

VI. Social and environmental responsibility

We believe that the principal indicator of sustainability of a company is its generation of profit and financial solidity. This factor means that consumers pay for the company's products more than the inputs extracted from nature to manufacture and distribute these products cost. Further, it ensures continuity of the company and generation of employment, and also satisfaction of the needs of millions of clients that buy and use its products.

However, we recognize that the financial statements do not always portray all the interfaces of a company with its social and environmental surroundings and these financial indicators can react slowly to problems of relationship with society or the environment. Being aware of our responsibility as a benchmark leading Company in our segment and employer of more than 20,000 employees, we have continued to improve our processes so as to reduce the consumption of inputs and raw materials, including water and all the forms of energy, and the generation of all types of waste, loss and wastage of resources that not only represent costs for the company but also exhaust the environment when consumed beyond the level of need. With these objectives, we have carried out a range of actions over the years.

Grendene's focus in relation to sustainable development is in reduction of waste, optimization of resources (raw materials, equipment, energy and water), recyclability of products, quality of processes and man's interaction with this context based on the triple principle: reduce, re-use, recycle. We continue to direct special attention to the consumption of water, consumption of energy, and generation of wastes in general. The actions that we take have generated not only reduction in costs and operational risks but also a lower environmental impact. This is a list of some of the reductions we have achieved, from 2015 to 2016:

- water consumed per pair produced: 2%;
- consumption of electricity per pair produced: 3%;
- generation of wastes per pair produced: 9%.

Our principal actions with this focus in 2016 were:

Water consumption – our industrial operations are in an arid region of the country: we act to increase the availability of water, and constantly reduce the impact of our water consumption footprint.

- a. At present we have one of the lowest water footprints in footwear production.
- b. Approximately 80% of our use of water is for human consumption.
- c. We have a target of re-using 100% of treated effluent by 2020 – i.e. zero disposal of effluent.

Our water consumption indicator has varied as follows:

| | 2015 | 2016 | Change %, 2016/2015 |
|--|-------|-------|---------------------|
| Water consumption (liters/pair) | 1.57 | 1.55 | (1.8%) |
| Water consumption (thousand m ³) | 259.4 | 252.9 | (2.5%) |

Energy efficiency: we are aiming for the lowest energy consumption per pair produced, and the lowest carbon emissions per pair produced.

- a. Since 2012 we have invested in energy efficiency, with a range of actions from change of motors to change from traditional illumination to LEDs. With these energy efficiency actions, we have so far reduced electricity consumption per pair produced by 11.8%.
- b. 85% of the electricity supplied to the manufacturing units is of renewable origin and has low or zero carbon emission equivalent.

With our actions to increase awareness; our daily indicator of energy efficiency, with targets for managers; our automation projects; and improvements in equipment, in 2016 we avoided a total volume of consumption equivalent to 1.3 million kWh, and with the fall in production, 6.5 million kWh, in the year.

| Million / kWh | 2015 | Reduction by efficiency | Reduction in production | 2016 | Change %, 2016/2015 |
|----------------------------|-------|-------------------------|-------------------------|------|---------------------|
| Consumption of electricity | 106.8 | (1.3) | (6.5) | 99.0 | (7.3%) |

Our wastes are 100% recyclable: the materials that comprise our footwear are 100% recyclable, each one having its own characteristic recycling features.

- a. As well as our products being recyclable, they also have non-toxic characteristics and do not contain any dangerous or allergenic substances.
- b. The advantage for our materials in terms of recycling is that they do not need addition of any chemical products.

In management of wastes, we recycle 92% of the material generated. Of this total, 97% is recycled as produced, and 3% undergoes some process before being re-used.

The figures for the indicator of wastes generated per pair, and total reductions, are as follows:

| | 2015 | 2016 | Change %, 2016/2015 |
|-------------------------------------|-------|------|---------------------|
| Wastes (grams / pair) | 10.67 | 8.92 | (16.4%) |
| Reduction of wastes (thousand tons) | 1.8 | 1.5 | (18.6%) |



In 2016, as a result of all the Company's actions in caring for the environment, Grendene received **Recertification by ABVTEX** (the Brazilian Textile Retailers' Association) – it was the first footwear company to receive this certification. The aim of this certificate is to enable the retail sector to certify and monitor its suppliers in relation to practices of Environmental, Social and Employment Relations responsibility.