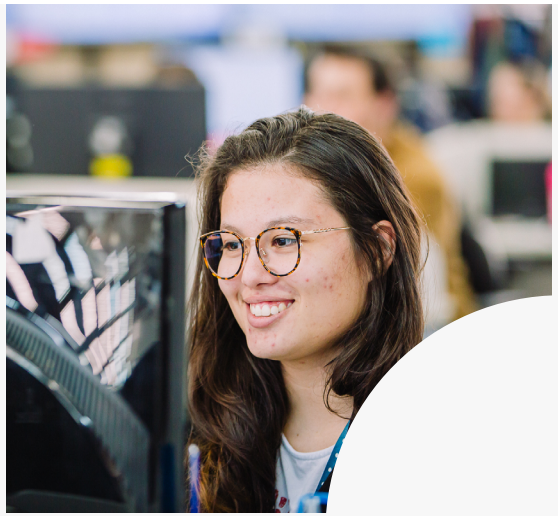
REPORT /19

Sustainability

Cia.Hering



OUR PURPOSE

To facilitate choices, uncomplicate life.

OUR DECLARATION

Cia. Hering has a soul. We are not nor we want to be just one company more. For 140 years, we see life in a lighter, more human and uncomplicated way. Believe it: **this never goes out of fashion.**

With passion and courage, we reinvent ourselves to create timeless icons that deliver quality with simplicity and authenticity. Proud of our history and with the entrepreneurial spirit, we evolve together and add value every day.

Welcome to the 8th Cia Hering Annual Report, an edition that marks our 140th anniversary completed in 2020!

To celebrate this special event, the chapters of this publication are nominated by our values, renewed in an important process of a strategic review of the Company's culture in 2019.

With such, we want to share with you how every step of the company is connected with the values that guide our strategy. We invite you to explore these pages and discover how we are building tomorrow and making our relevance last in the future.

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OUR 140 YEARS

CAPTIONS
environmental responsibility
social responsibility
vanguard and technological innovation
relationships

The social investment in our collaborators' lives was already a part of the Company's DNA. Currently, 85 years later, the Hermann Hering Foundation still cooperates with thousands of people and enhance our positive impact on society (page 52).

Hermann Hering arrives in Blumenau (SC) from Germany.

Shirts began to be sewn by Hermann's daughters, and they achieve the silver medal in an industrial exhibit. At that time, the quality of the company's products was already outstanding. In the same year, the second and third looms were acquired and the **first labor force hiring process started.**

To contribute to the collaborators and support the maintenance of the workers' village, the Hermann Hering Foundation was created.

1880

Hermann gathers his whole family in Blumenau and, jointly with the brother Bruno **found Trikotwaren Fabrik Gebruder Hering,** a recreation of Gebrüder Heing, of 1860, with which they had ties in Germany.

1905

Bruno is the idealizer and responsible for the reforestation of the surrounding of the now Cia. Hering's Matrix. In 1906, such an effort was granted the title of Reforestation Pioneer in Brazil.

The preoccupation with the environment (page 42) has already permeated our attitudes! Even today, we maintain a preserved forest in our Matrix's location which covers 4,2 million forested square meters.

1935

In this year, the first cafeteria in the Company was launched, which would be followed by the introduction of: collective life insurance (1943), Consumption Cooperative (1944), the Hedy Hering daycare and the medical ambulatory (1945), the Credit Cooperative (1951) and the creation of an elementary school (1960). We are the **pioneers in the care of our collaborators** even before the labor laws.

Our people are the strings that weave the fabric of our successful history and the creation pillars of our future. For such, Cia. Hering invests in adding value and development for its collaborators (page 56).

OUR 140 YEARS

CAPTIONS
environmental responsibility
social responsibility
vanguard and technological innovation
relationships

Two years after a reorganization, modernization and expansion programme that transformed Cia. in one of the largest knitwear companies in Latin-America, Cia. Hering partook in the creation of CETIL (Electronic Centre for Textile Industry) with other knit companies. 3 years later, in 1972, we created our first Center for Data Processing (CPD) and acquired the first computer, allowing the production update.

The innovation (page 78) and participation in transforming initiatives aiming to always find the best solutions and opportunities are also in our core because we always want to deliver the best to all people with whom we have relations.

We have been through a lot of conquests and challenges in the history of the country and the World and Cia. has shown resilience, reinforcing the capacity to reinvent and adapt itself. This perpetuity came from our people and learning, from keeping ourselves avant-garde and out of our comfort zone.

1950

Opened of the company's capital, achieving the Certificate of Open-Capital Company in 1966. In the same decade, the Company began its exports.

For 55 years we take care of our stakeholders. It is not for nothing that we are used to working with the transparency and commitment to results, guided by the best governance practices (page 17).

1964

Installation of equipment for the chemical treatment of water.

1969

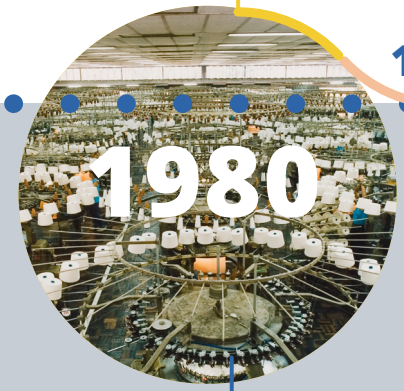
Milestone of the **beginning of the PUC brand production.**

After 40 years making art, PUC was relaunched in 2019 (page 27) with an even more synergic relation between the collective, fashion, joyful and family, bringing also a higher preoccupation with the environmental responsibility.

1979

The company celebrates 100 years of creation.

1980



In this decade, a modern system for water treatment was inaugurated at the Itororó Unity.

1983

Expansion of the Effluents Treatment Station (ETE) at the Itororó Station.

OUR 140 YEARS

CAPTIONS
environmental responsibility
social responsibility
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relationships

Almost 30 years ago we began our relationship with our franchisers (page 66), currently fundamental for the success of our network and the reason why Cia. Hering is the largest clothing franchising network in the country.

Hering World, the universal shirt, is launched. It completes 30 years and has already been exported to over 40 countries.

1992

Launching of Remote services, expanding the direct communication with the customer, followed by the creation of SAC in 1995, with phone service, postal box and, later, e-mail address.

Opening of Hering Family Story, a shop that anticipated the franchise format.

Launching of a 100% natural shirt. The piece was softened with bee wax and its coloring was made from roots and fruits.

1995

Beginning of the Hering and IBCC partnership "Breast cancer as fashion-target."

We keep translating our commitment to the ecoefficiency and respect to the environment through our least impacting products and processes. (page 45).

Cia. Hering was the 1st Brazilian textile industry to achieve the ISO 14.001 certificate (environmental management).

Hering Kids, launched as the Hering line in the 90s, is now an independent brand.

1997

Beginning of the commercialization of the Dzarm brand. Also the inauguration of the first shop under the new Hering Store concept. Launching of the first e- commerce shop, three years after starting to operate with our first e-mail address.

Our concern with the best purchase experience has always been there: if, in the beginning, Bruna performed the sales door-to-door, today we rely on the enhanced experience in different sale channels: multi-brand retail, single-brand shops, e-commerce and the omnichannel (page 76).

2007

The ordinary actions of Cia. Hering are now negotiated in the New Market under the code HGTX3, after a restructuring period and our operations between 2000 and 2006, a decisive step for the new growth cycle.

OUR 140 YEARS

We consolidated one more renewing movement. The omnicality was established with robustness, connecting our stores and our audience in a faster way and resulting in fidelity. We strengthened our sustainability strategy and we built processes aiming at the ecoefficiency and the social-environmental responsibility.

In our 130th anniversary, Cia. was elected the Year's Company by the yearbook Melhores e Maiores (Best and Biggest) of the Exame magazine. The Hering Museum is inaugurated.

2015

Between 2013 and our 135th anniversary in 2015, we improved the management of our brands, renewing our team structure and repositioning us in the market. Always reinventing! This is one of our passions.

We are constantly recreating ourselves and living new cycles, for we know that only so Cia. Hering will keep delivering the best product, that desired by our clients.

2020

140 YEARS! THIS DATE BRINGS US MOTIVATION AND CONFIDENCE.

We proudly look back to the Company's background and all people who built this history. And we do this with the clarity that all the learning cycles we lived strengthen our repertoire to conquer the next 140 years. Throughout the years, we reinvented and built, together, a solid culture that places us in 2020 with the courage to transform challenges in prosperity.

We will continue to empower our people, improving our processes and seeking the excellency in our actions in all our relations.

Cia. begins a new cycle to become an even more data- driven Company, aligned not only with the current demands but also with eyes to the future, anticipating transformations. We are a Company with a 140-years experience connected to the current and future time which cultivates the entrepreneurial spirit, solidifying its purpose through its businesses and aware of its transforming role in the world. We walk our path sure that we are on the right path to building, together, an even better Cia. Hering.

INTRODUCTION

Message from the Administration

We got to our 140th anniversary. 2019 not only anticipated this timely milestone, but also concretized with coherence our history: we weaved this narrative of transformation since 1880 through pioneerism, keeping ourselves out of the comfort zone and adapting ourselves, and this year was no different. We **reinvented ourselves one more time**, directing our efforts to the strategy of a new growth cycle.

This transformation displayed in the management, the matrix of products, the sustainability strategy, the maintenance of operational efficiency, the customer's experience, our investments, the engagement and strengthening of our ecosystem and our relationships. This way, 2019 brought us an attentive sight on the main Cia.'s business fronts.

As for the network organization, we improved our relationships with the main stakeholders in our business. We invested in training, developing and **strengthening the entrepreneurship,** intrinsic to the history of the Company and transversal to the strategic guidelines.

Lining up with the advances achieved in the previous year, in this period the **Digital Transformation** was consolidated in a robust way in the Company's structure. We settled the Customer Relationship Management (CRM) field with solidity, allowing the structuration of the database that relies on over 8 million registered customers. From it, we defined the pillars to understand and to relate in a smart and automatized form with our clients and customers, taking advantage of tools such as Artificial Intelligence and Analytics. In consequence, we achieved a higher rate at the Net Promoter Score (NPS) index since the beginning of its ascertainment.

The omnicality was consolidated in our ecosystem, fostering its integration and permeating our relationships with more agility and efficiency. Besides, we offer new purchase models and experience in our channels to meet the demands, always attentive to the customer's journey. The integration of the channels ensures a better purchase experience, resulting in loyalty to our brands. Still regarding our focus on the customer, we reached the number of 101 reformed stores in 2019. We strengthened our brands, acting on the renewal of commercial activation positions and initiatives, investing in an efficient manner on marketing. The Hering brand continued with the stores under the Hering Experience and Basic Shop models, besides the news such as Pop Hering and Mega Store. Valuing our style of owner, reinforcing the authenticity found in our casual DNA.

The childhood brands followed the light and colorful lines of their essences, bringing activations based on familiar bonds. PUC, completing 40 years in 2019, was re-launched with a new purpose connected to art, on the pillars of the collective, family, joyful and environmental responsibility. DZARM, on the other hand, relied on brand strengthening actions, now with a strong trend of jeanswear, inspired by the world fashion to deliver uncomplicated products to the urban women.

In 2019, our gross revenue totaled R$ 1,82 billion, a growth of 0.5% in relation to 2018. We had a sales growth in all the trimesters, except the fourth due to the December performance, which brought a "hang-over" of sales after Black Friday with a sales record. The same store sales indicator (Same Store Sales – SSS) reached 2.3% in the network. This movement reiterates the continuous construction of the Company in a sustainable growth cycle.

We are the largest clothing franchise in Brazil and we reinforce the commitment to keep our network healthy and our franchised and multi-brand clients satisfied. We work on several branches to do so, we encourage the entrepreneurship in the value chain and we invest in trainings and events, besides improving the usability of our digital relationship channel, Portal Conecta, launched in 2018.

We measure the results of this work through the Survey on the Franchisers' Satisfaction, held annually by the Quality Institute which brought the higher index of satisfaction since the beginning of its calculations.

At the same time, we got closer to the multi-brand clients, comprehending more and more their needs, using the support of an effective field to establish a virtuous cycle in this channel.

We reinvented ourselves while being loyal to the values and principles intrinsic to Cia. Hering. Among them, we took care of our people. We intensified the project of organizational culture to engage our collaborators, responsible for the achievements that we assured throughout these 140 years. We looked back to the past and understood who we are now to build tomorrow.

We trust our people and our business and we are sure about the strategic choices taken and our journey up to here. We remain sure of our execution capacity and we believe in the construction of a more prosperous future for Cia. Hering and for all our value chain.

Fabio Hering
President

About the Report

In this 2019 annual Report of Cia. Hering, we share with you the information about our business model, culture, commitments and results between January 1st and December 31, 2019, and also our evolution towards the future we seek.
All our activities are approached in this edition – industrial, administrative, brand and physical or online stores management – with the same scope of Cia. Hering's Balance Statements

BEST PRACTICES

For the 7th consecutive year, this report was built based on the Global Reporting Initiative (GRI). For the first time, we also joined the Integrated Report framework. With such, our report joins the two main guidelines for reporting and management accredited internationally on sustainability.

GET TO KNOW FURTHER

About the guidelines

About the Company

Administration Report and Balance Statement

Reference Form

You can also get in touch with Cia. Hering to discuss about eventual questions about the report or its content through the following:

. Elisangela Chitero | Institutional Communication and Sustainability elisangela.chitero@ciahering.com.br
. Rafaela Carl | Sustainability rafaela.carl@ciahering.com.br

The Annual Report had all of its content validated and approved by the Company's Directory, but only the economic-financial data were verified by an external audit.

HOW TO SURF IT

GRI Indicators

Throughout this report, the GRI XXX-X symbol appears together with the titles or subtitles of the chapters in which the indicator is reported. It is also possible to find a complete list of the indicators or the remissive summary of GRI content, in page 81, with the explanation of each and the page where to find it.

Integrated Report [CAPITALS]

The map of capitals in page 87 informs in what pages you can find the content corresponding to each of the Integrated Report's capitals. In the beginning of each chapter, we also point out what capitals are approached with the following icons:

NATURAL

HUMAN

FINANCIAL

SOCIAL & RELATIONSHIP

MANUFACTURED

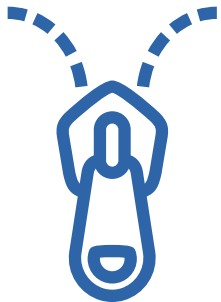
INTELLECTUAL

Sustainable Development Goals [SDG]

We also reinforce the Company's commitment with the United Nations Sustainable Development Goals (UN). To explain the relation between them, in the beginning of the chapters we also indicate which SDG has relations with the content.

Click here to get to know more about the SDG.

Have a nice reading!



Make It Happen

Our successful history is explained by the dedication of our people. Every day, we raise our sleeves to make it happen. We are proud of what we achieved, but we can go even further. We reinvent ourselves always to expand and to make our relevance last in the future.

MANUFACTURED HUMAN SOCIAL & RELATIONSHIP

Cia. Hering

A Brazilian Company, leader in the clothing retail branch, founded in Blumenau (SC) in 1880, acting in three business branches:

BRANDS MANAGEMENT | 4 strong brands

*1.3% das vendas correspondem a itens de segunda linha e sobras.

HERING
585 stores in Brazil (Hering Store and Basic Shop)
19 overseas (Paraguay, Uruguay and Bolivia)

HERINGKIDS
98 stores in Brazil
1 overseas in Paraguay

89.4% of the sales

Casual democratic brands, for all audicences and ages

PUC CO
24 stores in Brazil

5.0% of the sales

Child brand for the A/B audience

4.3% of the sales

Brand for young women of the A/B audience

DZARM
1 store in Brazil

MANAGEMENT OF THE CHANNELS

Store's structures

741 physical stores in all Braziian regions and in 3 countries (Paraguay, Uruguay and Bolivia)

- 40% — 10 thousand multi-brand stores
- 35% — 661 franchises
- 21% — 80 own stores, including 13 outlets
- 4% — 5 webstores

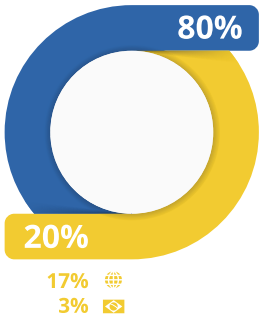
Distribution Centers

GO Anápolis — 80%

Stocking and distribution capacity

SC Blumenau — 20%

PRODUCTION MANAGEMENT | Hybrid Model



Self production with the support of local clothing manufacturers

Purchase of finished products

6 production unities*

SC
Blumenau
Itororó Unity
Bom Retiro Unity

GO
Goianésia
Paraúna
São Luís de Montes Belos

RN
Parnamirim

*In 2019, with part of the revision process of the factory park, there was the closing of the factoring blueprints Encano, Daia and Santa Helena. The productive process migrated to the blueprints, such as São Luís de Montes Belos (GO) resulting in gains of operational efficiency.

SUSTAINABILITY STRATEGY

Our 140 years of history show our capacity of sustainable development, always seeking to reduce the risks and negative impacts and, thus, build relationships that add value with our audience and regarding th essential natural resources for the business.

Such a care, however, must be continuous, every day, in all fields, at the various decision-making processes. For such, we rely on a sustainability strategy that guides our priorities in the next years for the construction of a business more and more sustainable.

This strategy was built from an important dialogue process with our various relationship audiences and with the high management of the Company, held in 2016, in such a way that it would be aligned and integrated with our plans and business model. In 2019, seeking to accelerate the promotion of the sustainability culture and aligned with our new growth cycle and the renovation of our business purposes and values, we created a new narrative for the strategic sustainability guidelines. Therefore, involving the collaborators and the Hermann Hering Foundation and, considering the business objectives, the market trends, the consumption behavior, we reviewed the priorities of our sustainable strategy, presented below.

The information reported in the next chapters showed how we are tracking the path to reach these priority goals for the sustainable development.

[1] Get to know further in page 77 of our Annual Report 2018.

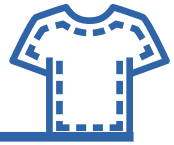
GRI 102-40 | 102-42 | 102-43 | 102-44 | 102-46 | 102-47 | 102-49 | 103-1

STRATEGIC PILLARS FOR THE SUSTAINABLE DEVELOPMENT

"Acting with transparency, influencing good practices in the value chain, strenghthening the circularity of the products we deliver to the customer and build relations with confidence in all network, based on the respect to diversity."

Value Chain

Acting as the network's influencers, build transparent relations and according the good social-enviromental practices.



Environment

Make choices that are always based on the eco-efficiency and that promote the circular economy.

Diversity

Promote an inclusion environment, based on the respect and valuing the many people that are a part of our network.

EDUCATION FOR SUSTAINABILITY
To raise awareness in our people and engage for sustainability.

Enables

2019 OVERVIEW

IN 2019 WE COMPLETE:

139 years
of history, going to 140!

26 years
since the opening of the 1st store, the Hering Family Store

55 years
of open capital
(COM 162.533.937 ACTIONS HGTX3 IN THE NEW B3 MARKET)

R$ 237.8 million in direct remuneration to the collaboratos
R$ 866 million in business with the supply chain
8.439 jobs resulted from the confections

Our numbers in 2019

5.353 collaborators (page. 56)
3.649 suppliers (page. 69)
R$ 5.5 billion of revenue
R$ 1.8 billion of revenue
Stores structure, distribution centers and business unities (page. 13)
236 franchisef (page. 66)
10 thousand multi-brand clients (page. 68)

OMNICALITY

91% of the intergrated network, considering own stores and franchises

ECO-EFFICIENCY

38.9 tons of re-signified knits
89% of the energetic matrix of the renewable energy reduction up to **40%** in the water consumption in the dyeing processes (page. 45)

R$ 1.8 million

of private social investment destined to the social development by the Hermann Hering Foundation

R$ 188.7 million in levies and taxes to be reverted by the government for the Country's development
R$ 81.7 million in interest on capital paid to shareholders
17.4% of valorization of HGTX3 in 2019

Corporative Governance

Good Practices

With the open capital for 55 years, our share of stocks are listed in the New Market for more than 10 years, a differentiated branch of B3 destined to the negotiation of shares of companies that adopt the additional corporative governance practices to those demanded by the Brazilian legislation.

We join the B3 New Market in 2007, when we also began to integrate the portfolio of the Index of Shares with Differentiated Corporative Governance (IGC). For us, reaching and maintaining high corporative governance standards is the base of "Making it Happen" at Cia. Hering, fundamental to assure the business continuity. For such, we carry the business committed to the transparency, equity, provision of accounts and responsibility.

GRI 102-18

GOVERNANCE DIFFERENTIALS

We present, in the following, the main differentiated governance practices adopted by Cia. Hering to protect the interests of all our stockholders, assuring the running of the business in an ethical manner and adding value:

• Capital without preferential shares made of exclusively common shares, tha is, all the stockholders have the right to vote.

• In the event of sale of the control (change of the Company's capital), all the stockholders have the right to sell their shares by the same prices of the shares held by the controller (100% tag along)

• Existence of the internal audit area, compliance area and statutory audit, ensuring the conformity and efficacy of the internal controls;

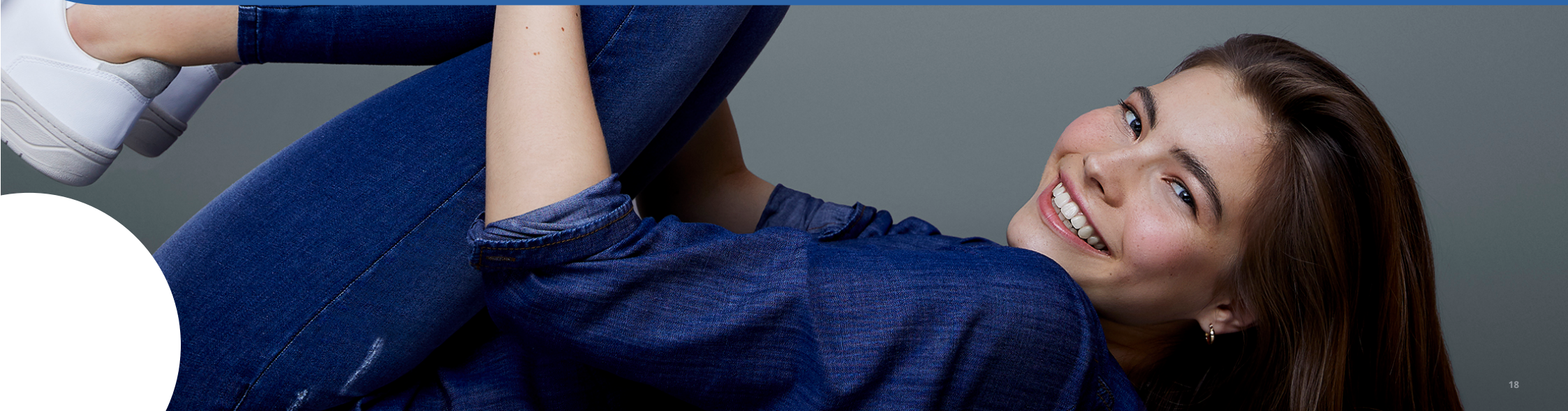
• Administration Board with 72% of independent members (5 out of 7), above the 20% demanded by the New Market, with unified mandate of, at maximum, two years, and election at the General Assembly, ensuring the efficacy of such a body in carrying the business strategically;

• Free float of 78,58%, 25% above the minimum demanded by the New Market;

• Structuration and promotion of the evaluation process of the Administration Board, its committees and directory;

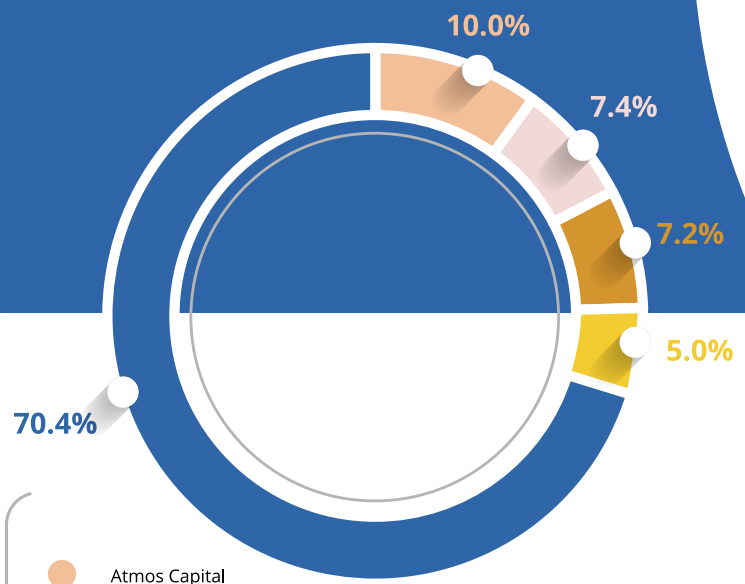
• Solid repertoire of our corporative policies, that institutionalize our commitments and strengthen the transparency and values in our management;

- **Code of Conduct and Suppliers' Code of Conduct**
- **Articles of Incorporation**
- **Internal Regiments of the Administration Board and its Committees**
- **Encouragement Plans linked to the Shares**
- **Plan for the Option at Buying Shares**
- **Policy for the Promotion of Material Acts and Facts**
- **The building of other policies are in course and are available on our website of Investor Relations website**



Structure and Administration

CAPITAL STRUCTURE



STOCKHOLDERS' ASSEMBLY

ADMINISTRATION BOARD

Ivo Hering President
Fabio Hering Councillor
Andrea Oliveira Mota Baril Independent Councillor
Claudia Worms Sciama Independent Councillor
Fábio Colletti Barbosa Independent Councillor
Celso Luis Lodduca Independent Councillor
Patrick Charles Morin Junior Independent Councillor

STATUTORY DIRECTORY

Fabio Hering Diretor-President
Marciel Eder Costa Administrative-Director
Rafael Bossolani Financial-Director and DEI
Thiago Hering Business Executive Director
Marcelo Toledo Industrial Director
Moacyr José Matheussi Supply Director

STRATEGY COMMITTEE

Adviser at the elaboration of the Strategic Plan, it issues reports and recommendations on the strategic guidelines, reviews investment opportunities and carries out discussions about budget.

PEOPLE MANAGEMENT COMMITTEE

It proposes the model of the organizational structure and follows-up/advises the attraction, hiring, talents retention, training and leaving processes. It also recommends to the Administration Board issues related to the remuneration and benefits to other Directors

STATUTORY AUDIT COMMITTEE

It gives opinions about the independent audit services, evaluates the quarterly information, follows-up the activities of the Internal Audit and Internal COntrols, follows-up the risk exposures, and analyses and treats cases of non-compliance of legal and normative provisions.

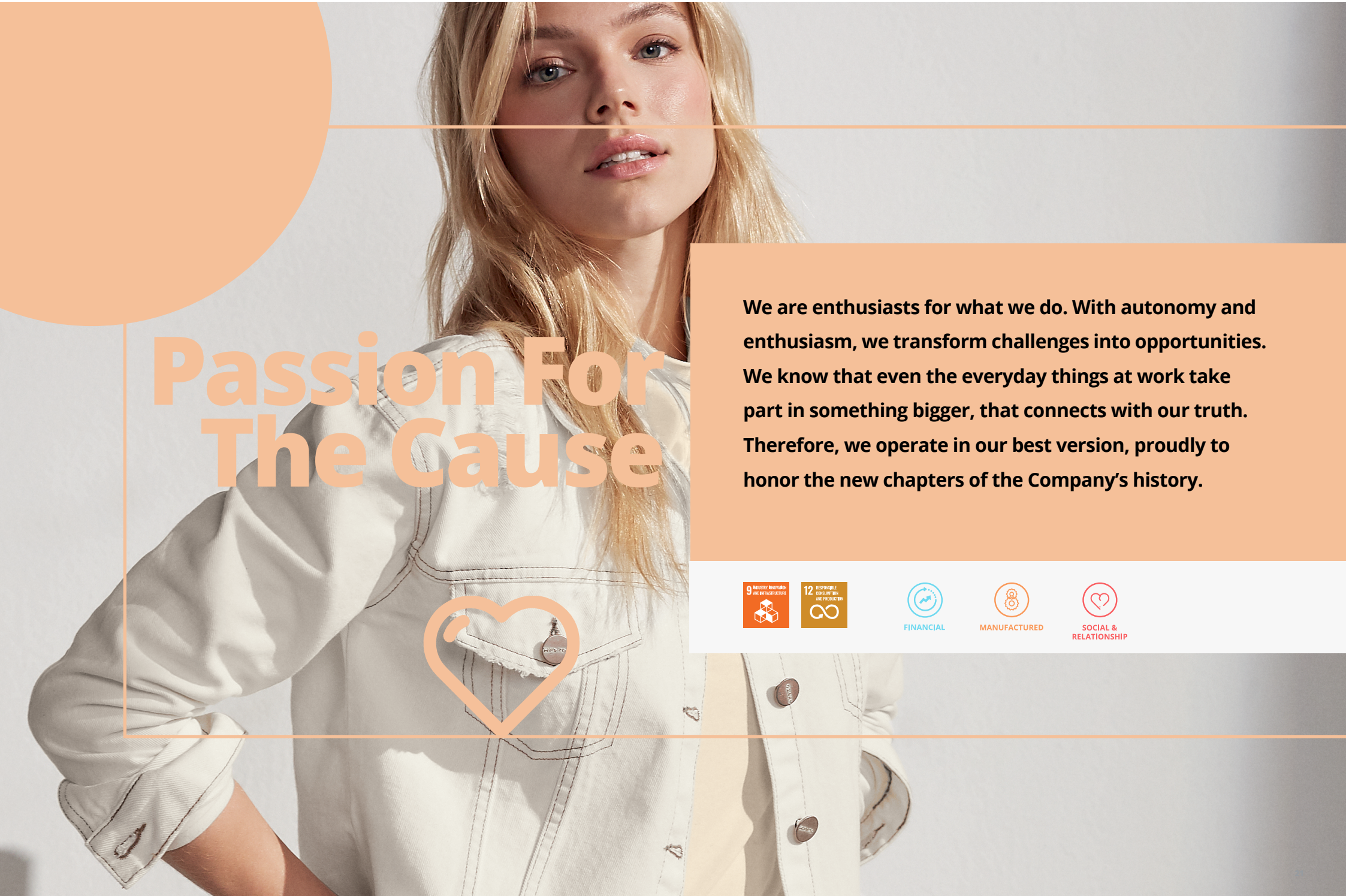
In 2019, we continued with the revision of our organizational structure, started in 2018 when we redefined the management of the business area and implemented the Directory of Digital Transformation, which ever since gave us results in this process at the Company (page 75). We continue to review the management, keeping the alignment with the strategy and the focus on the customer's experience.

The Executive Directory goes through the performance evaluation process of the whole business, based on Cia. Hering's values. A 360o methodology is applied (self-assessment, manager, peers, teams, and the relationship network), with the calibrated performance in two axis: Behavior and Goals (corporative business indexes). The result guides the development plans on leadership, accompanied by the field of People's Management throughout the year. The President is also evaluated annually, in a distinct process, by the members of the Administration Board, which bring the perspective of what is expected from the Company's CEO.

In 2019, the Administration Board also went through the evaluation process, held through the evaluation among the councilors, following a peer evaluation model, the evaluation of all the councilors by the Board's president, and the evaluation of the president by the other councilors. The relevant behavior and the decision-making processes for the group agendas were assessed.

The Administration Board receives a monthly remuneration of fixed value, that may contain benefits according to the market practices. As for the Directory, it is remunerated in a mixed manner, with fixed and variable components linked to performance indicators, besides the benefits. The goal of such a remuneration policy is to create encouragements with performance measurements, aligned with the short-term, medium-term and long-term interests of the parties.

In 2019, the Administration Board ended the year with 96.83% of attendance at the meetings.



Passion For The Cause

We are enthusiasts for what we do. With autonomy and enthusiasm, we transform challenges into opportunities. We know that even the everyday things at work take part in something bigger, that connects with our truth. Therefore, we operate in our best version, proudly to honor the new chapters of the Company's history.

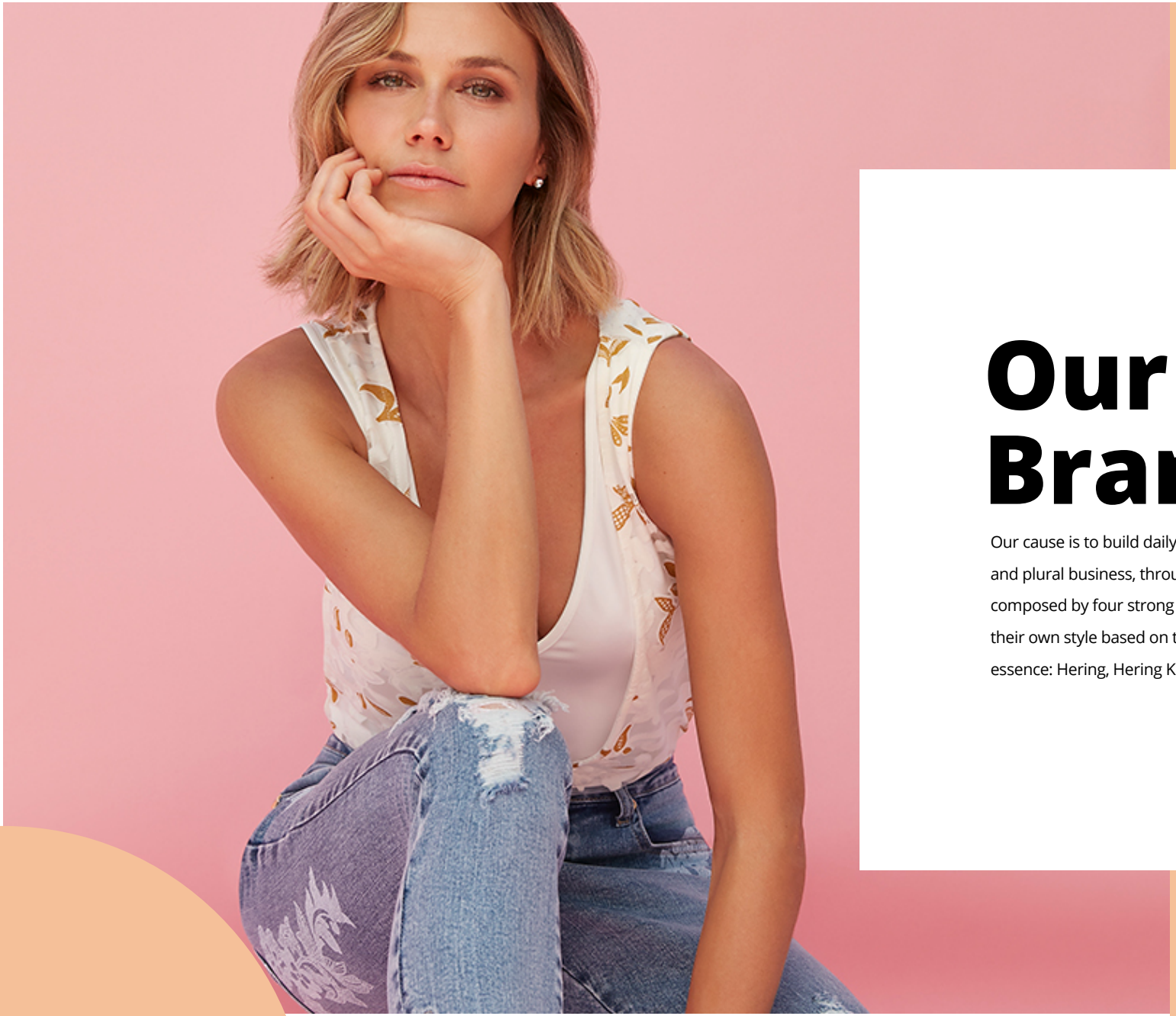
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

FINANCIAL

MANUFACTURED

SOCIAL & RELATIONSHIP



Our Brands

Our cause is to build daily an authentic and plural business, through our portfolio, composed by four strong brands, each one with their own style based on the Company's casual essence: Hering, Hering Kids, PUC, and DZARM.

HERING

hering.com.br

Hering is a democratic brand, aimed at both the male and female audience.
It is already recognized for such, presenting an authentic, casual, breezy and cozy style: an uncomplicated style, that allows the fundamental to come out. Its versatile positioning makes it a brand accepted by all the age groups and social classes.
In 2019, we intensified the positioning agenda and reinforced what makes it unique: the proprietor's style, emphasizing the basic with authenticity and bringing the core business of the brand back. Being casual never goes out of style and Hering knows it.
With a new communication strategy, we highlight the diverse commercial activations linked to our proposition and to our target audience. In cooperation with Disney, we launched the exclusive collection of "The Lion King" movie and we sponsored its premier event.
We also launched the jeans campaign with a democratic portfolio, covering all bodies, besides the line of sustainable jeans (page 49). And, for the first time, the Hering brand took part at the CCXP 2019 event, the largest event of POP culture in the world. Part of the new strategic planning is exploring new formats and categories, expanding the reach of our brands. In September, Hering launched the line pets, commercialized in all the selected stores and on the web. The **BasiCÃO** collection was a huge success with the audience and highlighted the potential of the brand expansion into new categories of products.
In the last year, we also developed a partnership with Pantys, selling its products at Hering physical stores and e-commerce. The brand proposes the replacement of disposable diapers for durable absorbing panties, contributing to the trash reduction, which matches our believes and commitments with the eco-efficiency (get to know more on page 42).

This year, we achieved the **Best Franchises in Brazil 2019** award, promoted by Pequenas Empresas & Grandes Negócios (Small Companies & Big Businesses, in Portuguese), with the best rating of five stars.

The brand also received the RA 1000 seal from Reclame Aqui, which represents the excellence services at physical and virtual stores!

In the ABF Awards, the Excellence Seal in Franchising was achieved by three of our brands: Hering, Hering Kids, and PUC, for the 14th, 2nd, and 16th time, in order.

We are satisfied with our achievements and with the recognition that proves once more our path towards the right direction. One more time, we are confident about the positioning of our brands and tranquil for the challenges and achievements that 2020 will bring us.

- **585** stores in Brazil
- **19** stores overseas
- **Present in the multi-brand and e-commerce channel**
- **1.3 billion** in revenue (national)

HERINGKIDS

heringkids.com.br

Hering Kids is just its target audience, light and joyful. The brand brings in its foundations the comfort and quality that kids need to play without any concerns, with the freedom they need to discover themselves. Their products match style and welfare, collaborating with the living of a wholesome and healthy childhood.

This brand, which takes the movement as its flag, is an invitation to make things different and to create a cooperative and better world. In 2019, we held events for the engagement of our audience, such as the meet & greet with influencers in a Hering Kids store, and a special weekend at the park for children and their families, inspired by the collection with sports trends and an urban style.

We also stroke a partnership with the toys brand Estrela, building a bridge between generations and bringing memories back for parents who had fun with the brands' toys. Besides having an experience installing giant toys in unexpected places, the families that would buy from the brand would take home an original Estrela toy, on their discretion. The year reinforced the importance of reaching new audiences, and we are investing in our internationalization project for the brand, as well as for the Hering brand.

- **98** stores in Brazil
- **1** store overseas
- **Present in the multi-brand and e-commerce channel**
- **237 million** in revenue (national)

PUC

puc.com.br

In the last four decades, PUC conquered space with its vibrant way, full of energy, its colorful clothes, full of stamps, always full of news. A brand that constantly renews its inspirations, but keeps the main features in its DNA: the quality and fun. On its 40th-year anniversary, we improved the PUC strategy, with a full rebranding, coming from a long project that reviewed the pillars of the brand. We transformed everything, the logo concept, its project, branding position and all the line of products.

It was a hectic year for PUC and we are satisfied with the results of so much work. We present the brand anchored with the art, more linked to the creativity of the universe of the children and babies' universe. Based on the socio- environmental responsibility, family and cooperation, the new position brought also the inauguration of two new stores under the PUC & friends model, and one of them in the flagship format, with a totally open-front environment, with no showcases and with a lot of interaction. PUC & Friends are stores that also offer partner products for the customer.

This face is much more than a smile. It is a **CO**ncept. The new PUC is **CO**lorful, **CO**operative, **CO**llective, and **CO**nscious.

- **24** stores in Brazil
- **Present in the multi-brand and e-commerce channel**
- **87.9 million** in revenue (national)

DZARM

dzarm.com.br

DZARM is a brand that believes in the women expression in a unique manner, through which the brand goes. DZARM accompanies the urban woman in all her moments. It translates the world fashion trends in an uncomplicated manner. In 2019, the brand also went through an intense redefinition process, adjusting its position and strategy to align them to what the Company is internally fostering: the focus on the fundamental. For DZAM, this meant to focus on jeanswear, uniting the international trends to the casual DNA of all our brands.

The year emphasized the importance of what is digital. We consolidated a platform created in 2018, DZARM Now, which meets our customers offering a multichannel, a super express delivery in the locations close to the store and curatorship at home. Among the brands managed by the company, DZAM is the one with the highest number of sales made through the omnicommerce in comparison to the sales made through the physical point. These data are important for the brand strategy, that seeks to continuously strengthen the sales experience of the customer.

Aligned with the communication strategy, we promoted strengthening actions for the brand with the launching of alternative collections and exclusive capsules. We also invested in strategic sponsorships, such as in the Sandy & Junior concert, widely promoted in the media, besides campaigns and activations with influencers and artists.

- **1** store in Brazil
- **Present in the multi-brand and e-commerce channel**
- **75.9 million** in revenue (national)

COLLABS

In 2019, we launched various collections collaborating with brands that have a lot to do with ours. Hering worked on partnerships such as with **Guaraná Antarctica**, reinforcing the tropicality and the basic which is original in Brazil; with **Disney**; with **ALG**, inspired by street-wearing and a lot of jeans, exalting the urban and democratic character of mostly genderless pieces – both for male and female -; besides the collab with **Camila Coutinho**. **DZAM**, on the other hand, launched a special denim collection in collaboration with **Isis Valverde**, which delivered the best of the partnership in light and uncomplicated pieces in the comfy. Original jeans and premium versions. In the year, we also participated in the **My Body is Real** platform, through the inclusive Fashion Day. The 2019 edition had the goal to promote the inclusion of blind people, through discuss, experiences and learning spaces.

Our customers

The customers are in the center of our market choices and decisions, they are what moves us. For 140 years, as a multi-brand organization with a hybrid business model, we act to promote the best experience to the customer. Our goal is to produce and provide the customer with what they want, the way they want, whenever and wherever they want. Our purpose is to make life less complicated through the solutions we offer. With a constant transformation scenario in the technologies and consumption relations, we make new questions, seek different solutions from those we used to offer, which led us to gain things in the customer's experience.

RELATIONSHIP

We structured and consolidated the Customer Relationship Management (CRM) area in the Company, focused especially on understanding more and more the behaviors and demands that impact the customers' relationship with Cia. Hering brand. This allows us to carry out analyses, such as the frequency of purchase and loyalty, which contribute to the communication of our brand and more assertive strategies of products. Our focus has been on expanding the culture of taking advantage of such data in Cia. to support us at the decision-making processes, for example, at the design of more personalized campaigns.

NEW STORES AND FORMATS

We reformed more than 100 stores, own and franchises, improving the customers' experience in our spaces. In 2019, we expanded the formats. Besides the remodeled PUC & Friends, we continued with the Hering Experience format with the opening of new stores, totaling 6 in this format, which relies on new designs, spaces, tools, and technology to transform the customer's experience.

We also launched 2 Pop Hering sales booths and we expanded the number of stores in the Basic Shop format to 8, the first counting on an exclusive mix, with a portfolio focused on printed t-shirts and other products, approaching the popular culture; while the second one works on high print-runs products.

This was also the year in which we launched our Mega Store, that brings all Hering lines in one place. Aiming to facilitate and unify the customer's journey and improve their experience, we opened a new sales point in São Caetano, with a portfolio of products from Hering, Hering Kids and other brands' products that are in synergy with ours.

We are strengthening ourselves every day, walking towards a data-driven direction that is focused on people of our network. In 2019, we strengthened our omnicommerce (get to know more on page 76) and we went through a period consolidating the omnicality of our brands and stores. This integration complements the services that we offer our clients, facilitating their operations, but also makes the customer's purchase experience less complicated, who has access to all products of our brands anywhere or from any device. This reinforces that we are on the right track, delivering with practicality and in a simple way everything our customers seek from Cia. Hering's brand.

GRI 416-1

To ensure the best delivery and safety to our customers, we tested **100%** of our products produced internally at Cia. Hering, with a rigorous internal process of quality, besides analyzing all the acquired materials (raw and chemical materials), even before they enter our factories. The raw materials are assessed according to the assumptions of OEKO- TEX norm, an international reference for analysis of supplies and products of the clothing chain. Among these main tests carried out, there are the checks, whenever possible, of the main contaminations by insecticides in natural strings, with the presence of heavy elements or metals in colorings and pigments and the adjustment of formaldehyde level in auxiliary supplies of dyeing and stamping. If any non-conformity is identified, the raw-material is rejected and is automatically vetoed for the usage in our processes.

Add Value

We know that the building of a legacy comes from investing in the future with actions in the present. We focus on the result and we understand that the profit is a booster of positive changes. We act in a network so everyone gains – people, society, and the planet – seeking intelligent, humane and sustainable solutions that simplify the business and add value to it.

NATURAL | FINANCIAL | MANUFACTURED | HUMAN | SOCIAL & RELATIONSHIP | INTELLECTUAL

Performance

2019 brought a new growth cycle, concretized by our main strategic branches, with a clear goal: to understand and have relations in the best way with our relationship audiences. We evolved in this sense through actions related to a better purchasing experience, innovation in our products matrix, the continuous search for operational efficiency, intensification of the investments to expand the buying desires of products of our brand, besides the engagement and strengthening of business by the cultural and digital transformation.

These actions appear in various business branches. We remain engaged in improving the network operation at stores, we continue focused on the boosters of our brands strengthening. In the industry, we seek a higher efficiency and simplification of our productive processes, reducing the time to market and expenses, rethinking our logistical knit and the distribution chain.

We promote a restructuration of the financial area, in which the area worked as a business partner of our business, aiding at the conduction of strategies to achieve the goals, from the settling of measurements to the action plans. This ensured the synergy to the operations and to the Company as a whole.

From our transversal bases – the operational efficiency and the efficient people's management, with an aligned and engaged team we structured three advancement pillars at the financial management and discipline: the identification of financial risks and opportunities with decision-making and actions for the fast-paced reaction, always bringing an avant- garde vision; the business control in a predictable manner, ensuring there are no surprises and that we are aligned with the conformity expectation of the policies and processes, with the safeguarded accounting; and cash management, with a focus on cash generation.

The effect of these initiatives appeared in our 2019 results, which you can check in the following in the main indexes.

The gross margin continued to grow and we had a valuing of 17.4% in our shares, in comparison to 2018, with a significant increase in our market value. Our financial management has overcome the challenges given by the macro-economic scenario, with the ROIC expanding.

We have the flexibility to carry out our decisions and we keep the profitability of our business.

We are sure of our strategic choices, sure of our execution capacity and confident about the construction of a prosperous future for the Company.

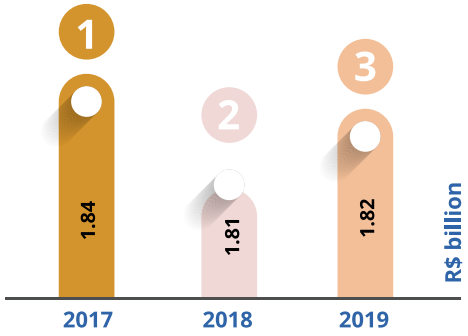
PROSPEROUS FUTURE

In addition to all the practical transformation and improvement, we are also building processes to establish a favorable environment to keep growing. We carry out the strategic planning jointly with the Administration Board, settling a unique perspective and mission for the whole Company.

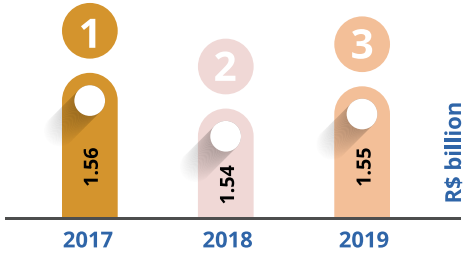
FINANCIAL

Check the highlights of our financial performance:

Gross Revenue



Net Revenue



GROSS PROFIT R$ 678 million

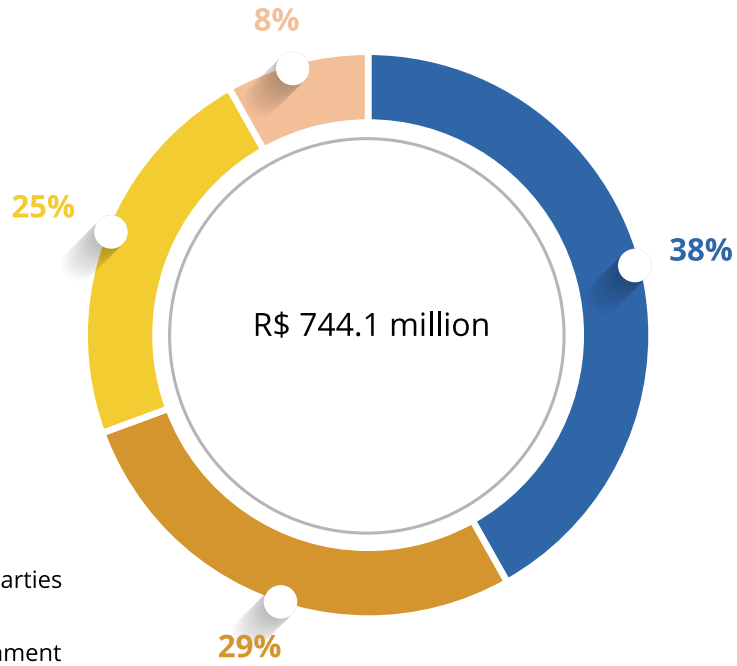
Net Profit R$ 214 million

EBITDA 264 million

ROIC: 19.5%

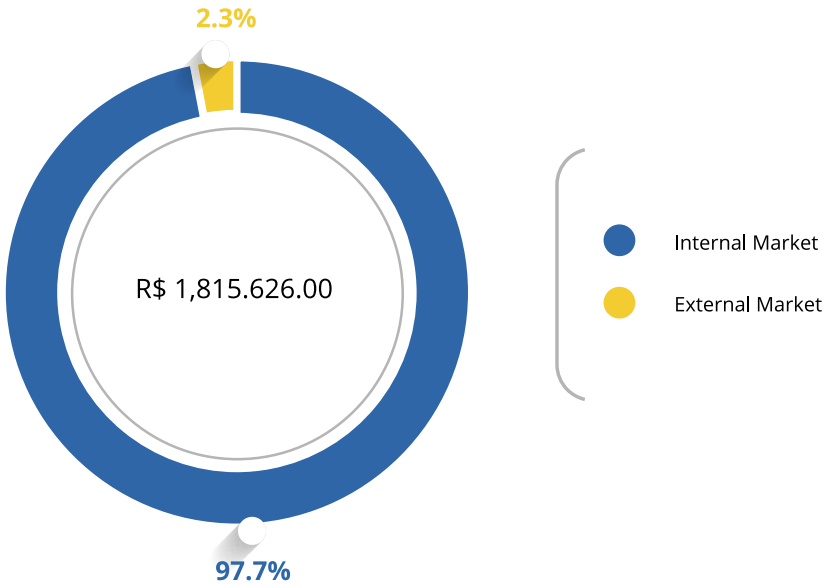
SSS: 2.3%

DISTRIBUTION OF THE ADDED VALUE



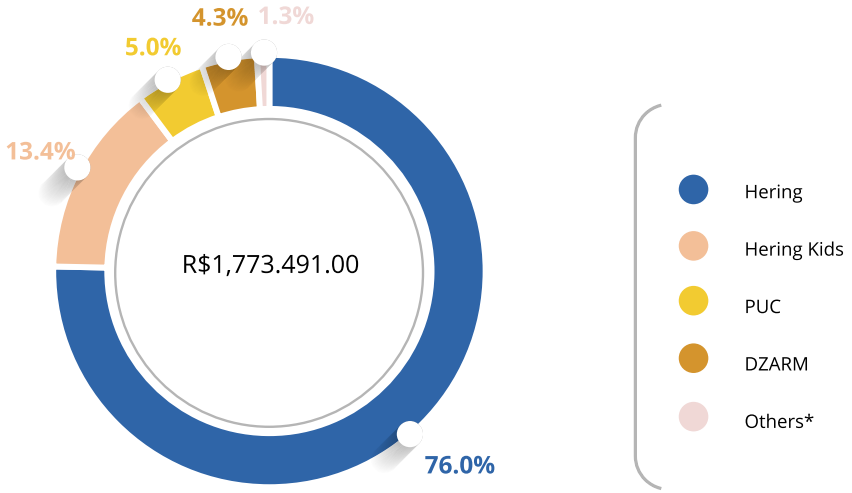
OPERATIONAL

TOTAL GROSS REVENUE (a thousand)

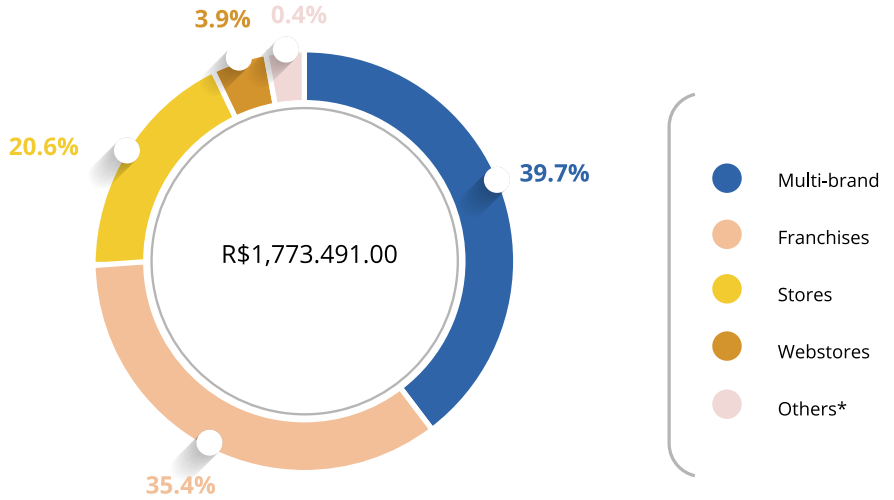


Get to know our detailed results in our **Administration Report**.

GROSS REVENUE OF INTERNAL MARKET (a thousand)



PARTICIPATION IN THE INTERNAL MARKET (a thousand)



** Other refer to second-line items and spares*

Risk management

The Company has a Policy of Financial Risk Management and Policy of Treasure Management approved by the Administration Board and manages the risks through an organizational structure that involves the fields of Internal Audits, Compliance, Legal, Financial, Administration Board and Council.

The policy of risk management determines the organizational structure of the Financial Risk Management, the roles and responsibilities of the bodies, the limits and responsibilities, and the list of conditions for the use of derivatives.

Another document is on-course of approval, in which we expanded the concepts of the general guidelines for the risk management process at Cia. Hering, identifying, evaluating and monitoring in an efficient way all the risks known and inherent to the business model.

The Policy of Treasure Management, on the other hand, defines the guidelines of the Treasure Management of Cia. Hering, establishes the organizational structure, the roles and responsibilities of this group, the goals and compliance to be respected.

The Company seeks protection against the credit risks, interest fees risks, price risks and exchange rate risks.

Monthly, we receive an external consultancy report that follows-up the indicators suitability to the Policy of Financial Risks Management and some additional indexes.

To mitigate the **credits risks**, the financial and patrimonial situation of the clients is analyzed, managing the risk of credit through a very rigorous credit qualification and granting programme.

As for the **interests fee risks**, we seek to diversify the resource capture, monitoring the exposure of the balance financial instruments to each interest fee index.

In the **price risk** management, the Company regularly follows-up the evolution of the prices of the main raw materials and manages the storage.

As for the **exchange rate risks**, we constantly evaluated the exposure of assets/liabilities and the imports/exports to different currencies, besides the need of contracting protection operations to mitigate such risks.

Ethical Acting

Acting in a reputable and ethical way is not only a Cia. Hering's choice, but also a commitment. Here, we value honesty, respect and transparent relations, intrinsic features of our business model and values. We institutionalized this commitment through the guidelines established in the Code of Conduct and the Suppliers' Code of Conduct, besides making an Ethics Channel available in full-time.

ENGAGEMENT

The Code of Conduct, approved in August 2018, is disclosed to all the collaborators through workshops, course on the online teaching platform, besides other activations. All the new collaborators also have access to the Code of Conduct and the Ethical Code from their first time working at the Company.

In 2019, we developed actions and chats about the subject, besides the Compliance Week event, a week in which the business integrity was approached jointly with subjects such as governance, risks, compliance, among others. We also promoted the Coffee with Compliance event, an activity that took place in all the administrative and industrial unities to promote and strengthen the importance of the Ethics Committee.

To also engage our supplies in the Company's ethical values and standards and promote and ensure their adjustment, we also held the Meet-up with Suppliers with the goal to align the subjects such as Compliance, Quality and Confection. In 2019, no significant risk at the confection operation in the Southern, Center-Western and Northern regions was identified. 100% of such a network was assessed through audits and ABVTEX audits, which observed the criteria such as health and security at work, documentation, child labor, abuse and harassment, worked hours, discrimination, among others.

REPORTING CHANNEL

The Ethics Channel allows all our audiences to file complaints, reports, suggestions and questions, through a phone call, website or app. It is available 24 hours per day every day in the year and relies on trained and skilled professionals.

Since May 2018, the independent platform Contato Seguro receiving the reports, ensuring secrecy, confidentiality and protection to the reporters against reprisals.

The management of the received reports through the Ethics Committee is performed by the Ethics Committee and its sub-committees, represented by various professionals of the company (Directors, Managers, Coordinators and Analysts), that have the suitable expertise for the better treatment of the received reports.

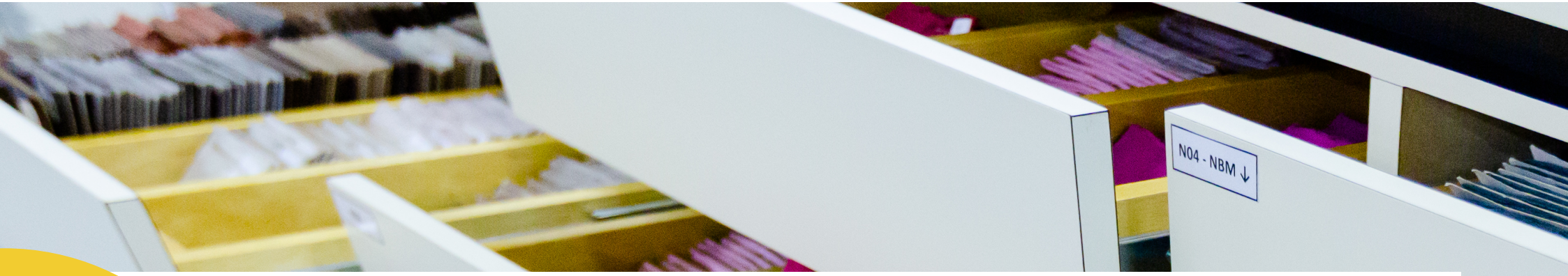
A COMMITMENT WITH EVERYONE

The company, in a general view, and with all the audiences that had relations with the Company, have access to the Code of Conduct, to the Suppliers' Code of Conduct and to the Ethics Channel (also through phone: 0800 601 8606).

MONITORING

GRI 205-1

Our internal audit and compliance follows-up the adjustment of the operations and the suppliers to the ethical criteria and guidelines established in the codes. Therefore, we ensure the alignment to the values of Cia. Hering and we reduce the Company and network's exposure to risks of corruption or lack of compliance with the legislation. In 2019, no significant risks were identified.



Eco-efficiency

We understand the importance of strengthening our view over the issue of efficiency and preservation of the natural resources. In our sustainability agenda, the eco- efficiency is a relevant aspect for our results and for Cia. Hering's longevity, and we are engaged to being a Company that always seeks new ways to reduce and eliminate negative impacts related to the fashion chain, such as the water pollution and the waste disposal. We do it through practices based on the reduction of the water consumption, the enhancement and circularity of the raw materials, among other relevant subjects for the clothing industry.

GRI 103-1 | 103-2 | 103-3

Management

DECISION-MAKING

Before implementing any operation or acquiring equipment, we carry out studies and projects to analyze the environmental impacts, the efficiency and payback, and to map the possible risks involved. After its implementation, the projects are followed-up by the generation of an efficiency database. With this view, we developed initiatives with the technologies and products with a lesser environmental impact and we shared an environmental management agenda with various business actors, so this could be a transversal subject in the whole operation.

STRUCTURE

We rely on an Internal Commission for the Energy and Environmental Conversation (CICE), that follows-up and deliberates about the environmental impacts of all Cia. Hering's unities, considering the fuel consumption, water consumption, production of wastes and effluents, and energy consumption. With a perspective oriented to those issues, the Commission give the projects the scope of environmental responsibility, besides the technical quality and financial efficiency.

In 2019, we defined a second work group, composed of the environmental, compliance and sustainability field. Too with environmental focus, this group aims to expand the perspective upon the suppliers chain and the store operations, besides discussing relevant aspects to strengthen Cia. Hergin's environmental responsibility culture.

As part of our sustainability strategy, we defined the subject objectives as specific goals. These goals are mainly related to the water consumption, Greenhouse Effect Gases Emission and the offer of more sustainable products, involving from aspects related to raw materials to aspects such as the transportation packaging and the products recycling after consumption. The goals, in construction for 2020, will be transversal to the Company's acting, of responsibility of many areas, such as environment, industrial fields and related to the development of products.

ENGAGED TEAM

GRI 103-1 | 103-2 | 103-3

The education oriented to the subject takes part in the priorities of our sustainability strategy. We understand this actions as a lever to boost other prime subjects for Cia. Hering. We developed an annual agenda for environmental education, which goal is to empower the collaborators on their role in this subject within the organization and their community. From such actions, we expanded the conceptual repertoire in the teams, promoting connections with research, debates, and examples of other businesses or initiatives that outstood in this subject. We want to develop in our collaborators the capacity to innovate and create new opportunities for wealth generation for the organization and the network, with social, environmental and economic development. Therefore, in June 2019, we celebrated the environmental month promoting actions jointly with the Hermann Hering Foundation (page 52). This initiative brought learning and exchange moments important for our collaborators, relying on the support of many specialized partners in the theme.

Other important initiatives to promote the dialogue about the environmental subjects took place over the year. On the Day of the Water, in March we had a symbolic farewell of the coffee plastic cup. In October, Aware Consumption Day, we relied on a programme to raise awareness on trash disposal and recycling, waste o good and other contents about the aware consumption behavior, besides some collect points of electronic trash in the unities of the Cia. and Hering Museum for collaborators and the community.

MONITORING

GRI 102-11

We adopted the precaution principles and we rely on the monitoring actions of the teams of Health, Labor Secutiry and Environment, aiming to have a better control of the safe procedures in the operations. We work on the legal monitoring and close follow-up of laundries that perform the processing of the jeans pieces produced in our unities and we implemented, in 2020, a plan to perform the mapping of the environmental impacts of our supply chains to foster good practices, acting at the construction of mechanisms that not only generate the compensation, but the reduction of any negative impact.

Lesser Impact Processes

In 2019, we developed various initiatives for the reduction of the environmental impact of our production process, focusing on the reduction of usage of chemical substances and water consumption, besides reducing the resulting wastes, investing on the circularity of our products. We developed the **NKU Color**, which brings a reduction of 40% in water consumption because does not goes through a dyeing process. With it, the raw knit is treated using products of lesser environmental impact, such as softeners based on rice shell and without any environmentally harmful substances in their chemical composition.
We also rely on a new **lathering** process – a moment during the dyeing in which the knit has the overcolor withdrawn – for all the knit pieces produced at the Itororó unity, with higher saved energy, time reduction in 21%, fall of temperature needed in 37% and lesser water consumption in 56%.
We reviewed the **preparation**, a process that happens before the knit dyeing and "prepares" the knit to be dyed. We improved this procedure, excluding some steps, achieving a reduction of 56% in the water consumption in such a step. As for the **dyeing**, we invested in the acquisition of new machines that add to the process about 40% of water consumption reduction, 50% less in the usage of chemical products and a reduction of 25% in the time for dyeing. In total, we counted on 5 of these machines, with 2 more expected in 2020.

In the procedure in which the colors are mixed and created to use in stamps, for example, we concretized important advances. The **colors kitchen**, which before was manual, is now automatic and that ensures better assertiveness in the volume and color, that is, generating less residues – eventual wastes in the production of the extra or wrong volume. With it, we rely on fewer effluents for the treatment and less sludge coming from them. In addition, the automation strengthens the security branches, re-conducting the direct contact of the collaborators with colorings and chemicals, compared to what happens in the manual process.

With a detailed analysis process, we updated our receipts for the preparation of paints for the stamping in frames – a distinct manual process of the colors kitchen abovementioned, used in the rotating stamping and dyeing, reducing the wastes that would be disposed of in 5%. We invested in improvements in the storing of prepared colors, ensuring durability and reduction of residues. Besides, the solvents used in the products are now separated from the effluents, following a more proper destination. The solvents also began to be used more times through the mixture with a new solvent, reducing our demand for chemical.

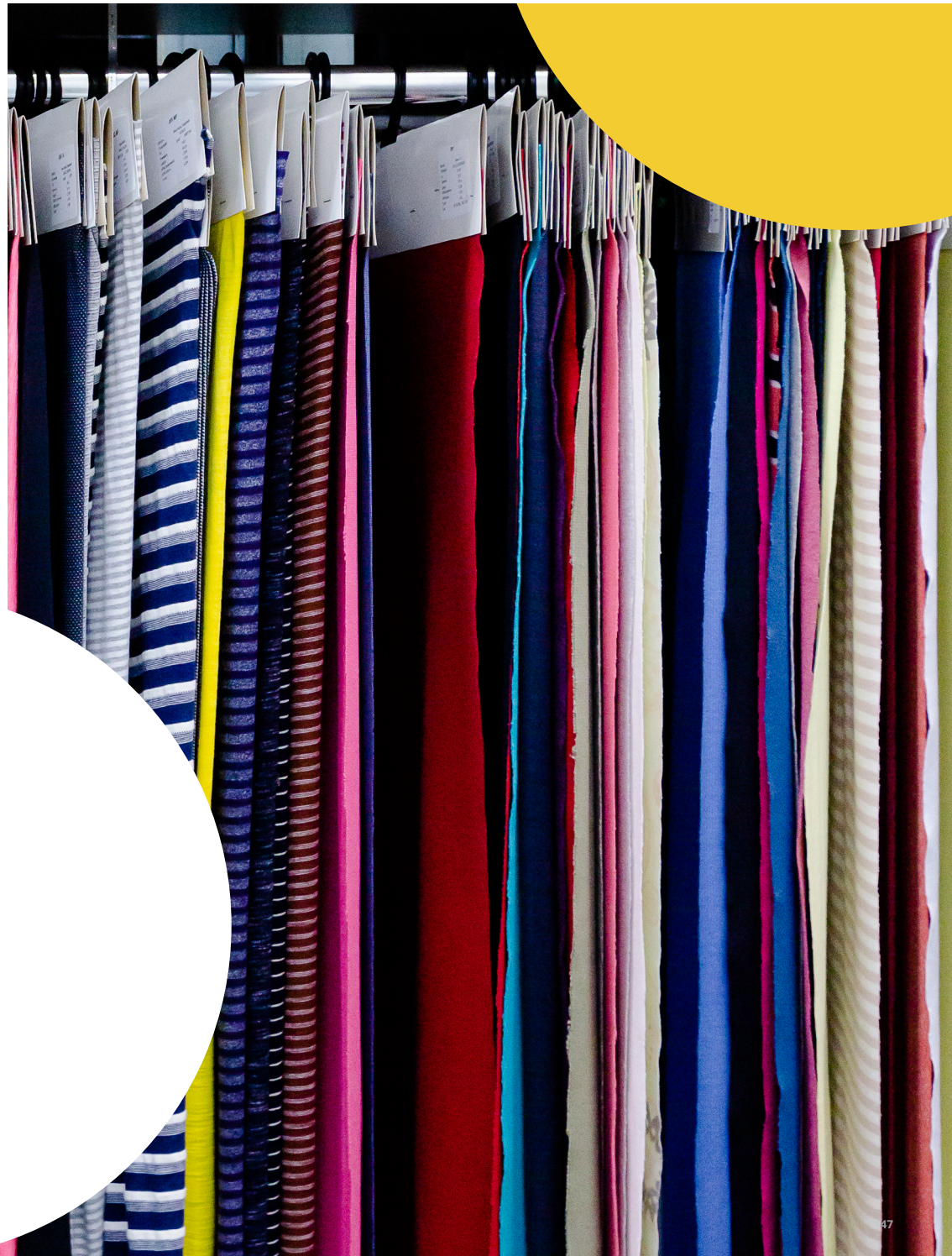
We maintained our system for the cutting of pieces that assures the best fitting and usage of the tissue and knit, resulting in fewer residues. At the end of 2019, we acquired machines that, besides using the fitting system, also has the energy consumption about 65% lower than the others. The results will be visible in 2020. 89% of our energetic matrix comes from renewable resources, captured from Small Hydroelectric Centers (PCHs), considered sources of clean energy. With such a capture, we fuel 6 Cia. Hering's unities and we save 2.256 tons of CO_2 in 2019. Another improvement implemented at the end of 2019 and will bring more eco-efficiency for the production process was the project of re-usage of the effluents that leave the dyeing process already heated and serve as a heating source for the water that is used in the same process, through heat exchangers. This change reduces the demand for other fuels, which would be necessary for the heating of the used water. With investments of R$ 900.000,00, this project will bring significant gains in the reduction of energy consumption in 2020.

Reduction of Residues and Circularity

We are aware of the opportunities of reduction of the generation, re-utilization and recycling of residues, promoting and strengthening the circularity of our products, oriented by PGRS (Plan for the Management of Solid Residues). In 2019, we strengthened these practices through the re-integration of the spares of knits, tissues and supplies for the development of new products and the sale of these spares for local partners, fostering the entrepreneurship and enhancing the utilization of raw materials already transformed.

We adjusted the destination process of the pieces to enlarge the working life of the used products, with defects or returned in the customer's exchange processes, fostering their circularity. Through an important partnership with a multi-brand client, defective pieces are received, separated and fixed by the partner and go to the retailer's stores. In 2019, about 20 thousand pieces tracked such a flow.

In addition, we performed various donations, most for teaching institutions such as fashion courses, of NGOs that work on the inclusion of persons with disabilities, totaling 28,5 thousand donated pieces.



In 2019, 38.9 tons of knits and tissues and 230 thousand meters of tissue were re-signified in new products.

We continued with the re-utilization process of spares conducted by a specific team, responsible for the creation of new products of the Hering brand for the channel of stores in the Outlet format. The items are developed from tissues, knits and supplies from past collections available in our storage, re-signified in new pieces, models and combinations. Besides this process, we also incorporated the practice of the re-utilization in the work of the teams responsible for the production starting and purchase of raw materials and supplies, which saved 134 tons of knit spares, reintegrated to the products processes.

We evolved in the reduction of the generation of plastic and cardboard residues, making choices that contribute to the network, to the business and to the environment. We work on the standardization of the size of cardboard packages received by the suppliers, to utilize the boxes in internal movements at the Cia. Hering's Distribution Centers, increasing their working life and reducing waste.

Another important branch for the reduction of residues was the package alteration, in which the products are now packaged without the cardboard reinforcement, known as "alma".

This change reduces about 400 tons of cardboard residue volume per year. Such an evolution led us to another change in the way to fold pieces – that are now folded more times to maintain stiffness – and, consequently, in the necessary package size to store, protect and transport the products. In 2019, the compensation model was applied, through EuRecido, for the volume of residues resulting from: cardboard or plastic transportation and storage packaging, besides the cardboard reinforcement, as provided for in the National Policy for Solid Residues. This model promotes the investment in cooperatives to enhance the recycling processes of these residues in the country. We continue to evolve in this subject, always seeking new enhancement opportunities of eco-efficiency. Besides, we also support the Retrama project of the Hermann Hering Foundation (get to know further on page 52), which in the last 2 years has re- signified 1.1 ton of clothing residues, mostly Cia. Hering's. The project thinks and elaborates new products from these residues and connects the cooperatives in the confection process.

Less Impacting products

We seek to develop collections and products with sustainable supplies and raw materials, such as PET polyester knits (from plastic bottles), knits with organic weaves, and recycled knits, coming from de-fibered clothing strings and trims.

In 2019, for example, we launched the most sustainable jeans of the Hering brand, elaborated with recycled cotton and less water and chemicals usage during the dyeing process.

In the PUC brand, the "Malha Amiga" line offers products that use the NKU Color, previously mentioned, that reaches a reduction of 40% in water consumption in the production process.

BODY SIZE

For over 30 years*, we produce t-shirts with Body size knits, a production model with an equipment line specially projected. Therefore, from the knitting to the confection, the pieces go through all the production stages with the best utilization of the raw material, reducing spares and wastes.

In practice, the Body Size knits are produced with the shirt modeling, that is, they do not have that lateral sew that unites the front part to the back like a traditional t-shirt. With such, it results in 33% less spare tissue in the cutting process.

In the three decades of such a model, we have already reduced a great environmental footprint issue with the body size t- shirts:

- We avoid the consumption of 857.5 thousand m' of water
- We do not generate 5.304 ton of Co^2
- We save vapor and electric energy equivalent to 37.877 trees
- We avoid the disposal of 6.2 thousand tons of spares coming from tissue cutting

date of the first records of the Body Size machinery data in our systems.

Water Management

We are aware of the clothing industrial impact on the water consumption and disposal of effluents, and for such, we keep rigorous management of our processes involving this resource.

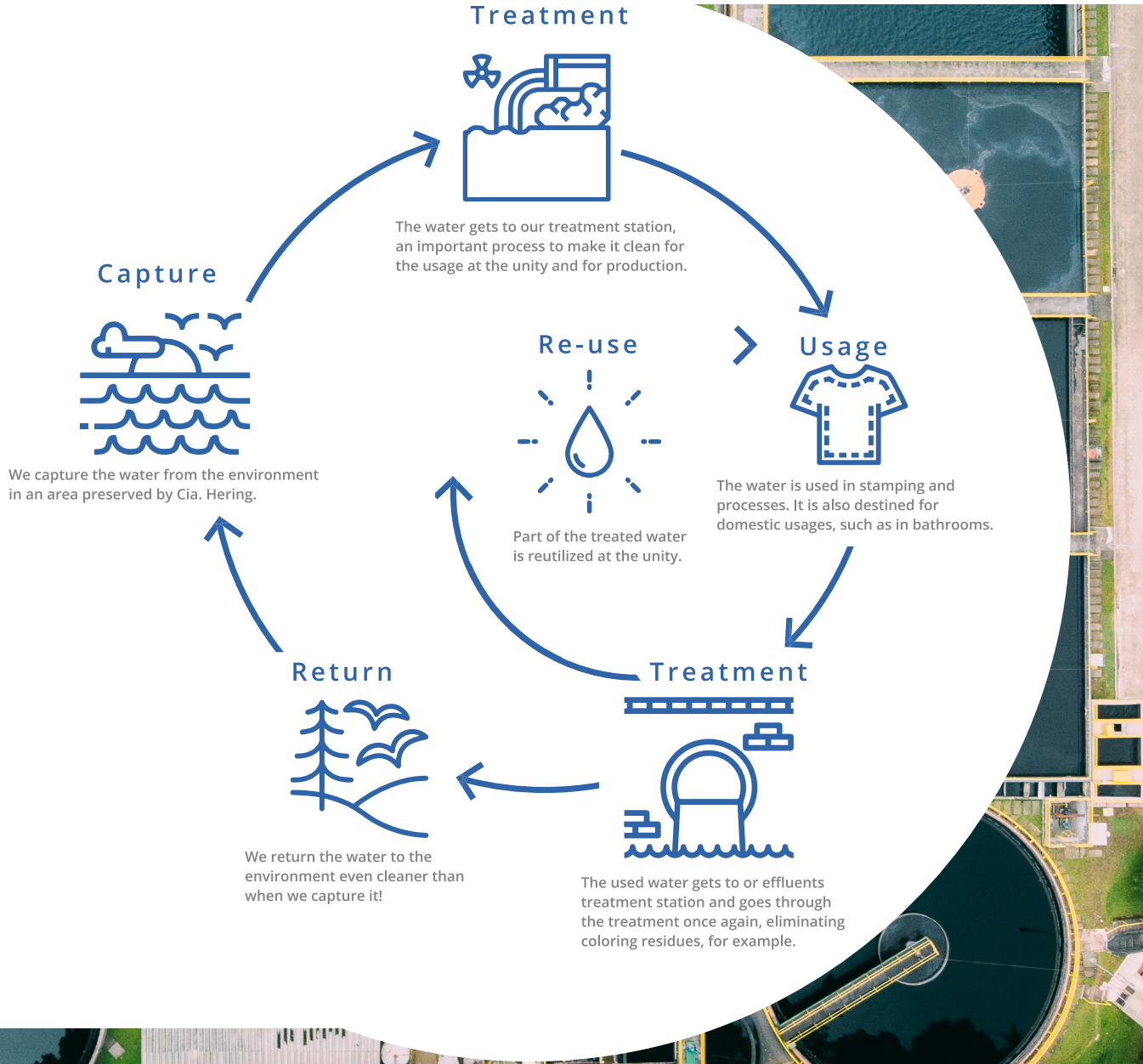
Processes such as dyeing and stamping demand full attention, not only because of the consumed water volume but also its treatment and return to the environment.

Since the majority of these processes are focused on the Itororó industrial unity, in Blumenau (SC), corresponding to 86% of our total water consumption, a good part of the environmental management actions are also focused on such a unity. At Itororó, the capturing center is installed by the Ribeirão do Gato river, that goes through an area that belongs to the Company, with 250 thousand m2 of preserved area. Besides Itororó, São Lluís de Montes Belos (GO) unity is the only one to produce industrial effluents, that also go through treatment processes.

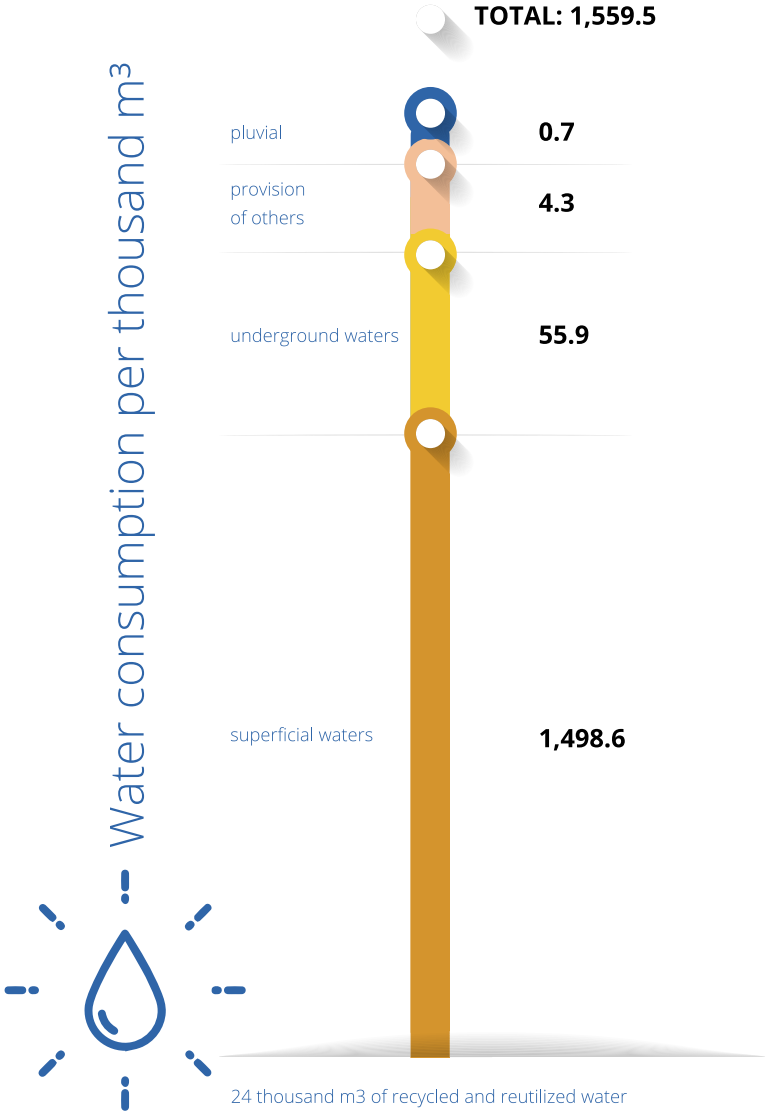
At the other unities, the sanitary sewage is treated by local concession companies responsible for the sewage treatment. Should no available treatment exist by the concession companies, Cia. Hering's filters and tanks are will be used. At Itororó, we focus the majority of our investments to maximize efficiency, and we rely on an automatized Effluents Treatment Station (ETE). The ETE was modernized in a project started in 2018 and finished in 2019, in a line of a 4.0 industry concept, ensuring less chemical consumption, more efficiency and higher quality of the effluent sent back to the river.

With the investments in technologies and improvements of the productive processes, we also reduced in 4% the volume of water consumed per ton of produced knits at the Itororó unity, comparing 2019 to the previous year.

WATER CYCLE AT THE ITORORÓ UNITY

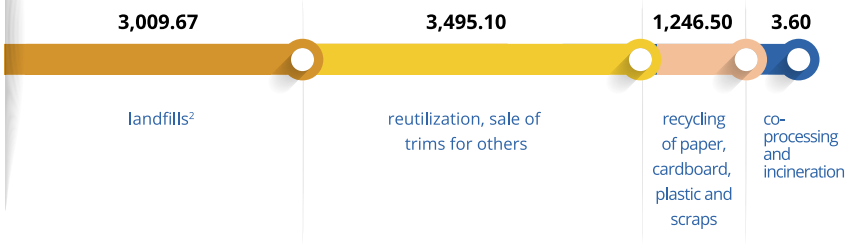


Performance Indexes



EFFLUENT DISPOSAL BY DESTINATION	*Thousand m³*
ETE: course of water (river)	**1,503.8**
Septic tank: sanitary landfill	**0.6**

DISPOSAL OF NON-HAZARDOUS RESIDUES [1] in tons **7,754.87**



	ENERGY CONSUMPTION in Gigjoules (GJ)
Biomass	**293,719,352.2**
Natural Gas	**166,725,245.4**
Eletric	**125,705,602.2**
GLP	**6,833,392.4**
Diesel	**3,795.3**

ENERGY INTENSITY[3] 0.969 kWh/piece

[1] Volume of hazardous residues in 2019: 7,735 unities of lamps, destined for a supplier that performs the decontamination and recycling of such; and 7.75 tons of batteries destines for recycling.

[2] From the volume sent to the landfill, 80.24% refers to the residues resulting from the station treatment (sludge). Cia. is already seeking for recycling options for such sludge.

[3] The total consumed energy is all Clothing Unities and at the Matrix is taken into consideration, divided by total number of pieces produced by Cia. Hering in the year.

Social Development

We believe in the power of making it together and we want to contribute to the future of the fashion industry to be more just, sustainable and responsible. We work on the construction of a society where new professionals will use their talents with protagonism and will to seek new forms to make things.

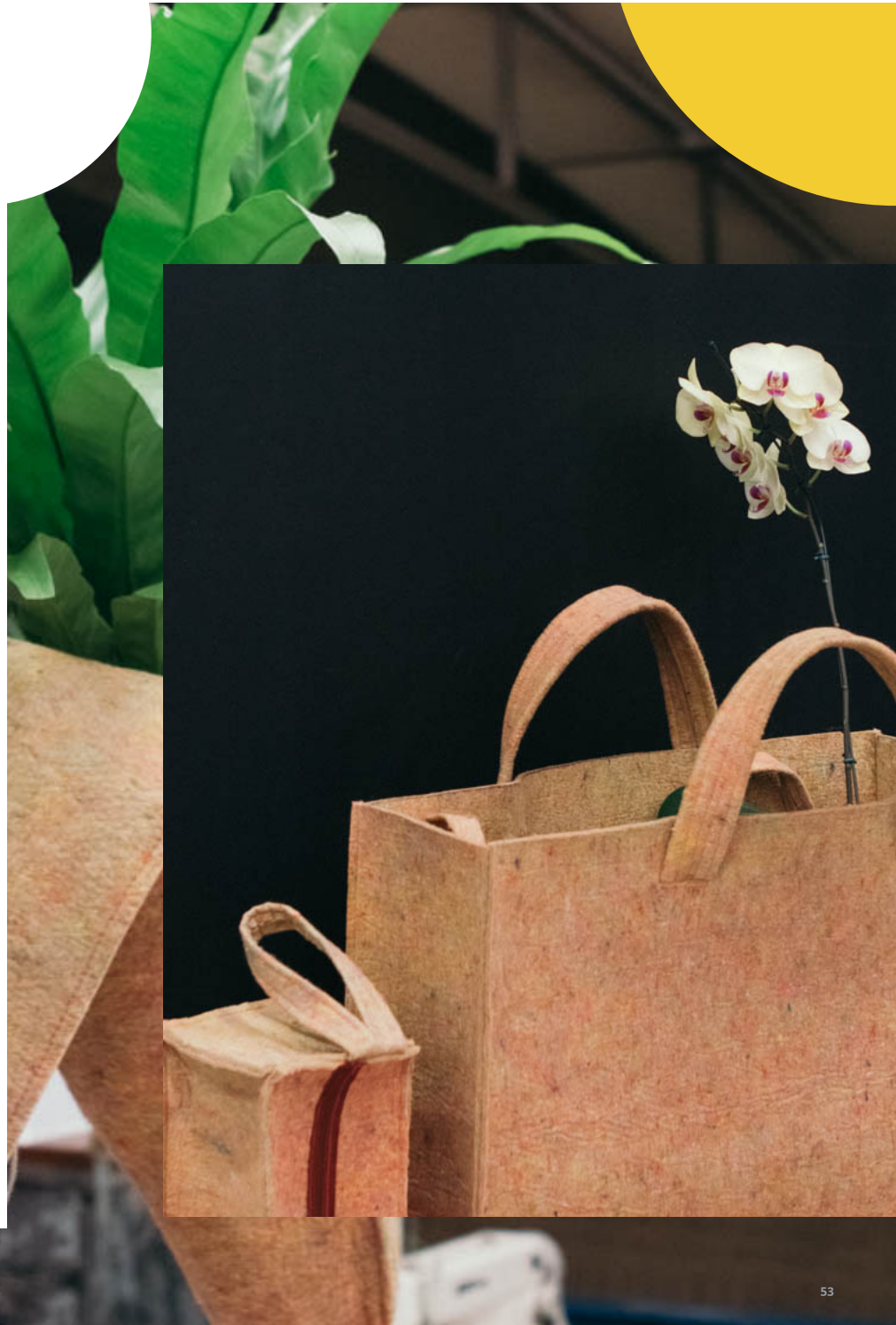
The excerpt of the previous part is a part of the Hermann Hering Foundation manifest, created in 1935. With the purpose of **#fashinforthenewworld**, the Foundation contributes to the sustainable activation of the fashion eco-system through various projects and investments, mainly with the offer of formation and reflection on fashion and its future. The Foundation leads the social investment of Cia. Hering and works on partnerships in the states of Santa Catarina, Rio Grande do Norte, São Paulo and Goiás, summing actions in more than 50 cities in 2019.

The Foundation's resources come from the capturing of tax encouragements of individuals and legal persons and direct investments from Cia. Hering and other partners. In 2019, Cia. Hering destined R$ 1.8 million for the Foundation, and 16% come from tax investments and 84% referring to dividends and direct inputs.

The Foundation works through the two following pillars: *the encouragement to the fashion sustainable entrepreneurship, and the preservation of the memory and the cultural appreciation.*

In the first pillar, the Foundation develops and encourages projects, programs and actions that contribute to the activation of the fashion eco-system in a connected manner to the Sustainable Agendas, valuing cooperative processes, waste re- utilization, diversity appreciation and innovations related to the circular economy. Some examples of these projects are Trama Afetiva, Retrama, Encadeamento Produtivo, Creative Workshops on Solutions and partnerships signed with SEBRAE, Instituto Reciclar, Museu da Pessoa and Junior Achievement.

In the branch of memory and culture, the Foundation maintains, in Blumenau (SC), the Ingo Hering Memory Center (CMIH), with more than 40 thousand stock items, and the Hering Museum, which has received over 158 thousand visitors. With the mission to safeguard and promote parts of the fashion and Cia. Hering history, both provide the community with continuous services. Every two years, the Hermann Hering Foundation holds the Interdisciplinary Seminar on Museology (SIM), destined for the addition of shared value to the museum and culture management chain and the encouragements of transversal policies with education, tourism, welfare and economic development. These actions are developed through partnerships signed with public and private institutions. The Foundation's work was granted in 2019 with the Museum Modernization Award of the Brazilian Institute of Museums (IBRAM).



Indexes:

With a growing perspective on the sustainable development of the fashion ecosystem in national level, the Foundation is part of movements that promote the discussion, the reflection and the engagement of many actors in the construction of new scenarios and the reduction of the inequalities, such as Lab Moda Sustentável, Fashion Revolution and Santa Catarina Moda e Culture (SCMC).
Committed to the United Nations Sustainable Development Goals (SDG), the Foundation works mainly on the development of projects linked to the following goals:

only in 2019

+ 2,500 people directly impacted *by the participating companies of the Production Chaining project under a partnership with Sebrae Nacional*

474 kg of clothing residues re-signified *in 2019, throught the Retrama project*

+ 40 thousand documented items, *at the Ingo Hering Memory Center [CMIH]*

+ 600 people reflected on fashion *as a social transformation instrument at the Trama Afetiva Festival.*

+ 3.2 thousand hours *of consultancies and whorkshops*

Get to know further about the projects and actions developed by the Hermann Hering Foundation on:

www.fundacaohermannhering.org.br

Build It Together

We believe in the power of the group and we also value the singularity of each individual. We know that innovation only arises within a heterogeneous team that works with rust, respect, inclusion and integrity. We encourage and help one another to reach such goals.

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SOCIAL & RELATIONSHIP
HUMAN
INTELLECTUAL

Collaborators

Cia. Hering is a Company with a soul. Such a soul are people who have relate and thrive together, acting in our value chain. Through their dedication, we achieved 140 years of excellence; In the following infographic, get to know more about the people who work to make it happen:

35.6%
1,905 men

64.4%
3,448 women
56% women in leadership positions

CONTRACT TYPE
1,854 permanent
51 temporary

JOB TYPE
1,816 integral
89 part time

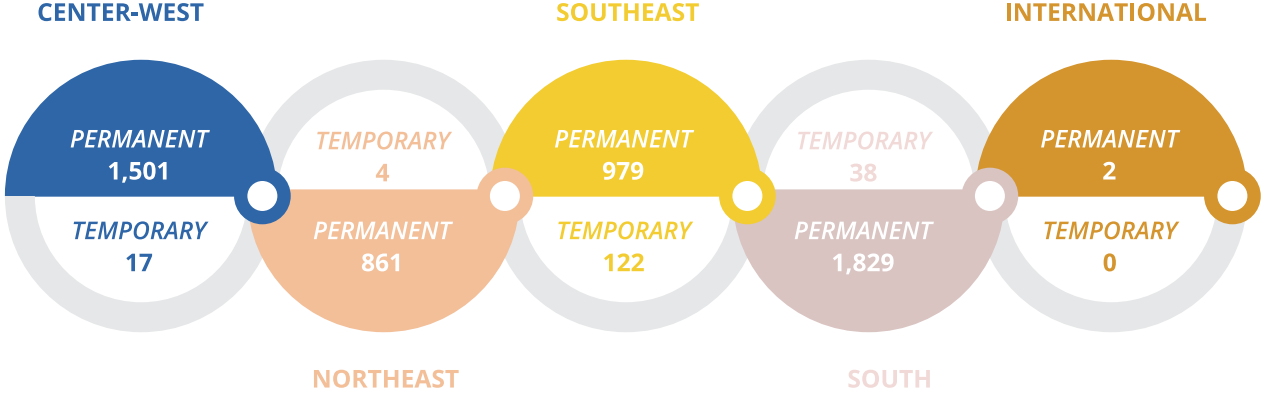
CONTRACT TYPE
3,318 permanent
130 temporary

JOB TYPE
3,339 integral
109 part time

5,353
COLLABORATORS*

**In 2019, we ended the operations of a clothing unity in the city of Indaial – SC and a clothing unity in Anapolis – GO. The action, linked to strategic decisions that contribute to our industrial processes, impact in a variation in the number of collaborators in comparison to 2018. These data were compiled through the Senior system regarding the full relation of the collaborators' records in 2019.*

REGIONS PER CONTRACT TYPE



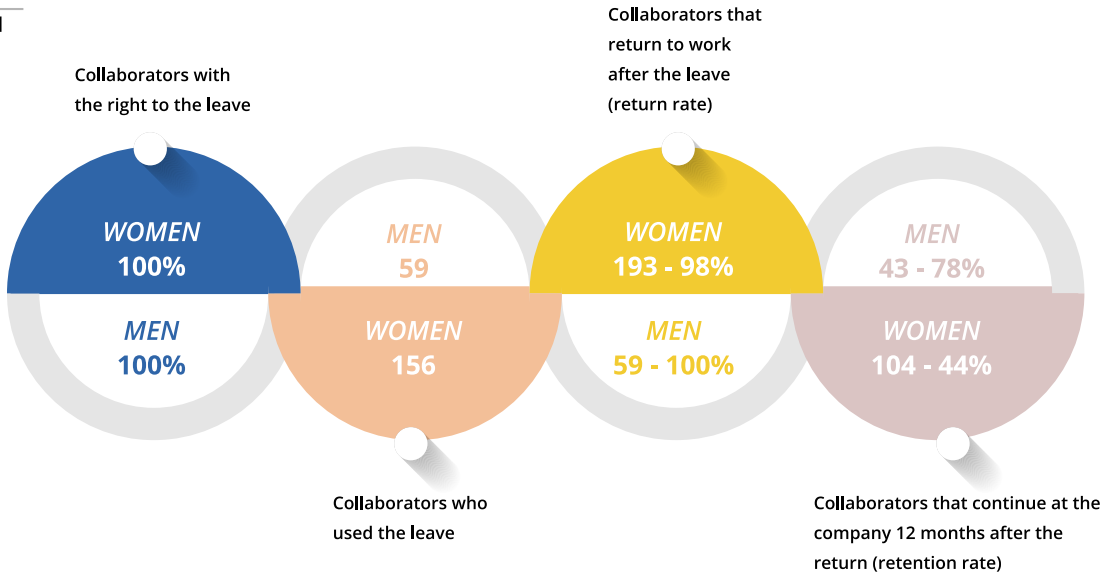
100% of the Cia. Hering's collaborators are covered by collective negotiation agreements.

			center-west	*northeast*	*south*	*southeast*
hiring process	1,643	1,032	748	160	733	1.034
contracting rate	48%	54%	49%	18%	39%	94%
terminating collaborators	888	595	544	72	414	453
rotation rate	24%	30%	33%	8%	18%	49%

	up to 30 years old	*between 30 and 50 years old*	*above 50 years old*
hiring process	2,057	580	38
contracting rate	75.02%	26.33%	9.31%
terminating collaborators	968	469	46
rotation rate	40%	18%	0.8%

Calculation of rates: $\frac{\text{number of terminating/hired collaborators in the period}}{\text{number os collaboratos since the beinning of the period}}$

PARENTAL LEAVE



Diversity

Here, we make life uncomplicated. To uncomplicate life is to live lightly and authentically with respect, appreciation and connection with the essence of each person. In our relations, we concretize the authentic character of the Company and, to do so, each of our collaborators must be exactly who they are.

Therefore, Cia. Hering sees diversity as a primary feature for its team, pursuing, in the singularity of each one of our collaborators, the fundamental multiplicity for the company's evolution.

We believe in the power of the group and this power can only be effective when the relations are based on trust, inclusion, and integrity. For us, this inclusive environment is only possible through welcoming and transparent work dynamics. And that is why we work to strengthen the group through a singular and unique way of each one of us.

Plural Programs

The Plural Programs is a fostering tool for the diversity within the Company and, in 2019, focused on the inclusion of persons with disabilities, on new strategies for hiring processes, investments and promotion of the subject. Besides seeking persons with disabilities for opportunities at the company, we also work on the awareness, promoting discussions about inclusion, education in LIBRAS, rounds of conversation, and follow-up interviews with the collaborators, appreciating our diversity. We worked on discussions and a mini-documentary about the inclusion of persons with disabilities on the international day of Persons with Disabilities to break the barriers and change attitudes. In 2019, we invested R$ 500,000.00 in buildings to expand the accessibility of our unities and R$ 60,000.00 in communication materials and actions that would raise awareness.

We set goals and we already perceived progress in the

period: from January to December 2019, we had an increase of 78% in the representation of persons with disabilities at Cia. Hering. We still have a long way to go, that is why we will keep on acting in this sense and reporting our progress. The program was also a case for discussions at the meet-up held at the matrix in Blumenau, the "Corporative Dialogues", organized by ABRH (Brazilian Association for Human Resources).

In 2020, we will focus on the evolution of the discussions in other diversity branches, seeking to build an even more inclusive and plural environment.

Culture

Our organizational culture establishes the connection between our collaborators. And it makes our values and purposes tangible, ensuring the coherence through the identity practices and behaviors fundamental for the business evolution.

The alignment of this culture depends on the connection among our collaborators, this is the reason why we seek to maintain open and simple communication, that favors the access to information about the business, achievements, and news. For such, we rely on internal communication actions, programs, channels and tools, such as intranet, the digital murals and the communication agents, collaborators who volunteered to support the communication at their unities and fields.

In 2019, we went through a project of deep review of the corporative culture. We came from historical analysis, from the Company's origin, and we mastered the distinguished elements of our journey to understand the sustaining pillars of the business. With our perspective towards the spirit and demands of that time, we consolidated a narrative for this new cycle of Cia. Hering.

The culture project was the highest peak in the year for the Company. From it, we strengthened our beliefs and we oriented the organization based on 5 values: make it happen, passion for the cause, add value, build it together, and entrepreneurial spirit. Through this process, we rethink our organizational purpose to bring more strength to our essence and to accelerate our strategic evolution. "To facilitate choices, to uncomplicate life" is now the purpose that moves us, a goal that was already present in our decisions and, especially, in the construction of the relationship with our customers.

We also promote the collaborators' engagement initiatives to keep them connected to the Company's values and purposes. Among these initiatives, there is the leadership agenda to share the culture process, aiming to engage and empower the team in the theme. We also created the Game of Values, an action carried out by the education team to promote them at the Company in a playful way, inserting them in the collaborators' context and demonstrating how they apply to Cia. Hering daily life in a practical way.
In addition to it, we also have communication activations, such as the institutional website, the Day of Culture at the unities, which relied on the Cia. Hering's website.
As for the 2020 performance evaluation processes, the values will be added as evaluated competences in all the participating collaborators. This means that our collaborators will have their performance also measured regarding the behaviors that reinforce our culture. We are focused on promoting an increasingly autonomous culture, empowering our collaborators and strengthening our horizontal relationships.

ACTION IN THE NETWORK

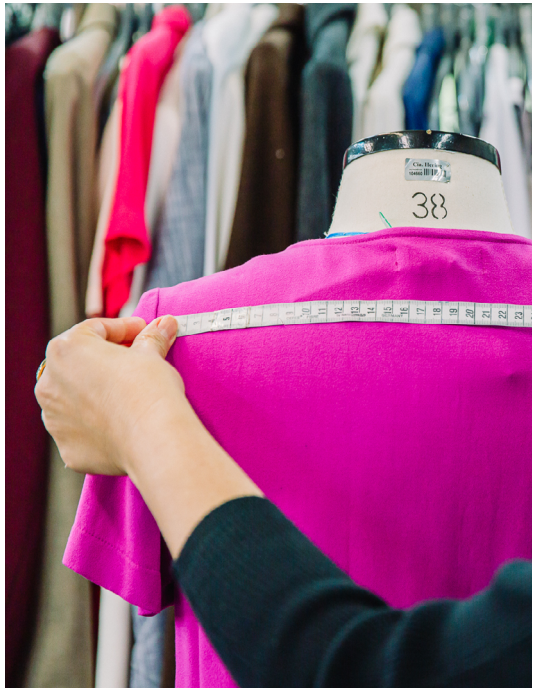
Our annual meet-up of leaderships reunited directors and managers on the subject of **Culture, Purpose and Strategy**. The two days of conceptual immersion brought up debates and learning about the leadership role at the Company.

DAY OF THE WHITE BASICS

In 2019, the day of basics, in which we invited all of our collaborators to wear basic white Hering clothing, celebrating the authenticity and style of each one, with the subject "My Basic, My Style". The action, which is already an annual tradition, also celebrates the Cia. Hering's anniversary.

Collaborator's Journey

We have management oriented to look upon the **Collaborator's Journey** aiming to take care of the sustaining foundations of our business and ensure we have engaged talents in performing their full potential, confident in development opportunities, who feel duly recognized and who understand their importance in the construction of our Company.



Attraction

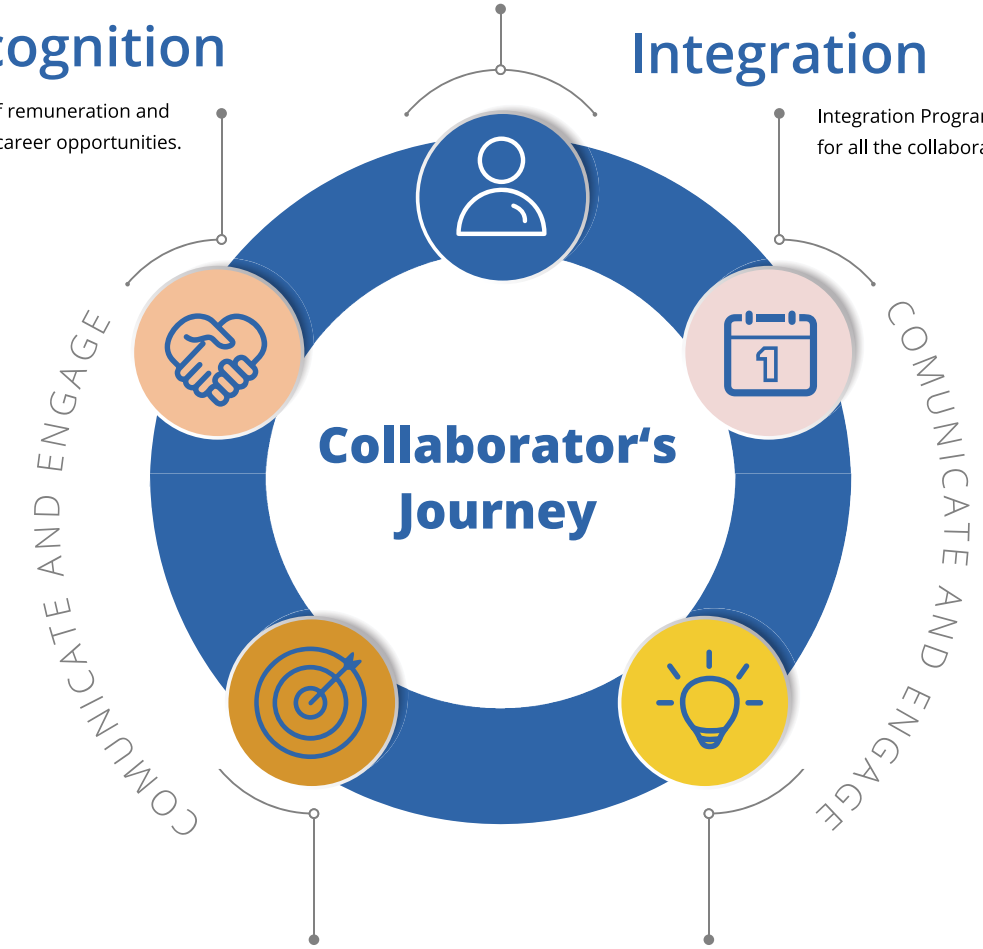
Promotion of opportunity, Internship and Young Apprentices Programs, LinkedIn and Institutional Website

Recognition

Policies of remuneration and benefits, career opportunities.

Integration

Integration Program for all the collaborators



Performance

Performance Management (GIP) and succession map

Development

Development Programs, leadership training, #Ishare, online platform, challenges in the field of work

In the following, get to know our main initiatives in each of the stages of this journey.

ATTRACTION

To attract compatible talents with our business is the first step of the journey. For such, we rely on many initiatives focused on seeking talents and competencies that connect to our strategy and values.

One of them is the Young Apprentice program, which counts on over 200 young practitioners acting at stores, industry and administration of the Company, strengthening our commitments to learning and development.

The Internship Program is also an important entrance door to many areas at the company. Through follow- ups and specific agendas, we structured a development journey for our interns, investing in new talents. We are proud of the many leadership cases, including at the Directory that began their path at the Company from the program. The approval rate in the 2019 program was 44%.

In addition, we rely on the Young Entrepreneurs Program, a trainee program that has its second edition in 2019. With it, we bring young entrepreneurs to the business so they can engage in the development of strategic projects, seeking to prepare them for future leadership positions.

INTEGRATION

Assuring ourselves to create a connection between the collaborator and the Company is as important as attracting new talents. For such, our talents are involved by the Company's culture since the beginning.

In their first day with us, the collaborators go through a general integration, in which they get to know more about Cia. Hering, our business model, brands, sale channels, and the main numbers. In this moment they are also involved with explanations regarding the benefits and safety rules, especially in industry.

Throughout the first months, the collaborator is also invited to participate in the "Business Model" game, which details our business model, contributing to new members to understand the relations between the areas. It is also an opportunity to foster the look towards their career within the Company, providing them with a broader overview and path to be tracked internally. Since 2020, the new collaborators will also take part in the new groups of the Values Game, a dynamics applied to promotion of values in 2019 (get to know more on page 60).

In some cases, we also rely on guided visits, in which these collaborators get to know our history at the Hering Museum and expand their comprehension about the Company's production flow, besides the business history and origin.

DEVELOPMENT

Respecting the individuality and particularity of each one, we understand that the professional development must seek to connect the collaborators' motivations and talents to the Company's purposes and business, placing the suitable profile at the right time and place and cooperating to the construction of environments in which each one can perform their growth and learning potential. Therefore, we are constantly investing in the development of our people, through different initiatives and tools:

Online content – We make available an online education platform destined for the collaborators' training, besides franchised and their teams, multi-brand clients and representatives.

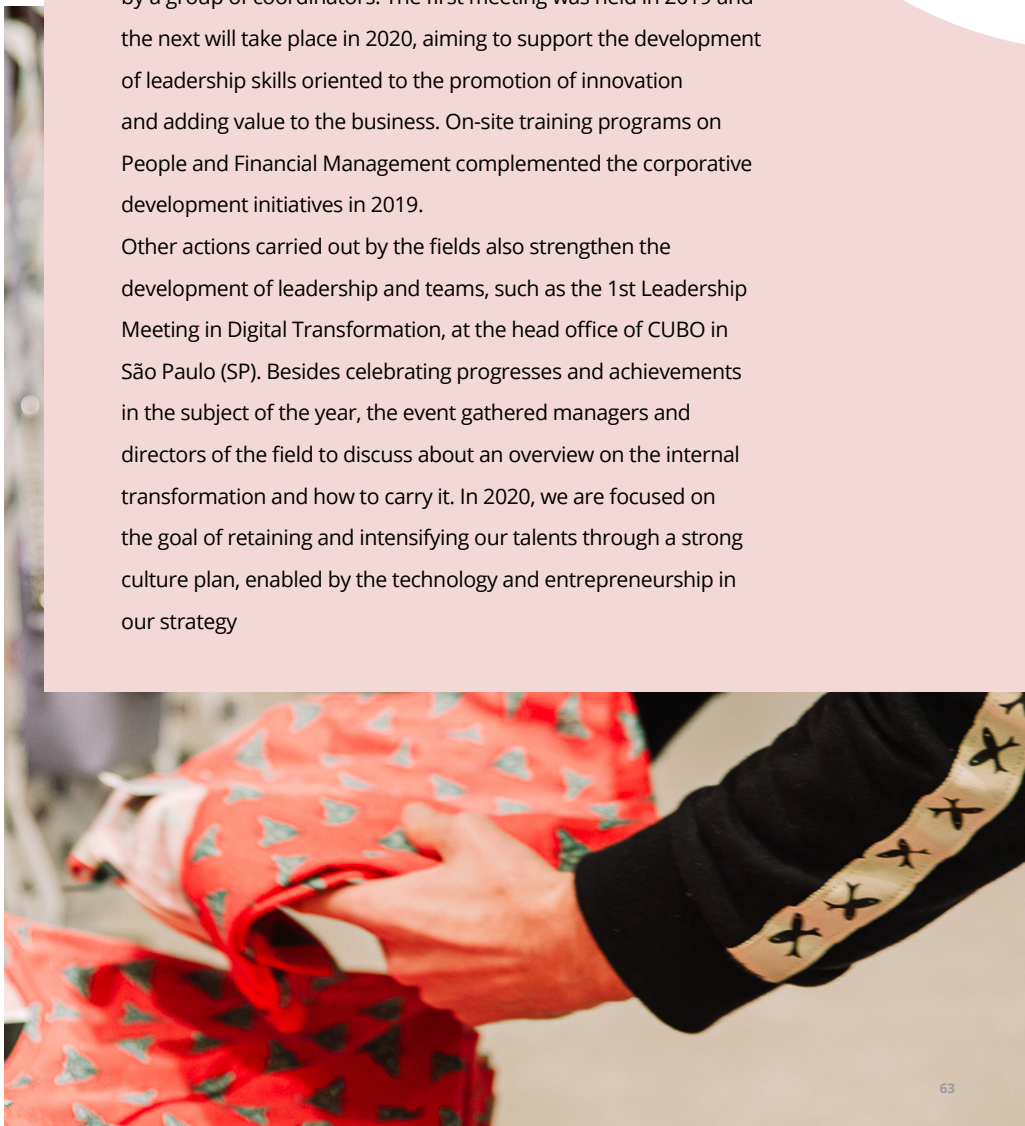
Varejar – a development program that promotes lectures about retailing and experiences at stores for the collaborators. It aims to connect our collaborator to the speed of retail and to the needs of our customers.

Coffee with Strategy – agendas carried out by Cia. Hering's leaderships for collaborators, aiming to connect our people to the business strategies, supporting the promotion and alignment of our teams with initiatives and relevant projects for the institution.

#IShare – An initiative that fosters the protagonism and empowering of our collaborators, offering a space to share experiences and knowledge aligned with the themes of business model, behavior and tools. In a cooperative format, this agenda is carried by collaborators to collaborators and encourages the knowledge exchange between the participants. In 2019, we held 20 #IShare meetings.

Leadership development and leadership training - in 2019 our focus was on training of leaders and future leaders on people management, innovation, finance and business trends of the fashion. We promote a training agenda in partnership with Istituto Europeo di Design (IED) about fashion and consumption trends for a group of analyst collaborators from several fields at the Company. We also held the second edition of the Leader Coach program for the Company's managers focused on subjects related to the management of teams. We began a program of 5 meetings under a partnership with Saint Paul offered by a group of coordinators. The first meeting was held in 2019 and the next will take place in 2020, aiming to support the development of leadership skills oriented to the promotion of innovation and adding value to the business. On-site training programs on People and Financial Management complemented the corporative development initiatives in 2019.

Other actions carried out by the fields also strengthen the development of leadership and teams, such as the 1st Leadership Meeting in Digital Transformation, at the head office of CUBO in São Paulo (SP). Besides celebrating progresses and achievements in the subject of the year, the event gathered managers and directors of the field to discuss about an overview on the internal transformation and how to carry it. In 2020, we are focused on the goal of retaining and intensifying our talents through a strong culture plan, enabled by the technology and entrepreneurship in our strategy



PERFORMANCE

The program of Integrated Performance Management (GIP, in Portuguese) is a tool that strengthens the practice of our competencies and guides the development of our collaborators through 360o evaluation performances, which result in feedback and development plans performed jointly with the management.

In 2019, 1.3 thousand collaborators finished the performance evaluation cycle from GIP started in 2018, a number equivalent to 92% of the eligible audience to participate in the process and 20% of the total amount of active collaborators in the beginning of the cycle.

The program has been through a restructuration process, with objective evaluations and connection to the succession mapping.

For collaborators who work on operational fields, such as the stores and industry, evaluation forms are applied through their leadership, besides feedback discussions. The training of such leaderships for the performance of this process reached 100% of the eligible audience.

RECOGNITION

To connect the right person, at the right time and place also means to recognize our talents. In 2019, we strengthened the processes to identify the collaborators with potential to be leaders at Cia. Hering and we finished a succession map of the prime leadership positions. In the previous year, this work had already been concluded for the directory and management and was updated in 2019 from a new performance evaluation cycle. Another important way to value people is the internal utilization of collaborators in the opportunities in different fields at Cia. Hering. In 2019, this index was 53.49%.

Health and Safety

We work on raising awareness of our collaborators, reinforcing the importance of the attitude of each one so the safety processes can be effective. We also rely on the Internal Commissions for Accidents Prevention (CIPAs) to follow-up the labor security initiatives with the members elected by the collaborators and designated by the company, and we hold the Internal Week for the Labor Accidents Prevention (SIPAT) and the Health Week, which, in 2019, approached the body and mind health, aiming to raise awareness and encourage transformation in the people's habits.

Aiming to ensure the conformity and promote the development of health and safety processes, we also hold the Labor Health and Safety audits, analyzing items such as the compliance of rules, procedures and the collaborators' engagement in the subject.

In 2019, the Goianesia unity completed 3 years with no accidents with leaves. We build this work with the whole team, achieving 1,095 days with the cooperation of everyone and seeking to increase such a brand daily. Such as at the São Luis unity, which achieved the mark of 700 days with no accidents with leaves and Paraúna with more than 800 days. These milestones contributed positively to end the year with a security index of 1.37.

In 2019, we relied on 641 frachise stores in Brazil and 20 stores in Latin-America, in Bolivia, Paraguay, and Uruguay, which created about 6,4 thousand jobs.

Franchised

We are the largest clothing franchise in Brazil and we rely on Brazilian stores and also in Latin-America, in Bolivia, Paraguay, and Uruguay. The socio-economic development generated by our franchised network is an important aspect of our creation of value.

CONECTA PORTAL

To strengthen our relationship, we rely on the Conecta Portal, a B2B digital relationship platform launched in 2018. In 2019, this tool brought progresses to the adherence, now all the franchised, representatives and multi-brand clients use it. Through the digital platform, the shopkeepers and the representatives have access to virtual catalogues, request consultation, data reports and other tools that help at the business management. The platform is divided in two branches: showroom and reposition, the latter being currently the focus of its usage. With it, we make the purchase process easier with a better frequency and usability.

With the focus on the journey of use of this new purchase format, in addition to this year's membership we have also advanced in the understanding and complete vision of the Portal's possibilities.

With the structuring and consolidation of the Customer Relationship Management (CRM) area (learn more on page 32), we fostered the culture of data use also for franchisees, sharing information and trends.

We improve our strategies and sales tools. For the basic line, we implemented automatic replacement. Through algorithms focused on trends and analysis of our new area of Market Intelligence on the history of purchases, we were able to strengthen our relationship with this audience, facilitating their management and improving their results with more accurate orders and achieved purchase recommendations being accepted by up to 86%.

In the relationship with franchised companies, there is the opportunity of working in different stores formats, such as the light franchise, a new possibility that allows the franchised to choose a more specific business to its particularities, not as wholesome as the full franchise model.

We also offer a basic shop format, an option that gathers practicity, agility and convenience. With a store concept in smaller dimensions, its objective is to maintain the proximity of the Customer and to facilitate their routine. The format is focused on high-rotation products, that is, our best sellers, with 100% of automatic replacement. Aiming to encourage the entrepreneurship in the value chain, we also rely on the Council of Franchised Companies, which decides about relevant subjects of this group. We invest and promote a robust schedule of meetings, trainings, and events, for example Cia. Open Dooars, a moment in which we receive the franchised collaborators at the Blumenau unities to integrate the Cia. Hering's culture and expand the knowledge about our business.

All the newly Franchised Companies are also received for integration agendas at the Blumenau and São Paulo unities, strengthening their connection to Cia. Hering. Other actions that marked 2019 were the first edition of Retailing Summit, an event with content about retailing for the franchised companies, the launching of the Mentorship program for new franchised, the participating in Latam Retail Show with an exclusive agenda of Cia. Hering and the 1st Convention of Store Managers with the theme of "Christmas Spirit" and two days of training for that moment of the year.

The branches of education and integration promoted for the networkareplannedbyacommercialtrainingteamfullydedicated to the agendas with the channels audiences – franchised companies and team, store managers, multi-brand clients and representatives – to expand the repertoire about the collections and the business. All the relationship and development initiatives of this partners network contributed to the achievement of the best satisfaction research by franchised companies in the last years, with a performance of 7,4 and adherence of 95% of the network.

ONLINE EDUCATION

We rely on an online platform focused on pieces of training and courses for the teams from stores, franchised companies, representatives and multi-brand clients. The tool is widely used and had an even higher adherence in 2019. Also available in the app format, the platform facilitates access to information about our business in the Distance Teaching model. In 2019, 1.5 thousand users were connected to the portal, totaling more than 57 thousand accesses and generating a satisfaction rate of 95.5% with the tool.

Multi-brand clients

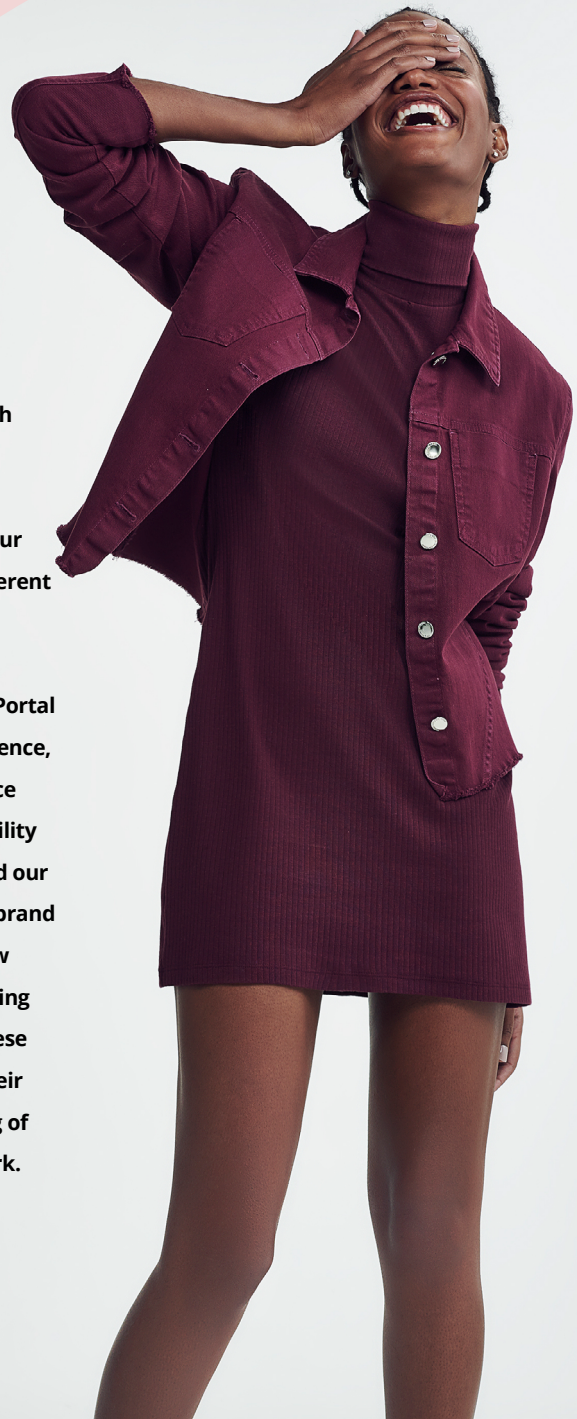
We are focused on the revival of our multi-brand channel. Our team is attentive to the strategy of our business models and to the proposition of value of a new management model. The channel digitalization, begun in 2018 and consolidated in 2019, was one of the main steps for this transformation. With our digital channel, Conecta Portal, we strengthen our ties and focus on the improvement of the experience, having an increasingly personalized perspective towards the channel's clients, attentive to the particularities and enabling customizing a way with which Cia. Hering bonds to the multi-brands.

In 2019, the showroom experience in the channel was reviewed, bringing more content to the clients and a sales format focused on "storytelling" of each brand, increasing the average request and the sold mix. In addition, we re-signified the acting of the representatives, who are now with a more consultancy role, meeting the client's needs and seeking healthy sales.

In 2019, a new sales channel was created, Key Account, focusing on sales for great accounts in the country who strengthen the exposure of Cia. Hering's brands with depth in the management of the sales point.

The multi-brand clients and the representatives take part in our platform for Distance Education, with access to the content about our brands, such as campaigns and collections. As for the Qualified Retail clients and representatives, who have more than 80% of our products from Cia. Hering's stores, on-site training on financial management as held, under a partnership with Sebrae.

This sales channel, which relies on more than 10 thousand clients and is responsible for 40% of our revenue, evolved in different branches throughout the year. In addition to improving the Conecta Portal experience for this audience, expanding the adherence and improving the usability of the tool we reinforced our relation with the multi-brand channel, getting to know and further understanding the particularities of these clients to strengthen their engagement and feeling of belonging to our network.



Suppliers

We are a Company with a model of hybrid businesses, that is, the sold products in our business can come from two production models, the own production and the purchase of finished products. In these two branches, we rely on three types of suppliers: the ones for raw materials and provision of services, and the confections that perform the stages of the production process, both inside the model of own production, and sourcing, which provide us with ready products.

This assures us flexibility and the opportunity to seek the best products with specialized suppliers, reinforcing our commitment to quality. In our operation, 80% of the products are from internal production combined with the acting of suppliers who perform the stages in the production process, such as sewing and packaging, while the other 20% come from international and national sourcing.

4.1 thousand
Active suppliers

3,649
supplies, raw materials and provision of services

providers of services for administrative, operational and logistics projects, and raw materials and industrial suppliers

366
confections

partners with whom we rely upon for the production process, such as sewing, all close to our production unities

126
sourcing

suppliers of ready products, with whom we complement our collections, which 62 are from Brazil and 64 overseas

Main ones: China, Bangladesh, India and Paraguay.

Expenses with Local Suppliers [%]

90%

100%

15%

Estimate monetary value of the payments made to the national suppliers: **R$ 984 million**

GRI 102-9 | 103-1 | 103-2 | 103-3 | 203-2 | 204-1

Selection and monitoring

As a guarantee of an operation aligned with our values and commitments, we demand all our suppliers, in the contraction moment, to adhere to our Suppliers' Code of Conduct. To support the definition of relationship strategies, monitoring and development of the suppliers' chain, we work on a multi-disciplinary committee, which defines the follow-up and development actions for the suppliers, observing the potential risks to the business.
Concerning the confections, in the moment of their selection and through the term of the contract, all suppliers go through non- announced on-site audits, with the Cia. Hering's team and the period between 30, 90 and 180 days, according to the exposure to risks presented. In the audits, we evaluate the adherence to the commitments and the good practices of social-environmental responsibility and conformity to the labor laws, health and security legislation, besides documental verification of licenses and environmental issues.
We also held actions to raise awareness with the sewing suppliers when it comes to the disposal of residues, such as burrs and knit spares resulting from the operation, which could cause some impact. Cia. Hering has control of the sending and return of spares, a growing process for all the bases of confection. We also identified the risk of water contamination by liquid effluents in the process of industrial laundering (chemicals). To mitigate this impact, we hold a monitoring procedure of the legal documents in all the cases and the functioning of the ETE. Up to now, we did not identify any significant or potential negative impacts of this operation. Our checklist applied to the audits observes the criteria such as the environmental licensing per activity and its conditioning regulating factors for controlled chemical products; Information Security Form for Chemical Products (FISPQ); stocking pursuant the legislation; management of solid residues according to the National Policy for Solid Residues (PNRS); Management Plan of Solid Residues (PGRS); IBAMA inspection control if and when applicable; Federal Technical Registration (CTF); control of environmental raw material; atmospheric emissions; follow- up of effluents; control and follow-up of ETAs.
We are improving the monitoring method and the certification of such partners to work also for ABVTEX. We aim to work only with certified companies, working with our own audits on time. By the end of 2019, 30% of garments had already migrated to ABVTEX. In what concerns the sourcing suppliers, all the national partners in the fashion production chain must be certified by ABVTEX and, therefore, do not go through audits, except in case of complaints or specific cases.
In the scenario of international sourcing, we work with a Quality Team of an outsourced company, hired to hold audits on the pieces and, according to the due training by the Compliance Team, also verify the social aspects in the suppliers' visits. In addition, we require from the network the international certificates SA8000, SMETA, WRAP and BSCI, worldwide references of efficiency and accreditation.
Since November 2019, we also rely on a follow-up project for suppliers and business partners, such as franchises, despite a permanent contract, to get the certification of the Brazilian Institute for Certification and Monitoring (IBRACEM), progressing in the mitigation of risks of the other branches in the chain.
In 2019, we identified 716 items that do not comply with our suppliers' chain. We performed 334 Actions Plans as a solution and 81 contracts with suppliers were terminated.

Cia. Hering is a signing party of ABVTEX and is a member of the Managing Committee from such an association.

Get to know here the list of the ABVTEX's suppliers.

Development

Besides ensuring the conformity and adherence to our commitments, we want our relationship with the suppliers to result in development. That is why we created, in 2017, the ABRA Awards, a program that recognizes the suppliers with the best quality practices, compliance and confection.

The ABRA Awards reinforce our position and commitment with the sustainable development of the network, strengthens our relationship and encourages the adoption of better practices in the value chain.

The confections are evaluated quarterly regarding the quality indexes of the pieces they send, their actions in compliance, we take into account the final result of the audit and the regularity indexes according to the documents, besides the production flexibility of the more elaborated items in GO and delivery time of the request in SC and RN. These variables result in a final score and each trimester we grant the awards to the suppliers with golden, silver and bronze medals, according to the score in the three previous months.

We also recognize the supplier of the month, (master gold) who achieved the highest score summing all 12 months. Throughout 2019, 391 confections participated in the award, and, in four awarding trimesters we provided with 92 golden medals, 367 silver medals and 425 bronze medals. In the annual average, 25.7% of the suppliers achieved the score equivalent to golden, more than the double of the previous year.

To foster the process of continuous enhancement in the boosting the confection management, we relied on the Better Boosting Project, in which we built strategies to bring more predictability to our suppliers, contributing and facilitating the partner's decision-making process. The project brought a significant increase in productivity and its positive in the relationship with the network.

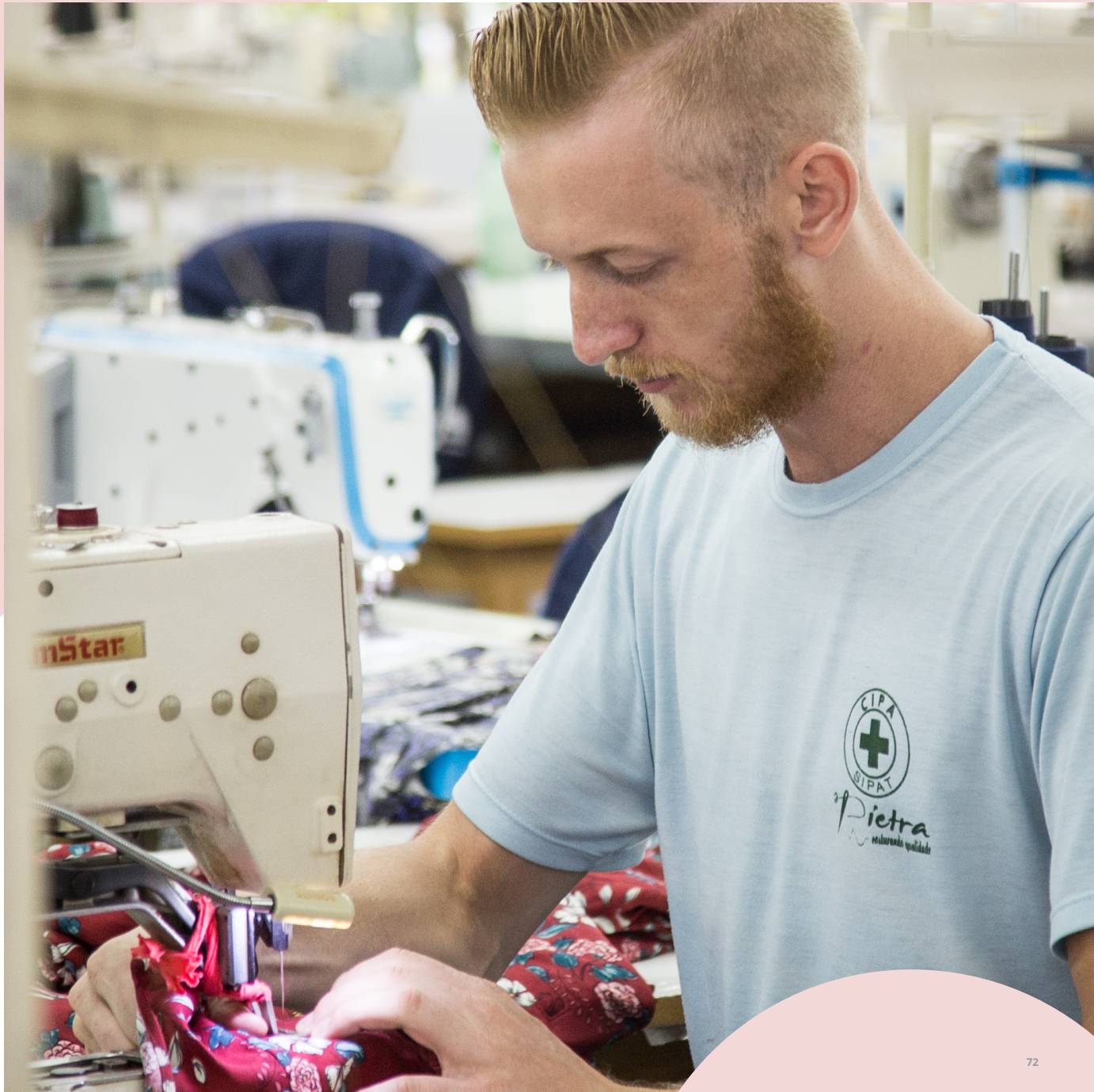
Complementing the development cycle, we once more supported the partnership between the Hermann Hering Foundation and Sebrae Nacional in the Production Chain project, which brought important signs of progress in the professionalization of management and operation, which also contributes so all our confection suppliers can achieve the ABVTEX certification.

To connect more and more our partners' network, we also hold annual meetings with the confections. In such events, we schedule agendas with various subjects, such as compliance, business strategies, quality, among others.

GRI 408-1 | 409-1

We reinforce our purpose and values through the pillars of acting with the suppliers' chain. In addition to being aligned with the legislation in force, a basic assumption for our network, we seek in our partners just and transparent acting regarding the human rights, considering contracts and working hours, welfare, and security for the employees, hiring of immigrants, parental leaves, just remuneration, and vacation. We foster the health entrepreneurship in business that work with respect to the collaborators and to the environment, reinforce compliance criteria concerning the social and environmental responsibility. These are fundamental principals for our operation and we replicate them to our suppliers, because we know that only then our network will have the capacity of adding value in a true way.

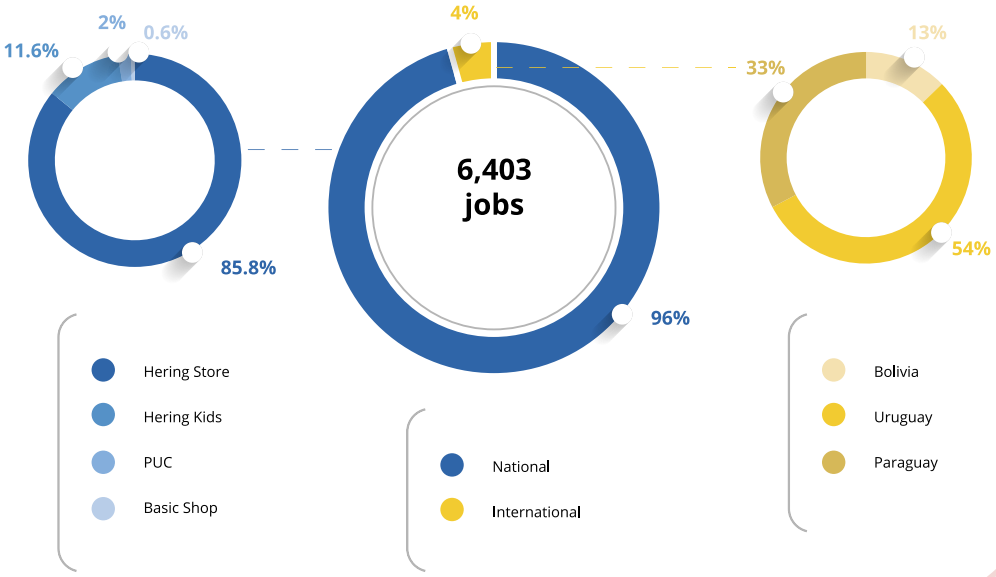
In 2019, no significant risks were identified in the operation (own or suppliers') of children work, young workers exposed to hazardous labor or forced labor or slavery-related.



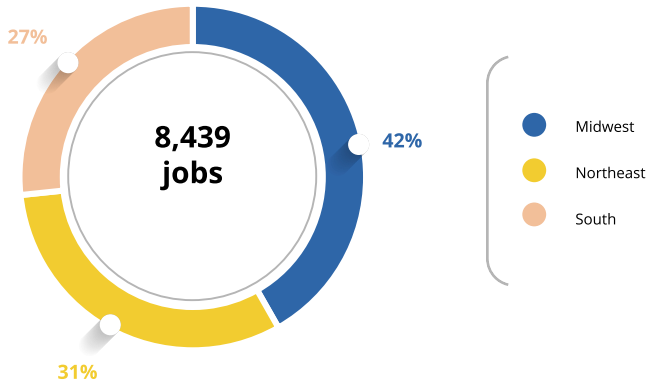
Impact in the Chain of Value

Through our suppliers and franchisers' network, we affected positively the society with the creation and maintenance of jobs, which enhance the development of the economy in different regions of Brazil and Latin-America.

FRANCHISES



CONFECTIONS



We also seek to support the development of the sector through participation in organizations and associations:

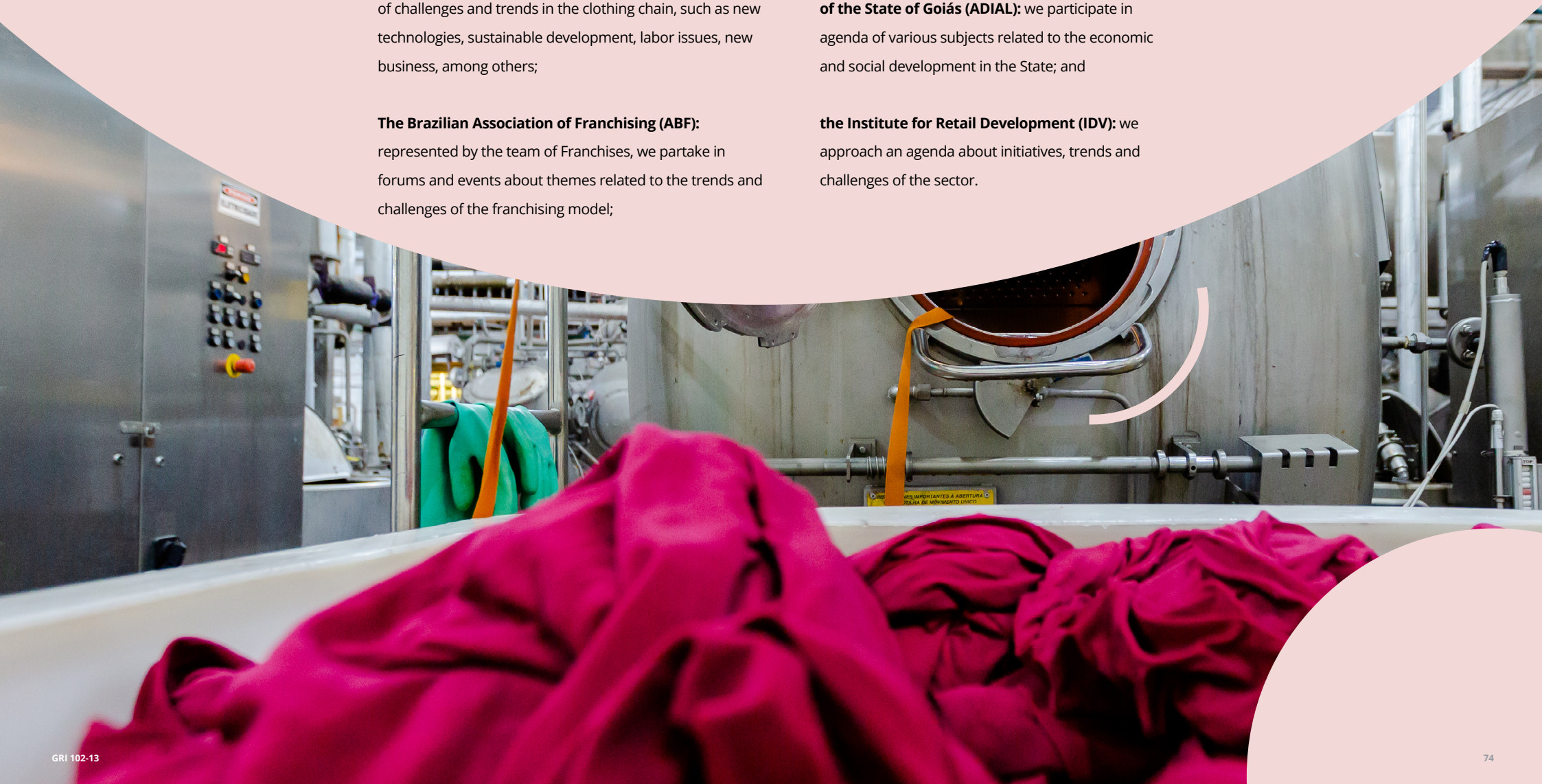
The Brazilian Association of clothing Industry and Confection (ABIT): this association represents us as the entity in various agendas in the sector related to the subject of challenges and trends in the clothing chain, such as new technologies, sustainable development, labor issues, new business, among others;

The Brazilian Association of Franchising (ABF): represented by the team of Franchises, we partake in forums and events about themes related to the trends and challenges of the franchising model;

The Brazilian Association of Clothing Retail (ABVTEX): participation in workgroups and managing committee is represented by the Compliance team and by our CEO, from 2020 on;

Association for the Industrial Development of the State of Goiás (ADIAL): we participate in agenda of various subjects related to the economic and social development in the State; and

the Institute for Retail Development (IDV): we approach an agenda about initiatives, trends and challenges of the sector.



Entrepreneurial Spirit

We work with the entrepreneurial mind. Whichever our role is, we are responsible for the results, for we act as the business' owners. We have the commitment of continuing the Company's history, in a continuous effort of keeping ourselves as the number one choice of the customer.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

MANUFACTURED

SOCIAL & RELATIONSHIP

INTELLECTUAL

Connection

2019 was the year in which we progressed in our path towards a data-driven Company, in which technology supports a closer and deeper connection with people in our network.

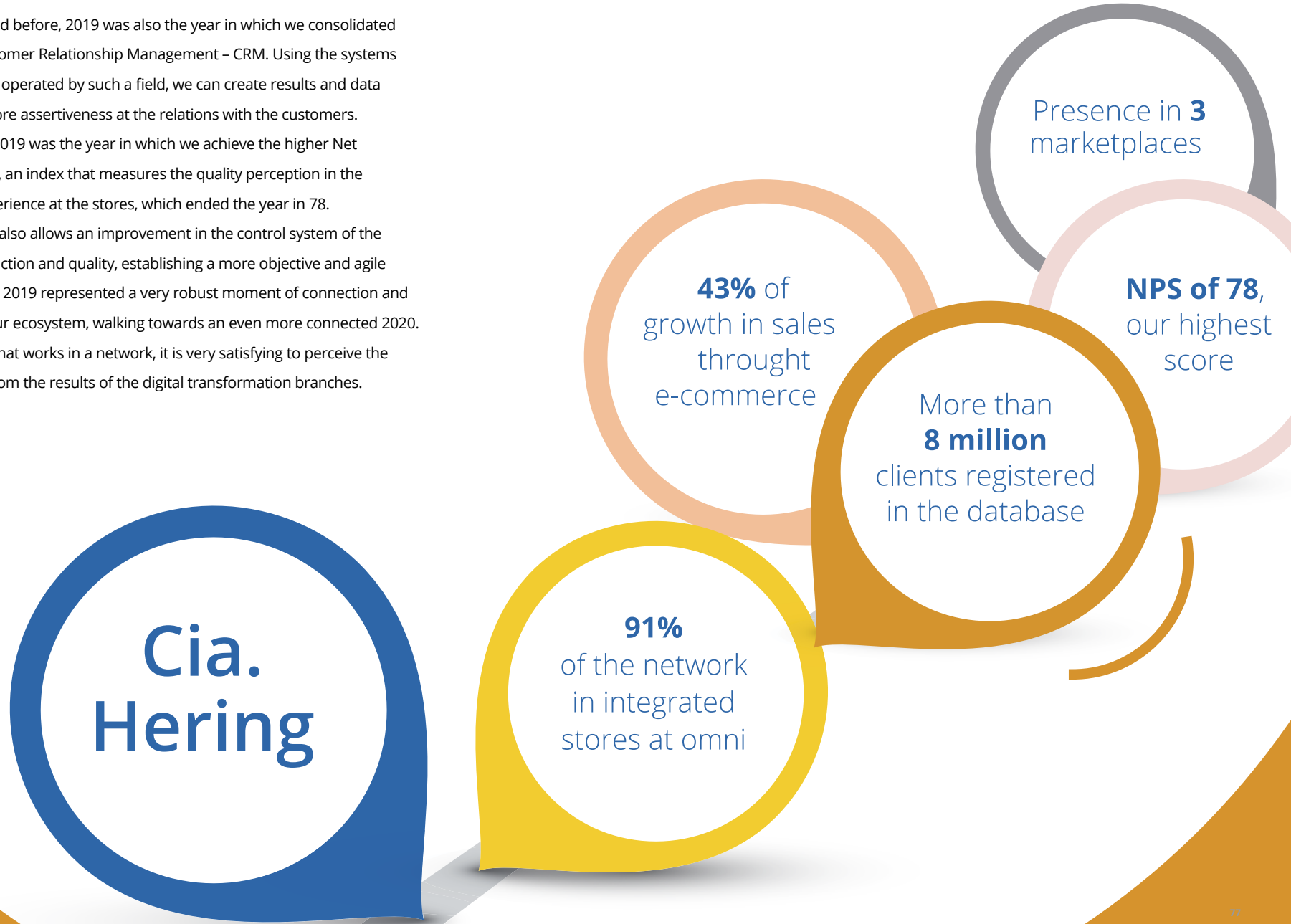
We consolidate the omnicommerce in all our brands and operations, which means signs of progress in the web stores branches and omnicality. In retailing, this ensures the customers will dispose of many several formats to purchase and receive the product they want.

With omni, we integrate not only the physical stores to the web stores, but also among stores themselves, enabling experiences of customized purchase. This modality is present in 91% of the stores in the network, including own stores and franchises. Thus, our customer may buy products on the brand's' website or at the physical stores in online devices and receive them at home or take them at the most convenient sales point of our brands.

Aligned with the digital transformation strategy, we have strengthened the Company's core by reinforcing our ecosystem with the integration enabled by omnicommerce. As part of it, we strengthened ties and the range of our brands through the participation of our products in other channels. Besides offering pieces of partner brands online, we also joined 3 marketplaces, enabling the customers to find the products of the Cia. Hering brand through other e-commerce addresses.

As we mentioned before, 2019 was also the year in which we consolidated the field of Customer Relationship Management – CRM. Using the systems and intelligence operated by such a field, we can create results and data that ensures more assertiveness at the relations with the customers. Consequently, 2019 was the year in which we achieve the higher Net Promoter Score, an index that measures the quality perception in the purchasing experience at the stores, which ended the year in 78.

The technology also allows an improvement in the control system of the suppliers' production and quality, establishing a more objective and agile control process. 2019 represented a very robust moment of connection and integration in our ecosystem, walking towards an even more connected 2020. As a Company that works in a network, it is very satisfying to perceive the value created from the results of the digital transformation branches.



Innovation and technology

To continue with the business and maintain us as the first choice of the customer implies in following the news, connected to the world and its transformations. Therefore, Cia. Hering continues vigilant to innovation, seeking new ways and solutions to respond to the challenges and to create value in our delivery. Innovating also assures us we are always operating in the most efficient way, using the best the technologies can offer.
In this year, we progressed in various aspects thanks to the digital transformation:

LOGISTICS

In the last year, we automatized our Distribution Center in GO (CD), which reduced the number of extra hours worked and impacted positively the welfare of our collaborators. This balance also brings improvements in the financial costs and results of the operation.
With the support of an external consultancy that studied the Company's logistics, we also defined evolutions for the logistics knits in the next years, optimizing the transportation and reducing Greenhouse Effect Gases emissions.
We are also progressing in the engagement and preparation to meet all the demands from the omni and e-commerce, a channel with a growth of 43% in the year, improving the profile of the transporter, investing in punctuality for the client. We rely on strong integrated management, bringing the logistics closer as a fundamental part of the customer's purchasing experience.

ASSERTIVE PRODUCTION

We are expanding projects with 4.0 industry concepts in our operations. With information intelligence, we connect the industry to what happens at the sales point, uniting the production to consumption, shortening the response path and time.

Thus, we acquired agility and capacity to produce with better assertiveness, in a sustainable manner and aligned with what the customer demands. We also obtained success with lean manufacturing project to improve speed, delivery, cost, and quality. With the positive results, we are confident to expand these processes in the next cycle.

PERSPECTIVES

Looking to the future, 2020 will provide Cia. Hering with an intensification in data-driven. We will apply the technologies and the repertoire acquired in 2019 into processes and to the business. The year brings the expectation of robotization projects, use of artificial intelligence and data analysis. 2019 was a year of consolidation, of getting concrete results from the transformations and re-structuration through which the Company went through.

With these responses and satisfied with our positive performance, we will bring 2020 gains in the scale and speed of the already implanted projects.

GRI 103-2

We launched one project more to connect to the startups, Inova. This permanent project opens rooms so the startups interested from any branch enroll to develop a pilot project in their solutions. From this initial connection, we evaluate the opportunity of the startup to become a supplier or partner to Cia. Hering.

With themes of various interests, we seek innovations in the digitalization of retail, the improvement of the customer's experience, automation of tasks and processes, analytics, artificial intelligence, augmented reality, virtual reality, robotization, and internet of stuff.

After the enrollments, the startups contracted by the Innovation Committee will partake in the Inova Pitch.

In 2019, those who presented higher synergy with our business were chosen for an immersion with the Company's collaborators, in which we detailed their solutions.

Get to Know Further

Summary of the GRI Standards Content

General Content *General Disclosures*		Reference (page.) / Direct response
Organizational Profile		
102-1	**Company's name**	*Page. 13*
102-2	**Main activities, brands, products and/or services**	*Page. 13*
102-3	**Head office location**	*Page. 13*
102-4	**Number of countries in which the organization works**	*Page. 13*
102-5	**Legal type and nature of the property**	*Page. 13*
102-6	**Markets served**	*Page. 13*
102-7	**Company's size**	*Page. 13 and 56*
102-8	**Profile of the employees and other workers**	*Page. 56*
102-9	**Description of the suppliers' chain of the Company**	*Page. 69*
102-10	**Main changes in the Company's structure and suppliers' chain during the covered period**	*Page. 10*
102-11	**Explanation of if and how the organization applied the precaution principle**	*Page. 44*
102-12	**Charts, principles and other initiatives developed externally in economic, environmental and social nature, which the organization provides or supports**	*Page. 54*
102-13	**Main participation in associations and/or national/international bodies of defense**	*Page. 74*
Strategy		
102-14	**Statement of the owner of the highest decision-making position on the relevance of sustainability for the company**	*Page. 8*
102-15	**Description of the main impacts, risks, and opportunities**	*Page. 15*

General Content

General Disclosures

		Reference (page.) / Direct response
Ethics and Integrity		
102-16	Values, principles, standards, and behavior rules of the company, such as codes of ethics and conduct	*Page. 41*
102-17	Internal and external mechanisms used by the company to ask for guidelines on the ethical behaviors and under the legislation, such as relationship channels (eg: Ombudsman)	*Page. 41*
Governance		
102-18	Governance structure, including committees	*Page. 17*
102-22	Composition of the highest governance body and its committees	*Page. 19*
102-32	Body or position of the highest instance that analyzes and approves formally the Sustainability Report in the company and assures all the materials aspects are approached	*Page. 10*
Stakeholder's Engagement		
102-40	List of stakeholders engaged by the company	*Page. 14*
102-41	Percentage of employees covered by a collective negotiation	*100%*
102-42	Foundations used for the identification and selection of stakeholders for the engagement	*Page. 14*
102-43	The approach adopted by the Company to engage stakeholders and frequency of the engagement	*Page. 14*
102-44	Main topics discussed during the stakeholders' engagement and measures adopted by the Company to approach them	*Page. 14*
Reporting Practices		
102-45	List of entities included in the balance statements	*Page. 10*
102-46	Process for the definition of content and the limit of the report	*Page. 14*
102-47	List of the material aspects identified in the process of content definition	*Page. 14*
102-48	Explanation of the consequences of any reformulation of information provided in previous reports (there was none).	*There was no.*
102-49	Significant changes in comparison to the previous years in what refers to the list of material topics, the limit of the approached topics	*Page. 14*

General Content
General Disclosures

		Reference (page.) / Direct response
102-50	**Period covered by the report**	*January 1st to December 31st, 2019*
102-51	**Date of the most recent previous report**	*2018*
102-52	**The cycle of the issuance of reports**	*Annual*
102-53	**Data for contact on questions regarding the report**	*Page. 10*
102-54	**Reporting assumptions according to the Standards GRI**	*Core*
102-55	**Summary of GRI Content**	*Page. 81*
102-56	**External Verification**	*Only the financial information of this Report was submitted to the external verification.*

Management approach

103-1	**Explanation about the material themes and their limits**	*Page 32, 42, 44, 52, 58, 66, 68, 69, and 73* *Get to know further about our sustainability strategy on page 14.*
103-2	**Management of the material subject**	
103-3	**Management evolution**	

Specific Content
Economic Disclosures

		Reference (page.) / Direct response
Economic Development		
201-1	**Direct economic value created and distributed**	*Page. 36*
Indirect Economic Impacts		
203-2	**Significant indirect economic impacts, including the extension of impacts**	*Page. 52 and 69*
Purchasing practices		
204-1	**Proportion of expenses with local suppliers at important operational unities**	*Page. 69*

Specific Content

Economic Disclosures

Reference (page.) / Direct response

Fight against Corruption

205-1	Percentage and total number of operations submitted to the evaluation of risks related to corruption and the significant risks identified	*Page. 41*

Disclosures Ambientais

Energy

302-1	Energy consumption within the company Energetic	*Page. 51*
302-3	Intensity	*Page. 51*

Water

303-1	Capture of water per source	*Page. 51*
303-2	Sources of water significantly affected by the capture of water	*Page. 51*
303-3	Re-utilized and/or re-cycled water	*Page. 51*

Effluents and Residues

306-1	Disposal of effluents per destination quality and method	*Page. 51*
306-2	Residues per destination type and method	*Page. 51*

Environmental Conformity

307-1	Monetary value of significant penalties and the total number of non-monetary sanctions arising from the non-compliance with laws and/or environmental regulations	*We did not receive any imposition of penalty or non-monetary sanction for the non- compliance of laws and/or environmental regulations*

Environmental Evaluation of Suppliers

308-1	Percentage of new suppliers selected based on the environmental criteria	*Page. 70*

Specific Content

Environmental Disclosures

		Reference (page.) / Direct response
308-2	Significant environmental impacts real and potential in the suppliers' chain and measures to be taken on that issue	*Page. 70*

Socials disclousures

Employment

401-1	Total and rates of new hiring of employees and rotation per age, gender and region group	*Page. 57*
401-3	Rates of return to work and retention after parental leave, discriminated per gender	*Page. 57*

Training and Education

404-3	Percentage of employees who receive regular performance and career development analysis, discriminated per gender and functional category	*Page. 64*

Child labor

408-1	Own and suppliers' operations in which there was a significant risk of the occurrence of forced labor or relative to slavery and the measures taken to contribute to the end of the forced labor or slavery-related work	*Page. 72*

Forced or Slave-like Labor

409-1	Own and supplier operations where a significant risk of occurring forced or compulsory labor was identified and the measures 409-1 taken to contribute to the elimination of forced or compulsory labor	*Page. 72*

Local Communities

413-1	Percentage of operations with engagement programs implemented for the engagement of the local community, evaluation of impacts and/or local development	*Page. 52*

Social Evaluation of Suppliers

414-1	Percentage of new suppliers selected based on the criteria related to human rights	*Page. 70*
414-2	Significant negative impacts real and in potential regarding human rights in the suppliers' chain and measures taken on that issue	*Page. 70*

Specific Content

Socials disclousers

Reference (page.) / Direct response

Health and Security of the Client

416-1	**Percentage of the categories of significant products and services to which the impacts on health and security are evaluated seeking improvements**	*Page. 34*

Own Indicators

Hering 01	**Total amount of products with less impacting materials (sustainable)**	*Page. 45*
Hering 02	**Total amount of non-conformity identified in the suppliers' chain per non-conformity type (eg: labor, installations, discrimination, etc.) and total amount of action plants, or removal of suppliers**	*Page. 70*

Map of Capital

NATURAL

Overview 2019| *page. 16*
Eco-efficiency | *page. 42*

FINANCIAL

2019 Overview | *page. 16*
Our Brands | *page. 22*
Corporative Governance | *page. 17*
Performance | *page. 36*

MANUFACTURED

Cia. Hering | *page. 13*
Overview 2019 | *page. 16*
Our Brands | *page. 22*
Connection | *page. 76*

HUMAN

2019 Overview| *page. 16*
Corporative Governance| *page. 17*
Collaborators| *page. 56*

SOCIAL & RELATIONSHIP

2019 Overview | *page. 16*
Our Brands | *page. 22*
Ethical Acting | *page. 40*
Social Development | *page. 52*
Franchised Companies | *page. 66*
Multi-brand Clients | *page. 68*
Our Customers | *page. 32*
Suppliers | *page. 69*
Connection | *page. 76*

INTELECTUAL

Risks Management| *page. 39*
Eco-efficiency | *page. 42*
Collaborators | *page. 56*
Connection | *page. 76*
Innovation and Technology | *page. 78*

Credits

Coordination
Sustainability Team
Cia. Hering

GRI Consultancy and Editorial Project
RICCA Sustentabilidade

Graphic Project
www.elamanuela.com

Photography
Cia. Hering and Hermann Hering Foundation collection

Sustainability
Cia.Hering

REPORT /19