion for all operations outside Brazil at the accounting amount that would be included in the consolidated financial statements of the parent company, based on the date of transition of the parent company to the Brazilian Accounting Pronouncements, if no adjustment is made to the procedures for consolidation and for the purposes of the business combination in which the parent company acquired the subsidiary.
IFRS 9 / CPC 48 – Financial Instruments	Inclusion of a new requirement for de-recognition of 10% of financial liabilities in the calculation of cash flows at present value: the debtor includes only charges paid or received between the debtor and the creditor.
IAS 41 / CPC 29 – Biological assets and agricultural products	Elimination of the (previously existing) exclusion of 'taxes' from the list of expense items that may not be taken into account when estimating expectations of cash flow from a biological asset (examples of these excluded items are cost of financing of any such assets, or cost of re-establishment of biological assets after the harvest).
IAS 16 / CPC 27 – Fixed assets	Includes as directly attributable costs the cost of tests for checking whether the asset is functioning correctly. The entity must recognize the proceeds from the sale of such items, and the cost of those items, in the profit and loss account in accordance with the applicable accounting rules.
IAS 37 / CPC 25 – Provisions, Contingent liabilities and Contingent assets	Provides that the cost of compliance with a contract comprises the costs that are directly related to the contract, which include:  (a) any incremental costs of compliance with the contract; and  (b) allocation of other costs that are directly related to compliance with contracts.
IFRS 3 / CPC 15 (R1) – Business combinations	Makes certain alterations to the conceptual structure for financial reporting.

## ii) Rules in effect from January 1, 2023

Rules	Nature of the alteration
IFRS 17 / CPC50 – Insurance contracts: Replaces IFRS 4 / CPC11 – Insurance contracts	The objective of the alteration is to ensure that the entity provides material information that faithfully represents the essence of these contracts, through a consistent accounting model.
IAS 1 – Presentation of financial statements	(i) Classification of liabilities as current or non-current: Specifies the requirements for classification of a liability as current or non-current. (ii) Disclosure of accounting policies: Alterations to help entities to make more useful disclosures of accounting policies, by replacing the requirement for publication of significant accounting policies with a requirement for publication of material accounting policies, and adding guides to how entities should apply the concept of materiality to taking decisions on publication of accounting policies.
IAS 8 – Definition of accounting estimates	These alterations clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They further clarify how entities should use techniques of measurement and inputs for making accounting estimates.

It is the assessment of the Company's management that IFRS 1/CPC 37, IAS 41/CPC 29 and IFRS 17/CPC 50 do not apply to the Group. Further, the Company does not expect that adoption of IFRS 9/CPC 48, IFRS 3 /CPC 15 (R1), IAS 16/CPC 27, IAS 37/CPC 25, IAS 1 and IAS 8 will have any impact on its individual or consolidated financial statements.

These are the only rules and interpretations issued which have not yet been adopted and which might, in the opinion of Management, have a significant effect on the profit or net equity disclosed by the Company.



#### 3. The consolidated of the financial statements

The consolidated financial statements include the operations of the Company and its subsidiaries, as shown in this table:

	Principal characteristics	Country of head	Stake	Perce intere	_
		office		2021	2020
MHL Calçados Ltda.	Manufacture and sale of footwear.	Brazil	Direct	99.998%	99.998%
Grendene USA, Inc.	Commercial representative, selling and distributing our products in the US market. This is the parent company of Grendene New York L.L.C., which has head office in United States and operates in the same market segment.	USA	Direct	100.00%	100.00%
Grendene UK Limited.	Commercial representative, selling and distributing our products. Parent company of Grendene Italy S.R.L., a company with head office in Italy which operates in the same market segment.	United Kingdom	Direct	100.00%	100.00%
Grendene Shanghai Trading Co., Ltd. (*)	Wholesale and retail sales of products of the Company and third parties in the Chinese market.	China	Direct	100.00%	_
Grendene New York, L.L.C. (through Grendene USA, Inc.)	Commercial representative, selling and distributing our products in the US market.	USA	Indirect	100.00%	100.00%
Grendene Italy, S.R.L. (through Grendene UK Limited)	Commercial representative, selling and distributing our products.	Italy	Indirect	100.00%	100.00%

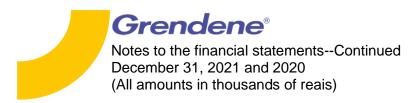
<sup>(\*)</sup> Grendene Shanghai Trading Co., Ltd. was formed on June 1, 2021, but as of December 31, 2021 it had not started operating activities.

The business years of the financial statements of the subsidiaries included in the consolidation are coincident with those of the parent company, and the accounting policies having been applied uniformly in the consolidated companies and are consistent with international accounting rules and with accounting practice adopted in Brazil.

## 4. Accounting policies

## a) Recognition of revenue

Revenue is recognized in the Profit and loss account when its amount can be reliably measured and reflects the consideration that the entity expects to have the right to an exchange for transfer of products to clients. Revenue is measured based on fair value of the consideration received, excluding discounts, deductions and taxes or charges on the sale. The Company evaluates revenue transactions in accordance with the specific criteria for determining whether it is acting as agent or principal and, in the last analysis, has concluded that it is acting as principal in all its revenue contracts. A revenue is not recognized if there is significant uncertainty of its realization.



#### a) Recognition of revenue--Continued

## a.1) Revenue from sale

Revenue from sale of products is recognized in the Profit and loss account, when the control of the product is transferred to the client and the Company and its subsidiary have no further control or responsibility over the merchandise sold.

## a.2) Financial revenue

Interest income is recognized using the effective interest rate. Interest revenues are included in the account line financial revenues, in the profit and loss account.

#### b) Transactions and balances in foreing currency

The monetary assets and liabilities of transactions in foreign currency are converted to the entity's functional currency, using the exchange rate of the reporting date, and profit and loss account items are converted at the average monthly rates for the periods. Non-monetary assets are converted from their functional currency to Reais at the FX rate of the accounting transaction. The functional currencies used in the conversion of the financial statements of these subsidiaries outside Brazil are: US dollars, pounds sterling Euros and Renminbi.

## c) Financial instruments

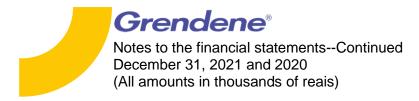
Financial instruments are measured at amortized cost or at fair value and classified in one of the following three categories:

- 1. Financial instruments at amortized cost.
- 2. Financial instruments measured at fair value through Comprehensive income.
- 3. Financial instruments measured at fair value through Profit or loss.

#### Subsequent measurement

Their subsequent measurement takes place at each recording date in accordance with the rules established for each type of classification of financial assets and liabilities.

The Company and its subsidiaries have classified their financial assets and liabilities in the category of amortized cost or at fair value through profit of loss, in accordance with the purpose for which they were acquired or issued:



#### c) Financial instruments -- Continued

- a. <u>Financial assets at amortized cost</u>: These are measured in a business model the objective of which is to receive contractual cash flows where the contractual terms give rise to cash flows which are, exclusively, payment of the principal and/or interest on it.
- b. <u>Financial assets measured at fair value through profit or loss</u>: Any financial assets that are not classified in the aforementioned category stated above are measured and recognized at fair value through Profit or loss. Financial assets that are held for training and managed on the basis of fair value are also included in this category.
- c. <u>Financial liabilities</u>: The entity should classify all financial liabilities as measured at amortized cost, except in the case of: (a) financial liabilities measured at fair value through Profit or loss; (b) financial liabilities that arise when the transfer of the financial asset does not qualify for derecognition, or when the continuing involvement approach is applicable; (c) a financial guarantee contract; (d) undertakings to grant loans with interest rates below market; or (e) a contingent consideration recognized by an acquiring party in a business combination to which CPC 15 should be applied.

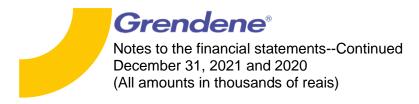
#### c.1) Derivative financial instruments and hedging activities

The Company operates with derivative financial statements for the purpose of hedging but does not use the practice of hedge accounting to account for its derivative transactions, which are not made for speculative purposes.

Derivatives are recorded initially at fair value on the date of contracting, and subsequently revalued, also at fair value, with any gains or losses being recognized in financial revenue/expenses.

## d) Cash and equivalents

Cash and equivalents include amounts in physical cash, bank deposits not attracting interest, and cash investments with immediate liquidity, able to be redeemed within three months or less from the date of acquisition, and with insignificant risk of change in value.



#### e) Trade receivables

These are initially recognized at sale value; augmented by variation, when applicable; and subsequently recorded at amortized cost, less estimated losses on doubtful receivables, and discounts for punctuality.

The estimated credit losses are analyzed and constituted based on the amount billed to the customer, based on the track record of default and individual analysis of clients, and excluding those that have court or out-of-court agreements, or guarantees. Management considers the amounts to be sufficient to cover any losses.

Estimated discounts for punctuality are recorded at the estimated amount of discount to be given, on trade bills becoming due at maturity, with counterpart in deductions from sales.

Transactions in accounts receivable from clients have been adjusted to present value, taking into account the cash flows of the transaction and the implicit interest rate of the related assets.

#### f) Inventories

Valued at the average of acquisition or production cost, not exceeding their net realizable value. The net realizable value is calculated as the difference between the sale price in the Company's normal operation, less costs incurred to achieve the sale.

Estimated losses, for low-turnover or obsolete stock, are constituted on the basis of application of the average non-recoverable percentage on the balance of this inventory. The percentage takes into account the history of loss on resale of inventory, in which the Company recovers part of this cost. The Company's Management considers that estimated losses have been constituted in an amount sufficient for the low-turnover or obsolete inventory.

#### g) Investments

The Company has investments in directly and indirectly-controlled, affiliated companies and joint ventures, which are valued by the equity method. The other investments are recorded at acquisition cost and adjusted to market cost when applicable.

In the acquisition of the investment, any differences between the cost of the investment and the investor's share in the net fair value of the identifiable assets and liabilities of the investee should be considered as goodwill.



#### h) Property, plant and equipment

PP&E is recorded as cost of acquisition or construction, less depreciation, net of credits of PIS, COFINS and ICMS taxes, and reduced to recovery value if appropriate. Depreciation of goods is calculated by the straight-line method at the rates mentioned in Note 11 and takes into consideration the estimated useful life of the assets. Residual values and the useful life of assets are reviewed and adjusted, if appropriate, at the end of each business year.

When significant parts of PP&E need to be replaced, their cost is recognized at the book value of the asset as a replacement, if the criteria for recognition had been met. All other expenses on repairs and maintenance are recognized in the profit and loss account, when they take place, and the book value of items or parts replaced is written off.

## i) Intangible assets

Intangible assets have a defined useful life and are recognized at acquisition cost, net of accumulated amortization and impairment if any. Amortizations are calculated by the straight-line method at the rates mentioned in Note 12.

## j) Impairment

Fixed assets, intangible assets and other assets which present indications that their recorded costs are higher than their recovery value should be reviewed in detail to determine the need for posting of any impairment.

The Company carries out an annual analysis of impairment. In the December 31, 2021 and 2020 business year no assets were identified that presented a need to calculate impairment.

## k) Taxation

## k.1) Current income tax and social contribution

The provisions for current income tax and Social Contribution tax are calculated individually, by the Company and its subsidiaries, based on the tax laws in effect on the reporting date, in the countries where they generate tax revenue.

Current taxes are presented net and reported in assets when the balances paid in advance exceed the total payable on the reporting date, or in liabilities when there is an amount payable.



## k) Taxation -- Continued

## k.2) Deferred income tax and social contribution

Deferred taxes are recognized only if there is a possibility of future generation of taxable profit in an amount significant to enable those temporal differences to be used.

Deferred income tax and Social Contribution tax are calculated by applying the rates expected to be in force on the reporting date at which the temporary differences are expected to be realized or demanded.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets with current tax liabilities, and if they are related with the taxed imposed by the same tax authority.

## I) Borrowings

Borrowings are posted at contracted value, plus agreed charges including interest and monetary or FX updating incurred. After initial recognition they are measured at amortized cost using the effective rates method.

## 5. Judgments, estimated and accounting assumptions

The preparation of the individual and financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by Management in the process of application of the accounting policies, for the accounting of certain assets, liabilities, revenues and expenses.

Estimates and the exercise of judgment are continuously reviewed and the results of this process are recognized in a timely manner and in any future periods affected. Actual results may diverge from these estimates when they materialize.

Information on judgments, estimates and accounting assumptions that could result in significant effects on the amounts recognized in the financial statements are as follows:

Notes	Nature Nature Nature
Note 6	The fair value of the measurement of the investments in Other financial assets;
Note 7	Estimated losses for doubtful receivables, estimated discounts for punctuality and the rates and periods applied in determining adjustments to present value;
Note 8	Estimated losses for obsolete inventory;
Notes 11 and 12	Selection of useful lives of fixed and intangible assets, and impairments;
Note 14	Provisions for employment-law, tax, civil and environmental risk and contingent assets;
Note 17	b) Deferred income tax and Social Contribution tax and
	e) IRPJ and CSLL - Credits on Selic interest due to the repetition of tax overdue;
Note 19	Sensitivity analyses of financial instruments; and
Note 21	The fair value of measuring the stock option or subscription plan.



#### 6. Financial investments

Financial investments are reported at acquisition value, updated to the reporting date – these amounts are close to fair value and do not exceed market or realization value. Note 18 gives the classification of these securities.

Note 19 gives the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

## a) Composition

The Company's cash investments comprise the following components:

Parent company / Consolidated								
Туре	Index	Average rate of return (y.y)	2021	2020				
Current assets								
Financial investments								
Bank certificates of deposit (CDBs)	CDI	102.56% and 101.27%	603,883	597,989				
Assignment of receivables	CDI +	4.25% and 3.25%	9,344	16,768				
Debentures with repurchase guarantees	CDI	80% and 72.43%	14,695	74,081				
Treasury Bills	CDI	138.87% and 105.86%	32,381	513,214				
Investment funds	CDI	6%	29,128	-				
Treasury Bills	IPCA +	5,66%	220,395	-				
Treasury notes (NTNs)	IPCA +	6.26%	-	25,237				
Term deposits with specific guarantee	IPCA +	4.50%	40,509	-				
Debentures "Vale S.A"	IGPM	100%	72,434					
			1,022,769	1,227,289				
Other financial assets Variable income – Shares	(:)		200 474	050 447				
	(i)	- 000/	269,174	256,417				
SCP Parque Raposo (ii)	CDI +	6.00%	7,884					
		<u> </u>	277,058	256,417				
		_	1,299,827	1,483,706				
Non-current assets								
Financial investments								
Bank certificates of deposit (CDBs)	CDI	99%	-	66				
Treasury Bills	CDI	159.25% and 140.38%	2,660	33,275				
Treasury Bills	IPCA +	5.66%	-	188,457				
Treasury notes (NTNs)	IPCA +	4.91% and 5.89%	62,811	34,172				
Non-convertible debentures	CDI +	5.85%	-	8,420				
Investment funds	CDI +	6.00%		28,847				
Term deposits with specific guarantee	IPCA +	4.50%	-	34,954				
Bank Credit Note	CDI +	5.00%	14,240					
			79,711	328,191				
Other financial assets	0.01							
SCP Parque Raposo (ii)	CDI +	6.00%	-	107,286				
SCP Seleto (iii)	CDI +	5.00%	41,028	-				
SCP Baronesa de Itu (iv)	INCC +	9.00%	23,000	-				
Silent partner companies – SCPs	(v)	<del>-</del>	122,306	62,527				
		_	186,334	169,813				
		_	266,045	498,004				

<sup>(</sup>i) Variable income - Shares: financial assets at fair value through profit or loss include equity interests in listed entities. The fair value of these shares is determined based on the prices available in an active market.

<sup>(</sup>ii) It corresponds to 100% of SCP Parque Raposo Empreendimentos Imobiliários Ltda., which has the objective of jointly exploiting real property undertakings, through funds and efforts for the conclusion of the works. This financial instrument is recorded for the acquisition cost updated by the balance date according to the contractual clause.



#### 6. Financial investments--Continued

#### a) Composition--Continued

- (iii) This corresponds to 59.81% of the silent partner company (SCP) Seleto (Riva Incorporadora S.A.), the corporate objects of which are development, construction and sale or lease of real estate projects, including regularization of holdings, obtaining of licenses for approval or execution of works, sale or lease of autonomous units, and execution, conclusion and delivery of works of real estate projects and any future maintenance that may be necessary. This financial instrument is registered at acquisition cost, updated to the reporting date in accordance with a clause of the contract.
- (iv) This corresponds to 100% of the silent partner company (SCP) Baronesa de Itu (Blaze Empreendimento Imobiliário Ltda.), the corporate objects of which are development, construction and sale or lease of real estate projects, comprising regularization of real estate properties, preparation of architectural plans, obtaining of licenses for approval and/or execution of works, commercial launches, sale or lease of autonomous units, and execution, conclusion and delivery of works of the real estate project and any future maintenance that may be necessary. This financial instrument is registered at acquisition cost, updated to the reporting date in accordance with a clause of the contract.
- (v) This refers to ownership interests in Silent Partnership Companies (SCP), the corporate objects of which are: acquisition of real estate properties; and structuring, development, consolidation, subdivision, commercial operation and sale of real estate projects, through funds and efforts for conclusion of works. This financial instrument is registered at fair value through profit or loss, determined on the basis of discounted cash flow, in accordance with the expected curve of sales, using as an assumption the value of the units most recently sold, using as an assumption the average value of the most recent units sold, brought to present value at discount rates from 9% to 12% y.y., in real terms, which reflect the expected risk/return and IRR.

#### b) Movement

		Parent company / Consolidated						
	Balances at 12/31/2020		Redemption	Fair value	Interest income	Interest received	Balances at 12/31/2021	
Financial investments Variable income – Shares	1,662,766 256,417	3,316,713 201,090	(3,843,692) (143,900) <sup>(i)</sup>	(41,206)	115,577 (3,227) <sup>(i)</sup>	(76,972) -	1,174,392 269,174	
Silent partner companies – SCPs	62,527 <b>1,981,710</b>	57,677 <b>3,575,480</b>	(15,734) <sup>(ii)</sup> (4,003,326)	8,523 <b>(32,683)</b>	9,313 <sup>(iii)</sup> <b>121,663</b>	(76,972)	122,306 <b>1,565,872</b>	

- (i) Refers to sale of shares previously acquired relating to equity interests in listed companies.
- (ii) Refers to redemption of the principal amount of the capital initially invested in silent partner companies ('SCPs').
- (iii) Refers to the amount of the dividends received arising from distribution of the earnings of the SCPs.

#### 7. Trade receivables

	Parent c	Parent company		lidated	
	2021	2020	2021	2020	
Domestic market	835,711	1,062,381	835,711	1,062,381	
Foreing market	267,362	195,449	254,451	188,181	
	1,103,073	1,257,830	1,090,162	1,250,562	
Estimated losses on doubtful receivables	(17,090)	(25,373)	(17,167)	(25,651)	
Punctuality discounts estimated	(36,368)	(55,955)	(36,368)	(55,955)	
Adjustment to Present Value (AVP)	(6,098)	(6,418)	(6,098)	(6,418)	
	1,043,517	1,170,084	1,030,529	1,162,538	

On December 31, 2021 the average period for receipt of sales in the domestic market was 106 days (118 days in 2020), and for sales in 81 days (76 days in 2020).

The amounts of accounts receivable from clients are not subject to any lien or charge, nor guarantee given, nor any restrictions.



## 7. Trade receivables--Continued

## a) Classification by maturity and estimated losses for doubtful receivables

The constitution of estimated losses for doubtful receivables on past due trade bills, by maturity, is as follows:

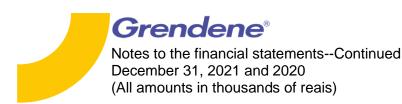
		Parent company				
	20	21	20	20		
	Balance	Provision	Balance	Provision		
Not yet due	1,055,098	-	1,173,256	-		
Overdue for up to 30 days	11,403	(230)	12,518	-		
Overdue from 31 to 60 days	1,771	(205)	1,769	(10)		
Overdue from 61 to 90 days	1,052	(207)	4,812	(1,321)		
Past due for more than 91 days	33,749	(16,448)	65,475	(24,042)		
	1,103,073	(17,090)	1,257,830	(25,373)		

	Consolidated				
	20	21	20	020	
	Balance	Provision	Balance	Provision	
Not yet due	1,034,317	-	1,164,888	-	
Overdue for up to 30 days	13,669	(230)	12,693	-	
Overdue from 31 to 60 days	2,703	(205)	1,889	(10)	
Overdue from 61 to 90 days	2,650	(207)	4,840	(1,321)	
Past due for more than 91 days	36,823	(16,525)	66,252	(24,320)	
	1,090,162	(17,167)	1,250,562	(25,651)	

## b) Changes

The changes in estimated losses on doubtful receivables and estimated discounts for punctuality are as follows:

	Estimated losse receiva		Punctuality discounts estimated			
	Parent company	Consolidated	Parent company	Consolidated		
Balances at 12/31/2019 Additions Realizations Reversals Exchange variation Balances at 12/31/2020	(14,011) (15,200) 3,455 473 (90) (25,373)	(14,050) (15,954) 3,932 573 (152) (25,651)	(31,476) (100,279) 58,999 15,651 1,150 (55,955)	(31,484) (100,284) 59,012 15,651 1,150 (55,955)		
Additions Realizations Reversals Exchange variation Balances at 12/31/2021	(18,314) 25,659 1,057 (119) (17,090)	(18,345) 25,871 1,083 (125) (17,167)	(101,115) 99,514 21,188 	(101,115) 99,514 21,188 - (36,368)		



#### 8. Inventories

	Parent company		Consol	idated	
	2021	2020	2021	2020	
Footwear	101,953	38,373	151,719	62,983	
Inputs and components	45,912	38,200	45.912	38.200	
Raw materials	161,972	80,524	161,972	80,524	
Packaging materials	27,614	12,691	27,614	12,691	
Intermediate and other materials	41,182	33,848	41,182	33,848	
Goods for resale	1,134	403	1,606	670	
Molds and tooling	29,227	20,393	29,227	20,393	
Advances to suppliers	7,317	29,576	7,317	29,576	
Imports in transit	20,677	32,989	20,677	32,989	
Inventories held by third parties	22,502	19,197	22,502	19,197	
Estimated losses for obsolete inventories	(9,541)	(10,275)	(12,086)	(14,711)	
_	449,949	295,919	497,642	316,360	

The changes in the estimated losses for obsolete inventories were as follows:

	Parent company	Consolidated
Balances at 12/31/2019	(15,344)	(17,130)
Additions	(13,793)	(17,336)
Realizations	8,251	8,338
Reversals	10,611	11,953
Exchange variation		(536)
Balances at 12/31/2020	(10,275)	(14,711)
Additions	(15,579)	(20,339)
Realizations	6,496	8,405
Reversals	9,817	14,900
Exchange variation		(341)
Balances at 12/31/2021	(9,541)	(12,086)

There are no liens, pledges and/or restrictions to the full utilization of the inventories.

#### 9. Tax credits

	Parent company		Consol	idated
	2021	2020	2021	2020
Income tax withheld at source IPI tax recoverable ICMS tax recoverable	15,435 10 9,897	14,266 699 10.957	17,428 10 11.037	16,274 699 12,096
PIS and COFINS taxes recoverable (i) Income tax and Social Contribution tax – credit for Selic	380,827	464,192	380,827	464,192
interest (ii) Other expenses	77,947	65	77,947 1,421	1,120
Current assets Non-current assets	484,116 145,055 339,061	490,179 155,443 334,736	488,670 149,609 339,061	494,381 159,645 334,736

- (i) On December 31, 2020 the amount of R\$379,296 (R\$462,831 in 2020) refers to the tax legal action to exclude amounts of ICMS tax from the basis of calculation of the PIS and COFINS taxes, with final judgment on February 13, 2019, and with an authorization request granted on September 19, 2019. In the 2020 business year the company began the process of use of the credit, through a declaration of offsetting.
- (ii) Refers to the credits of corporate Income tax and the Social Contribution tax on interest charged at the Selic rate on reimbursed tax debits as described in Note 17 letter (e).



## 10. Investments

## a) Breakdown of investments

The Company's investments are as follows:

	Parent co	ompany	Conso	lidated
	2021	2020	2021	2020
Holdings in subsidiaries	84,572	52,894	-	-
Equity interest in affiliated company	136,056	11,679	136,056	11,679
Joint venture	140,858		140,858	
Unrealized profits in subsidiaries	(10,131)	(4,584)	-	-
Other investments	412	412	412	412
	351,767	60,401	277,326	12,091

## b) Changes in investments

The changes in investments are as follows:

		Investments			Exchange	
	Balances at	Acquisitions in affiliated	Capital	Equity in the results of	differences on subsidiaries	Balances at
	12/31/2020	company s	increase	subsidiaries	abroad	12/31/2021
Subsidiaries						
MHL Calcados Ltda.	12,245	-	-	572	-	12,817
Grendene USA, Inc. (i/ii)	24,415	-	65,625	(39,323)	3,002	53,719
Grendene UK Limited (i/ii)	11,650	-	13,241	(17,368)	382	7,905
	48,310	-	78,866	(56,119)	3,384	74,441
Affiliated company (*)						
YOUPE Participações S.A. (iii)	11,679	-	2,196	17	-	13,892
HIPE Participações S.A. (iv)	-	24,390	47,664	(105)	-	71,949
NM GAP II Participações S.A. (v)		50,215				50,215
	11.679	74,605	49,860	(88)	-	136,056
Joint venture						
Grendene Global Brands Limited (vi)	-	140,858	_	-	-	140,858
	-	140,858	-	-	-	140,858
Other investments						
Others	412	-	_	-	-	412
	412	-	-	-	-	412
	60,401	215,463	128,726	(56,207)	3,384	351,767

		Investments			Exchange	
	Balances at 12/31/2019	Acquisitions in affiliated company s	Capital increase	Equity in the results of subsidiaries	differences on subsidiaries abroad	Balances at 12/31/2020
Subsidiaries						
MHL Calçados Ltda.	13,016	-	-	(771)	-	12,245
Grendene USA, Inc. (i/ii)	23,476	-	22,618	(29,238)	7,559	24,415
Grendene UK Limited (i/ii)	5,471	-	17,983	(16,093)	4,289	11,650
	41,963	-	40,601	(46,102)	11,848	48,310
Affiliated company (*)						
YOUPE Participações S.A. (iii)	-	2,369	9,305	5	-	11,679
	-	2,369	9,305	5	-	11,679
Other investments						
Others	412	-	-	-	-	412
	412	-	-	-	-	412
	42,375	2,369	49,906	(46,097)	11,848	60,401



#### 10. Investments--Continued

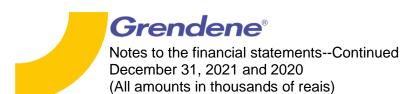
c) <u>Summarized financial information of direct and indirect subsidiaries (consolidated),</u> affiliated company and joint venture

		2021								
	Invest	ments	В	Balance sheet			P&L			
	Percentage	Percentage Interest in					Costs and			
	of interest	equity	Assets	Liabilities	Equity	Revenue	expenses	Net income		
Subsidiaries										
MHL Calçados Ltda.	99.998%	12,817	12,836	19	12,817	730	(158)	572		
Grendene USA, Inc. (i/ii)	100.00%	62,055	178,930	116,675	62,255	74,569	(109,081)	(34,512)		
Grendene UK Limited (i/ii)	100.00%	9,699	17,887	8,188	9,699	10,672	(27,304)	(16,632)		
Affiliated company (*)										
YOUPE Participações S.A. (iii)	18.952%	13,892	85,722	14,693	71,029	133	(64)	69		
HIPE Participações S.A. (iv)	49.9%	71,949	131,085	2	131,083	50	(261)	(211)		
NM GAP II Participações S.A. (v)	36.47%	50,215	137,701	-	137,701	-	-	-		
Joint venture										
Grendene Global Brands Limited (vi)	49.9%	140,858	282,230	-	282,280	-	-	-		

(\*) The end date of the reporting period of the summary information for the affiliated companies YOUPE Participações S.A., and HIPE Participações S.A. was November 30, 2021.

		2020								
	Invest	ments	В	Balance sheet			P&L			
	Percentage	Percentage Interest in					Costs and			
	of interest	equity	Assets	Liabilities	Equity	Revenue	expenses	Net income		
Subsidiaries										
MHL Calçados Ltda.	99.998%	12,245	12,260	15	12,245	1,567	(2,338)	(771)		
Grendene USA, Inc. (i/ii)	100.00%	27,941	116,305	88,364	27,941	33,053	(61,090)	(28,037)		
Grendene UK Limited (i/ii)	100.00%	12,708	40,417	27,709	12,708	16,775	(32,587)	(15,812)		
Affiliated company (*) YOUPE Participações S.A. (iii)	18.952%	6,240	32,926	1	32,925	26	(1)	25		

- (\*) The end date of the reporting period of the summary information for the affiliated companies was November 30, 2020.
- (i) Review by other independent auditors.
- (ii) Amount consolidated in the subsidiary Grendene USA Inc, and indirect subsidiary Grendene New York L.L.C.; and Amount consolidated in the subsidiary Grendene UK Limited and indirect subsidiary Grendene Italy, S.R.L..
- (iii) YOUPE Participações S.A.: Management of own assets, and participation, directly or through subsidiaries, in the share capital of other companies, in Brazil or the rest of the world, including silent partner companies.
- (iv) <u>HIPE Participações S.A.</u>: In March 2021 the Company acquired 49.9% of the share capital of HIPE Participações S.A., the corporate objects of which are: administration of its own assets, and participation, directly or through subsidiaries, as a holder of share units or stock, in the share capital of other companies in Brazil or otherwise, and/or in investment funds, as a unit holder, including establishment of silent partner companies.
- (v) NM GAP II Participações S.A.: In December 2021 the Company acquired 36.47% of the share capital of NM GAP II Participações S.A., the corporate objects of which are administration of its own assets, and participation, directly or through subsidiaries, as a holder of share units or stock, in the share capital of other companies in Brazil or otherwise, and/or in investment funds, as a unit holder, including establishment of silent partner companies.
- (vi) <u>Grendene Global Brands Limited</u>: In October 2021 the company formed, with 3G Radar Private Fund I LP, the joint venture <u>Grendene Global Brands Limited</u>, head office in the United Kingdom, the corporate objects of which are distribution and sale of Grendene products in the international market, initially to the USA, Canada, China and Hong Kong, with operations starting in 2022. 3G Radar and Grendene S.A. share joint control of the operation.



## 11. Property, plant and equipment

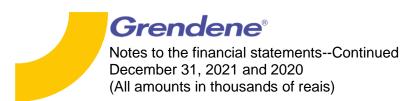
			Parent C	ompany			
	Land, buildings, facilities and leasehold improvements	Machinery, equipment, tools and parts and replacement sets			PPE in progress	Other	Total
Cost of PPE							
Balances at 12/31/2019	383,259	418,169	33,128	44,574	17,799	5,455	902,384
Purchases	51	21,000	1,031	3,072	28,626	795	54,575
Disposals	(5,313)	(4,340)	(385)	(735)	(942)	-	(11,715)
Transfers	5,169	5,713	54	136	(11,099)	27	-
Balances at 12/31/2020	383,166	440,542	33,828	47,047	34,384	6,277	945,244
Purchases	3.203	17,668	1.166	11,260	48,690	55	82,042
Disposals	(393)	(4,908)	(91)	(1,154)	(3,805)	(64)	(10,415)
Transfers	12,478	16,414	1,697	` 15	(30,604)		-
Balances at 12/31/2021	398,454	469,716	36,600	57,168	48,665	6,268	1,016,871
Accumulated depreciation	4%, 10% and 20%	10% and 20%	10%	20%	-	5% and 10%	-
Balances at 12/31/2019	(216,296)	(239,730)	(18,809)	(31,598)	-	(4.310)	(510,743)
Depreciation	(18,525)	(31,481)	(2,526)	(4,856)	-	(469)	(57,857)
Disposals	5,312	3,916	214	680	-		10,122
Transfers	· -	7	-	(7)	-	-	· -
Balances at 12/31/2020	(229,509)	(267,288)	(21,121)	(35,781)	-	(4,779)	(558,478)
Depreciation	(18,390)	(33,558)	(2,630)	(4,815)	_	(456)	(59,849)
Disposals	46	4,468	69	1,091	-	57	5,731
Transfers	(16)	16	(4)	4	-	-	· -
Balances at 12/31/2021	(247,869)	(296,362)	(23,686)	(39,501)	-	(5,178)	(612,596)
Net book value							
At 12/31/2020	153,657	173,254	12,707	11,266	34,384	1,498	386,766
At 12/31/2021	150,585	173,354	12,914	17,667	48,665	1,090	404,275
Assets in use fully depreciated							
At 12/31/2020	86,891	116,530	8,337	22,331	-	2,245	236,334
At 12/31/2021	93,035	124,521	9,410	27,036	-	2,431	256,433



## 11. Property, plant and equipment--Continued

			C	onsolidat	ted			
	Land, buildings,	Machinery,						
	facilities and	equipment, tools		Data				
	leasehold	and parts and	Furniture	processing	PPE in	Right of		
_	improvements	replacement sets	and fittings	equipment	progress	use (*)	Other	Total
Cost of PPE								
Balances at 12/31/2019	403,906	419,055	36,073	47,599	17,799	90,568	5,688	1,020,688
Purchases	996	21,000	1,309	3,370	28,626	6,926	795	63,022
Disposals	(5,342)	(5,226)	(431)	(1,007)	(942)	-	(164)	(13,112)
Transfers	5,169	5,713	54	136	(11,099)	<del>-</del>	27	
Foreign exchange variation	6,440	<u>-</u>	877	817	<del>.</del>	27,170	20	35,324
Balances at 12/31/2020	411,169	440,542	37,882	50,915	34,384	124,664	6,366	1,105,922
Purchases	5,504	17,668	2,528	12,102	53,548	15,856	55	107,261
Disposals	(14,838)	(4,908)	(579)	(1,286)	(3,805)	(26,547)	(64)	(52,027)
Transfers	17,627	16,414	1,697	) 15	(35,753)		` -	
Foreign exchange variation	954		351	292	291	8,438	6	10,332
Balances at 12/31/2021	420,416	469,716	41,879	62,038	48,665	122,411	6,363	1,171,488
Accumulated depreciation	4%, 10% and 20%	10% e 20%	10%	20%	_	3% and 7% 5	5% and 10%	
Balances at 12/31/2019	(225,762)	(240,508)	(20,897)	(33,689)	-	(10,595)	(4,414)	(535,865)
Depreciation	(21,421)	(31,492)	(2,819)	(5,328)	-	(20,116)	(512)	(81,688)
Disposals	5,338	4,705	245	942	-	-	82	11,312
Transfers	-	7	-	(7)	-	-	-	-
Foreign exchange variation	(3,147)	-	(619)	(553)	-	(3,717)	(7)	(8,043)
Balances at 12/31/2020	(244,992)	(267,288)	(24,090)	(38,635)	-	(34,428)	(4,851)	(614,284)
Depreciation	(20,967)	(33,558)	(3,027)	(5,407)	-	(20,241)	(473)	(83,673)
Disposals	11,234	4,468	` 445 <sup>′</sup>	1,219	-	`11,327 <sup>′</sup>	` 57 <sup>′</sup>	28,750
Transfers	(16)	16	(4)	4	-	-	-	· -
Foreign exchange variation	(374)	-	(182)	(205)	-	(2,283)	(6)	(3,050)
Balances at 12/31/2021	(255,115)	(296,362)	(26,858)	(43,024)	-	(45,625)	(5,273)	(672,257)
Net book value								
At 12/31/2020	166.177	173,254	13,792	12,280	34,384	90,236	1,515	491,638
At 12/31/2021	165,301	173,354	15,021	19,014	48,665	76,786	1,090	499,231
Assets in use fully depreciated								
At 12/31/2020	87,100	116,530	10,312	23,649	_	_	2,245	239,836

<sup>(\*)</sup> This refers to the value of the Right of Use within a leasing contract (IFRS 16 / CPC 06 (R2)), as described in Note 13, Subitem (b).



## 12. Intangible assets

			Pai	rent Compa	any		
		Trademarks			Development		
	Software	and patents	Goodwill	Technology	of software	Others	Total
Cost of intangible assets							
Balances at 12/31/2019	64,002	22,838	2,297	10,468	10,104	-	109,709
Purchases	1,206	1,369	-	1,459	5,859	-	9,893
Disposals	(31)	(247)	(1,497)	-	(191)	-	(1,966)
Transfers	2,848	-	-	-	(2,848)	-	-
Balances at 12/31/2020	68,025	23,960	800	11,927	12,924	-	117,636
Purchases	2,839	1,597	-	_	7,564	543	12,543
Disposals	(448)	(43)	-	-	(1)	-	(492)
Transfers	7,414	` -	-	-	(7,414)	-	` -
Balances at 12/31/2021	77,830	25,514	800	11,927	13,073	543	129,687
Accumulated amortization	20%	10%	20%	20%	_	-	
Balances at 12/31/2019	(54,158)	(15,482)	(2,297)	(8,077)	-	-	(80,014)
Amortization	(3,723)	(1,414)	-	(1,187)	-	_	(6,324)
Disposals	15	234	1,497	-	-	-	1,746
Balances at 12/31/2020	(57,866)	(16,662)	(800)	(9,264)	-	-	(84,592)
Amortization	(4,607)	(1,463)	_	(936)	-	-	(7,006)
Disposals	442	`´ 39 <sup>´</sup>	-	` -	-	-	481
Balances at 12/31/2021	(62,031)	(18,086)	(800)	(10,200)	-	-	(91,117)
Net book value							
At 12/31/2020	10,159	7,298	-	2,663	12,924		33,044
At 12/31/2021	15,799	7,428	-	1,727	13,073	543	38,570

			C	onsolidated			
		Trademarks			Development		
	Software	and patents	Goodwill	Technology	of software	Others	Total
Cost of intangible assets							
Balances at 12/31/2019	64,943	25,476	2,297	10,468	10,104	-	113,288
Purchases	1,464	1,369	-	1,459	5,859	-	10,151
Disposals	(31)	(264)	(1,497)	-	(191)	-	(1,983)
Transfers	2,848	-	-	-	(2,848)	-	-
Foreign exchange variation	276	757	-	-	-	-	1,033
Balances at 12/31/2020	69,500	27,338	800	11,927	12,924	-	122,489
Purchases	3,503	1,597	-	-	7,564	1,652	14,316
Disposals	(534)	(43)	-	-	(1)	-	(578)
Transfers	7,414	· -	-	-	(7,414)	-	-
Foreign exchange variation	133	249	-	-	-	-	382
Balances at 12/31/2021	80,016	29,141	800	11,927	13,073	1,652	136,609
Accumulated amortization	20%	10%	20%	20%	_	-	
Balances at 12/31/2019	(55.075)	(15.500)	(2.297)	(8.077)	-	-	(80.949)
Amortization	(3.760)	(1.414)	-	(1.187)	_	-	(6.361)
Disposals	15	252	1.497	-	_	-	1.764
Foreign exchange variation	(270)	-	-	-	-	-	(270)
Balances at 12/31/2020	(59.090)	(16.662)	(800)	(9.264)	-	-	(85.816)
Amortization	(4,864)	(1,463)	-	(936)	-	(84)	(7,347)
Disposals	528	39	-	` -	-	`	567
Foreign exchange variation	(93)	-	-	-	-	1	(92)
Balances at 12/31/2021	(63,519)	(18,086)	(800)	(10,200)	-	(83)	(92,688)
Net book value							
At 12/31/2020	10,410	10,676	-	2,663	12,924	-	36,673
At 12/31/2021	16,497	11,055		1,727	13,073	1,569	43,921

At December 31, 2021 and 2020, the Company does not have internally generated intangible assets.



## 13. Borrowings and leasing contracts

#### a) Borrowings

Obligations under loans and financings are as follows:

		Parent company / Consolidated							
				2021		2020			
	Index	Interest rate (p.y.)	Current liabilities	Non- current liabilities	Total	Current liabilities	Non- current liabilities	Total	
In local currency  Incentive-bearing financings In foreign currency Post-shipping financing of	Long-term Interest Rate (TJLP)	5.32% and 4.55%	5,408	6,806	12,214	577	9,244	9,821	
exports (ACEs)	US Dollar +	1.38%	112,071	-	112,071	-	-	-	
			117,479	6,806	124,285	577	9,244	9,821	

## a.1) Incentive-bearing financings (ICMS tax and exports)

The financings classified here relate to the non-incentive-bearing portions of the government subsidies (Note 16) granted through the Industrial Development Fund (FDI) of the state of Ceará, through the financing agent established by that Fund as intermediary, arising from ICMS tax owed (the *Provin* and *Proade* programs) and products exported (the *Proapi* program) which must be settled within 36 and 60 months after being granted.

The benefit of the reduction in the amounts owed is recognized at the moment of obtaining the financings, on the basis that this is the most appropriate reflection of the accrual method approach, since the costs of the taxes referring to the incentive-bearing transactions are being registered simultaneously with the benefits.

## a.2) Post-shipping financing of exports (ACEs)

In 4Q21 financings totaling R\$181,228 were received as advances in Brazilian currency on exports after shipment, through transfer to the bank of rights to receive the proceeds of credit sales. Of this amount, R\$112,071 is pending settlement at December 31, 2021. Maturity dates are up to July 2022. The average agreed discount is 1.38% p.a.

#### a.3) Payment schedule

Maturities of the long-term portions are as follows:

Maturities	2023	2024	2025	2026	Total
Proapi	_	_	416	1,011	1,427
Provin	1,767	1,453	619	1,114	4,954
Proade	-	96	-	329	425
Total	1,767	1,549	1,035	2,454	6,806



## 13. Borrowings and leasing contracts--Continued

#### b) Leasing contracts

The Group assesses, on the start date of the contract, whether that contract is or contains leasing, that is to say, whether the contract transmits the right to control the use of an identified asset for a given period.

The Group applies a single approach of recognition and measurement to all leasing arrangements, except contracts for leasing whose periods end in 12 months, and leasing arrangements in which the assets are of low value.

The Group has rental contracts for stores and distribution centers, signed with third parties, which are being classified as commercial leasing, and which provide an option for renewal or rescission. These options are negotiated by Management to obtain flexibility in management of the portfolio of leased assets, and so as to be aligned with the Group's business needs. The Company and its subsidiaries are not allowed to assign or sublicense the assets that are leased.

The discount rates that express the time of realization of the rights of use have been obtained based on the principal inflation indices of the market and an estimated rate for interest on lending, in the event that the Company were to opt to obtain the object of the leasing for similar periods and in similar scenarios. The table below shows the rates practiced, the maturities and the periods of the contract:

Real estate rental contracts	End date	Maturity	Average rates (p.a.)
Grendene USA, Inc. – Distribution center	7/31/2022	5 years and 8 months	3.00%
Grendene USA, Inc Store Clube Melissa Century City	11/30/2027	7 years	3.00%
Grendene USA, Inc. – Store Clube Melissa Orlando Springs	5/31/2023	3 years	3.00%
Grendene USA, Inc. – Loja Clube Melissa Sawgrass Store	7/31/2026	5 years	3.00%
Grendene USA, Inc. – Loja Clube Melissa Aventura Store	6/30/2028	7 years	3.00%
Grendene USA, Inc Loja Clube Melissa San Diego Store	7/31/2028	7 years	3.00%
Grendene New York, L.L.C. – Store	11/30/2025	10 years	4.00%
Grendene Italy, S.R.L. – Distribution center	8/31/2025	5 years	6.84%



## 13. Borrowings and leasing contracts--Continued

#### b) Leasing contracts--Continued

The changes in liabilities corresponding to the leases are as follows:

	Consolidated
Balances at 12/31/2019	79,973
Purchases	6,926
Interest appropriated and paid	(1,443)
Payments	(18,204)
Foreign exchange variation	23,704
Balance at 12/31/2020	90,956
Purchases (i)	15,856
Disposals (ii)	(15,220)
Interest appropriated and paid	(866)
Payments	(18,016)
Foreign exchange variation	5,670
Balance at 12/31/2021	78,380
Current	19,052
Non-current	59,328

<sup>(</sup>i) Refers to the contracts of new *Melissa Club* stores: *Orlando Springs, San Diego, Aventura* and *Sawgrass*; and a new amendment of the distribution center contract of Grendene USA, Inc.

This table shows the future commitments arising from these contracts:

Maturity	2023	2024	2025	2026	2027	2028	Total
Leasing contracts	17,511	17,257	17,661	3,234	2,722	943	59,328

On December 31, 2021 the Company recognized the amount of R\$ 1,950 (R\$ 2,365 in 2020) as short-term rental expenses in the individual financial statements, and R\$ 3,378 in the consolidated financial statements (R\$ 2,372 in 2020).

## 14. Provisions, contingent liabilities and contingent asset

The Company and its subsidiaries are parties in administrative and court actions of an employment-law, tax, civil and environmental nature, arising from the normal course of business.

The Company periodically revises its list of contingencies, upon assessment by its legal department and external legal advisors and classifies the changes of loss into three categories: (i) Probable; (ii) Possible; and (iii) Remote.

<sup>(</sup>ii) This refers to termination of the contract of the retail store of Grendene UK Limited, which remains operating only in the online format.



#### 14. Provisions, contingent liabilities and contingent asset--Continued

#### a) Provisions - Probable loss risk

The estimated losses have been provisioned in an amount sufficient to cover any adverse judgments.

The changes in provisions for employment-law, tax and civil risks are as follows:

		Parent co	mpany			Consolid	ated	
	Labor	Tax	Civil	Total	Labor	Tax	Civil	Total
Balances at 12/31/2019	1,467	1,650	36	3,153	1,475	1,650	36	3,161
Additions	1,511	-	810	2,321	1,518	-	810	2,328
Realizations	(1,677)	-	(36)	(1,713)	(1,677)	-	(36)	(1,713)
Reversals	(137)	(473)	· -	(610)	(141)	(473)	-	(614)
Monetary updating	` -	(60)	-	(60)	` -	(60)	-	(60)
Balances at 12/31/2020	1,164	1,117	810	3,091	1,175	1,117	810	3,102
Current liabilities	918	1,117	772	2,807	929	1,117	772	2,818
Non-current liabilities	246	-	38	284	246	-	38	284
Balances at 12/31/2020	1,164	1,117	810	3,091	1,175	1,117	810	3,102
Additions	2,616	171	594	3,381	2,616	171	594	3,381
Realizations	(2,151)	-	(493)	(2,644)	(2,151)	-	(493)	(2,644)
Reversals	(12)	-	` -	(12)	(14)	-	` -	(14)
Monetary updating	` -	(10)	-	(10)	` -	(10)	-	(10)
Balances at 12/31/2021	1,617	1,278	911	3,806	1,626	1,278	911	3,815
Current liabilities	855	143	884	1,882	864	143	884	1,891
Non-current liabilities	762	1,135	27	1,924	762	1,135	27	1,924

<u>Employment-law cases:</u> These refer claims from former employees for alleged non-compliance with employment-law rules, relating to severance pay, additional payment for unhealthy conditions, and amounts alleged to be due for subsidiary liability.

<u>Tax issues:</u> These items refer to: (i) PIS and COFINS ('Import PIS/COFINS') taxes on services received outside Brazil (R\$1,135); and (ii) refusal of offsetting of PIS tax, the amount being added to the PIS tax charged (R\$143).

<u>Civil cases:</u> These refer to the following notifications of posting of tax debts: (i) indemnity in an action relating to intellectual property (R\$810); and (ii) various actions for indemnity (R\$101).

## b) Contingent liabilities - Possible loss risk

The Company has labor, tax, civil and environmental contingencies involving risks classified by management as possible losses, based on the evaluation of the legal advisors, for which no provision was recognized. The analysis and the estimates are as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Labor	1,155	1,968	1,772	2,475
Tax	12,135	12,263	12,135	12,263
Civil	35,278	28,612	35,278	28,612
Environmental	722	722	722	722
	49,290	43,565	49,907	44,072



#### 14. Provisions, contingent liabilities and contingent asset--Continued

## b) Contingent liabilities - Possible loss risk--Continued

<u>Employment-law cases:</u> These refer complaints by former employees of the Company and its subsidiaries, for alleged non-compliance with employment-law rules indemnity amounts and additional payments for alleged unhealthy conditions.

<u>Tax issues:</u> These refer to the following notifications of postings of tax debts: (i) Social Security contribution on the collective life insurance made available to the employees (R\$548); (ii) exclusion of offsetting of a presumed credit of IPI tax, calculated as reimbursement relating to the Social Security Financing Contribution (COFINS) and the Social Integration Program (PIS) (R\$7,780); (iii) exclusion of offsetting of COFINS tax (R\$1,177); (iv) exclusion of offsetting of a tax loss in Corporate income tax with a debit of Social Contribution tax on Net Profit (CSLL) (R\$486); (v) exclusion of offsetting of credits recognized under the *Reintegra* program with debits of COFINS tax (R\$1,417); and (vi) alleged undue use of ICMS tax credits on electricity (R\$727).

<u>Civil cases:</u> (*i*) action for indemnity by former commercial representatives (R\$18,376); (*ii*) action for indemnity by a former client alleging the existence of a distribution contract (R\$6,000); (*iii*) actions to annul a tax claim for supposed non-compliance with consumer rules (R\$10,486) and; (*iv*) various other actions for indemnity (R\$416).

<u>Environmental:</u> These are for amounts arising under inspection notices for supposed non-compliance with conditions of environmental licenses.

## c) Contingent assets

In 2021 Brazil's Federal Supreme Court (*Supremo Tribunal Federal* – STF) gave a judgment in Extraordinary Appeal No. 1187264, which deals with a situation analogous to that of the Company, to the effect that inclusion of amounts of ICMS tax within the basis for calculation of the Social Security Contribution on Gross Revenue does not violate Brazil's Constitution. As a result of this judgment, the Company's legal advisers revised their expectation of the Company receiving economic benefit from its own analogous case, changing their assessment of this possibility to "remote". Due to that assessment, these proceedings, in the estimated amount of R\$7,500, were no longer considered to represent a contingent asset.

The Group is a party in disputes in the courts and in administrative proceedings on reimbursement of federal taxes. The Company's legal advisors have assessed the chance of success in these proceedings as 'probable'. The cases are:

Type	Description	Estimate
Tax	Inclusion of sales made to the Manaus Free Trade Zone into the basis for calculation of benefits under the Reintegra export support system.	R\$ 5,692
Tax	Disputing demandability of the social security contribution on the proportional payroll for the '13th-salary' end-of-year bonus paid in December 2011.	R\$ 6,727



## 15. Equity

## a) Capital

On December 31, 2021 and 2020 the share capital, fully paid-up, comprised 902,160,000 nominal book-entry common shares without par value. The shares are all of the same class as regards their holders' rights, and all have equal right to vote, subject to the conditions of law.

This table shows the Company's ownership structure:

	Ownership structure			
	2021		2020	
	Common		Common	
	Shares	%	Shares	<u>%</u>
Alexandre Grendene Bartelle	371,651,807	41.20%	371,651,807	41.20%
Pedro Grendene Bartelle	125,312,376	13.89%	125,312,376	13.89%
Giovana Bartelle Veloso	37,132,797	4.12%	37,132,797	4.12%
Pedro Bartelle	35,557,397	3.94%	35,557,397	3.94%
André de Camargo Bartelle	29,201,277	3.24%	29,201,277	3.24%
Gabriella de Camargo Bartelle	28,912,677	3.20%	28,912,677	3.20%
3G Radar Gestora de Recursos Ltda	72,443,300	8.03%	62,919,700	6.97%
Executive Board and Boar of Directors' Members	3,031,889	0.34%	2,561,173	0.28%
Treasury shares	205,522	0.02%	657,490	0.07%
Outstanding shares	198,710,958	22.02%	208,253,306	23.09%
	902,160,000	100.00%	902,160,000	100.00%

## b) Capital reserve

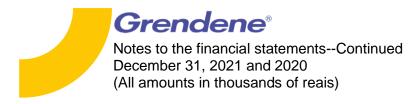
This corresponds to the amount of stock options granted by the Company to its managers as described in Note 21.

## c) Treasury shares

On July 29, 2021, as authorized and recorded in Minute 94 <sup>rd</sup>, the Board of Directors approved creation of a new program of acquisition of the Company's nominal common shares, without par value, to be held in treasury and later sold and/or canceled, for compliance with the stock options plan (Note 19), limited to 5,000,000 common shares, the program to expire on January 20, 2023.

The table below shows the changes of shares held in treasury:

	Par	Parent company			
	Common shares	R\$	Medium cost		
Balances at 12/31/2019 Acquisition of shares Share options exercised Balances at 12/31/2020	(370,000)	(3,928)	10.62		
	(1,605,103)	(16,079)	10.02		
	<u>1,317,613</u>	15,062	11.43		
	(657,490)	(4,945)	7.52		
Acquisition of shares Share options exercised Balances at 12/31/2021	(205,522)	(1,832)	8.92		
	<b>657,490</b>	<b>4,945</b>	<b>7.52</b>		
	(205,522)	<b>(1,832)</b>	<b>8.92</b>		



## 15. Equity--Continued

#### d) Income reserves

## d.1) Legal reserve

Constituted on December 31, 2021 in the amount of R\$225,048 (R\$205,142 in 2020), based on 5% of the net profit for the year, less the amount of the tax incentives, limited to 20% of the paid-up share capital.

## d.2) Reserve for acquisition of shares

On June 30, 2021, the Company's Management allocated part of the reserve balance constituted (R\$ 17,000) for payment of dividends. The resulting balance of R\$ 9,500, on December 31, 2021 (R\$ 25,206 in 2020), was used for repurchase or acquisition of shares in the Company, in compliance with the share-based remuneration offered to participants in the Company's stock options plan.

The reserve is limited to a total value equal to 20% of the share capital; it may be made up of up to 100% of the net profit remaining after the deductions required by law and by the by-laws.

## d.3) Tax incentives

This is the portion of profit arising from government subsidies for investments as described in Note 16. These amounts have been excluded from the basis for calculation of dividends.

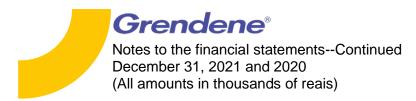
The changes are as follows:

	Parent company / Consolidated			
	Exports incentive (Proapi)	ICMS incentive (Provin and Proade)	Income Tax	Total
Balances at 12/31/2019 Incentives generated by the operation Balances at 12/31/2020	235,437	1,141,806 131,659 1,273,465	778,098 42,463 820,561	2,155,341 174,122 2,329,463
Incentives generated by the operation Separate allocation of tax incentive amounts (*) Balances at 12/31/2021	235,437	134,605 (2,000) 1,406,070	69,605 375 890,541	204,210 (1,625) 2,532,048

<sup>(\*)</sup> Management has proposed distribution of additional dividends arising from a tax incentive (Provin) for the years 2014 and 2015, as described in Note 15, letter (f).

## e) Other comprehensive income

This corresponds to the accumulated effect of FX conversion from the functional currency to the original currency of the financial statements of the subsidiaries outside Brazil, calculated on the stockholding investments held outside Brazil, valued by the equity method. This accumulated effect will be reverted to the profit for the business year as a gain or loss, when the investment is sold or written off.



## 15. Equity--Continued

## f) Dividends and interest on equity

In accordance with the Company's bylaws, the minimum mandatory dividend is calculated as 25% of the profit for the year, after deduction of the transfers to reserves required by law.

The Company calculated Interest on Equity using the Long-term Interest Rate (TJLP) in effect during the period. This is counted as part of the total of dividends. The Interest on Equity is posted in Stockholders' equity, and its tax effect in the Statement of income.

Dividends at December 31, 2021 and 2020 were calculated as follows:

	Parent c	ompany
	2021	2020
Profit for the year	601,005	405,206
Legal reserve	(19,840)	(11,554)
Tax incentive reserve	(204,210)	(174,122)
Minimum mandatory dividends calculation basis	376,955	219,530
Minimum mandatory dividend – 25%	94,239	54,882
Dividend proposed in addition to the minimum mandatory amount	282,716	164,648
Total of dividends proposed by management	376,955	219,530
Proposed allocation:		
Prepaid corporate action payments:		
Interim dividends	303,732	21,521
Corporate action payments proposed:		
Minimum mandatory dividend	-	33,361
Additional dividend proposed	223	54,648
Interest on equity imputed as part of dividends (R\$62,050, net of tax		
withheld at source)	73,000	110,000
	376,955	219,530

#### f.1) Dividends and Interest on Equity for the 2020 business year

For the first quarter of 2020 management opted not to propose payment of an interim dividend, due to the effects caused by the Covid-19 crisis on the economy, and on the Company's activities – which included shutdown of its manufacturing activity. In the second quarter, as a result of this scenario, the Company did not report a profit from which to propose interim dividends.

For the period up to September 30, 2020, the Company paid interim dividends of R\$ 21,521 (representing R\$ 0.2387 per share).



# 15. Equity--Continued

#### f) Dividends and interest on equity--Continued

## f.1) Dividends and Interest on Equity for the 2020 business year--Continued

The 92<sup>nd</sup> meeting of the Board of Directors held on March 4, 2021 approved payment of additional dividends proposed by Management on December 31, 2020. The amounts were paid to stockholders as from May 12, 2021, as follows: (i) R\$33,361 as mandatory minimum dividend, R\$54,648 as additional dividends, and R\$110,000 of Interest on Equity (R\$93,500, net of income tax withheld at source), for the 2020 business year; and (ii) R\$260,779 of complementary dividends for the 2019 business year.

#### f.2) Distributions of dividends made and proposed in 2021

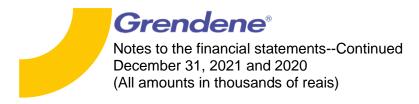
## i) Interim dividends

The Board of Directors approved distribution of interim dividends in the total amount of R\$321,986 (representing R\$0.3570 per share), which were paid to stockholders as follows:

- a) 1Q21: (i) R\$80,718 as interim dividends for the period to March 31, 2021; and (ii) R\$ 2,000 (R\$1,254 net of tax) arising from separate allocation of the tax incentive (under the *Provin* program), without prejudice to continued maintenance of all the commitments relating to the concession of the tax incentive.
- b) <u>2Q21</u>: (i) R\$16,702 in interim dividends, relating to the profit to June 30, 2021; and (ii) R\$17,000 arising from reversion of the reserve for acquisition of shares.
- c) <u>3Q21</u>: R\$134,658 in interim dividends for the balance of net profit up to September 30, 2021.
- d) <u>4Q21</u>: R\$71,654 in interim dividends for the balance of net profit up to November 30, 2021; and

#### ii) Additional dividend proposed

Management submitted for decision by the Annual General Meeting (AGM) the proposal for distribution of additional dividends in the amount of R\$223 (R\$0.0002 per share) and R\$73,000 in Interest on Equity (R\$62,015, net of income tax withheld at source), on the net profit for the 2021 business year. The additional dividends and Interest on Equity are presented in Stockholders' equity until their approval by the AGM.



# 15. Equity--Continued

#### g) Earnings per share

Reconciliation of net income to the amounts used to calculate basic and diluted earnings per share (all amounts in thousands of Reais, except earnings per share), are as follows:

	Parent co	ompany
	2021	2020
Numerator		
Profit for the year (a)	601,005	405,206
Denominator (Thousands of shares)		
Weighted average number of common shares	902,160,000	902,160,000
Weighted average number of common treasury shares	(164,475)	(465,137)
Weighted average number of outstanding common shares (b)	901,995,525	901,694,863
Potential increase in common shares due to the stock option or subscription plan	185,136	594,236
Weighted average of the number of common shares, considering potential increment (c)	902,180,661	902,289,099
Basic earnings per common share (a/b)	0.6663	0.4494
Diluted earnings per common share (a/c)	0.6662	0.4491

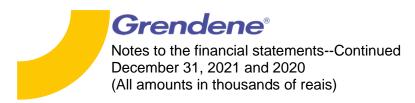
#### 16. Government grants for investments

The government subsidies received by the Company and its subsidiary MHL Calçados Ltda. have the nature of a subsidy for investment, and are as follows: (i) tax incentives applying to ICMS tax, relating to its operational activities located in the states of Ceará and Bahia; and (ii) reduction of 75% in income tax on profits (calculated as Ebit) of undertakings physically located in the state of Ceará.

Government subsidies are recognized when there is reasonable certainty that the conditions established in the agreements governing them have been complied with.

## a) State tax incentives

<u>Provin</u> – Program of Incentive to the Industrial Development Fund of Ceará (FDI), which consists of the deferral equivalent to 75% for the unit of Sobral and 81% for the unit of Crato and Fortaleza of the effectively paid ICMS, levied on the Company's production. Of the amount of each portion of the benefit, the equivalent to 1% will be paid at once, on the last day of the maturity month, after 60 months and will be dully restated, from the date of the disbursement up to the maturity date, by applying the Long-Term Interest Rate (TJLP). This tax incentive was in effect up to September 30, 2021.



# 16. Government grants for investments--Continued

#### a) State tax incentives -- Continued

<u>Proade</u> – Program to attract strategic enterprises, as from October 1, 2021, replacing the previous industrial development incentive program (the *Provin* program). It grants deferment equivalent to 88% of the amount of ICMS tax in fact paid on their physical production, for Grendene's units at Sobral, Fortaleza and Crato. Of the amount of each installment of the benefit, the equivalent of 1% will be paid one time only, on the last day of the month in question, after 60 months (for Sobral), and 36 months (for Fortaleza and Crato), with the amount updated from the initial date to the due date (December 31, 2032) by application of the TJLP long-term interest rate.

<u>Proapi</u> – The incentive program for port and industrial activities of the State of Ceará, which was in effect up to March 31, 2017, for the Company's unit at Sobral, in the State of Ceará.

Resolution 131 of the Industrial Development Council (CEDIN) of Ceará State, published on November 14, 2019, enabled the State to pay the balance of the credits of the Proapi incentive amounts receivable in 60 successive, equal monthly installments.

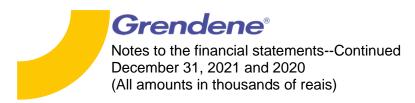
As a result, the balance posted by the Company as amounts receivable – which was R\$44,670 – when brought to present value is reduced to R\$39,869 at December 31, 2021 (R\$53,805 in 2020, which when brought to present value was R\$48,725).

<u>Procomex</u> – Program of Incentive of Foreign Trade, with the purpose of stimulating exports of products manufactured in the State of Bahia and the financing of the tax on import of products for sale and manufacture promoted by industrial units headquartered in the state, Subsidiary MHL Calçados Ltda. has ICMS tax credit equivalent to 11% of the FOB value of the transactions of exports of footwear and its components. The incentive is valid up to December, 2021.

<u>Probahia</u> – Program for the Development of Bahia, with the purpose of promoting diversification, and stimulating the transformation and industrial processes of the state.

Subsidiary MHL Calçados Ltda. has ICMS tax credit of 90% of the incurring tax on transactions of output and footwear and its components and deferral of the ICMS paid in relation to the differential of rate by the acquisition of property, plant and equipment and in the imports and internal operations with inputs, packages and components, for the moment in which the output of their products occurs. The incentive was valid up to November 2021.

The balances of the incentive amounts are reported in the Profit and loss account of the Holding company and in the Consolidated accounts, under Net sales revenue, as shown in Note 22. These amounts were allocated to the *Tax incentives reserve* account in Profit reserves. The amounts arising from the incentives given by States may be allocated differently, as specified in Law 12,973 of May 13, 2014.



# 16. Government grants for investments--Continued

#### b) Federal fiscal tax incentive

The Company is beneficiary of the following tax incentive: reduction of 75% in income tax on the profits of undertakings located in the industrial units headquartered in the area of activity of Sudene, as shown in the table below:

Units benefited by the incentive	Project	Percentage reduction	Expiration date
Fortaleza – CE	Modernization	75%	Dec/2020
Sobral – CE	Modernization	75%	Dec/2022
	Modernization	75%	Dec/2023
Crato – CE	Modernization	75%	Dec/2026

The balances of this incentive are posted in the Company's Profit and loss account, under Current income tax, as shown in Note 17. In counterpart, these amounts were posted in the Tax incentives reserve account, in Profit reserves, in Stockholders' equity.

#### 17. Income tax and social contribution tax

## a) Current income tax and social contribution tax

Current income tax and social contribution tax amounts recorded in the expense for the year, net of tax incentives, are as follows:

	Parent co	mpany	Consoli	idated	
	2021	2020	2021	2020	
Income tax					
Amount due	(69,605)	(42,463)	(69,706)	(42,463)	
Tax incentives	69,605	42,463	69,605	42,463	
Credit for Selic interest (*)	56,975		56,975	-	
	56,975	-	56,874	-	
Social contribution					
Amount due	(25,695)	(15,679)	(25,740)	(15,679)	
Credit for Selic interest (*)	20,972		20,972		
	(4,723)	(15,679)	(4,768)	(15,679)	
	52,252	(15,679)	52,106	(15,679)	

<sup>(\*)</sup> Refers to the credits of corporate Income tax and the Social Contribution tax on interest charged at the Selic rate on reimbursed tax debits as described in Note 17 letter (e).



## 17. Income tax and social contribution tax--Continued

## b) Deferred income tax and social contribution tax

Deferred income tax and social contribution tax are comprised as follows:

	Parent co	mpany	Consoli	dated
	2021	2020	2021	2020
Estimated losses on doubtful receivables	2,790	4.001	2,790	4.001
	,	,	•	4,001
Punctuality discounts estimated	5,546	8,533	5,546	8,533
Adjustment to Present Value	1,662	1,753	1,662	1,753
Fair value of equity financial instruments	(8,721)	(22,080)	(8,721)	(22,080)
Estimated losses for obsolete inventory	1,455	1,567	1,455	1,567
Provision for labor risks, tax and civil	580	471	580	471
Interest on equity (counted as part of total				
dividends	24,820	37,400	24,820	37,400
Other	1,143	614	(402)	(85)
	29,275	32,259	27,730	31,560

# c) Estimate for realization of deferred income tax and Social Contribution tax

The figures for realization of deferred income tax and Social Contribution tax are supported by technical feasibility studies, which show an estimate of the realization of the deferred assets.

The company estimates realization of the tax credits in the various business years as follows:

	Party co	mpany	Consolidated		
	2021	2020	2021	2020	
2021	-	29,926	_	29,577	
2022	26,604	747	26,089	397	
2023	1,106	801	591	801	
2024	1,003	603	488	603	
2025	562	182	562	182	
	29,275	32,259	27,730	31,560	



#### 17. Income tax and social contribution tax--Continued

#### d) Reconciliation of tax expense to statutory rates

The amounts of income tax and Social Contribution tax, calculated at nominal rates, reported in the Profit and loss account, are reconciled as follows:

	Party company		Consol	idated	
	2021	2020	2021	2020	
Pretax income	551,737	438,502	552,729	438,612	
Income tax and social contribution tax (at nominal rates of 25% and 9% respectively)	(187,590)	(149,091)	(187,928)	(149,128)	
Adjustments to show effective rate  Equity in the results of subsidiaries Non-deductible costs and expenses Adjustments to fair value Stock options plan Special System for Refund of Tax Amounts to Exporting Companies (Reintegra) State tax incentives Technological innovation incentive Corporate tax incentive deductions – Income tax Interest on equity counted as part of total dividends Other financial instruments – Dividends Income tax and Social Contribution tax – credit for Selic interest (i) Other additions and exclusions	(17,224) 211 2,898 (126) 217 45,766 10,519 1,745 24,820 15,830 77,947 4.650	(15,441) (1,461) 2,283 (535) 135 44,764 9,442 1,065 37,400 1,143	(30) 211 2,898 (126) 217 45,766 10,519 1,745 24,820 15,830 77,947 (13,198)	(2) (1,461) 2,283 (535) 135 44,772 9,442 1,065 37,400 1,143	
Amount before deduction of corporate tax incentives	(20,337)	(75,759)	(21,329)	(75,869)	
Tax incentive reductions of corporate income tax (calculated on operational profit)	69,605	42,463	69,605	42,463	
Total taxes posted in profit and loss account	49,268	(33,296)	48,276	(33,406)	
Current taxes Deferred taxes	52,252 (2,984)	(15,679) (17,617)	52,106 (3,830)	(15,679) (17,727)	
Effective rate (ii)	-5.2%	-7.6%	-5.4%	-7.6%	

- (i) This refers to credits of corporate income tax and Social Contribution tax on interest charged at the Selic rate on reimbursed tax debits, as described in Note 17 letter (e).
- (ii) This does not include credits of R\$77,947 in corporate income tax and Social Contribution tax charged at the Selic rate on reimbursed tax debits as described in Note 17 letter (e), since the effective rate in not altered.

## e) <u>Corporate income tax and Social Contribution tax – Credits for interest charged at the</u> Selic rate on interest amounts received due to tax unduly charged

On September 24, 2021 the Federal Supreme Court (STF) recognized, by majority, the unconstitutionality of application of corporate income tax and the Social Contribution Tax to amounts resulting from application of interest at the Selic rate to amounts received due to repetition of tax charges. The decision, in Extraordinary Appeal (RE) 1.063.187, gave a judgment which has the status of general precedent, to the effect that arrears interest and inflation correction, since they have the nature of an indemnity, are not an addition to personal or corporate wealth, because their purpose is solely to repair monetary losses suffered in the period of the dispute on the subject of taxes unduly charged.

The company has an analogous case, filed on April 16, 2018, and in the judgment of management it is effectively certain that Grendene has the right to the credits of income tax and Social Contribution tax paid in excess in prior periods. In the light of IFRIC 23 and ICPC 22, management has thus recognized a credit of R\$77,947, in Non-current assets. The Company awaits progress on the necessary procedural stages, before starting to offset the amounts concerned.



#### 18. Financial instruments

The Company has transactions with financial instruments, the risks of which are managed through financial position strategies and exposure limit systems. All transactions are fully recognized in the accounting records.

The table below gives the classification of the principal financial assets and liabilities of the Company and its subsidiary.

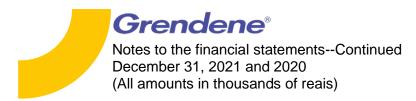
	Party co	ompany	Conso	lidated
	2021	2020	2021	2020
Financial assets at amortized cost (*)				
Cash and cash equivalents	5,353	5,248	22,146	19,162
Financial investments (ii)	1,174,392	1,662,766	1,174,392	1,662,766
Trade receivables	1,043,517	1,170,084	1,030,529	1,162,538
Financial instruments measured at fair value				
through profit of loss				
Financial investments (iii)	122,306	62,527	122,306	62,527
Financial investments (i)	269,174	256,417	269,174	256,417
Derivatives (ii) (*)	2,635	559	2,635	559
Financial liabilities at amortized cost (*)				
Borrowings	124,285	9,821	124,285	9,821
Leasing contracts	-	-	78,380	90,956
Trade payables	59,468	91,182	66,074	94,460
Commissions payable	51,816	59,361	52,325	59,710

- (\*) The accounting balances at December 31, 2021 and 2020 reflect the fair values of the financial instruments.
- (i) Level 1: Items valued by prices quoted in an active market (without any adjustments) for similar assets of liabilities.
- (ii) Level 2: Items on which there is observable information for assets and liabilities, but which do not have prices quoted on an active market.
- (iii) Level 3: Items for which there are no observable data for assets and liabilities that reflect assumptions for pricing.

#### a) Foreign exchange rate hedging transactions

The strategy when contracting these transactions is to hedge the sales revenue and financial assets of the Company and its subsidiaries that are subject to foreign exchange exposure. These instruments are used for the specific purpose of hedging, and the portfolio includes sale of U.S. dollar futures through financial instruments used for this purpose such as: Commodities and Securities Exchange – B3 and advances on future exports (ACE).

In transactions involving B3 sales, the impact on the cash flow of the Company and its subsidiaries is assessed through the calculation of daily adjustments to the U.S. dollar exchange rate until the settlement of the contracts.



#### 18. Financial instruments--Continued

# a) Foreign exchange rate hedging transactions--Continued

To reduce the net effects of exposure of its business, the Company's management determines the managers may negotiate future contracts for sale of USD, exclusively at B3 up to the maximum limit defined by the sum of the following items: (i) bank balances in foreign currency held outside Brazil; (ii) financial investments held outside Brazil; (iii) balances of accounts receivable (denominated in USD) of exchange transactions to be contracted; (iv) up to 25% of the forecasts of annual exports equivalent to approximately 90 days of forecast exports (normally corresponding to orders in the order book and negotiations for sales in progress), less: (a) balances of suppliers held in foreign currency; (b) imports in progress; and (c) ACCs (Advances against exchange contract).

The risks are monitored daily and administered through internal controls aimed to demonstrate the limits of exposure and adapt them to the Company's risk management policy.

Foreign exchange hedging transactions are usually made with the B3, are carried out through specialized brokers, with specific guarantees. The guarantee amounted to R\$62,811 at December 31, 2021 (R\$59,410 in 2020), comprises the Company's investments in government securities, observing the limits and exposures to foreign exchange risk, as defined in the policy for management of counterparty risk.

The table below shows the positions at December 31, 2021 and 2020, with the notional and fair value.

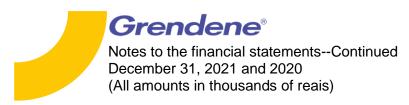
	Notional value – US\$		Notional v	alue – R\$	Amount receivable (payable)		
	2021	2020	2021	2020	2021	2020	
Futures contracts Sell commitment	22,750	34.500	127,785	178,700	2,635	559	

It should be noted that these transactions are linked to sales and financial assets in foreign currency, which are also subject to foreign exchange rate changes, offsetting any gains or losses. The balance receivable at December 31, 2021 in the amount of R\$2,635 (R\$559 in 2020) is classified in securities receivable.

#### 19. Financial risk management

The activities of the Company and its subsidiaries, and their financial conditions and results of operations, may be adversely affected by financial risk factors.

The Company's risk management is administered based on the internal control policy, which establishes techniques of continuous accompaniment, measuring and monitoring of its exposure, under the management of its directors. The Company does not have transactions with speculative derivative financial instruments or any other type of speculative transactions.



#### a) Risk factors that could affect the business

## a.1) Credit risk

The Group is exposed to credit risk in its operational activities arising from accounts receivable from clients and counterparties in financial investments, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The following are the risk management practices: (i) Accounts receivable from clients: Management aims to minimize any problems arising from default by its clients, through analysis of credit in the client portfolio, establishment of sales limits and sales well spread out between multiple clients. No single client represented more than 5% of the total of the Company's accounts receivable on December 31, 2021, nor on December 31, 2020; and (ii) Financial instruments, cash and cash equivalents, and other financial assets: The Company's financial resources are allocated in a diversified manner in financial assets that may be securities issued by financial institutions that are considered by the market to be first-tier (the country's 10 largest banks by assets), or public securities or private securities such as, for example, debentures, real estate receivable certificates, real estate financing transactions, credits receivable, or others, that seek remuneration tied to a basket of indicators, such as: the CDI rate, and securities with fixed rates or indexed to inflation indices.

Investment opportunities of greater risk (those made in private securities) are evaluated by the investment committee created for this purpose, which, under the Company's policy, may allocate up to R\$850 million for this type of investment.

## a.2) Liquidity risk

The Company monitors the policy on cash generated by its activities, to avoid mismatch between accounts receivable and accounts payable, thus ensuring liquidity for compliance with its obligations. The principal source of funds used by the company is the volume of proceeds from the sale of its products. One characteristic of the strong cash flow generation is low default. The Company, additionally, holds balances in cash investments that may be redeemed at any moment, and has solid financial and equity conditions, for complying with its short and medium term obligations.



## a) Risk factors that could affect the business—Continued

# a.2) Liquidity risk--Continued

This table shows the requirements for contractual payments arising from the Company's financial liabilities:

	Parent company / Consolidated						
		2021			2020		
	Up to 1 year	From 1 to 5 years	Total	Up to 1 year	From 1 to 5 years	Total	
Incentive-bearing financings Post-shipment financing of exports	5,408	6,806	12,214 112,071	577	9,244	9,821	
(ACEs)	112,071	-		-	-	-	
Projection including future interest Incentive-bearing financings	5,496	8,119	13,615	594	10.501	11,095	
Post-shipment financing of exports	,	-	112,728	-	10,001	-	
(ACEs)	112,728	-		-	-	-	

#### a.3) Market risks

These market risks principally involve the possibility of variation in interest rates, foreign exchange rates and prices of commodities and stock prices.

#### i) Interest rate risk

This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates that lead to an increase in its finance costs related to borrowings, or a decrease in its earnings on financial investments. The Company continuously monitors the volatility of market interest rates.

The Company's policy is to keep its funds invested in instruments indexed to the CDI rate, at fixed rates or rates adjusted by inflation – since this ensures reduction of the impacts arising from variations in market interest rates.

#### ii) Exchange rate risk

The Company's risk in this case arises from transactions in accounts receivable originating from exports, or from financial or other investments outside Brazil – which form a natural hedge against exchange rate variations. Management values its assets and liabilities that are subject to foreign exchange risk, and if necessary contracts additional derivative financial instruments.

On December 31, 2021, the Company had coverage for exposures to changes in the exchange rate for conversion to Reais at maturity of its export contracts in the amount of US\$20,085.



#### a) Risk factors that could affect the business--Continued

## a.3) Market risks--Continued

#### iii) Commodity price risk

This risk refers to the possibility of fluctuations in the price of raw materials and other inputs used in the production process, As the Company uses commodities as raw materials, its cost of sales can be affected by fluctuations in the international prices of these materials. In order to minimize this risk, the Company maintains ongoing monitoring of price fluctuations in the domestic and foreign markets and, if necessary, maintains strategic inventories to support its commercial activities.

#### iv) Stock price risk

The Company has stock exchange-listed equity instruments of other companies in its portfolio of investments. Risk arises from possible changes in market value of the shares of these companies.

#### b) Sensitivity analysis

To analyze the sensitivity of the indexers governing financial investments and the financings to which the Company was exposed on the base date December 31, 2021, we set three different scenarios, and prepared a sensitivity analysis of the effect of variations in the indicators of these instruments. The scenarios are calculated leaving out of account the probable cash flow of payments from financings and redemptions of investments.

#### b.1) Interest rate fluctuation sensitity analysis

The yields from cash investments, and the financial expenses arising from the Company's financings, are affected by the variations in rates or indicators, such as the CDI rate, the IPCA and IGP–M inflation indices, and the TJLP long-term interest rate. For these instruments, our analysis considered variations of 25% and 50% from the probable scenario – downward for financial investments, and upward for financings.



#### b) Sensitivity analysis -- Continued

# b.1) Interest rate fluctuation sensitity analysis -- Continued

The table below shows the outstanding positions at December 31, 2021, with the notional values and interest of each contracted instrument:

		Sensitivity Scenarios							
Risk factor	% y.y.	Balances at 12/31/2021	Remote - 50%	Possible - 25%	Probable	Possible + 25%	Remote + 50%		
Fixed income cash investments	<u>i</u>								
CDI rate	8.7567%	755,243	23,501	34,220	44,949	55,637	66,376		
IPCA rate	10.7385%	323,715	20,514	25,677	30,800	35,884	40,931		
IGPM rate	21.7403%	72,434	3,171	4,757	6,343	7,928	9,514		
Incentive-bearing financings TJLP	5.3200%	12,214	(229)	(343)	(457)	(571)	(685)		

## b.2) Sensitivity analysis for variations in the exchange rate

## i) Debt in foreign currency

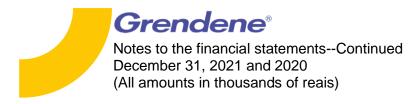
The Company has projected the effect of the transactions designed for Exchange rate protection in three scenarios, considering the transactions would be settled, on the basic of the position becoming due on January 31, 2022, as follows:

				Sensitivity scenarios				
Risk factor	Short position in USD	FX rate	Balances at 12/31/2021	Remote	Possible - 25%	Probable	Possible + 25%	Remote + 50%
Contracted derivative - Hedge Dollar rise	22,750	5.6169	127,785	63,893	31,946	2,635	(31,946)	(63,893)

## ii) FX exposure

This table shows the net assets and liabilities in foreign currency:

				Sensitivity scenarios				
Risk factor	Cash position in US\$	FX rate	Balances at 12/31/2021	Remote - 50%	Possible - 25%	Probable	Possible + 25%	Remote + 50%
FX exposure								
Current account	8	5.5799	43	(21)	(10)	-	10	21
Accounts receivable from	47,074	5.5799	262,669	(131,333)	(65,664)	-	65,664	131,333
clients								
Advances from clients	(3,097)	5.5799	(17,282)	8,641	4,321	-	(4,321)	(8,641)
Accounts payable	(1,372)	5.6063	(7,691)	3,845	1,922	-	(1,922)	(3,845)
Post-shipping financing of	(20,085)	5.5799	(112,071)	56,034	28,017	-	(28,017)	(56,034)
exports (ACEs)								
Derivatives contracted –	(22,750)	5.6169	(127,785)	63,893	31,946	2,635	(31,946)	(63,893)
Hedge								
Net exposure	(222)		(2,117)	1,059	532	2,635	(532)	(1,059)



#### b) Sensitivity analysis--Continued

## b.3) Sensitivity analysis for variations in stock prices

The Company projected the effects of transactions that are intended to protect the risk of financial investments in listed equities, considering that the transactions would be closed out, on December 31, 2021, as follows:

				Sensitivity scenarios				
Risk factor	Number of shares	Averag	Balances at 12/31/2021	Remote		Possible + 25%	Remote + 50%	
Financial investments in equities Price of the shares	9,699,400	27.7516	269,174	(134,587)	(67,294)	6,.294	134,587	

## c) Capital management

Management has the objective of ensuring continuity of the Company's business, protecting its capital from economic changes and conditions, so as to support reduction of costs of capital and maximize return to stockholders. To maintain or adjust the capital structure, the Company may, among other possible actions, make adjustments to its dividend payment policy, or contract loans, or issue securities in the financial markets.

There were no impacts on the objectives or processes of capital management arising from the distribution of additional dividends referred to in Note 15, letter (f).

The Company's policy of a low level of leverage is monitored through the financial leverage index, as shown below.

	Parent of	company	Conso	lidated
	2021	2020	2021	2020
Current and non-current borrowings	124,285	9,821	124,285	9,821
Leasing contracts (-) Cash and cash equivalents	(5,353)	- (5,248)	78,380 (22,146)	90,956 (19,162)
Net debt	118,932	4,573	180,519	81,615
Equity	4,094,330	4,230,168	4,094,330	4,230,168
Gearing ratio	2.9%	0.1%	4.4%	1.9%

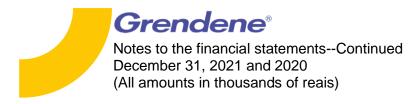


## 20. Related parties

Transactions with related parties arise from transactions between the Company and its (direct and indirect) subsidiaries, affiliated company and other companies with participation of the Company's stockholders, key professionals of the administration and other related parties.

a) Amounts of balances and transactions with subsidiaries (direct and indirect), affiliated company and other companies controlled by a stockholder or the Company

			Parent company / Consolidated					
				2021			2020	
	Nature of transaction	Maturity	Assets	Liabilities	P&L	Assets	Liabilities	P&L
Direct subsidiaries								
MHL Calcados Ltda.	Sale of input materials	77 days	-	-	-	-	-	60
	Purchase of inputs	58 days	_	-	-	_	_	(1,177)
Grendene USA, Inc.	Accounts receivable from clients	_	26,631	-	-	8,298	-	
	Commissions payable	_	,	430		-,	278	-
	Sales of footwear	202 days	_	-	41,357	_	-	9.715
	Fees for services	12 days	_	-	(737)	_	_	(493)
	Financial revenues	-		-	4,969	-	-	3,265
	Financial expenses	_	_	-	(3,787)	_	_	(845)
Grendene UK Limited.	Accounts receivable from clients	_	222	-		1,343	-	
Grondono Grezimioa.	Sales of footwear	231 days		_	519	-,0.0	-	1.430
	Financial revenues		_	_	324	_	_	3.227
	Financial expenses	_	_		(357)	_	_	(3,220)
Indirect subsidiary	T manoiar oxponoso							(0,220)
Grendene Italy SRL.	Accounts receivable from clients	_	4.841	_		2.200	-	-
	Sales of footwear	278 days	-,	_	5.835	_,	_	2.251
	Advisory services	9 days	_		-	_	_	(5,742)
	Financial revenues	- auys	_		511	_	_	625
	Financial expenses	_		_	(342)	_	-	(307)
A COLUMN 1	T manoar expenses				(0-1-/			(001)
Affiliated company			40.000			44.070		
YOUPE Participações S.A.	Investments in interests in other companies	-	13,892		-	11,679	-	-
LUDE Dardiala a 2 a 0 A	Advances received			3,035		-		-
HIPE Participações S.A.	Investments in interests in other companies		71,949	-	-	-	-	-
NM GAP II Participações S.A.	Investments in interests in other companies		50,215		-	-	-	-
Joint Venture								
Grendene Global Brands Limited.	Investments in interests in joint venture	_	140,858	-	-	-	-	-
Other transactions								
	s Sales of input materials and molds	30 days						
e Artigos Esportivos S.A.		,-		-		-	-	2
Calzados Azaleia Peru S.A.	Accounts receivable from clients	_	2,141	-	-	-	-	-
	Sales of footwear	88 days	· ·	-	8,054	-	-	-
	Financial revenues	_	-	-	457	-	-	-
	Financial expenses	_	-	-	(230)	-	-	-
SCP Jesuíno Maciel	Other financial assets	_	6,128	-	-	5,414	-	-
	Financial revenues	_		-	2,246	-	-	-
SCP Mairingue	Other financial assets	_	16,690	-	-	16,690	-	-
SCP Neto de Araujo	Other financial assets	_	6,963	-	-	6,717	-	-
	Financial revenues	-	-	-	1,678	-	-	1,447
SCP Parque Raposo	Other financial assets	_	7,884	-	-	107,286	-	-
SCP Pensilvânia	Other financial assets	-	5,386	-	-	7,373	-	-
	Financial revenues	_	-	-	1,625	-	-	2,349
SCP Saioá	Other financial assets	_	6,518	-	-	5,000	-	-
	Financial revenues	_	-	-	2,219			
SCP Venâncio	Other financial assets	_	5,681	-	-	5,000	-	-
	Financial revenues	_	-	-	2.206	-	-	_



# 20. Related parties--Continued

## b) Remuneration of key personnel

This table gives the total remuneration of the key personnel of management:

		Parent company				
	20	21	2020			
	Fees	Fees Variable (*)		Variable <sup>(*)</sup>		
Board of Directors	1,520	-	1,179	-		
Audit Board	461	-	381	-		
Executive Board	4,574	117	3,467	503		
	6,555	117	5,027	503		

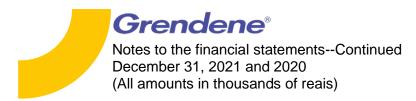
<sup>(\*)</sup> Refers to expenses in the business year on premiums in the stock options/subscription plan, as described in Note 21.

#### c) Other related parties

The Company uses travel agency and consultancy services provided by companies that are the property of a related party, as follows:

	Parent company		
	2021	2020	
Dall'Onder Viagens & Turismo Ltda.	41	65	
Mailson da Nóbrega Consultoria S/C Ltda.	72	72	
Ochman, Real Amadeo Advogados Associados	279	312	
	392	449	

The transactions with related parties are carried out on a commutative basis and in accordance with the criteria for evaluation and selection of suppliers. The amounts spent on these services total approximately 0.02% of the Company's general expenses. There were no outstanding balances at December 31, 2021.



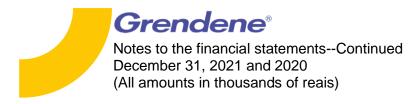
# 20. Related parties--Continued

## c) Other related parties--Continued

On December 31, 2021 and 2021, there were transactions with related parties, as follows:

	Date of the		
Company	transaction	Transaction	Related parties
Casa de Pedra Securitizadora de Créditos S.A.	8/19/2019	Service provider ('Servicer') for the non-convertible debenture transaction (Alphaville Urbanismo S.A.)	The stockholder Alexandre Grendene Bartelle
Even Construtora e Incorporadora S.A.	9/23/2019	Guarantor of the obligations of the project of the SCP Pensilvānia, in which ostensive partner is Valdepino Emprendimentos Imobiliários Ltda. which is an investee of Even Construtora e Incorporadora S.A.	Nova Milano Investimentos (Melpar), with an equity stake of
Even Construtora e Incorporadora S.A.	11/19/2019	Guarantor of the obligations of the project of the SCP Neto de Araujo, in which ostensive partner is Remigio Empreendimentos Imobiliários Ltda. which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investmentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%. Stockholder Andre Carvalho Bartelle, investor in the SCP (silent partnership), with 5.761%
Even Construtora e Incorporadora S.A.	12/18/2019	Guarantor of the obligations of the project of the SCP Jesuino Maciel, in which ostensive partner is Jaracatiá Empreendimentos Imobiliários Ltda. which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
Even Construtora e Incorporadora S.A.	4/2/2020	Guarantor of the obligations of the project of the SCP Saioā, in which ostensive partner is Arabica Empreendimentos Imobiliários Ltda, which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
EVEN Construtora e Incorporadora S.A.	4/2/2020	Guarantor of the obligations of the project of the SCP Venâncio, in which the ostensive partner is Pouliche Empreendimentos Imobiliários Ltda, which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
EVEN Construtora e Incorporadora S.A.	4/7/2020	Guarantor of the obligations of the project of the SCP Mairinque, in which the ostensive partner is lcatu Empreendimentos Imobiliários Ltda, which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
Casa de Pedra Securitizadora de Créditos S.A.	5/12/2020	Managers and administrators of receipt and allocation of the receivables under 'Fiduciary Assignment' (chattel mortgage) agreement signed by the parties of the SCP Parque Raposo.	Stockholder Alexandre Grendene Bartelle
Veneza Negócios e Participação S.A.	10/14/2020 and 12/1/2021	Shareholder of YOUPE Participações S.A. and NM GAP II Participações S.A.	Shareholders: Alexandre Grendene Bartelle and Pedro Grendene Bartelle
Nova Milano Investimentos Ltda.	10/14/2020, 3/12/2021 and 12/1/2021	Shareholder of YOUPE Participações S.A., HIPE Participações S.A and NM GAP II Participações S.A.	Shareholders: Alexandre Grendene Bartelle and Vice-president: Gelson Luiz Rostirolla.
Shareholders and Board of Directors	10/14/2020 and 3/12/2021	Shareholder of YOUPE Participações S.A. and HIPE Participações S.A.	Shareholders: André de Camargo Bartelle and Gabriela de Camargo Bartelle and Chief executive officer, finance and administration: Rudimar Dall'Onder
Shareholders and Board of Directors	12/1/2021	Shareholder of NM GAP II Participações S.A.	Shareholders: André de Camargo Bartelle and Chief executive officer, finance and administration: Rudimar Dall'Onder
3G Radar Gestora de Recursos Ltda	10/7/2021	Joint venture investment: Grendene Global Brands Limited	Stockholder of Grendene S.A.

There are no other transactions between the Company and its related parties, other than dividends and Interest on Equity paid.



# 21. Stock option or subscription plan

The stock options or subscription plan, approved the stockholders or the Company in a Extraordinary General Meeting of April 14, 2008, grants stock options, on the terms described in the plan, to directors and managers, other than the controlling stockholders.

The share options may be exercised in up to six years from the date of grant, with a vesting period of three years, under which 33% is released as from expiry of the first year, 66% on completion of the second year and 100% on completion of the third year.

For compliance with the plans for exercise of options to purchase shares, 205,522 shares were acquired in 2021 (1,605,103 in 2020), at an average cost of R\$8.92 (R\$10.02 in 2020), totaling R\$1,832 (R\$16,079 in 2020). In the first quarter of 2021 options were exercised on 657,490 shares at an average price of R\$ 5.18, resulting in a total amount of R\$3,404.

The difference between the average exercise price of the options and the average cost of the shares acquired for compliance with the exercise of stock options resulted in recognition of R\$1,294. This was posted in Stockholders' equity, since settlement of the stock option plans takes place with equity instruments.

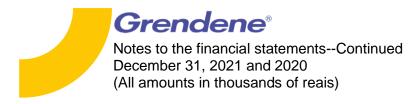
## a) Bases for recognition of expenses on share-based remuneration

Shares are valued at fair value on the date of the grant, and expenses recognized in the Profit and loss account as Personnel expenses, over the period in which the right to the exercise of the option is acquired, with counterpart in Stockholders' equity.

The fair value of the options granted was estimated using the Black & Scholes options pricing model. The economic parameters used were: (i) expected dividends, obtained on the basis of the average of dividend payments per share, in relation to the market value of the shares in the last 12 months; (ii) volatility, based on the historic average variation of the share price in the 18 months prior to the date of the grant; and (iii) the risk-free interest rate, assumed to be the projected average of the Selic rate, published by the Central Bank. This table gives this information in detail:

	10 <sup>th</sup> Plan	11 <sup>th</sup> Plan	12 <sup>th</sup> Plan
Grant date	2/16/2017	2/22/2018	2/14/2019
Total purchase options granted	2,181,456	1,524,825	695,892
Exercise price	3.27	5.16	4.68
Estimated volatility	20.16%	15.58%	17.11%
Expected dividends	6%	4%	4%
Weighted average risk-free interest rate	9.50%	6.75%	6.50%
Maximum maturity	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years
Option premium	3.16	4.43	4.12

The Company has no commitment to re-purchase such shares as are acquired by the beneficiaries.



# 21. Stock option or subscription plan--Continued

## b) Movement stock options plan

This table shows the changes arising from the transactions of purchase or subscription of shares:

	10 <sup>th</sup> Plan	11 <sup>th</sup> Plan	12 <sup>th</sup> Plan	Final Balance
Total at 12/31/2019	611,127	945,186	628,185	2,184,498
Exercised	(611,127)	(497,091)	(209,395)	(1,317,613)
Total at 12/31/2020	-	448,095	418,790	866,885
Exercised Canceled Total at 12/31/2021		(448,095) - -	(209,395) (3,873) 205,522	(657,490) (3,873) 205,522
Options exercisable in 2022	-	<u>-</u>	205,522 205,522	205,522 205,522
Result of options granted, recognized on 12/31/2020 Result of options granted, recognized on 12/31/2021	(1,877)	(2,205)	(875)	(4,957)
	-	(1,961)	<b>(874)</b>	(2,835)
Expense on personnel at 12/31/2020 Expense on personnel at 12/31/2021	(51)	(736)	(787)	(1,574)
	-	<b>(55)</b>	<b>(314)</b>	(369)

#### 22. Net sales and services revenue

Net sales and services revenue is comprised as follows:

	Parent	company	Consc	olidated
	2021	2020	2021	2020
Gross sales and services revenue	2,814,360	2,305,678	2,847,221	2,334,797
Domestic market	2,180,185	1,926,902	2,180,185	1,926,944
Adjustment to Present Value (AVP)	(19,280)	(23,379)	(19,280)	(23,379)
Foreign market	653,995	403,356	686,856	432,433
Adjustment to Present Value (AVP)	(1,177)	(1,597)	(1,177)	(1,597)
Special System for Refund of Tax Amounts to				
Exporting Companies (Reintegra)	637	396	637	396
Sales returns	(75,045)	(59,096)	(78,357)	(61,746)
Financial discounts	(101,156)	(103,196)	(102,741)	(105,546)
Taxes on sales and services	(421,298)	(373,560)	(421,993)	(374,113)
ICMS tax incentives – Provin/ Development Promotion				
Program of the State of Bahia (Probahia)	134,605	131,659	134,605	131,683
INSS	(30,839)	(27,389)	(30,839)	(27,396)
State Fiscal Balance Fund (FEEF)	(5,350)	(892)	(5,350)	(894)
	2,315,277	1,873,204	2,342,546	1,896,785

# 23. Segment reporting

The Group operates in the following market segment production and sale of synthetic footwear for the domestic and external markets.

Although the Company's footwear products are designed to serve the various publics and socio-economic groups, management does not monitor and manage them as independent market segments: the Company's results are accompanied, monitored and evaluated as an integrated whole.



## 23. Segment reporting--Continued

## a) Distribution by geographical area

This table shows gross revenue in the domestic and external markets:

	Parent co	ompany	Consol	idated
	2021	2020	2021	2020
Domestic market (Brazil)	2,160,905	1.903.523	2,160,905	1.903.565
Export market	653,455	402.155	686,316	431.232
North America	80,959	35.077	103,508	56.769
Asia and Oceania	89,143	73.337	89,143	73.337
Europe	156,971	97.811	167,283	105.160
Central and South America – Latam	275,745	163.634	275,745	163.634
Middle East and Africa – MEA	50,637	32.296	50,637	32.332
	2,814,360	2.305.678	2,847,221	2.334.797

No customer individually represented more than 5% of sales in the domestic or foreign market.

## b) Non-current assets

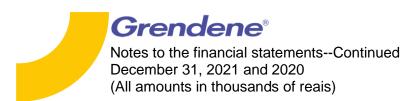
Non-current assets outside Brazil refers to the investments in the Company's direct and indirect subsidiaries and represents approximately 5% of the total of the Company's non-current assets. The summarized financial information of these subsidiaries is presented in Note 10.



# 24. Costs and expenses by nature

The Company presents the Profit and loss account itemized by function. The classification of operational costs and expenses by type is as follows:

	Parent of	company	Consc	olidated
	2021	2020	2021	2020
Cost of goods sold				
Raw materials	(644,849)	(483,658)	(644,381)	(485,325)
Personnel expenses	(425,142)	(338,487)	(425,121)	(340,273)
Depreciation and amortization	(57,650)	(55,578)	(57,650)	(55,592)
Outsourced services	(22,994)	(21,753)	(22,995)	(21,580)
Travel and accommodation	(1,880)	(1,523)	(1,880)	(1,533)
Sustainability	(35,262)	(28,051)	(35,262)	(28,147)
Other costs	(125,340)	(88,915)	(125,190)	(89,880)
	(1,313,117)	(1,017,965)	(1,312,479)	(1,022,330)
Selling expenses				
Commissions	(113,437)	(94,034)	(115,154)	(95,238)
Freight	(126,023)	(100,857)	(129,633)	(104,896)
Copyrights	(42,058)	(39,430)	(42,058)	(39,430)
Advertising and publicity	(71,315)	(55,086)	(80,831)	(61,113)
Personnel expenses	(43,941)	(35,681)	(65,562)	(48,228)
Depreciation and amortization	(3,440)	(2,525)	(27,602)	(26,089)
Outsourced services	(13,240)	(9,044)	(22,038)	(13,229)
Travel and accommodation	(1,092)	(1,763)	(1,752)	(1,934)
Sustainability	(361)	(248)	(1,027)	(715)
Congresses	(3,142)	(1,574)	(3,142)	(1,574)
Rentals	(1,736)	(2,197)	(3,165)	(2,197)
Other expenses	(36,417)	(31,327)	(42,239)	(37,203)
	(456,202)	(373,766)	(534,203)	(431,846)
General and administrative expenses				
Personnel expenses .	(58,200)	(50,909)	(60,610)	(52,998)
Depreciation and amortization	(3,846)	(4,204)	(3,850)	(4,495)
Outsourced services	(11,146)	(9,310)	(13,249)	(11,270)
Travel and accommodation	(216)	(206)	(217)	(268)
Sustainability	(808)	(880)	(821)	(929)
Tax expenses	(7,681)	(4,661)	(7,701)	(4,728)
Other expenses	(2,893)	(2,555)	(3,014)	(2,783)
	(84,790)	(72,725)	(89,462)	(77,471)



#### 25. Finance result

	Parent company		Consolidated	
	2021	2020	2021	2020
Financial income				
Gains on foreign exchange hedge – B3	44,942	64,331	44,942	64,331
Foreign exchange gains	53,970	108,658	54,073	109,033
Income from financial investments	115,645	83,548	116,230	83,806
Result of variable income financial instruments	5,338	76,418	5,338	76,418
Profit/loss on other financial assets - SCPs	17,837	8,020	17,837	8,020
Adjustment to Present Value	21,055	27,916	21,055	27,916
Interest received from customers	3,486	1,921	3,585	1,937
PIS and COFINS tax on financial revenues	(7,042)	(4,889)	(7,075)	(4,902)
Other financial income	14,032	11,904	14,046	11,919
	269,263	377,827	270,031	378,478
Financial expenses				
Losses on foreign exchange hedge – B3	(44,965)	(131,677)	(44,965)	(131,677)
Foreign exchange losses	(53,098)	(94,359)	(53,893)	(94,551)
Financing expenses	(6,041)	(7,891)	(6,041)	(7,891)
Other finance expenses	(3,854)	(5,138)	(5,925)	(6,946)
	(107,958)	(239,065)	(110,824)	(241,065)
	161,305	138,762	159,207	137,413

# 26. Insurance

For protection against operational risks, the Company's Management contracts insurance cover in sufficient amounts to cover possible losses, taking into account the nature of its activities and the risk involved, in accordance with the orientation of its insurance consultants. The principal coverages contracted have the follow Maximum Limits of Indemnity, under their respective policies:

Туре	Coverage	Coverage amount	
Balance sheet	Fixed assets and inventories are insured against fire, gales, flooding, electrical damage and damage in movement of merchandise and stationary equipment and furniture.	R\$412,100	
Loss of profits	Coverage of fixed expenses arising from payroll.	R\$32,250	
Civil liability	Industrial operations, employer, products and damages for pain and suffering.	R\$4,150	
Aviation	Fuselage, third party liability, medical expenses, rescue/emergency, substitute aircraft and personal damages.	U\$3,520	
Vehicles	Fuselage, third party liability for property and corporate damage and pain and suffering.	100% of Fipe valuation plus R\$150 MD	
		R\$200 third party property damages and	
		R\$1,000 third party personal injury	
Transportation	Export and import.	U\$2,500 per shipment and/or consolidation	



Members of Boards, executive Board and Controller's department December 31, 2021 and 2020 (All amounts in thousands of reais)

## Members of Boards, executive Board and Controller's department

#### **Board of Directors**

Alexandre Grendene Bartelle CEO

Pedro Grendene Bartelle Deputy CCEO

Mailson Ferreira da Nóbrega Oswaldo de Assis Filho Renato Ochman Walter Janssen Neto Bruno Alexandre Licarião Rocha Board member

#### **Audited Board**

João Carlos Sfreddo CEO

Eduardo Cozza Magrisso Herculano Anibal Alvez Board member

#### **Executive Board**

Rudimar Dall'Onder Chief executive officer, finance and administration

Gelson Luis Rostirolla

Deputy chief executive officer

Alceu Demartini de Albuquerque Chief officer for investor relations

## Controller's department

Luiz Carlos Schneider Controller division manager

Gisele Carina Pistore Pereira

Accountant – CRC 087193/O-5 "S" CE