

cia hering

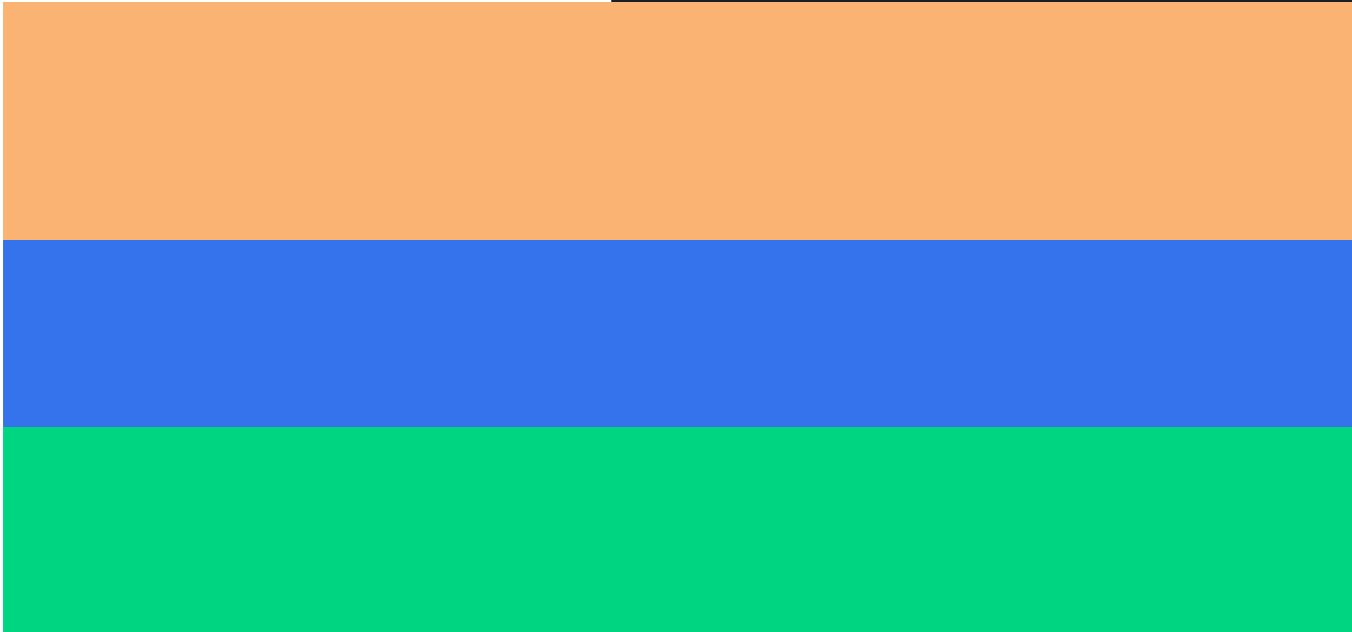


Annual  
Report

2020

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# Summary



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# About the Report

GRI 102-45

Welcome to the **9th edition of the 2020 Annual Report of Cia. Hering.**

This Report aims to reinforce our commitment to transparent management. We want to share with you the actions by the Company this year in which we celebrate 140 years, in addition to sharing the way we do business and generate value for the future.

On the following pages, you can find information about the highlights of the period, our business model, our culture, commitments and the results between January 1 and December 31, 2020.

All our activities are addressed in this edition - industrial, administrative, management of the brands Hering, Hering Kids, Hering Intimates and Dzarm, and channels - with the same scope of the Financial Statements of the Company Hering.



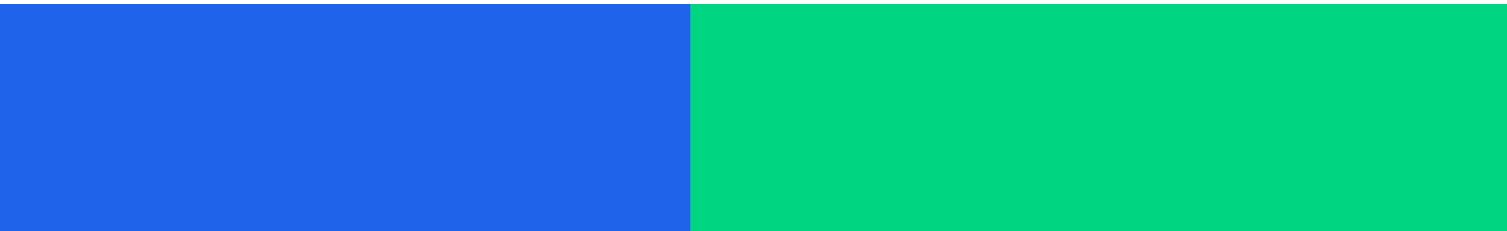
## Contact Us

GRI 102-32 | 102-53

This Report was approved by the Board of Directors of Cia. Hering. You can contact us to discuss any questions regarding the publication:

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Sustainability and ESG

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## Tools for Reading

This Report was built on the basis of the main international sustainability reporting and management guidelines.

GRI 102-40 | 102-42 | 102-43  
102-44 | 102-46 | 102-47

The sustainability strategy of Cia. Hering was built from a materiality study, conducted between 2016 and 2017 with the consultation of all relationship audiences.



### Sobre as Diretrizes



Throughout the Report the GRI numbering appears next to the titles or subtitles of the chapters in which the indicator is reported. You can also find a complete list of indicators in the index of GRI content, on page 57, with the description of each indicator and reference to the page on which it is reported.

We also reinforce the Company's commitment to the Sustainable Development Goals of the United Nations (UN). To explain the relationship between them and our business clearly, at the beginning of the chapters we indicate which SDGs are related to the content.

### About the Company



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# Message from the Management

GRI 102-14



More than resilient, we are stronger. The year of 2020 came with unexpected challenges and put to the test the ability to adapt and reinvent that the Cia. Hering has always celebrated in its trajectory. We cross the 140-year-old border with an unshakable certainty: we are made of people, and these people are the strength of our business.

We look at the Company's continuity by overcoming new obstacles, aware of our responsibility, with shareholders, customers, employees, franchisees, suppliers and partners in our network. It is these relationships of mutual trust that have shaped us in the last fourteen decades, and that will continue to guide who we are in the coming years, because we are made of people and collaboration.

**In this narrative of learning and transformations, we have become the contemporary retailer we are today: digital from end to end and with our culture at the heart of everything.**

We have reached a new level in the digitization of the business, with an evolution seen in all indicators and, more importantly, felt by our consumers and customers. Customer focus drives our journey of transformation. What we want is to continue expanding contact with this audience, strengthening our ties and overcoming transactional relationships, after all our brands are part of the lives of each of our stakeholders.

With the effects of the new coronavirus pandemic, we boosted our e-commerce, which registered a growth of 158.7% over the previous year. The online segment increased 18.11% in revenue, even with the reopening of physical stores. Furthermore, we also maintained the extension of our physical network, with 130 inaugurations in the year.

With 78% of the network connected by omnichannel, we understand that our contribution to the customer is not only in products, but in services, experiences and content. We have brands with purpose and cultural involvement, which combine quality, comfort, design, technology, price and relationship.

We are also redefining our physical environments. Focusing on digital platforms that mark the presence of Cia. Hering in people's lives, we understand physical stores as great centers of experience, an experience that goes beyond the sale of products. Therefore, in 2020, we worked on integrating Distribution Centers and creating and operating new digital hubs

In 2020, we created our Sustainability Committee and brought the management of Environmental, Social and Governance (ESG) matters even closer to leadership. The action is another step towards the goal of integrating sustainability into the business strategy. We invested in efficiency and a holistic view of the Company, which understands the interdependence of all our fronts and maintained a robust management of environmental indicators.

The year was also important for our relationships and partnerships. We approach groups and organizations that we share objectives and integrate the network of the Brazilian Business

Council for Sustainable Development (CEBDS). We maintained the partnerships in which we were already involved, such as LabModa Sustentável and Santa Catarina Moda e Cultura (SCMC). We are proud to be part of networks committed to transformation and generation of true value, minimizing negative socio-environmental impacts.

The information you find throughout this Report is a reflection of the fashion we are building, a fashion that shares value and promotes sustainable relationships, whether to undertake, transform or tell stories. We remain absolutely confident in our ability to continue growing, reinventing ourselves and creating a Cia. Hering that generates more and more value for everyone.

We will write the next chapters of this story together.

**Enjoy the reading!**

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## We Are Made of Collaboration

We have reached the 140-year mark of Cia. Hering in September with a trajectory of resilience and adaptation. This is because we are a Company guided by collaboration, made up of people who seek the best always: in relationships, in business results, for our planet and for people.

We've gotten here because of our network and the ability of our management to remain constantly evolving. We thrive because we remain attentive and agile to respond to the urgency of demands.

**In 2020, we looked inside and revisited our priorities. The set of strategic pillars of Cia. Hering is supported by the drivers of sustainability, culture, organization and digital transformation.**

For us, a sustainable performance is intrinsic to the Company's strategy. The treatment of Environmental, Social and Governance (ESG) risks is continuously improved within existing processes or in creating new processes to accommodate the development of business agendas. We have transformed our vision in recent years into a narrative that sees sustainability and strategy as interdependent, of all that makes up Cia. Hering.

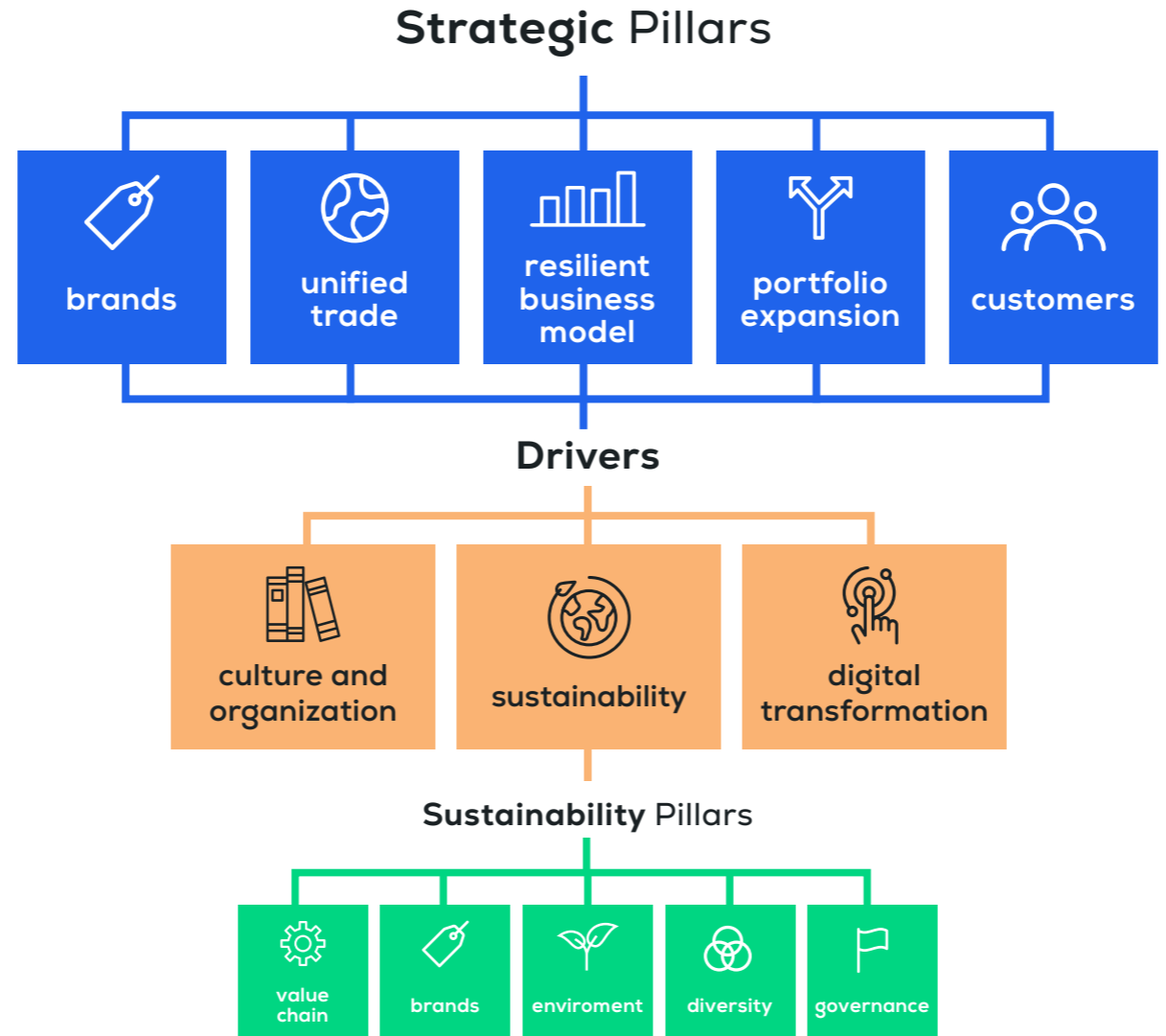
Synergy and collaboration were present in all aspects of our work: in relationships, in strategy and in daily life.

We believe in a fashion that feels, that is fair and ethical, that respects the environment and values people. Therefore, we understand the continuity of our responsibility, which is valid in everyday life, in all areas and in the Company's decision making. We have a robust sustainability strategy, which guides our priorities for the construction of an increasingly sustainable and efficient business. The development of this strategy took place from the dialogue with our different stakeholders and with the Company's senior management, from 2016, and remained in constant evolution in the following years.

In 2020, we reviewed the sustainability strategy considering business objectives, market trends and consumer behavior, and included the Brands and Governance pillars, updating our institutional narrative through the lens of sustainability.

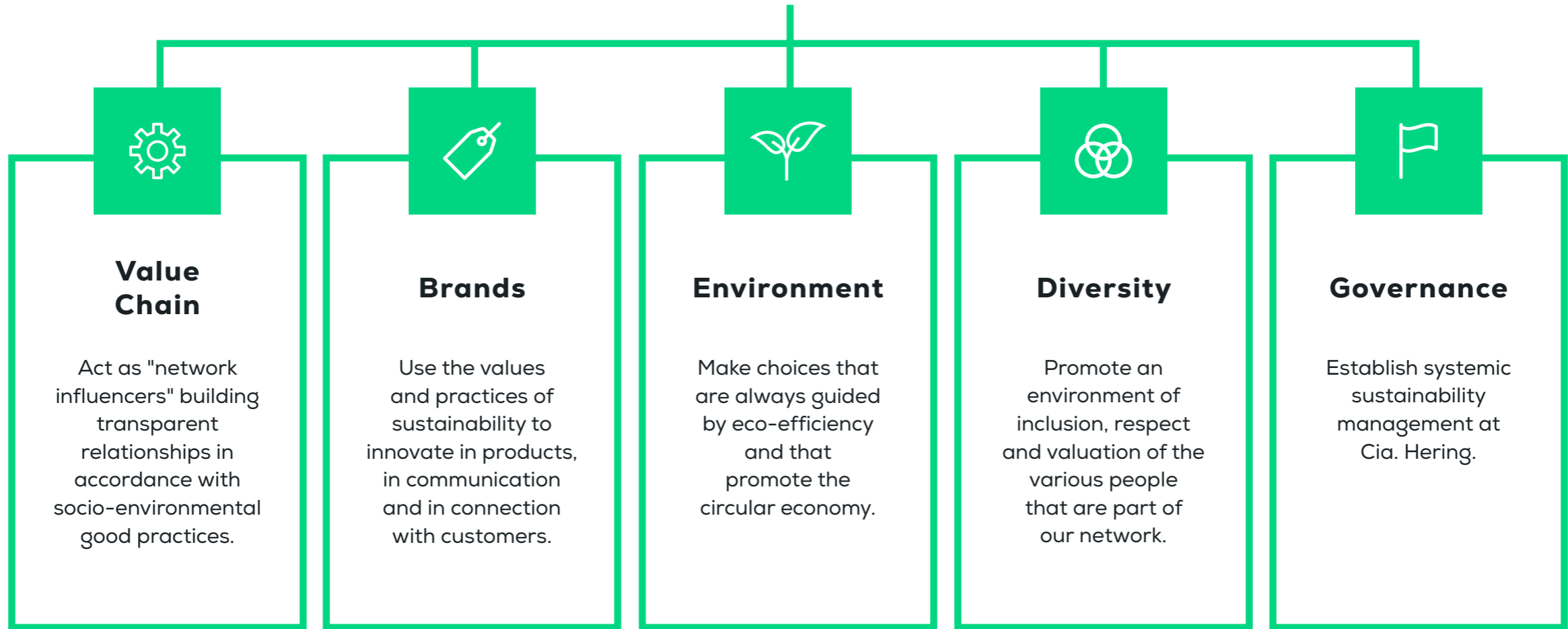
Looking at our performance in the ESG aspects gives force to our commitment to longevity and reinforces the role of sustainability as enabler of our business guidelines. The Company's set of strategic pillars and sustainability pillars guide our decisions in a complementary manner.

**To bring this holistic perspective, our Report was structured by the same pillars that lead us. Learn about them below:**



By studying the intersection of our pillars, we found the macro-themes that structure this Report. In the next chapters, we will detail the aspects that build each of these themes.

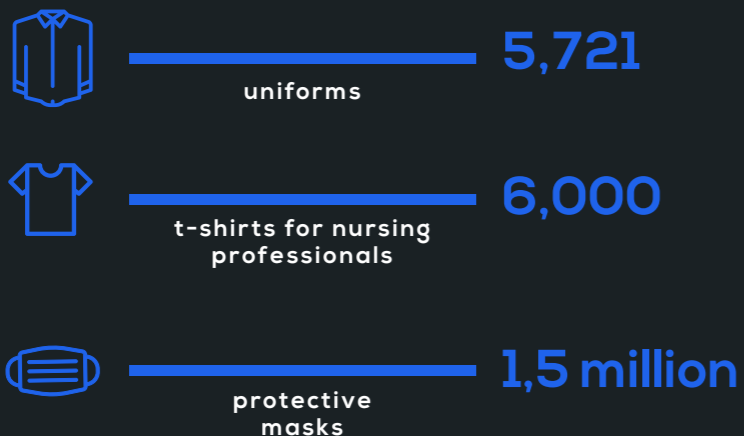
## Sustainability Pillars



# Measures against Covid-19

**BRL 3.2 million +**

intended to combat the Covid-19 pandemic



We produced and donate Personal Protective Equipment (PPE), benefiting associations and hospitals in Santa Catarina, São Paulo and Goiás.

2020 was a challenging time. The pandemic of the new coronavirus has deeply shaken society and highlighted the need for collaboration. Again, the cycles of challenges have proved to be as present as those of prosperity, shaping who we are.

We have taken essential measures to ensure the safety of employees, suppliers and customers. We closed all physical stores at the beginning of the pandemic, even before the recommendations of the Government, because we understand that the safety of people comes first, as well as investing in training and equipment to ensure the safety of employees.

Since the beginning of the pandemic, Cia. Hering has created social responsibility initiatives as a way to build a systemic and supportive response for society. We care about the communities that surround us, and, using our expertise in textile production and clothing retail, we direct part of our production to make uniforms, t-shirts and masks, which were donated to health facilities and the population.

We have promoted support through the Hering brand, launching products with social significance, such as the collection "Camisetas com Amor", which had 100% of their profit reverted to the purchase of lung fans. In addition to our T-shirts, we also clothe Brazil with the protection of 1.5 million face masks.

We direct efforts primarily to the communities in which we are inserted with manufacturing and administrative units in Santa Catarina and Goiás, in addition to regions heavily affected by the pandemic, such as São Paulo and Rio de Janeiro. These actions are part of a broad agenda worked by the Company, through which we take care of our entire value chain, contemplating business, the environment and society.

During the quarantine easing period, we have used our main communication channels to notify the safe reopening of our physical stores, as well as providing security equipment to our employees and taking extra care with customer circulation.



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# Resilience

The unique blend  
between tradition  
and innovation





# Cia. Hering

GRI 102-1 | 102-2 | 102-3

Cia. Hering is a leader in apparel retail, one of the main textile companies in Latin America. Established in Blumenau – SC, it's one of the longest running Brazilian companies still in activity, with 140 years of history and presence in all regions of Brazil, through the brands Hering, Hering Kids and DZARM.

## Our Brands

Connecting expression and comfort to purpose.

Operating Model GRI 102-4 | 102-6 | 102-7 | 102-10



## Our Production

Hybrid Model

**80%** in-house production with support from local manufacturers



**20%** purchase of finished products **15%** **5%**

Production Units

**SC** Itororó Bom Retiro

**GO** Goianésia Paraúna São Luís de Montes Belos

In 2020, the production unit in Parnamirim (RN) was closed.

## Our Channels

Store Structure

**794** physical stores in all regions of Brazil and in three countries (Paraguay, Uruguay and Bolivia).

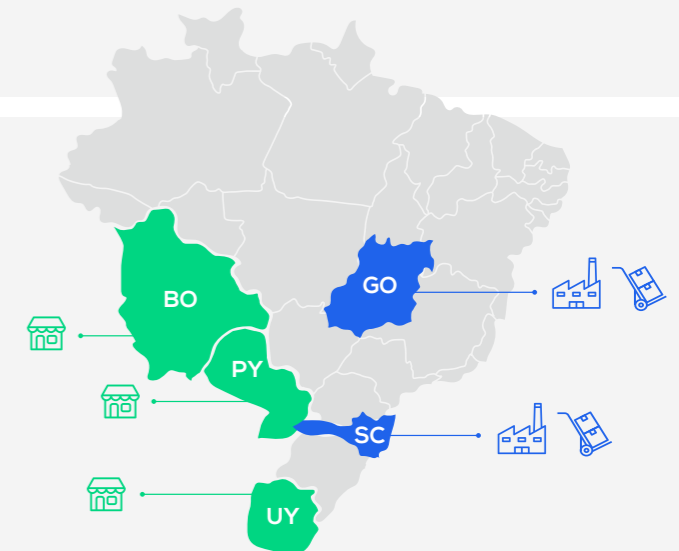


## Distribution

Distribution Centers

**SC** Blumenau

**GO** Anápolis



# 2020 in figures



## Building Together

We believe in the power of the collective, while valuing the uniqueness of each individual.

**4,635** employees (page 40)

**3,027** suppliers (page 48)

**801** structure of stores, distribution centers and business units

**682** franchisees (page 47)

**7,907** multi-brand customers (page 36)



## Entrepreneurial Spirit

We work with an entrepreneurial mindset. Whatever our role, we take responsibility for the results because we act as owners of the business.

**single journey**

**78%** of the network integrated by omnichannel, considering its own stores and franchises

**7** new digital channels



## Make it Happen

Our success story is explained by the dedication of our people. Every day, we roll up our sleeves to make it happen.

**in 2020 we completed**

**140** years of history

**85** years of the Hermann Hering Foundation

**56** years since going public (with **162,533,937** HGTX3 shares in B3's Novo Mercado)

**10** years of the Hering Museum



## Generate Value

We know that the construction of a legacy is done by investing in the future with actions in the present. We focus on profit and understand that profit is the driver of positive change.

**efficiency**

**2.8** tons of redefined networks

**93%** of the renewable energy mix

**15%** reduction in water consumption in dyeing processes (page 29)

**social**

**255** thousand Reais of private social investment for social development by the Hering Foundation

**economic**

**2.7** billion Reais of market value

**1.2** billion Reais of revenue

**78,124** million Reais in taxes and fees to be reversed by governments for the development of the country

**35.3** million Reais in interest on equity paid to shareholders

**16.7** million dividends paid to shareholders



## Passion for the Cause

We're passionate about what we do. With autonomy and enthusiasm, we transform challenges into opportunities.

**74** stores owned by our brands

**130** refurbished stores

**7** new stores in innovative formats

## Our Values

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## Rebranding Process

In 2020, we started the process of updating the positioning and values of Cia. Hering. Built in partnership with FutureBrand São Paulo, the project recognizes the legacy of Cia. Hering for Brazil and preparing for the future by making it a brand platform that connects fashion to people.

### Purpose

**Propel business to connect brands to people.**

We are the brand platform that propel business and connects Brazilian fashion to people.



### New Values

**Learn in order to surprise the customer**

We always seek to go further, because we are passionate about what we do. We listen to customers and transform data into unique and engaging experiences.

**Innovation for driving business**

We encourage an environment that is open to innovation. We build the future, with creativity and boldness, to change and always keep ourselves relevant.

**Confidence for high performance**

We work with confidence and alignment. We are driven by results and deliver them with assertiveness and determination.

**Courage to do business**

We act as owners of the business. We have autonomy and enthusiasm to take risks and turn challenges into opportunities.

**Partnerships to connect people**

We support businesses and people to build an increasingly collaborative and sustainable value chain. Because we believe in the value of the collective, we build an ecosystem based on exchange and relationships.

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# One Hundred and Forty Years

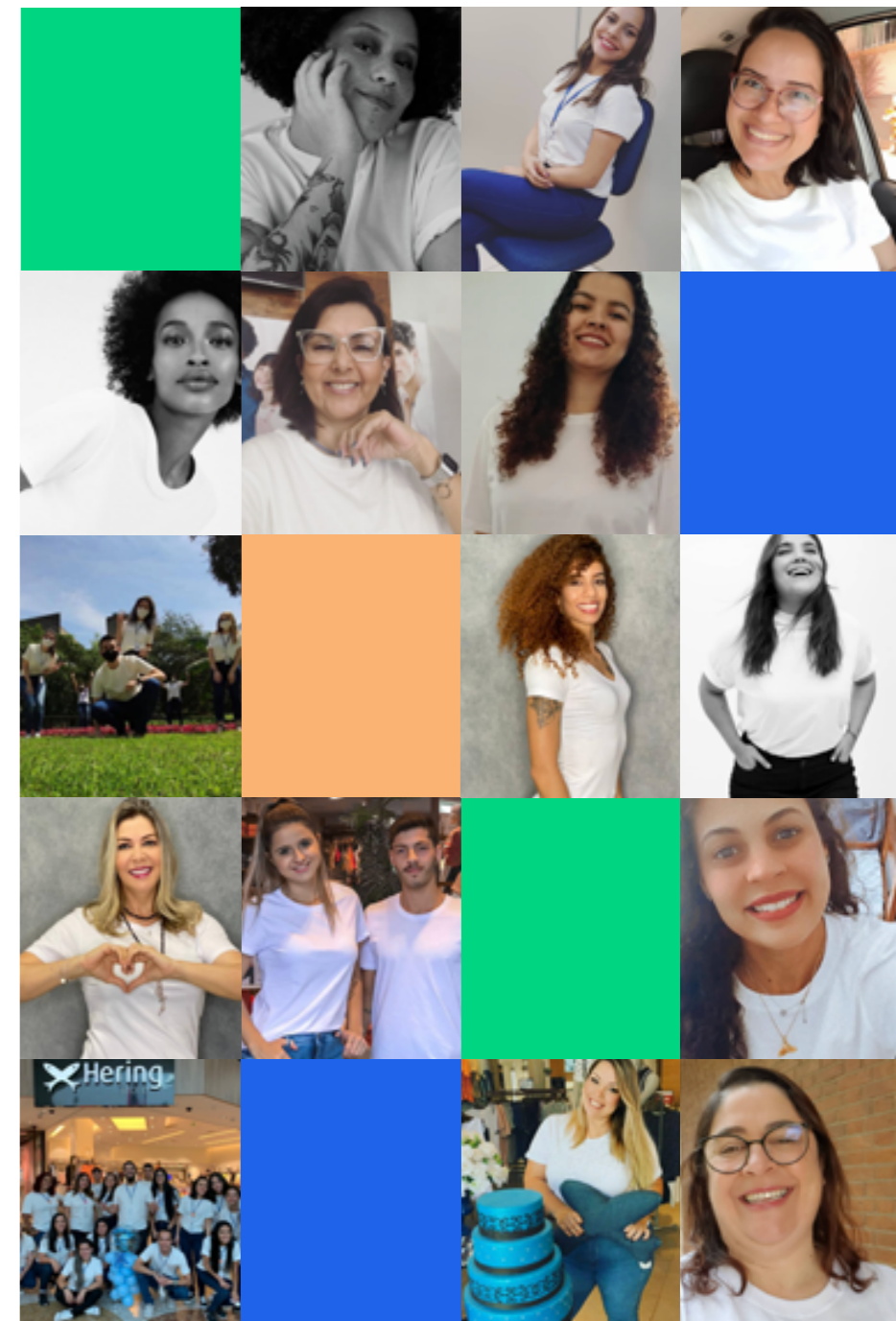


In September, Cia. Hering completed 140 years of history. Fourteen decades of genuine and multiple trajectory. We are a company that was born from the dream of valuing entrepreneurship and promoting the experience with our brands. With passion and courage, we have reinvented ourselves over the years, without losing the identity and authorship of our DNA: creating timeless icons that deliver comfort and well-being with applied technology, design, quality and a democratic fashion, with purpose.

For 140 years we have believed in fashion as an environment of free, ethical and responsible expression. We complete this milestone with pride, aware that over these years, we have grown and valued the exchanges that make us today's contemporary retailer.

On September 25, we invited employees to join us and put on their Hering T-shirt, in a symbolic act to celebrate the Dia da Básica. On this very significant date for all, 100% of the sales of white World T-shirts were reverted to the Vestir o Brasil project, which aims to foster entrepreneurship in communities in Brazil for the coming years (learn more on page 56).

Looking to our future, we celebrated our legacy and all who have already been part of this path that makes Cia. Hering a benchmark in the sector.



After all, we are made of people, they are the essence of our history.

That's why, in 2020, we chose to celebrate our 140 based on three fundamental pillars: **enchant, recognize, and collaborate.**

We celebrated through collaboration and we understand that the coming years will be built on our essence, because we know that our narrative will continue to be counted with innovations and transformations: we will continue reinventing ourselves, without ever distancing ourselves from our fortress: **to be made by people, for people.**

## Enchant

Enchantment is part of the lasting relationships of Cia. Hering. To reinforce it, we engaged our stakeholders through a campaign with videos and testimonials that incorporated our sense of pride, translating the role of Cia. Hering in people's lives.

## Recognize

We reach 140 years and look at the next chapter of this trajectory with one certainty: this is an achievement of the people who make up Cia. Hering. In 2020, we reinforced this recognition by attending employees and partners with an emblematic T-shirt of the Company's birthday.

## Collaborate

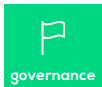
Collaborating is our way of celebrating. This was the motto that guided us in 2020. We ensure collaboration with all stakeholders, for the better present and the better future for all. This year, we started the Vestir o Brasil program (learn more on page 56), with the purpose of contributing to the entrepreneurial education of young people.



In 2020, we also celebrated the 85th anniversary of the Hermann Hering Foundation. They are years of history, whose mission is to provide access to culture and entrepreneurial education in the field of fashion, expanding the working opportunities of communities, contributing to local autonomy and creating spaces for debate on the role of fashion in the world we want.

The Foundation and Cia. Hering are more than together on this path, we have collaborated for more than eight decades because we believe in the power of collaboration.

We want to be part of collective construction so that the future of fashion is fairer, more sustainable and more responsible. The Foundation has an important role as guardian of the values that are essential for the business, and by preserving the legacy of a Company with 140 years of history, it drives the new generations to build a rich journey of learning.



governance



resilient  
business  
model



environment



human



intellectual

# Corporate Governance

GRI 102-5

## Good Practices

Cia. Hering has been a publicly held company since 1964, with shares listed in the Novo Mercado on the stock exchange (B3) for more than ten years.

We continuously improve the high standards of corporate governance that we follow. Therefore we are committed to **transparent, equitable and responsible** management, the three essential pillars to maintain a perennial business that generates value for the whole society.

A reflection of this was that, in 2020, the Company competed with all the corporations listed on the Stock Exchange and received the **Transparency Trophy from the Associação Nacional dos Executivos de Finanças, Administração e Contabilidade (ANEFAC)**. With the theme "Transparency generates value", the award seeks to show that transparency is a competitive advantage, capable of transforming the business and is the only one in the category in the country. Recognition is made based on the criteria involving quality, consistency and adherence of the financial and accounting statements that are made available to stakeholders such as shareholders, creditors and all capital and financial markets.



In 2020, we were recognized among the **Top 5 in Fashion Revolution's Fashion Transparency Index Brazil**. The index evaluates brands and retailers from the point of view of accountability on their socio-environmental practices. Cia. Hering stood out with a score of 57%, 36 percentage points above the average of the companies surveyed, which reached 21% in an analysis of more than 200 indicators related to working conditions, gender equality, racial equality, emissions of Greenhouse Gases (GHG), disposal of textile waste, recycling and circularity, among others.

**The Novo Mercado is a special listing segment of B3, with voluntary adherence to a series of additional standards, designed to improve governance, offer greater transparency and protect shareholder rights.**

## Best Practices for Governance

Capital composed exclusively of common shares	100% Tag along	Audit Committee, which advises the Board of Directors ensuring the quality of the financial statements, internal controls, compliance, integrity and risk management of the organization
Internal Audit Areas linked to the Board of Directors through the Audit Committee	Risk Management Area, Internal Controls and Compliance, which evaluates and monitors exposures of the Company's risk, in addition to monitoring the quality and integrity of internal control mechanisms	Structuring and dissemination of evaluation process of Board of Directors, its committees and the board
Board of Directors with 71.43% of independent members (five out of seven), above the 20% required by Novo Mercado. These members have a maximum term of office of two years and are elected at the General Meeting	Free float of 62.10%, above the minimum of 25% required by the Novo Mercado	Commitments institutionalized by a wide repertoire of corporate policies, available on our Investor Relations website

## Sustainability Committee

We have created a Committee to discuss the sustainability of the business. Its coordination is made through a mixed council, composed of members of Cia. Hering (COO, CEO, officers and managers) and by an independent director. This Committee aims to create a force to transform the vision of employees and the Company on sustainable issues. The function of the Committee is to advise the Board on resolutions related to the Company's sustainability policies and practices, ensuring the integration of sustainability into the business strategy.

The committee meets monthly to address the issue, ensuring a systemic management of Environmental, Social and Governance (ESG) aspects.



# Risk Management

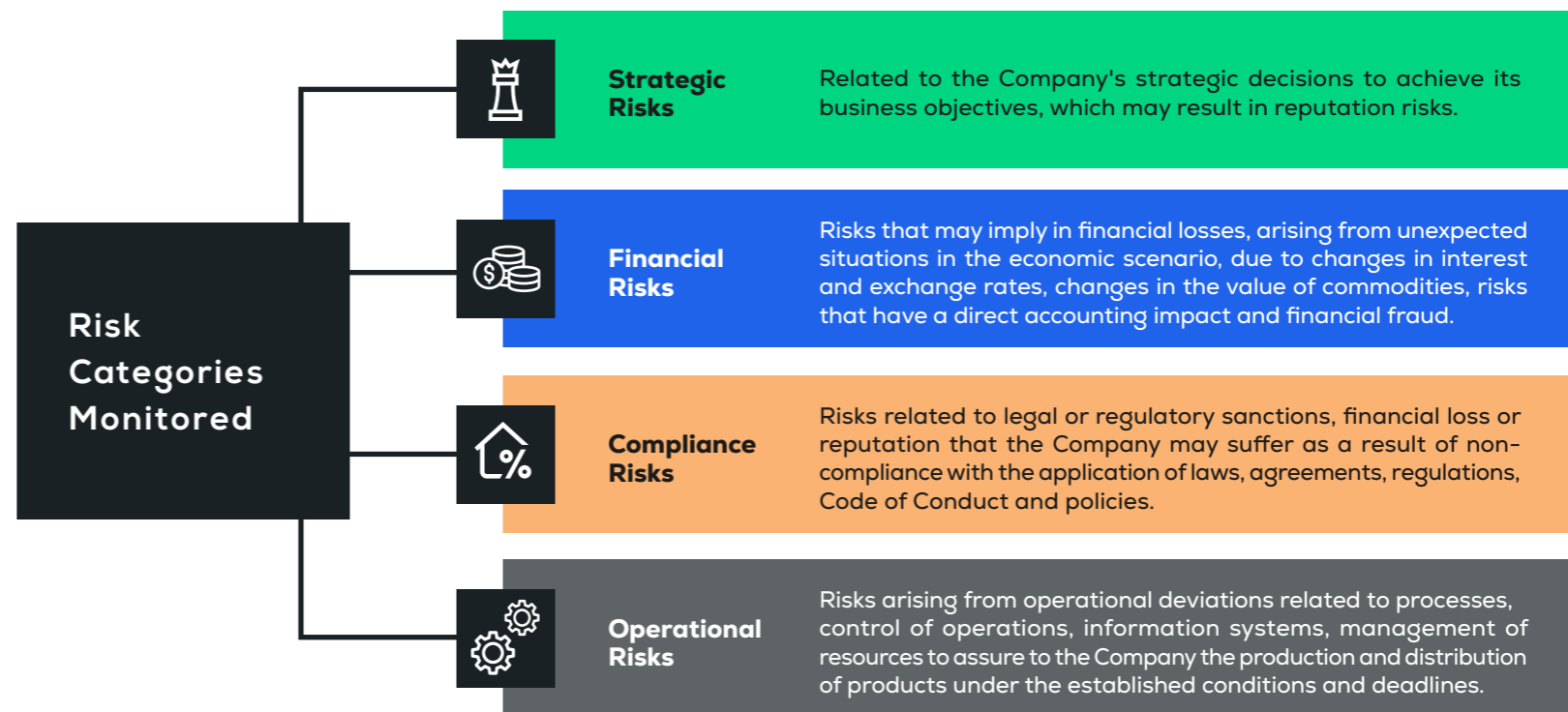
GRI 102-15

Cia. Hering has a Risk Management policy approved in 2020 by the Board of Directors. The document defines the risks for which we seek protection and the instruments used to do so. It also stipulates the organizational structure for risk management, the assessment of the adequacy of this structure and internal controls in verifying its effectiveness, in addition to bringing guidelines for the establishment of acceptable limits for the Company's exposure to risks.

## Research

In order to strengthen good corporate governance practices, and in order to preserve and optimize the value of the organization, we began, in 2020, the mapping of Risks and Internal Controls. In it, we held a kick off meeting for leadership engagement, with discussions on the concepts in relation to the themes of Corporate Governance, Risk Management and Internal Controls and the roles and responsibilities of each area.

The risk categories for which the Company seeks protection are:



## Strategic Partnerships

GRI 102-12

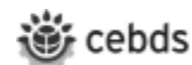
We started the year with new partnerships and actions consolidating our commitment to sustainability, aiming to establish fair and sustainable relationships and expand our strategic horizons.

In 2020, we became part of the **Brazilian Business Council for Sustainable Development (CEBDS)**, something that brings us great satisfaction and pride to be part of a network of transformational potential.

Through the **Caminho+B** program, we measured the Company's socio-environmental impact and ensured a detailed look inside, from which we found new opportunities for evolution with Evaluation B. Thus, we optimized the time and accuracy of the measurements of our impacts, directing Cia. Hering to be **a force for change for a new economy that is more human and sustainable.**

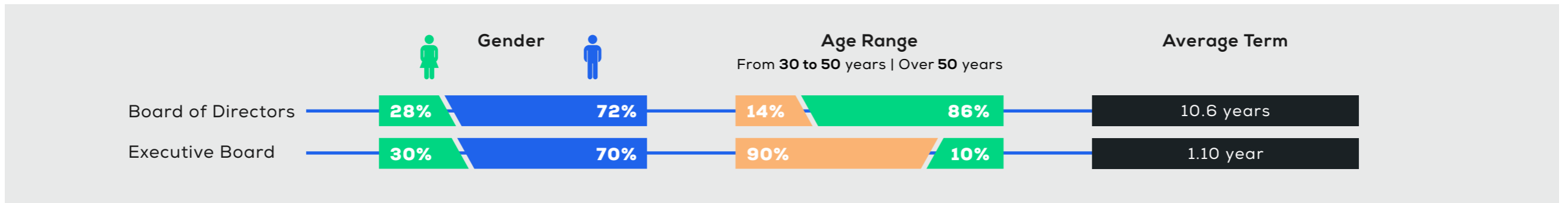
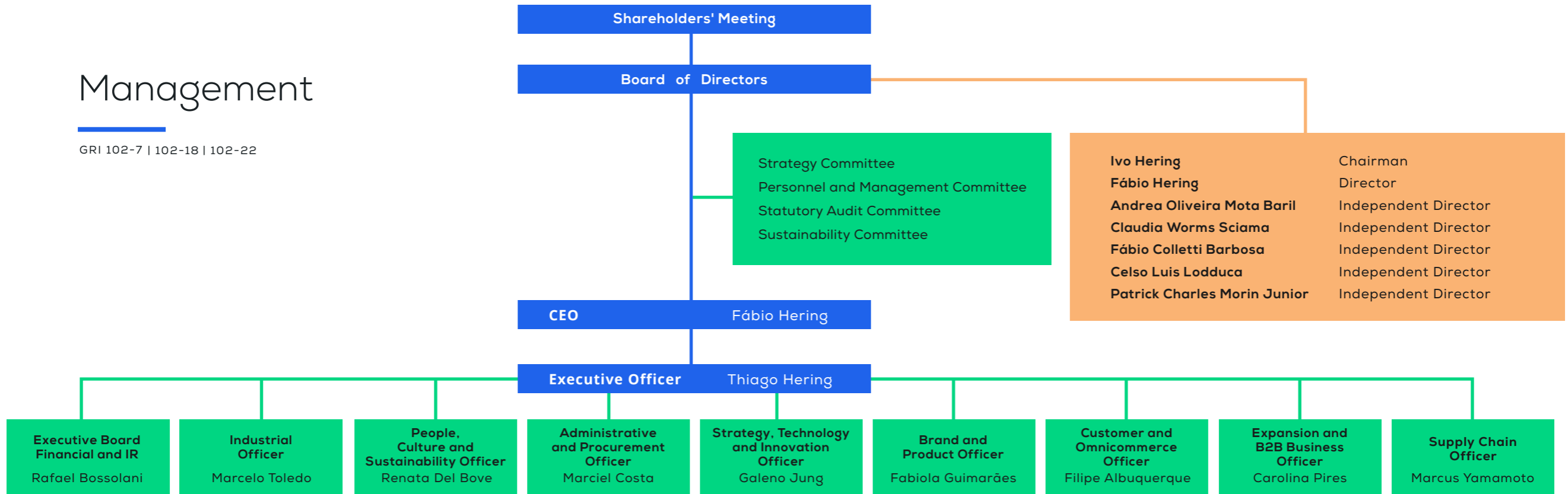


In partnership with the Hermann Hering Foundation in 2020, we also maintained our participation in **Santa Catarina Moda e Cultura (SCMC)**, **LabModa Sustentável**, and in the initiative **Conexões do Cuidar**, aimed at combating impacts on mental health due to social isolation.

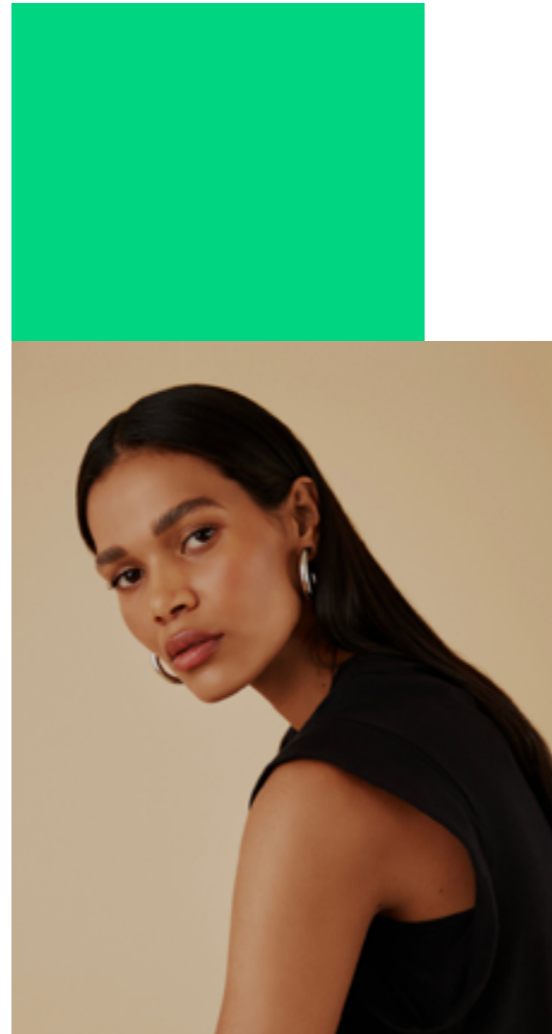
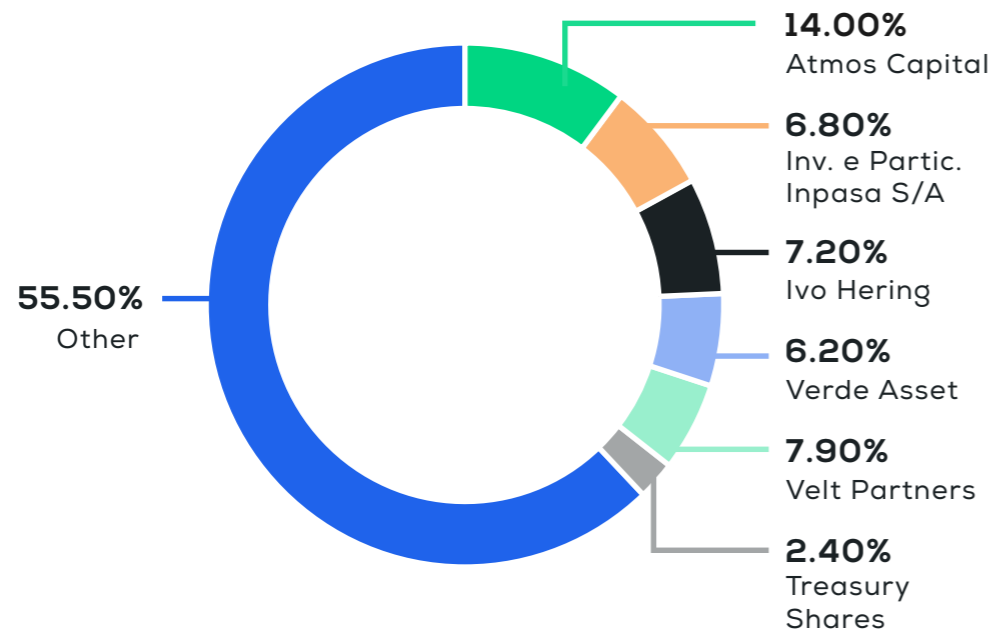


# Management

GRI 102-7 | 102-18 | 102-22



## Capital Structure



## Evaluation

The performance evaluation of the Executive Board is done with the 360° methodology (self-assessment, manager, peers, team and relationship network), with performance calibrated in two axes: Behaviors and Goals (corporate and business indicators).

The result directs the leadership development plans, with direct monitoring of the People Management area. Our Chairman also undergoes an annual evaluation by the Board of Directors, which raises points and perspectives on what would be expected of the Company's CEO.

## Remuneration

The Board of Directors is remunerated monthly in fixed value, with benefits in line with market practices. Our Board of Directors is remunerated in a mixed manner, having fixed and variable components linked to performance indicators, in addition to the benefits. The main objective of this compensation policy is to create incentives with performance and engagement goals, aligned with the interest of stakeholders in the short, medium and long term.

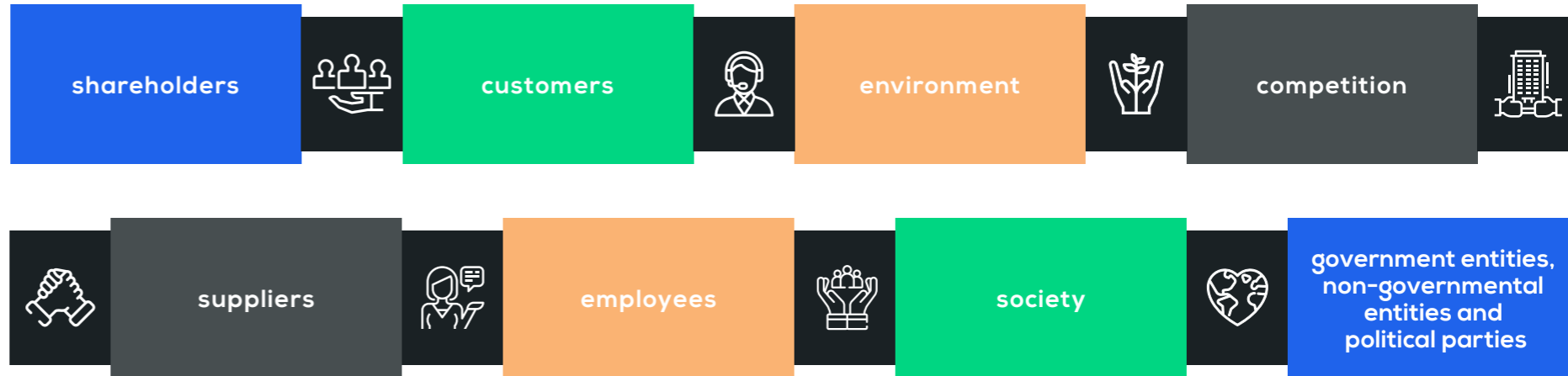
# Ethics and Integrity

GRI 205-1

We are absolutely committed to an ethical and integral performance. To ensure this premise, we have policies that guide the conduct required in our relationship with all interested parties, with society and the environment. We also have a strong culture of integrity, we value responsible, honest, transparent and respectful relationships, characteristics intrinsic to our business and purpose.

In 2020, we internally fostered tax compliance, with the objective of ensuring compliance with the tax standards and rules established in the different locations where we are established. In addition, we have integrated the anti-corruption policy into our monitoring collection.

## Relationships



## Code of Ethical Conduct

Our Code of Ethical Conduct aims to establish the ethical principles and rules of conduct that should guide the internal and external relations of Cia. Hering. Updated and approved in 2018, the document is made available to employees on admission and on the Culture and People Portal (learn more on page 45), in a format specially developed for ease of understanding.

The dissemination of our code relied on strategic communication actions through our internal channels, with the provision of tax copies in all industrial units and on the intranet, as well as reinforcement via corporate emails.

In 2020, we also made a day especially focused on foster the theme, both in the industry and retail, the "Compliance "D-day", which took place in November. To increase engagement, we published our Compliance Policy and promoted the Coffee with Compliance event, which involved all administrative and industrial units to further ensure and strengthen the Ethics Channel and Code of Conduct.

During the year, 100% of employees underwent training related to the Code.

The principles of the Code of Ethical Conduct are stated below:

## Ethics Channel

GRI 102-17

The Ethics Channel is our main tool for services related to the subject. Its function is to register complaints and report any action that violates our values, as well as record suggestions and questions. The Channel is available through a phone call, website or application, 24 hours a day every day of the year, and has trained professionals for this.

Since 2018, the independent platform Contato Seguro has been receiving reports, ensuring secrecy, confidentiality and protection to whistleblowers against reprisals. The management of the reports received by the Ethics Channel is done by the Ethics Committee and sub-committees, its represented by several professionals of the organization Managers, (Directors, Coordinators and Analysts), who have the appropriate expertise to better handle the reports received.

Our reporting channel is also available and is disclosed to our suppliers.

## Monitoring

We rely on the Compliance area to monitor the actions of our own operations and suppliers, verifying that they meet the criteria and guidelines of the internal and external codes and regulations in force. Thus, we mobilize to actively prevent any risk of corruption and also ensure alignment with the values of the Cia. Hering.


In 2020, we carried out 537 audits in suppliers and, faced with the challenges due to the Covid-19 pandemic, we leveraged our model of risk based assessment monitoring and artificial intelligence.

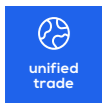
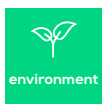
Cia. Hering has not identified significant risks in its operations and in suppliers.



## Our Connected Audience

Society, in general, and all audiences that relate to the Company have access to the [Code of Conduct](#), the [Supplier Code of Conduct](#) and the [Ethics Channel](#).

 0800 601 8606



# Performance

GRI 102-7 | 103-1 | 103-2 | 201-1

The year of 2020 began challenging, due to the Covid-19 pandemic, with an impact on the global economy scenario. From the beginning, we mobilized to act quickly, prioritizing the safety of people and the continuity of the business. Cia. Hering keeps track of its operations through the Opportunities Committee, which guides measures to be adopted to preserve the integrity and health of our employees, as well as ensuring the sustainability and resilience of our network.

Again, our business model allowed us to adapt to the demands of the scenario. We work to continue the construction of an efficient, integrated, agile and data driven model that ensures satisfaction in the experience of all our customers.

At the end of the year, the resumption of sell out sales above projections

strengthened the confidence level of the partner network, having a very positive effect on the go to market events for the November and December cycles. We are aware that the biggest challenge on the agenda for the future is related to the macroeconomic scenario, but we remain confident in our ability to find solutions to continue navigating the Company within a very cyclical sector.

We also continue to concentrate efforts to become increasingly efficient, with environmental management increasingly integrated with the Company's objectives.

Find out about the main performance indicators of the Cia. Hering in 2020:

## Social

Around  
**6.9 thousand**

people directly impacted by entrepreneurship projects and projects supported by the Hermann Hering Foundation

**70**

young people from all over the country engaged in the **Vestir o Brasil** project (page 55)

**5.6 thousand**

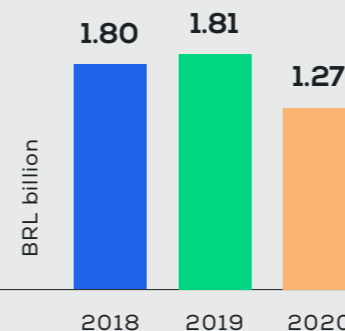
jobs generated by our franchisees

**255 thousand**

in private social investment for social development by the Hermann Hering Foundation

## Financial

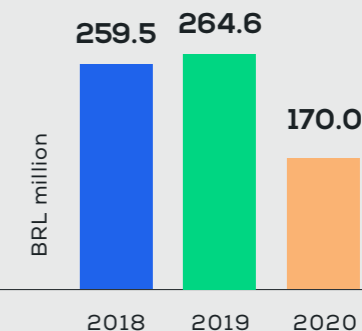
### Gross Revenue



Gross Profit  
**BRL 419.6 million**  
Roic  
**17.2%**

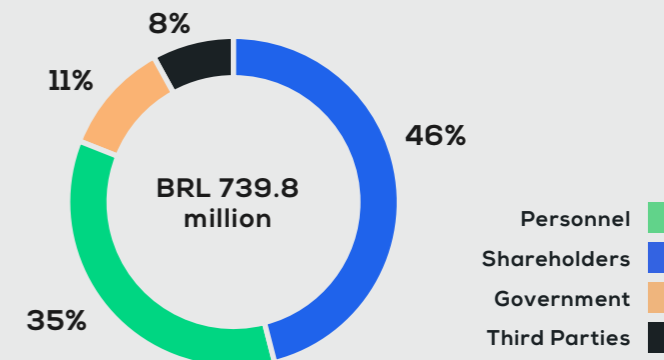
Dividends/  
Proceeds  
**-23.5%**

### Ebitda



Net Profit  
**BRL 342.9 million**  
Net Cash Position  
**BRL 265.1 million**

### Value Added Distribution



## Operational

**16%**

reduction in water consumption with less impactful processes

**2**

Acquisition of machines in the dyeing process, with lower

**93%**

of the energy mix from renewable energy

**23%**

energy consumption

**265**

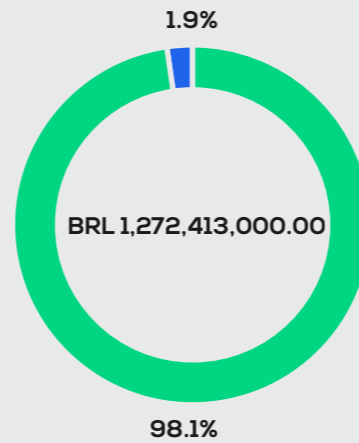
kg of reused textile waste through the Retrama project

**2.8**

tons of reused jersey and textiles in new products

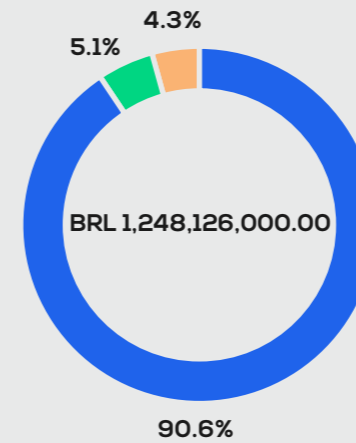
## Efficiency

Total Gross Revenue



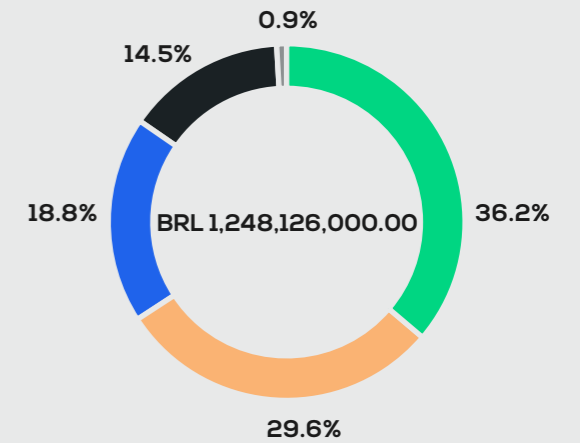
Domestic Market  
Foreign Market

Domestic Market Gross Revenue



Hering  
DZARM  
Other\*

Domestic Market Share



Multi-brand  
Franchises  
Own Stores  
Webstore  
Other\*\*

\* Considers selling second-line items, leftovers, PUC brand and Folha.

\*\* Considers selling second-line items and leftovers.

# Efficient Management

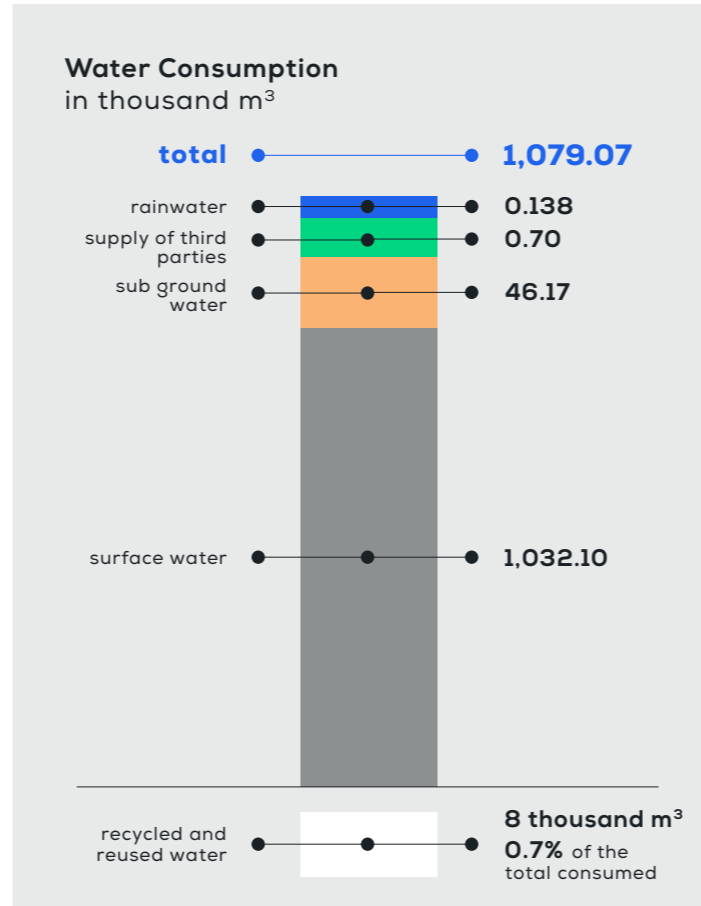
GRI 103-1 | 103-2 | 103-3 | 302-1

One of our main efforts is to improve processes in order to make them more efficient every day. We are engaged in seeking new ways to reduce and eliminate negative impacts related to the fashion chain, keeping quality indicators within the parameters and disseminating conscious consumption of natural resources.

We have an Internal Commission for the Conservation of Energy and Environment (CICE), which monitors and deliberates on the environmental impacts of all units of Cia. Hering, considering fuel, water, energy consumption, as well as waste and effluent generation.

Our Commission gives new projects the scope of environmental responsibility, in addition to technical quality and financial efficiency.

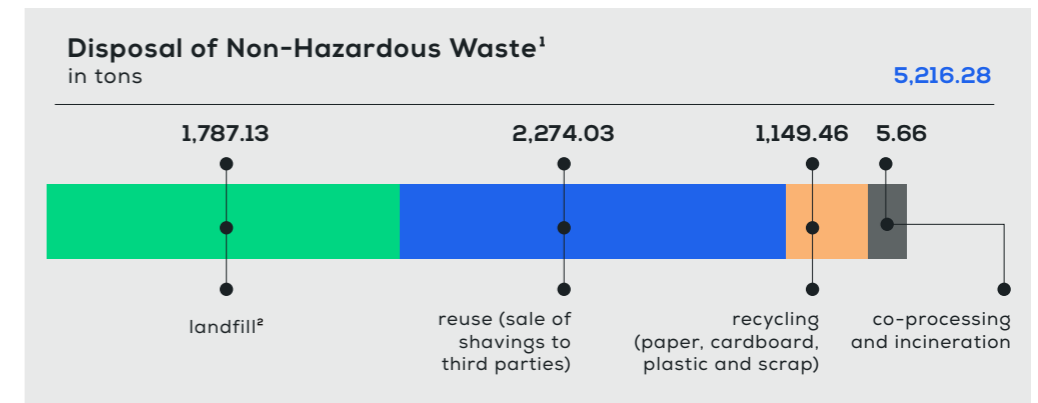
**We work to reduce textile chain externalities by finding new ways to ensure excellence in production and results while maintaining the business perpetuity.**



Destination	Value (thousand m <sup>3</sup> )
WWTP : watercourse	959.4
septic tank: landfill	0.8

**Energy Intensity<sup>3</sup>**  
1.346 kwh/piece

Source	Value (gigajoules (GJ))
biomass	232,474.5
natural gas	89,673.51
electrical	103,088.19
lpg	8,264.94
diesel	1,648.22



<sup>1</sup> Volume of hazardous waste in 2020: 3,984 units of lamps, intended for a supplier who decontaminates and recycles them properly.

<sup>2</sup> Of the volume sent to landfill, 73.13% refers to waste generated in the treatment plant (the sludge). The Company is already searching for solutions to recycle this sludge.

<sup>3</sup> Considers the total energy consumed in all Manufacturing Units, divided by the total number of parts produced by Cia. Hering in the year.

<sup>4</sup> Emissions for 2019, according to the inventory carried out in 2020.

<sup>5</sup> In 2019, the Biomass, LPG (Liquefied Petroleum Gas) and CNG (Compressed Natural Gas) data were presented in one thousand GJ (gigajoules). In 2020, all calculations were revised to scale without multiplying by one thousand.

It is worth considering that in 2020 most industrial units remained closed or functioning well below capacity, which impacts the generation of waste and effluents, in addition to the consumption of water and fuels.

Category	Value (ton CO <sub>2</sub> e) <sup>4</sup>
direct emissions (scope 1)	12,182.70
stationary combustion	10,581.00
non-stationary combustion	1,601.70
indirect emissions (scope 2)	2,855.34
other indirect emissions (scope 3)	6,604.10

Our consumers are looking for products with a purpose. And we understand the investment in our socio-environmental pillars not only as a business differential, but as a prerequisite.

## Education and Engagement

To increase our ability to generate shared value and minimize negative impacts, we engage our employees in actions to promote sustainable development. We keep our annual environmental education agenda active, from which we guarantee the momentum to awaken in each employee the search for concrete and alternative solutions to the impacts identified in their daily lives, in their workplace and in the execution of their tasks.

Our goal is to bring context and expand repertoire, to generate proactivity and autonomy in employees, with the ability to innovate and create opportunities to generate value for all, with social, environmental and economic development.

Therefore, in 2020, we have a dedicated program in the month of the Environment, in June. Among the various activations, we carry out campaigns on subjects such as Body Size and sustainability tips. We create challenges, share messages from leadership, we activate publications

on social networks and intranet murals, including detailing our 2019 Annual Report.

As part of the activations, we also tell employees more about the new partner with the EuReciclo seal, for the Company's waste management, with relaxed conversations about the relevance of recycling. At the end of Environment Month, we started a quiz to test everyone's knowledge of the Company's sustainability practices. Hering, bringing questions that reinforced knowledge about the initiatives.

Our Community of Leaders, a forum for exchanges between coordinators, also entered into special programming and held a chat about the role of leadership in business sustainability.

Over these four weeks, we engage employees in conversations and content exchanges, inviting them to share and reflect on the role of Cia. Hering and each other on this theme.



## Monitoring of Occupational Health and Safety (OHS) and Environment

We honor our responsibility with close monitoring and monitoring of the processes we maintain. We carry out studies to analyze the environmental impacts of our operations and systems, and map the possible risks associated with all stages of the business.

After execution, all projects are monitored and have databases related to their effectiveness. Our goal is to develop products that have the lowest possible environmental impact, in addition to exploring new types of technologies, in order to minimize the negative externalities of the sector.




## Less Impactful Products and Processes

To give greater robustness to our environmental management, we develop collections and products with sustainable inputs and raw materials. These include are fabrics with polyester PET (plastic bottles), with organic yarns, recycled and from defibrated yarns of textile waste and shavings.


In 2020, we launched two products derived from the World T-shirt, with the efficiency in the core of its existence, from creation to production: the H+ and Reuse t-shirts. Featuring the same quality, comfort and proprietary style as the traditional Hering T-shirt, the new products bring the convergence of trend with purpose, using technology in favor of sustainability.

Find out more:


In 2020:




We avoid consumption **23,300 m<sup>3</sup>** of water.



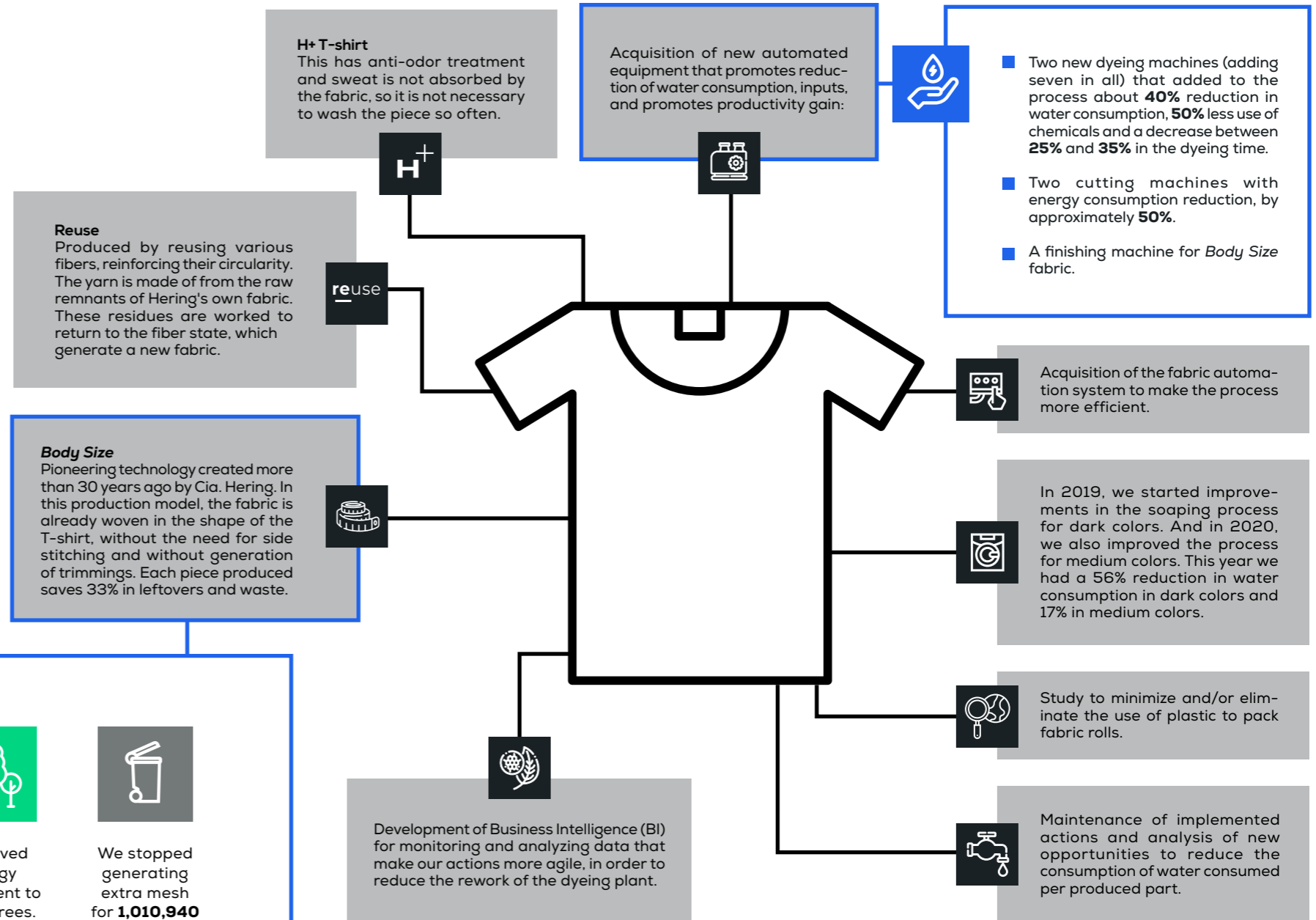
We stopped generating **150 tons** of CO<sub>2</sub>.



We saved energy equivalent to **1,072 trees**.



We stopped generating extra mesh for **1,010,940** t-shirts.





## Water

Industrial activities typically bring high water consumption, especially in the textile industry.

Conscious management of this resource has always been a point of attention for us. In our Itororó unit, we concentrate investments to maximize efficiency and have an automated Wastewater Treatment Plant (WWTP). Our WWTP was modernized in 2019, which brought great benefits, ensuring better quality of the effluent released back into the body of water.

[Find out more about the water cycle at Cia. Hering in the 2019 Sustainability Report, page 50.](#)



## Climate Change

In 2020, we took further steps in our climate change mitigation strategy. We conducted our Greenhouse Gas (GHG) emission inventory, the essential basis for our objective of neutralizing emissions by 2025.

This year, we neutralized 27.35 tons of CO<sub>2</sub> through the greenhouse gas management and compensation program, the CO<sub>2</sub> Neutral Program. We have also initiated a product life-cycle assessment pilot, which delivers greater traceability and transparency to our consumers.



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# Connection

The experience  
is our satisfaction





brands



resilient business model



manufactured

# Our Brands

Our cause is to build an authentic and plural business daily, through our portfolio, composed of three strong brands, each with its own style based on the Company's casual essence: Hering, Hering Intimates, Hering Kids and DZARM.

## HERING

Hering is a democratic brand, aimed at both male and female audiences. Already recognized for this, it presents an authentic, casual, relaxed and comfortable style: an uncomplicated style that allows the essential to manifest itself. Its versatile positioning makes it an accepted brand for all age groups and social classes.

**701**

stores

**681**

in Brazil

**20**

abroad

**987**

billion Reais of domestic revenue

present in the multi-brand channel and e-commerce

## HERINGINTIMATES

Hering Intimates is a line extension of Hering, with the potential to become an independent brand. Hering Intimates continues the theme of basics to present a portfolio that unites underwear, pajamas and loungewear for women and men. From the context of 2020, a new look at the wardrobe was consolidated, which proposes the appreciation of comfort and functional looks, inside and outside the home.

## HERINGKIDS

Hering Kids is like its target audience, light and cheerful. The brand brings in its essence the comfort and quality that children need to play without worry, with the freedom they need to discover themselves. Its products combine style and well-being, collaborating for the experience of a full and healthy childhood.

**75**

stores in Brazil

**61.6**

million Reais of domestic revenue

## DZARM

DZARM is an all-time urban brand. It translates world fashion trends in an uncomplicated and cost-effective way. It delivers a complete jeanswear line with differentiated models, in addition to developing essential fashion in basics with "something extra" and pieces with exclusive prints.

**03**

stores in Brazil

present in the multi-brand channel and e-commerce

**1.7**

million Reais of domestic revenue

In 2020, the path of the PUC came to an end, but its essence is forever. Over the years of its existence, Hering Kids has always looked at PUC with admiration, absorbing its authentic, artistic and creative side. Because of this friendship, PUC's legacy remains alive, now that both share positioning attributes and products. Many of PUC's signature products will now be available for purchase at Hering Kids. The fun continues!



customers



portfolio expansion



brands



social and relationship

# Our Customers

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

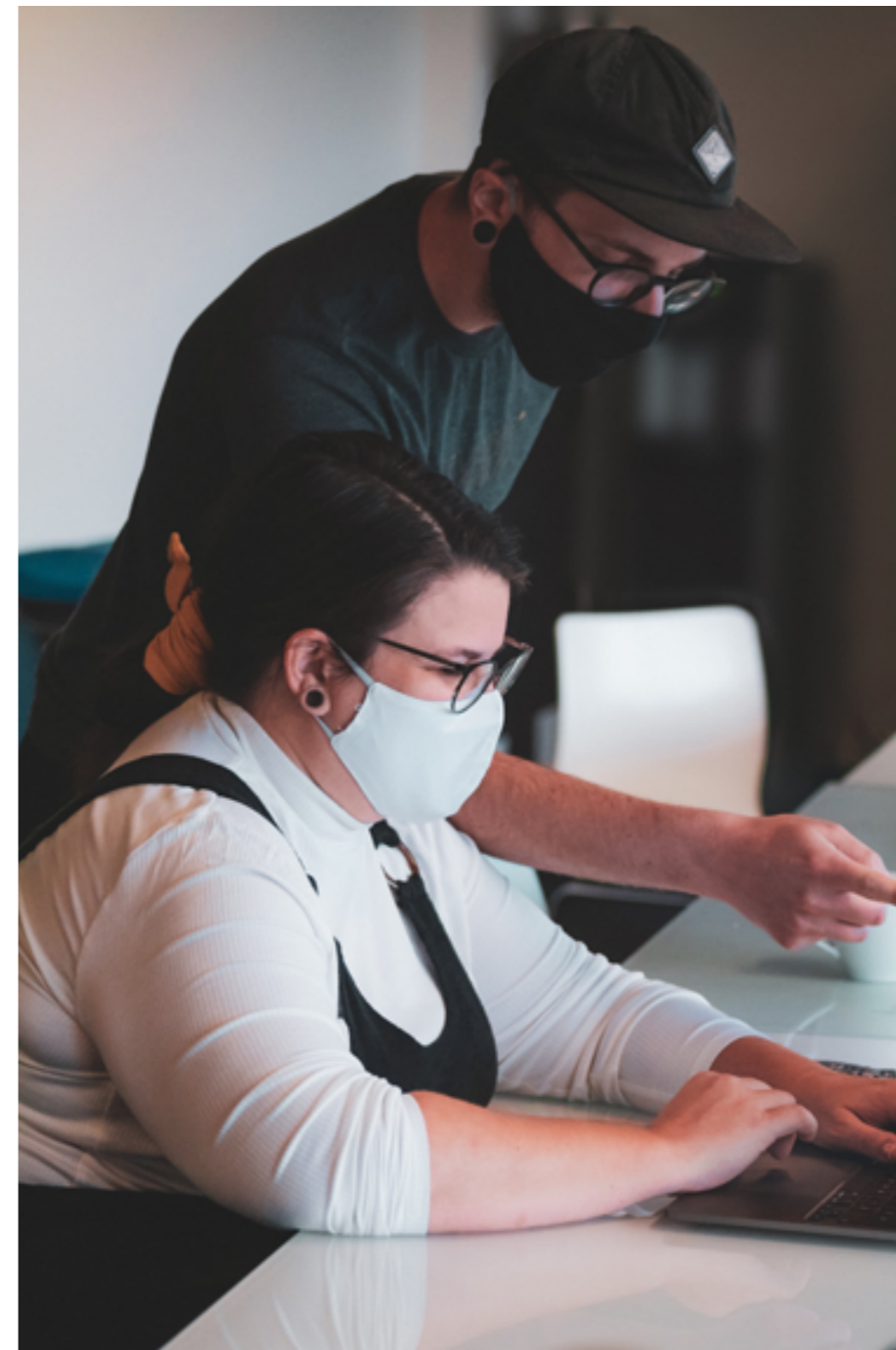
Customers are the reason for being of Cia. Hering. We make fashion with soul to dress people in light and uncomplicated stories. When we talk about our purpose – to simplify life – this is the audience that comes to mind. Therefore, we strive to always provide the best consumer experience.

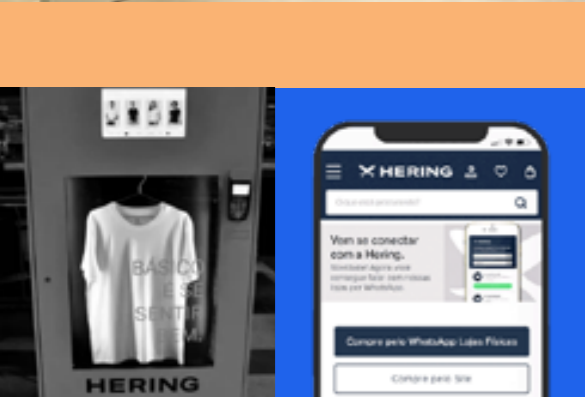
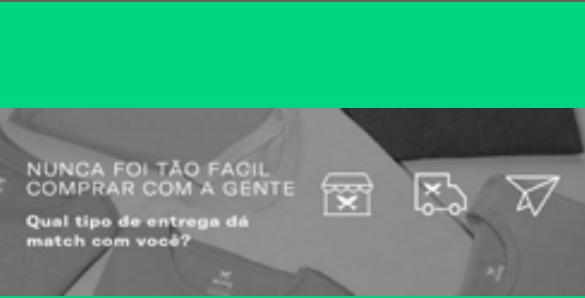
The customer focus is the foundation of our evolution. It is an ideology present in all attitudes and decision-making of the Company. As an example of this commitment, we have raised the weight of the Net Promoter Score (NPS) indicator – the main thermometer of satisfaction of this audience – so that it becomes a fundamental beacon for the entire Company.

We offer our customers a path in which ultra-convenience and ease are just the

starting point. With several channels, we offer a wide range of products and services that suit the demands of people, always seeking the best possible experience.

In view of the context and customer needs, in 2020, we also did a robust work of restructuring the Customer Success area, revised name of the Customer Service Department (SAC), which began the year with 17 employees and ended with 200. The very change in name reflects the nature of this transformation, because it positions the area as a way not only to serve lost customers, but to offer active after-sales service, ensuring the happiness and loyalty of our customers, humanizing their relationship with the brand.





## How Are We Reinventing Ourselves?

In 2020, we challenged existing formats, reviewed processes, scopes, and channels. In addition to developments in the digital environment (learn more on page 38), the review was also done in physical stores in light of the new shopping journey.

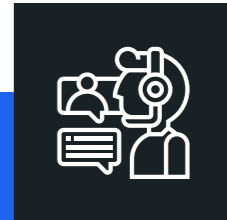
The mega-stores, which will continue to be scaled, reflect the new role of the physical store as an experience center and distribution hub for express delivery. While compact formats such as the Basic Shop and the Light Franchise enable the occupation of free zones and capillarity as a booster of omnichannel, besides fostering entrepreneurship in Brazil.

We expanded our One Stop Shop model, with three more mega-stores in our portfolio and inaugurated a new DZARM store concept in São Paulo - SP. We also created a sales channel, Social Selling, which enables anyone to become

a seller of our brands, not only by creating an income-generating opportunity for them, but also by facilitating our consumers' access to a new channel.

Another novelty in our sales is that now every physical store is also a store on WhatsApp. With this facility, the consumer chooses his favorite products and is served without leaving the house, in a totally digital way, with the option of delivery or drive-thru. Delivery modalities also gained new channels in 2020: we started delivering via application, in partnership with Rappi, with direct delivery in the city of São Paulo. In addition, we enable more than 300 stores to perform our Super Express Delivery, which takes the product to the consumer within 24 hours after the order, and implement the drive-thru, by which the consumer collects purchases made online.

We continue to innovate, expanding our capillarity, improving our level of service every day, always seeking the clearest and simplest processes and the most relevant products, to serve our consumers in the way they expect and at the time they want.



## Customer and Omnichannel Board

This year we created our Customer Board, focused on the experience of this audience. In our Customer Knowledge core, we continually learn about these customers' new habits and needs. This ensured us a rapid response during the pandemic, with research, identification of solutions for possible pain, and increasingly customized strategies of offers.

We use science to strengthen this relationship, bringing ease to the journey.

It was a year of advances. We have evolved the teams' ability to execute and discipline, with an increasing focus on the client. We unite the already known capacity for innovation and creation of Cia. Hering to the execution and development of robust processes, which enabled us to achieve the results sought.



## Care with the Customer

GRI 416-1

### Products

We test 100% of our products, with a rigorous internal quality process, with analysis of the materials purchased (raw materials and chemicals) even before they reach our factories.

The raw materials are evaluated according to the premises of the OEKO-TEX standard, an international reference in the analysis of inputs and products of the textile chain. If there is any non-conformity, the raw material is disapproved and automatically vetoed for use in our processes.

### Resumption of Physical Stores

The challenge of reopening stores in 2020 was to perform it within the strict safety standard of which Cia. Hering won't let go. We take care of

our employees, segment and we prioritize leave by risk group, ensuring the health of all.

We redesigned goals in order to outline action plans that were in our hands, respecting all the recommendations of health agencies. We consolidated the municipal decisions as the openings happened gradually in a continuous work, adapting our framework for each context and maintaining safety in the first place, both of our people and of each of the customers in our stores.

### Information Privacy and Security

In order to comply with the General Data Protection Law (LGPD), we started mapping the entire flow of personal data of customers within the Company and counted on our partners to evolve this front with agility. In addition, we are creating policies, control mechanisms and systemic improvements for data protection.



# Customers Multi-brand

Our multi-brand channel is composed of customers who resell pieces from Cia. Hering in stores that also work other brands. It is with this partnership that we enable our products to reach even more people. The digitalization of the channel, consolidated in 2019, brought benefits for strengthening the relationship with customers and better experiences for them, in addition to proving necessary in the context experienced in 2020. We perceived, in the period, the realization of our differentials as advantages for the resilience and success of the Company.

With the creation of the new Key Account sales channel (large accounts), implemented in 2019, we were able to expand the capillarity of our brands, which today are present in the largest and best online sales platforms in the country. We offer curatorship in the portfolio management of each client, with customized service and based on the long-term vision and potential development of the client, which has a structured work system.

- + content
- + interaction
- + technology
- + use of data
- 3 sell-in events
- + of 7,000 customers

The solution positively impacted the business of these customers, making the chain more sustainable by allowing Cia. Hering to monitor prices charged and avoids conflict between channels. In 2020, our customer base doubled and the old partnerships became stronger, so the results increased and the area is expanding.

Multi-brand customers and representatives are also part of our Distance Learning platform, with access to the content of the brands of Cia. Hering as well as campaigns and collections. In the year, we provide new development tracks composed of technical and behavioral content related to sales, operation and business management.

In 2020, we conducted our innovative, fully virtual Showroom model. In the previous year, the event was already undergoing reformulations, for a sale focused on the storytelling of brands, and, in 2020, we concentrated efforts to offer the public a digital and dynamic experience, updated and up to date with the demands of the moment.

The big differential is due to our business-to-business (B2B) platform, which allows a unified journey of content presentation, indication of products and purchase consummation. In this format, the customer can watch live and review as many times as they want, favorite items and build the order with a few clicks, in a practical and agile way.

Thus, we raised the average order and sales mix, with representatives consolidating their advisory role and aligned with customer needs, which contributed to promote rapprochement even in a context of social isolation.





portfolio expansion



resilient business model



unified trade



intellectual

# Digitalization

Digitization is not new to Cia. Hering. In addition to a network composed of several audiences, we are a link that connects them and facilitates relationships. This connection is in our essence, it is part of the soul of the Company. Making it uncomplicated and increasingly agile is a job we've been working on for a few years.

In 2020, we continued with our journey to intensify the proximity and ease of services, with the establishment of an information-oriented culture, which organizes the Company's processes and metrics based on real data. As a result, we leveraged a strategy of scale personalization, customer engagement with a multichannel platform, which includes e-commerce, application, stores and social networks.

The Company's engagement in maintaining a robust e-commerce was fundamental to minimize the losses that occurred with the closure of physical stores. We strive to invest in electronic channels to meet the demands, seeking to facilitate journeys and have remained present at several times of people's daily lives.

The context of the year contributed to the acceleration of the channel, with the high demand for digital solutions as a consequence of social isolation. However, the results achieved were due to agility in decision making and execution, with actions such as the integration of our Distribution Center and review of logistics processes to suit needs.

In communication with our customers, digital channels proved to be even more relevant to bring information, promotion and offer to this audience. We achieved our best indicator of sales participation, driven by the change in digital behavior that the pandemic itself brought, but also combined with better segmentation, intelligence and Customer Relationship Management (CRM) tool. Data has never been more important for analysis and decision-making related to customers and consumers. We had a large contingent of learning about the behavior of these audiences, which provided our areas with brands and channels to think of the best solutions.

Consumer behavior was transformed by adding customers who only purchased in physical stores and used e-commerce for the first time. This revealed us a new journey, with an increase in multichannel customers, who have a more profitable consumption pattern and high fidelity.

We consolidate ourselves as a phygital Company, with omnichannel fully integrated into the business.

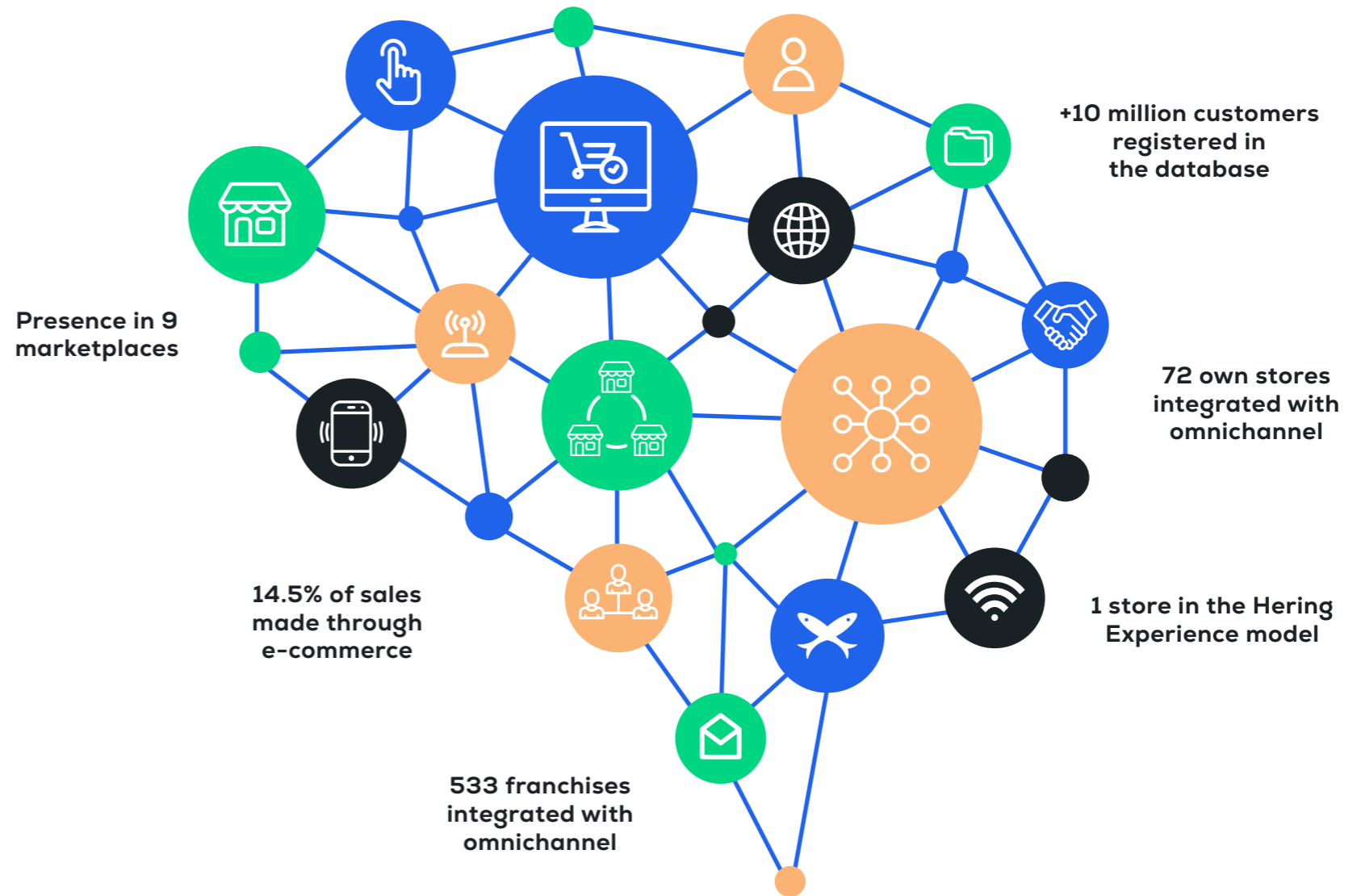
In 2020, Hering was elected as **Best Brand in the Online Apparel Retail Category** by The Estadão Award for Best Services.



The model is present in 90% of stores and allows Cia. Hering to discover the preferences of its customers. The ease of purchase, with a high level of delivery, resulted in the exponential growth of our e-commerce operation, even with the reopening of physical spaces.

We have also prioritized some self-tinted forms in our Customer Service, implemented the Audio Response Unit (ARU) and evolved Chat Bot with more information, as well as several other developing fronts. Our focus is on solving problems related to user experience, increasing assortment and reducing ruptures. Even with the reopening of physical spaces, we maintained the growth rates of the second quarter throughout the year.

We know that in all this transformation there is still space for improvement, and it is this awareness that makes us sure that the channel will continue to grow. We will continue to strengthen the relationship of the digital channel with our stakeholders, improving the experience every day, a fundamental vision to become increasingly a multichannel company.



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# Affection

We protect  
and develop  
what we love





# Our People

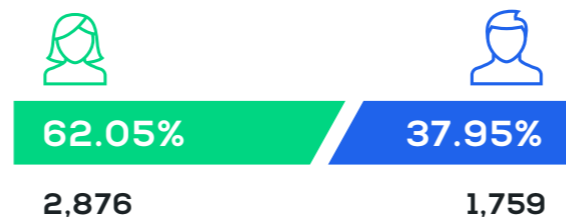
GRI 102-7 | 102-8 | 401-1 | 401-3

2020 reinforced a fact we already know: organizations, large and small, are made up of people. This inevitably makes them as resilient and value-generating as individuals committed and aligned to their purpose. This collective construction is the result of each person's effort and can be the strength or weakness of each institution. At Cia. Hering, this is the reason for our excellence.

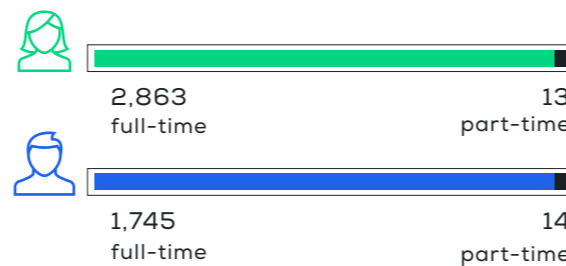
## Adaptation of Structures

In 2020, our staff was greatly impacted by the closure of operations of the manufacturing unit in the city of Parnamirim – RN and the Covid-19 crisis. We took all measures to take care of our people, but the context generated a reduction in the number of employees, compared to the previous year, which is perceived in the following indicators.

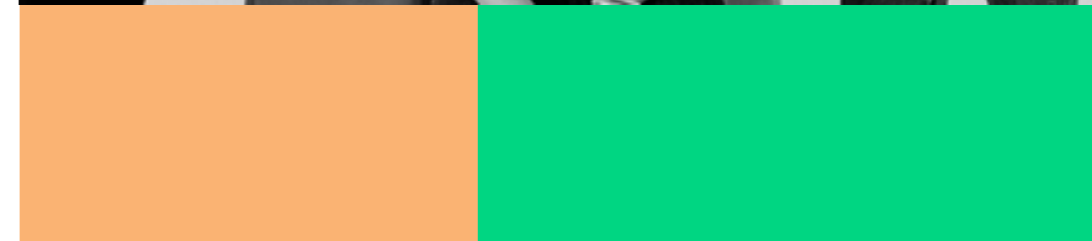
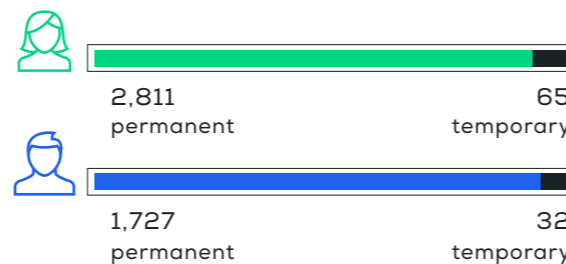
**4,635** employees



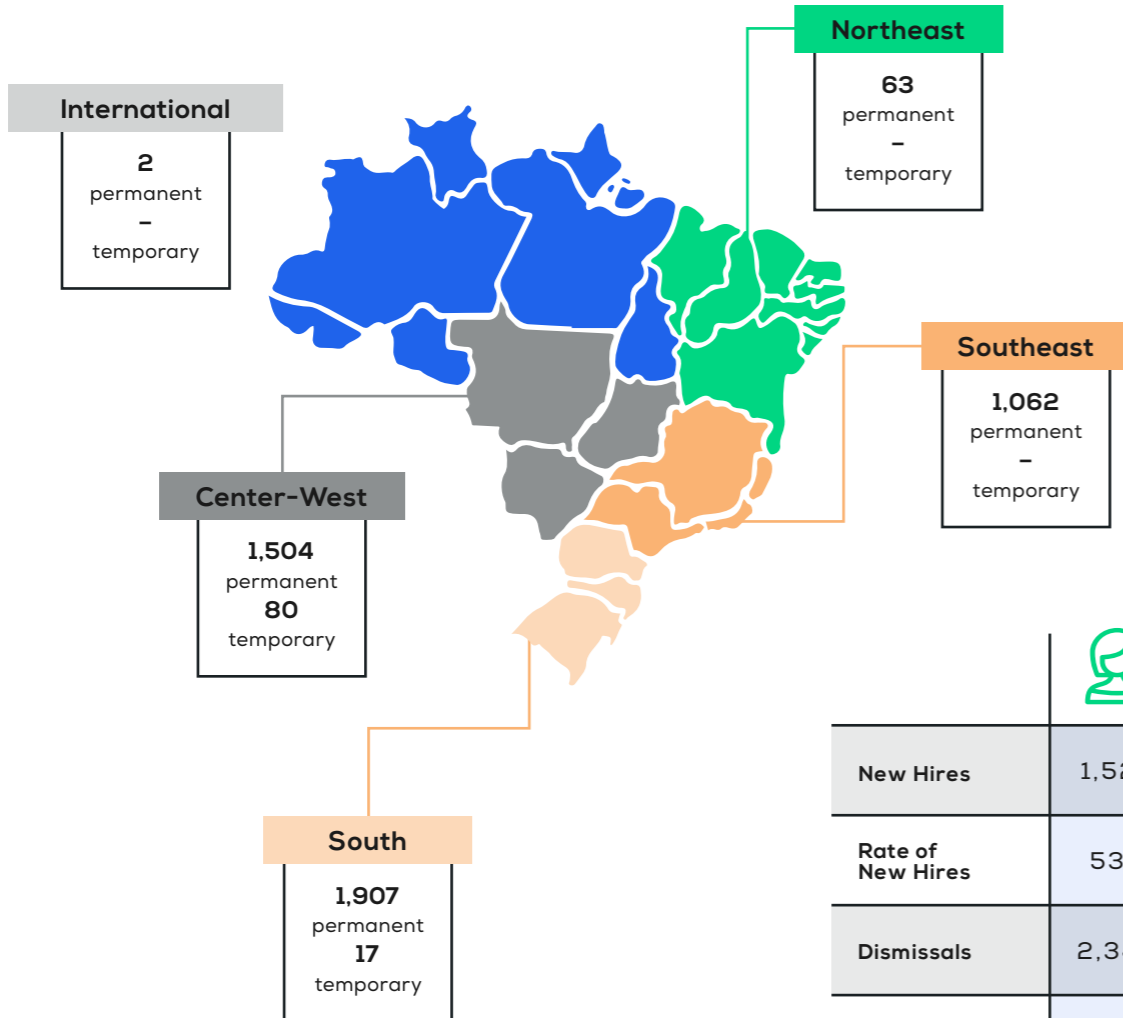
### Type of Employment



### Contract Type



### Regions by Contract Type



### Paternity and Maternity Leave

	Employees with right to leave	Employees who used leave	Employees who returned to work after leave (rate of return)	Employees who continued at the Company 12 months after the return (retention rate)
	100%	26	96%	51%
	100%	158	74%	33%

			Center-West	Northeast	South	Southeast	Up to 30 years	Between 30 and 50 years	Over 50 years
New Hires	1,524	885	836	65	650	858	1,800	573	36
Rate of New Hires	53%	50%	53%	103%	34%	81%	78%	31%	8%
Dismissals	2,340	1,140	839	899	827	915	1,897	1,373	210
Rate of Turnover	81%	65%	53%	1,427%	43%	86%	82%	74%	45%

## Diversity

**We value plurality.** It is the uniqueness of our people that is the essential multiplicity for Cia. Hering. We recognize the diversity of competencies, experiences and opinions of our team of employees. Therefore, we are convinced that a working environment guided by equal opportunities and inclusion strengthens the connections between people, promoting continuous learning and always better results.

**We value inclusion.** We want to enhance professional development, stimulating an increasingly rich working environment.

In 2020

**56.72%**

of leadership positions were held by women.



In partnership with Associação Blumenauense de Amigos dos Deficientes Auditivos (ABADA), we have developed a mask model with transparency to facilitate the communication of people with hearing impairments without harming their individual protection.

We donated 600 masks with transparency in the mouth region, which allows

lip reading and expressions, and the ABADA distributed them totally free of charge to deaf people and family members of the Association.

Within the Company, we also distributed these masks to teams with deaf employees, to ensure an inclusive environment that belongs to all.

## Plurals Program

Here, we believe in diversity in colors, have, ages, cultural beliefs, accents, genders, ethnicities, sizes and shapes – because Plurals is our way of being and also the name of our Diversity Program, it's how we want to welcome and value everyone.

The Company maintains an agenda for inclusion of people with disabilities and constantly opens new opportunities for entry of these professionals to administrative and industrial units, as well as brand stores. We also work with awareness-raising, promoting dialogues on inclusion, training in sign language, conversations

and monitoring interviews with employees, valuing the a plurality that we already.

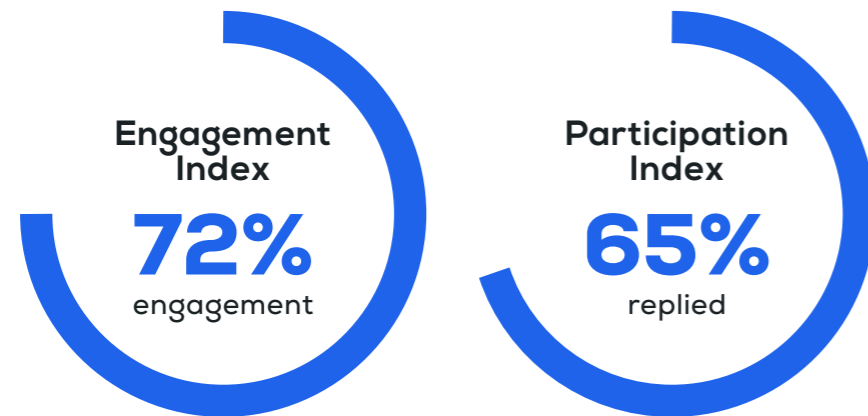
In 2020, we worked closely for commemorative dates, celebrating plurality in events such as Women's Day, cultural diversity, LGBTQIA+ pride, black awareness and accessibility.

Following the commitment to evolve in the management of the subject, in 2021, we will apply a census that will bring details about our employees. We will also continue to conduct specific campaigns and trainings, and create a Diversity Policy as well as affinity groups.

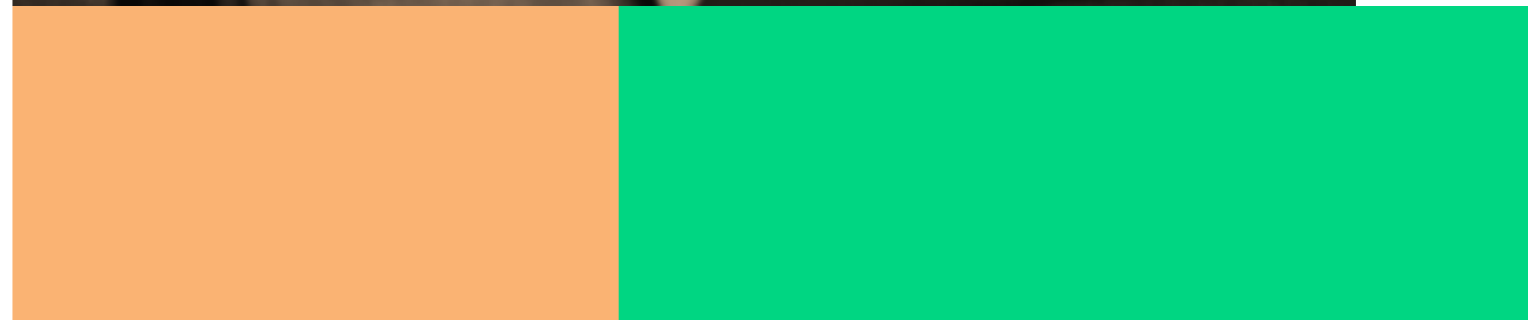
## Engagement Research

In 2020, Cia. Hering conducted its engagement survey with employees, seeking to understand the strengths that must be maintained and encouraged, as well as the opportunities for improvement.

The Company always monitors the perception of its network, seeking to continuously improve and keep employees engaged.



Opportunities for improvement are being addressed with actions such as the "Cycle of Good Conversations" - a format that promotes the development of more empathetic listening, guiding conversations and more assertive feedbacks. Also as a result of the Engagement Survey, the seal "Aqui sua Voz Conta" was launched to identify the projects implemented based on the diagnosis.



## Development

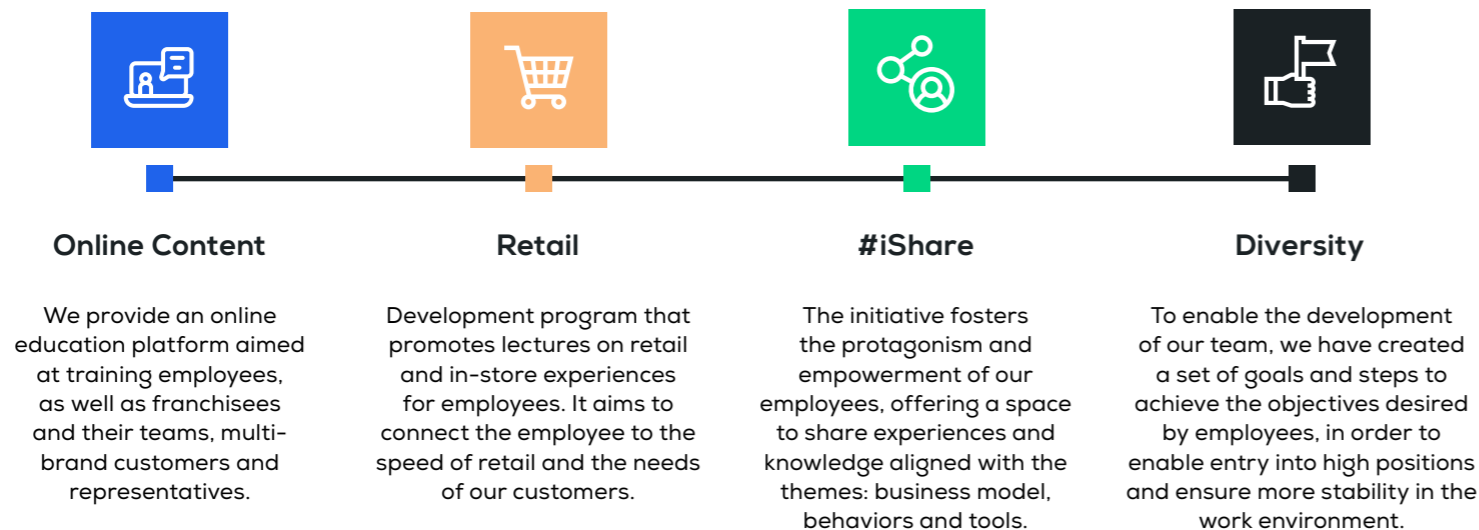
GRI 103-1 | 103-2 | 103-3

We are constantly seeking the evolution of our people. Therefore, we invest in the development of different initiatives to ensure the progress of everyone in the Company.

In 2020, we created our Culture and People Portal, which integrates our Human Resources solutions into a single platform. In addition to facilitating the experience of 4,541 users, the Portal brings relevant content for the development of the corporate and industrial

public. In it, we concentrate general information about employees, vacancies, selection processes, courses, lectures and webinars.

We also reinforce in our culture the practice of constant feedback, fostering the exchange of learnings and experiences among our employees on a continuous basis. Thus, the return is not reserved for specific moments of evaluation, but permeates the daily life of the employee, ensuring that it adapts more quickly to their demands.



## Performance

GRI 404-3

The Integrated Performance Management (GIP) program is a tool that strengthens the practice of competencies and guides the development of our employees, through 360° performance evaluations that result in feedback and development plans carried out in conjunction with management.

In 2020, the program advanced with its restructuring process, following with objective evaluations and connection with succession mapping. In the year, we began to carry out our performance evaluation with biannual frequency, an advance that will bring gains to the development of our employees.

In 2020, the **VALUES** were incorporated into the competences that are part of the performance evaluation process. Thus, our employees had their performance analyzed according to the behaviors that reinforce our Culture.

We seek to develop talents for the entire Commonwealth, without restricting their options to their specific areas. With this transversal look and the inclusion of values to competencies, we also identify the strengths of each in relation to our purpose.

Depending on the context of the year, in 2020, we did not carry out the GIP evaluations, which will resume from 2021.

## Health and Safety



Occupational Health and Safety (OHS) is the highest priority in our business. We manage the subject in a robust and structured manner, and have Internal Accident Prevention Committees (CIPAs) to monitor occupational safety initiatives, with its members elected by employees and designated by the Company.

The Internal Week for the Prevention of Workplace Accidents (SIPAT) and the Health Week are directed to the prevention of accidents and occupational diseases in the Company.

## Together in every moment

As soon as the World Health Organization (WHO) declared the pandemic, we focused our efforts on ensuring employee health. We streamlined remote working processes and were one of the first Companies to implement Provisional Measure 936, which allowed the reduction of working hours.

We produce a series of weekly webinars with employees to guide and solve their possible questions about activities at this time. We revisited our communication and launched personas, which we called Heringers, with the objective of transmitting messages to our public with human warmth, despite the social distance.

We have developed the telemedicine service and implemented a psychological support program to embrace all employees. We reviewed our health policy and did massive testing of the entire team before returning to the offices. In preparation for the safe resumption of activities, we adhere to the physical spaces to maintain the distance between employees within the Company and provide kits with alcohol gel and personal care products.

## Well-being

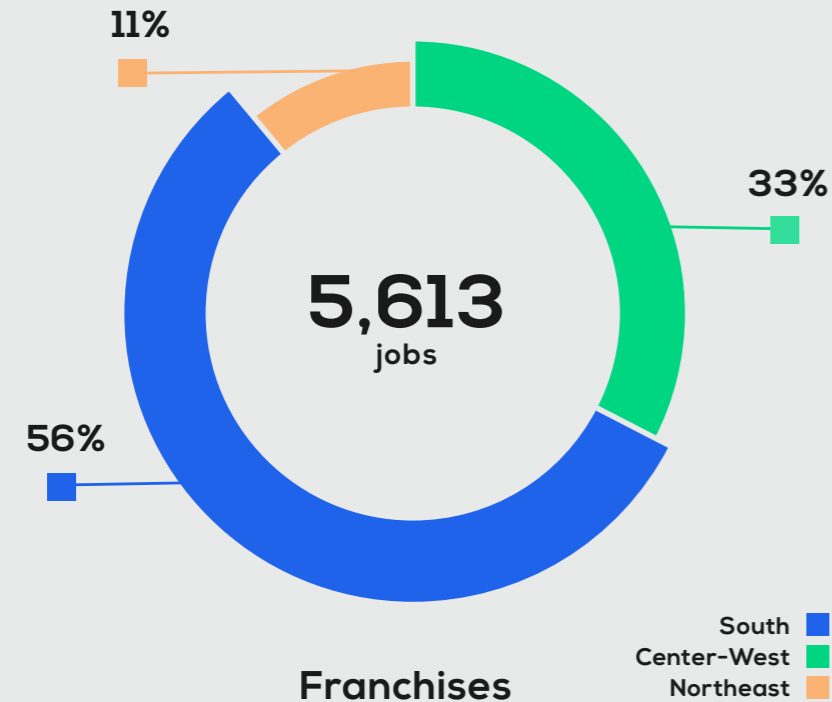
2020 was a challenging time for health care. With this in mind, we dedicate our efforts to stay close to our employees, adapting to the digital reality. Events that were previously face-to-face began to happen online in the comfort of their homes and with their families. We conducted Livestreams and Webinars addressing issues such as Mental Health, Sleep Quality, breast and prostate cancer prevention. We also hosted Mommy On Board, our special event dedicated to dedicated to moms and dads-to-be. To adapt to the current reality, we developed and offered Ergonomics Training with tips and recommendations to improve everyday life while remote working. Due to the coronavirus pandemic, we devote special attention to actions to combat and prevent contagion. We take care of our employees with Covid-19, monitoring and accompanying their health status daily. We kept our employees of the risk group away from their work activities in order to protect them.



# Valuable Relationships

## Sharing Value

GRI 103-1 | 103-2 | 103-3 | 203-2



## Suppliers of National Sourcing

Jobs generated

**54,000**

Total revenue

**BRL 102,970,598.00**

Revenue from Cia. Hering

**BRL 2,106,158.00**

GRI 102-13

In 2020, Cia. Hering maintained its participation and strengthened its relationship with several organizations and associations, supporting decision-making in the face of the challenging scenario experienced by the market:

Associação Brasileira da Indústria Têxtil e de Confecção | ABIT

Associação Brasileira de Franchising | ABF

Associação Brasileira do Varejo Têxtil | ABVTEX

Associação Pró-Desenvolvimento Industrial do Estado de Goiás | ADIAL

Instituto para Desenvolvimento do Varejo | IDV



## Franchisees

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Cia. Hering is the largest clothing franchise chain in the country. We are present in all states of Brazil and our stores are also present in Bolivia, Paraguay and Uruguay.

Our Franchisee Board deliberates on topics relevant to this group and stimulates entrepreneurship in the value chain. We guarantee the integration of all new franchisees, strengthening their connection to Cia. Hering.



## Portal Conecta

**Portal Conecta** is our digital platform for relationships with other businesses, or business to business (B2B), launched three years ago.

With it, we connect shopkeepers and representatives to virtual catalogs, order queries, data reporting and other tools for business management.

In addition to providing the showroom, the Portal is focused on the replacement activity, guaranteeing our franchisees and multi-brand customers an easy shopping experience.

## Development

All stages of onboarding and education for franchisees, in-house store managers, multi-brand customers and representatives are promoted by a specialized commercial training team.

In the year, these steps occurred remotely, through our online platform, but our investment in maintaining close relationships and developing the partner network reflected in a great result in the franchisee satisfaction survey.

# Suppliers

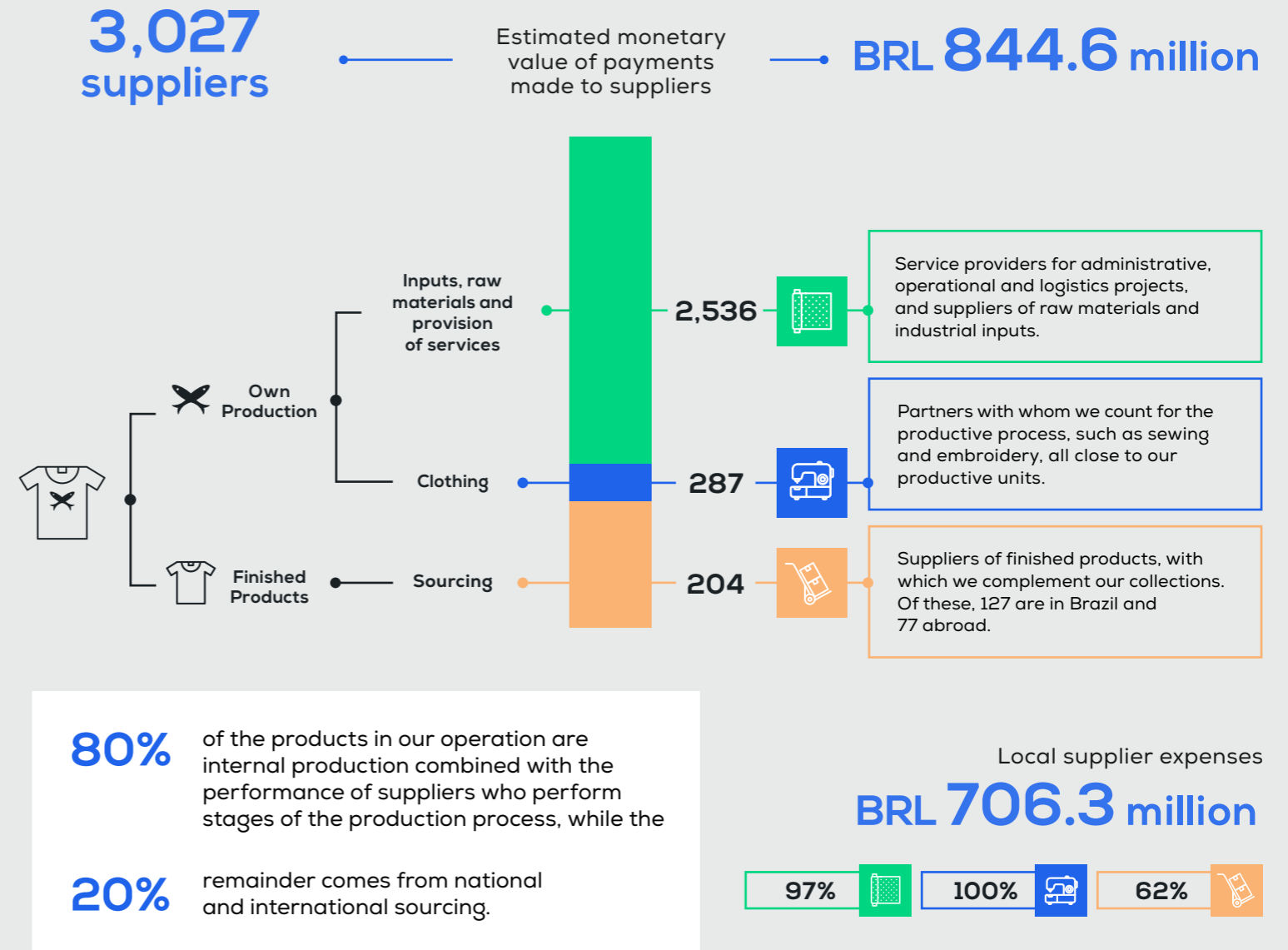
GRI 102-9 | 204-1

The perceived quality in each product of Cia. Hering comes from the choice of the best materials for making and a supply chain with excellent quality. We establish transparent relationships with suppliers and maintain open dialogue, guided by mutual respect.

Our products come from two distinct production models: own production and the purchase of finished products, which makes us a Company with a hybrid business model. To ensure the supply of materials, we have three types of suppliers: those of raw material and service provision, the garments that carry out stages of the production process – both within the production model itself – and those that provide us with ready-made products, called sourcing.

Having this range of possibilities for supply is one of the Company's strategies to mitigate risks related to the supply or price of raw materials and maintain the flexibility to seek the best products with specialized suppliers.

With the impacts of 2020, we confirm what we have been observing for a long time in the Company: the best strategy to ensure deliveries and prices is the construction of lasting and transparent partnerships with the supply chain, guided by trust.



## Selection and Monitoring

Before establishing any contract, we require all our partners to adhere to the Supplier Code of Conduct. We have developed a multidisciplinary committee to support the definition of supply chain relationship, monitoring and development strategies.

We value the compliance of all products. At the time of the selection of the clothing, and throughout its contract, all suppliers undergo unannounced face-to-face audits, carried out by the team of Cia. Hering. In the audits, we evaluated compliance with commitments and good practices in socio-environmental responsibility, in addition to compliance with legislation in relation to labor laws, as well as health and safety standards.

Additionally, we conducted environmental education actions with sewing suppliers, supporting the correct disposal of waste such as burrs or leftovers from meshes generated by the operation. In view of the risks associated with contamination of water by liquid effluents from the industrial (chemical) washing process, we took as a mitigating measure the monitoring of legal documentation and the operation of the Wastewater Treatment Plant (WWTP).

In 2020 we received the Associação Nacional dos Avaliadores de Penhor da Caixa (Anacef), which represents the recognition of extremely important values for Cia Hering: ethics and transparency in relationships.



In 2020, we held events aimed at suppliers to prevent Covid-19, in addition to a partnership agenda with Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (Sebrae) and Associação Brasileira do Varejo Têxtil (ABVTEX) to further expand the knowledge of our chain on the objectives of the program and the importance of regulation in labor relations and respect for human rights.

We have also started a new process of approval of national suppliers, with the Instituto Brasileiro de Certificação e Monitoramento (IBRACEM) platform, which performs an automated search for public documentation and provides a certification of regularity of the registered supplier. Our social audit program evolved in front of supplier compliance, with training programs in partnership with Sebrae. There was also an increase of 26 new certifications by ABVTEX of suppliers, mainly in the state of Goiás.

We evaluated 100% of the clothing network in the South, Center-West and Northeast, through own audits or ABVTEX audits. In them, criteria such as Health and Safety at Work, documentation, child labor, abuse and harassment, hours worked, discrimination, among others, were observed. So far, no significant or potential negative impacts have been identified for this operation.

All our national sourcing partners are certified (ABVTEX), and therefore do not undergo their own audits, except for complaints or specific cases. Our international sourcing suppliers have a Quality Team of outsourced companies specialized in performing audits on parts and verification of social aspects in visits to suppliers.

2020 was another period without identifying significant risks in the operation (own or suppliers) of occurrences related to child labor or slave labor.



We seek a fair and honest performance in our contracts with suppliers and, therefore, we value compliance with laws related to human rights. We are dedicated to maintaining a healthy business that works respecting the well-being of employees and respect for the environment. We are a Company based on responsible relationships and transmit these criteria to our suppliers, because we know that only in this way does our network have the ability to truly generate value.



## Recognition

The management of our relationship with suppliers is carried out within the Sustainable Fashion program, which, in addition to compliance, encourages continuous improvement of practices. For the sewing manufacturers, we have the ABRA Award, a recognition action for implementing the best practices in quality, compliance, and business management.

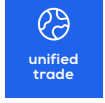
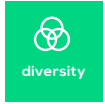
Created in 2017, it is a program that recognizes suppliers with the best quality, comfort and manufacturing practices. As such, we actively encourage the development of our partners and adherence to the commitments stressed by the Company.

This year, the ABRA award has been remodeled. Monitoring continues monthly, but we have replaced quarterly physical medal deliveries with annual recognition in the form of a digital stamp. This allows suppliers to develop continuous improvements in the search for the final result.

Altogether, we had 270 participants, 177 of whom were classified. Of these, 17 suppliers in the Silver category, and 160 in the Bronze category. In 2020, we did not have suppliers classified as Gold Master.



The ABRA Award reinforces our position and commitment to the sustainable development of the network, strengthens our relationship and encourages the adoption of best practices in the value chain.



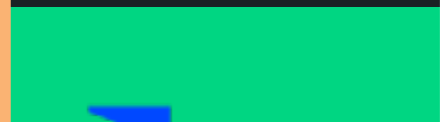
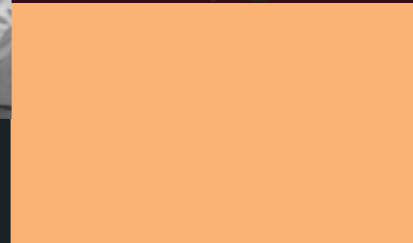
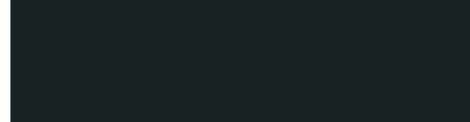
# Hermann Hering Foundation

GRI 413-1

The **Hermann Hering Foundation** has the mission of doing and happening, occupying new spaces and thinking about new ways of acting in the fashion world, inheriting values that materialize in preserving memory and encouraging culture.

In partnership, we work to build a society where entrepreneurs use their talents with protagonism and willingness to seek a new way of doing things. We celebrated 85 years of our Foundation, exhibiting a trajectory that is not only alive, but increasingly attuned, young, and aligned with the future.

The Hermann Hering Foundation is integrated into Cia. Hering strategically through the themes of **culture and entrepreneurship**.



## Memory and Culture

The theme of culture is the integration with the Company that aims to preserve our legacy and values, however, always keeping up to date. There is a genuine connection in this partnership, in which the Foundation plays an important role in protecting the history and brands of Cia. Hering.

In 2020, the Foundation invested BRL 458,000 in projects at the Hering Museum, with the creation of a new exhibition, structural reforms of maintenance of the listed building, events, publication of e-book and investment in sponsored media. We rethought access to culture, seeking to democratize the museum during the pandemic with alternatives through digital channels.

On the Foundation's YouTube channel, the creative workshops created, recorded and held during the year were published. Also on the platform, more than three thousand people followed, live, the 4th edition of the Interdisciplinary Seminar in Museology, in an unprecedented partnership with the 8th Fashion Document. There were three days of debates on the Foundation's YouTube channel, including talks on topics relevant to fashion, representativeness and expression, with figures such as Marcia Merlo, Hanayrá Negreiros and Jackson Araújo.



## Entrepreneurship

Entrepreneurship is the link that ensures that small businesses have the potential to develop. In this theme, we develop the chain of small enterprises rather than exploiting them, because we seek to bring more and more promising partnerships, in addition to collaborating so that all of them find their place in the world.



## Rethinking the Future

Concluding its 3th edition, the **Trama Afetiva** project is an initiative that aims to bring together creative people to rethink consumption and question existing social patterns, using design as a tool for social transformation for the collective.

Since its first editions, Trama has focused on design, fashion and entrepreneurship, connecting people through the transforming practices of the Affective Economy - a production and consumption model focused on value generation and socio-environmental responsibility through the re-signification of processes and products.

In 2020, the edition relied only on online activations, due to the context of social dislocation.



Another Foundation project is **Retrama**, which aims to reuse textile waste. The initiative was inspired by the transformative result of the Trama Afetiva project and, since 2017, the Foundation team has lived the experience of creating products by upcycling materials, giving a new meaning to leftovers and residues of textile processes without changing their original characteristics and making the best use of the raw material in its current state.

Under the transforming practices of this movement of affective economy, which we believe in so much, are partner sewing cooperatives are part of Retrama - mostly formed by women, who develop sewing processes, set prices and produce the pieces we create

Although the new coronavirus pandemic has extended the completion of the **Encadeamento Produtivo** project (learn more on page 71 of the 2019 Report), we maintain our commitment to its

conclusion and the necessary follow-up to maintain this network of sharing and knowledge.

In 2020, we also boosted conscious entrepreneurship through **Programa Criação**, in partnership with Andrea Peruzzo. We trained 616 people, with the equivalent of 720 hours of knowledge in distance learning. As a result, three entrepreneurs were mentored in their business. Our goal is to achieve 1,500 participants with the Program.

To further encourage sustainable fashion in the national scenario, the Foundation participates in Colabora Moda Sustentável, with support for individuals and legal entities. In 2020, of the 22 prototyped businesses, nine initiatives were supported with seed resources. The Program contributes to the protection of small businesses at the base of the chain during the pandemic, and counted on the development of an associative work model for seamstresses of **Tramando Junt@s**, with the collective Sartasiñani, in the production of masks and aprons.

## The Foundation in 2020

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

### Memory and Culture

**+ than 162**

thousand visitors to the Hering Museum in person since its inauguration in 2019.

**66**

thousand people follow us on social networks.

### Entrepreneurship

**368**

business have been impacted by the Creation and Production Chain projects, employing more than

**1,300**

people.

**720**

hours of distance learning by Criação.

**2,025**

hours in consulting.

**9**

business initiatives have received Seed Resource for their development by LabModa project.

**+ than 1.3**

tons of waste have already been re-signified with the Retrama project.

**20.7**

thousand Reais of revenue generated

**72%**

were reverted to the seamstresses of the Retrama project.

### Projects Supported

**5.6**

thousand young people have been trained and welcomed in Junior Achievement (SP) and Instituto Reciclar (SC) projects.

**4.4**

thousand virtual visits made to Covid-19 patients, bringing families together in the Conexões com o Cuidar project (Amor de Barretos hospital).

## Vestir o Brasil

In September, when we celebrated 140 years, we launched the **Vestir o Brasil** project. Its motto is collaboration, activating entrepreneurial education and giving voice and visibility to young people from different regions of the country. In partnership with the Hermann Hering Foundation, **Instituto Reciclar** and **Junior Achievement**, the action aims to promote innovation and creativity workshops and reward the best ideas.



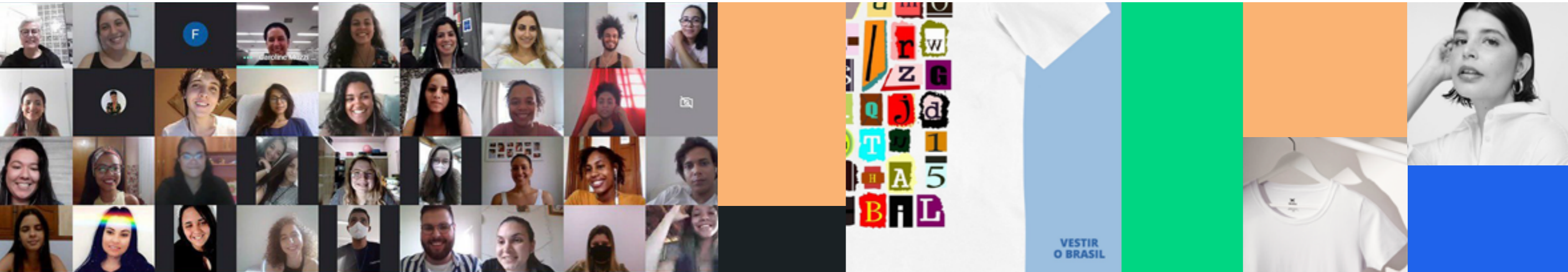
**“We had a lot of learning and it was very productive to learn about all the tools. In addition, we were able to analyze a theme that I consider essential, which is the susceptibility and the possibilities of change in the fashion industry.”**

Participant of the first Vestir o Brasil workshop.

## How can fashion transform Brazil?

We collaborate to activate entrepreneurial education through the Vestir o Brasil workshop. In this union, we created a social performance platform focused on entrepreneurship, creativity and training. We have the participation of 70 students, young people from all over Brazil between 15 and 24 years, totaling 20 hours of dedication to activities and 23 projects developed by young people.





The first edition, in partnership with Junior Achievement, took place in five virtual meetings, in a period of ten days, in which the young people received mentoring from a team of 18 volunteers from Cia. Hering, who supported the construction of the projects, through the Innovation Camp methodology. The solution chosen for the first place received BRL 1,000.00 and a BRL 1,500.00 voucher for purchases in the e-commerce of the Company's brands for each member, per year, until 2025.

The second workshop, with Instituto Reciclar, aimed to activate design thinking. In four meetings, we provided an environment of inspiration and creativity, to conduct the construction of ideas and reflections on the theme "how can we dress a better Brazil?". The young participants were challenged to translate their ideas into a design and one of them was chosen by an examining board to then become a t-shirt print to be sold in the Hering brand's e-commerce.

The Herman Hering Foundation sees young people as its main motivation, and is inspired by them when creating and supporting projects that aim to develop entrepreneurial, innovative and creative thinking.

Vestir o Brasil is a project that aims to contribute to the construction of a "today" with more possibilities for Brazilians through the empowerment of young people, encouraging them to believe in their ideas and see clothing as a safe space for their expression.

On September 25, **Dia da Básica**, when we actually completed our 140 years, was celebrated differently this year: 100% of sales of white World T-shirts at Hering stores between September 25 and 27 were reverted to the Vestir o Brasil platform. The action represented an amount of BRL 255,000 passed on to the project.



# GRI Summary

Indicator	Brief Description	Page/ Direct Response
102-55	General Content	

## Organizational Profile

102-1	Organization Name	
102-2	Organization Activities	
102-3	Organization Headquarters	
102-4	Countries of Operation	
102-5	Legal Status of the Organization	
102-6	Markets served	
102-7	Organizational Size	
102-8	Employees and workers	
102-9	Supplier Chain	
102-10	Significant changes	
102-11	Precautionary principle or approach	
102-12	Supported external initiatives	
102-13	Participation in associations	

## Strategy

102-14	Statement by the highest executive on sustainability	
102-15	Key impacts, risks and opportunities	

## Ethics and Integrity

102-17	Mechanisms for ethics guidance and concerns	
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## Governance

102-22	Composition of the highest governance body and its committees	
102-32	Role played by the highest governance body in sustainability reporting	

Indicator	Brief Description	Page/ Direct Response
102-55	General Content	

### Stakeholders Engagement

102-40	List of stakeholder groups	
102-41	Collective bargaining agreements	100%
102-42	Stakeholder identification and selection	
102-43	Approach to stakeholder engagement	
102-44	Main concerns and topics raised	

### Reporting Practices

102-45	Entities included in the consolidated financial statements	
102-46	Definition of report content and topic limits	
102-47	List of material topics	
102-48	Information reformulations	None
102-49	Amendments to the report	None
102-50	Reporting period	January 1 to December 31, 2020
102-51	Date of most recent report	2019

102-52	Reporting cycle	Annual
102-53	Contact for questions about the report	
102-54	Reporting declarations in accordance with GRI Standards	Essential
102-55	GRI Content Summary	
102-56	External verification	

Indicator	Brief Description	Page/ Direct Response
103	Form of Management	

### Form of Management

103-1	Explanation of the material and its limit	
103-2	Form of management of material topics and their components	
103-3	Evaluation of the form of management	

**Indicator** 200 **Brief Description** Economic Dimension **Page/** Direct Response

**Economic Performance**

201-1	Direct economic value generated and distributed	
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**Indirect Economic Impacts**

203-2	Significant indirect economic impacts	
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**Purchasing Practices**

204-1	Proportion of expenses with local suppliers	
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**Combating Corruption**

205-1	Operations assessed for risks related to corruption	
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**Indicator** 300 **Brief Description** Environmental Dimension **Page/** Direct Response

**Energy**

302-1	Energy consumption within the organization	
302-3	Energy intensity	

**Water Effluents**

303-1	Interactions with water as a shared resource	
303-2	Description of the minimum standards established for the quality of effluent disposal	
303-3	Total water catchment, broken down by source	

**Waste**

306-1	Generation of waste and significant impacts related to waste	
306-2	Management of significant waste-related impacts	

**Indicator** 300 **Brief Description** Environmental Dimension **Page/** Direct Response

**Environmental Compliance**

307-1	Significant fines and non-monetary sanctions resulting from non-compliance with environmental laws and/or regulations	We have not received any imposition of a fine or non-monetary sanction for non-compliance with environmental laws and/or regulations.
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**Environmental Assessment of Suppliers**

308-1	New suppliers selected based on environmental criteria	We ended the year with a total of 33% of certified faction suppliers and continue to pursue our target of 100% adherence.
308-2	Negative environmental impacts caused by the supply chain and measures taken	In 2020, we conducted a total of 633 audits. From our own 350, we have developed negotiations and ended the year with 185 action plans in progress, seeking to mitigate any negative impacts.

**Indicator** 400 **Brief Description** Social Dimension **Page/** Direct Response

**Employment**

401-1	New hires and employee turnover	
401-3	Maternity/paternity leave	

**Training and Education**

404-3	Percentage of employees who receive regular performance and career development assessments	
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**Child Labor**

408-1	Operations and suppliers with significant risk of cases of child labor	
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**Forced or Slave Labor**

409-1	Operations and suppliers with significant risk of cases of forced or slave labor	
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**Indicator** 400 **Brief Description** Social Dimension **Page/** Direct Response

**Local Communities**

413-1	Operations with engagement, impact assessments and development programs aimed at the local community	
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**Social Evaluation of Suppliers**

414-1	New suppliers selected based on social criteria	We close the year with a total of 33% of suppliers of certified manufacturers and we continue to pursue our goal of 100% adherence.
414-2	Negative social impacts caused by the supply chain and measures taken	In the 633 monitoring audits carried out with suppliers of the production process, National Sourcing and Sewing Workshops, we have not identified situations of child labor, irregular labor or labor in conditions analogous to slavery.

**Consumer Health and Safety**

416-1	Assessment of health and safety impacts caused by categories of products and services	
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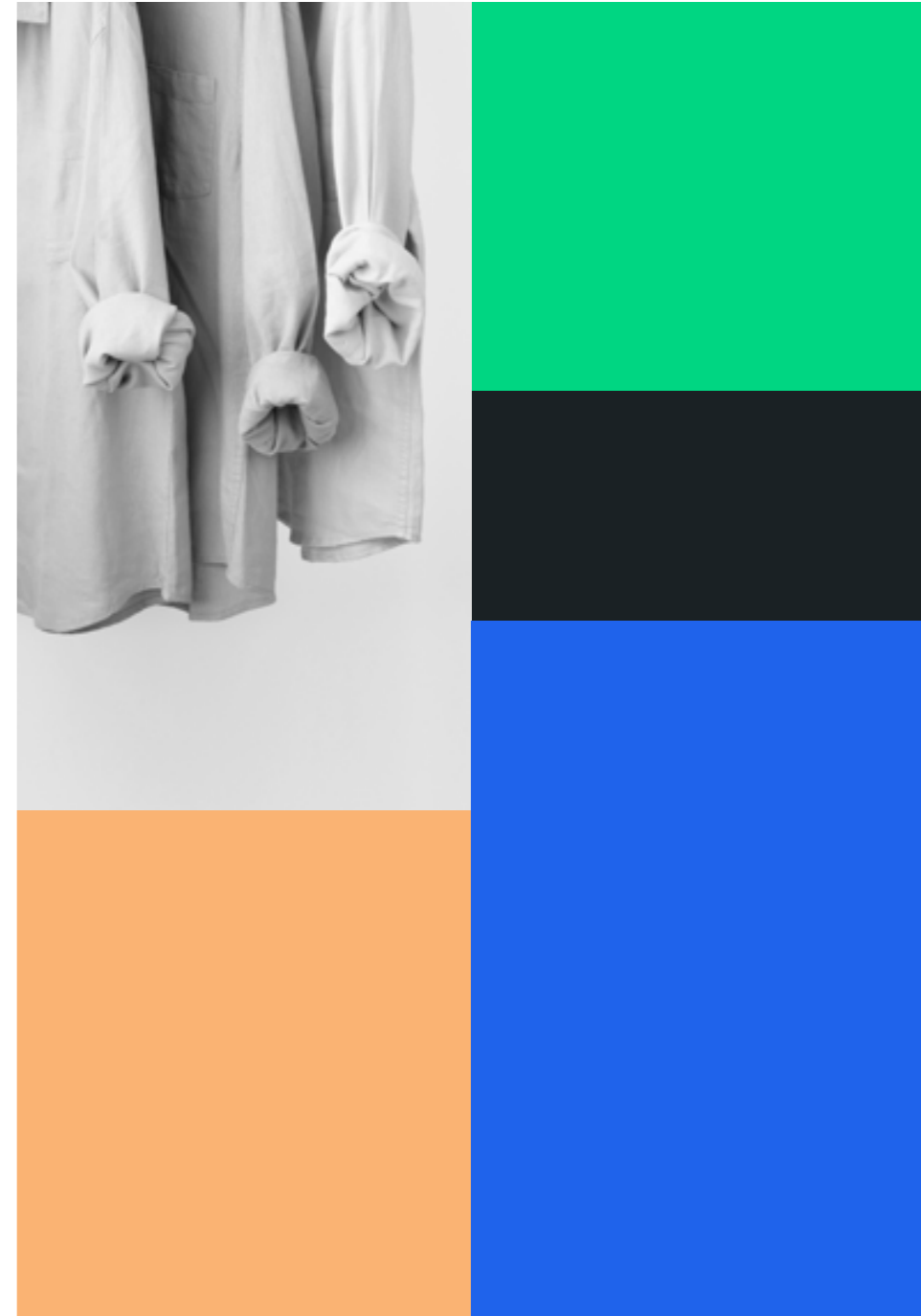
**Indicator** Hering **Brief Description** Own Indicators Cia. Hering **Page/** Direct Response

**Own Indicators Cia. Hering**

Hering 01	Total products with less impactful (sustainable) materials	
Hering 02	Total nonconformities identified in the supply chain by type of non-conformity (e.g. labor, facilities, discrimination etc.)	Non-conformities were not identified in the supply chain.
Hering 02.1	Total non-conformities, total action plans or dismissal of suppliers	As no case of non-conformity was identified, no action plans had to be developed to do so.
Hering 03	Positive social impact of the Hering Foundation	

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# Map of Capitals



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# Limited Verification Report Issued by Independent Auditors

To the Board of Directors and Shareholders

**Cia. Hering**

São Paulo – SP

We have been engaged by Cia. Hering S.A. ("Hering" ou "Companhia") to apply limited verification procedures on the sustainability information disclosed in Hering's 2020 Annual Report attached in this report, related to the year ended December 31<sup>st</sup>. 2020.

## **Responsibilities of Hering's Management**

The Management of Hering is responsible for adequately preparing and presenting the sustainability information in the 2020's Annual Report in accordance with the Standards for Sustainability Report of Global Reporting Initiative – GRI (GRI-Standards), as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

## **Independent Auditor's Responsibility**

Our responsibility is to express a conclusion about the information in the Report based on a limited verification engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative – GRI (GRI-Standards) and the methodology developed globally by KPMG for verification of social and environmental information disclosed in sustainability reports denominated KPMG Sustainability Assurance Manual – KSAM, applicable to historical non-financial information.

These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited verification that the information disclosed in the Hering's Report, taken as a whole, is free from material misstatement.

A limited verification engagement conducted in

accordance with the Standards for Sustainability Assurance Manual – KSAM consists mainly of questions and interviews with the Management of Hering and other professionals of the Company involved in the preparation of the information disclosed in the Report and use of analytical procedures to obtain evidence that enables us to reach a limited verification conclusion about the sustainability information taken as a whole. A limited verification engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Report taken as a whole could present material misstatement.

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

- a.** engagement planning: considering the material aspects for Hering activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Hering's Report. This analysis defined the indicators to be checked in details;
- b.** understanding and analysis of disclosed information related to material aspects management;
- c.** analysis of preparation processes of the Report and its structure and content, based on the Principles of Content and Quality of the Standards for Sustainability Report of the Global Reporting Initiative - GRI (GRI-Standards);
- d.** evaluation of non-financial indicators selected:
  - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
  - application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Report;
  - analysis of evidence supporting the disclosed information;

- e.** analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- f.** comparison of financial indicators with the financial statements and/or accounting records;

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

## Scope and Limitations

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

Non-financial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's

materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

## Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Hering's 2020 Annual Report is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards), as well as its source records and files.

São Paulo, June 15<sup>th</sup>, 2021

**KPMG Assessores Ltda.**

(A free translation of the original in Portuguese)  
**Marcio Andrade Barreto**  
 Principal



## Credits

Coordination

**Cia. Hering**

Editorial Project,

Consulting and Writing

**Ricca Sustentabilidade**

Graphic Design

**Priscila Barp**

Images

**Cia. Hering and Unsplash**