

# AREZZO & CO

Annual Report 2019

VANS  
"OFF THE WALL"

ALME

FIEVER

ANACAPRI

ALEXANDRE

BIRMAN

SCHUTZ

AREZZO



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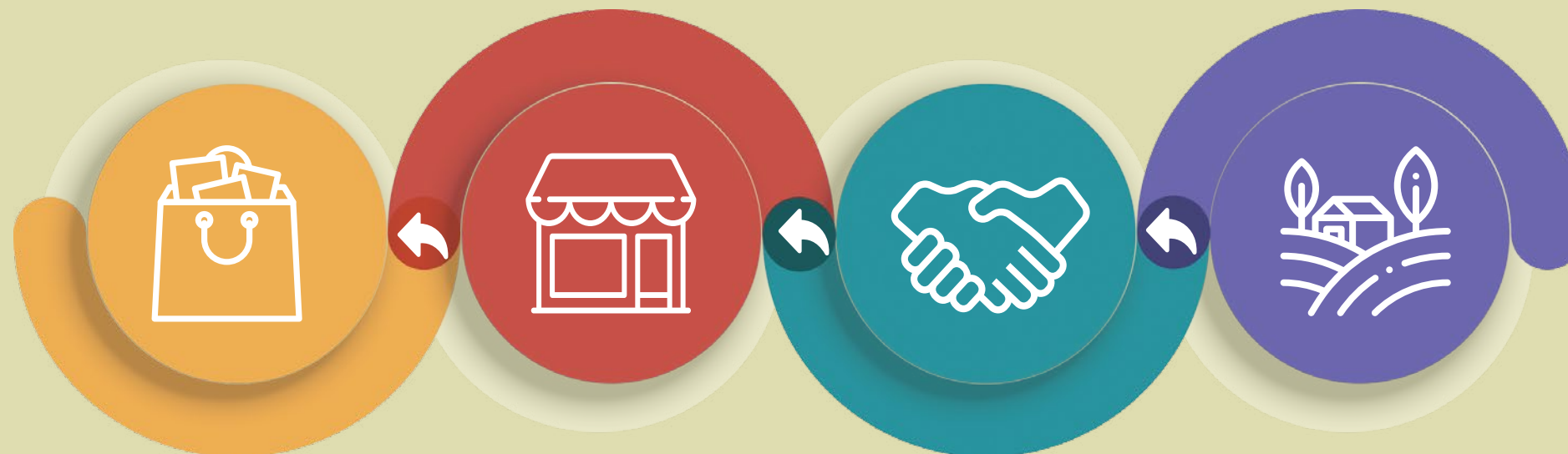
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# MESSAGE FROM THE ADMINISTRATION

GRI 102-14

## NEW CYCLE OF EVOLUTION

We are obsessed with the desire to always do better. In 2019, it was no different. On the one hand, we reaffirmed our leadership in the market, making sure that the six brands that support our business are increasingly admired and have the power to seduce our customers. On the other hand, we revisited our future, designing the strategy that will guide the company over the next five years.

On this road of things to come, sustainability becomes increasingly strategic for Arezzo&Co. We want to be among the ten retail companies in Brazil that are reference in globally relevant sustainability indexes, in line with the movements of the sector worldwide. And we will increasingly assume our vocation as a leader in the fashion segment to drive transformation of the industry.

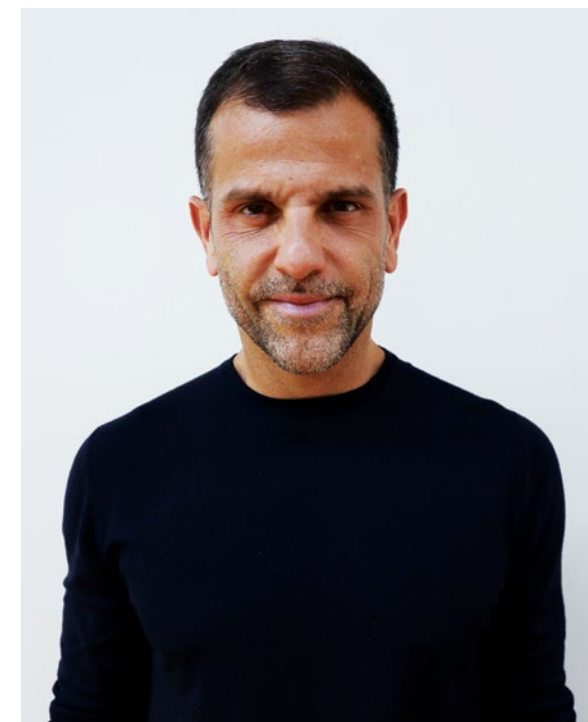
We must then face the challenge of being much more explicit in the company's commitments and, to this end, we will adopt consistent methodologies to record and measure our social and environmental practices. Some of our main goals are to have 100% of our production chain traced and certified by 2024; to neutralize greenhouse gas emissions in our own operations in 2020; and to replace 30% of petroleum-based materials with renewable alternatives by 2024. In addition to this work, we lead a movement to make Vale do Rio dos Sinos, in Rio Grande do Sul, the first region in the world to have its production of footwear 100% sustainable.

While our trajectory in the international market is one of learning and constant growth, we are guided by the digital transformation in all brands and we are going to add even more intelligence to multichannel integration, becoming even closer to our customers. And, in a bold move, we are going to create a digital fashion platform.

Amid so many new paths, we had a year of solid results, with gross revenue of R\$ 2.06 billion, up 10.6% from 2018, and net income of R\$ 166.7 million, an increase of 16.9% over 2018. We have also evolved our way of operating to become brand managers, which includes expanding our portfolio of non-proprietary brands. In 2019, we took an important step in this regard: we became exclusive licensees of the Vans® brand in Brazil. In order to support this evolution as efficiently as we have, at the foundation of our company we have an increasingly stronger and incredible team, composed of motivated and engaged people working in an environment that embraces diversity.

We also advanced in our relationship with franchisees, increasingly aligned with Arezzo&Co's strategies. Critical partners in our operation, today, franchises rely on a much closer commercial service, designed according to the size and needs of each franchisee. With this entire team working alongside us and for us, the future will certainly be as prosperous as the past and as innovative as the present. See you in 2154!

**Alexandre Birman**, CEO of Arezzo&Co





THE AREZZO&CO 2019 report contains the company's main practices, results, and challenges in the period, as well as our vision for the future. It is being published for the second consecutive year as an expression of the advances proposed by the company in its management processes and in the transparent relationship with all its stakeholders. It was prepared in accordance with the Global Reporting Initiative (GRI) methodology - Core option, and inspired by the Integrated Reporting (IR) guidelines. [GRI 102-51, 102-52, 102-54](#)

In this document, which covers the cycle between January 1 and December 31, 2019, we advanced in the way we tell our story in order to reflect our commitment to innovation, sustainability, and the important path we are trailing. In addition to establishing a connection with the materiality matrix and bringing more in-depth analyses of the GRI indicators, this edition presents the contents based on the links in Arezzo&Co's value chain. In the central sections, the narrative begins with the last link in this chain, the customer, who is at the center of our strategy, until reaching our mode of production. [GRI 102-50, 102-51](#)

## MATERIALITY MATRIX

Defined in 2018, it lists the topics that generate significant economic, social and environmental impacts by Arezzo&Co's operations or that substantially influence the assessments and decisions of our stakeholders. A new materiality study will be conducted in 2021. [GRI 102-46](#)

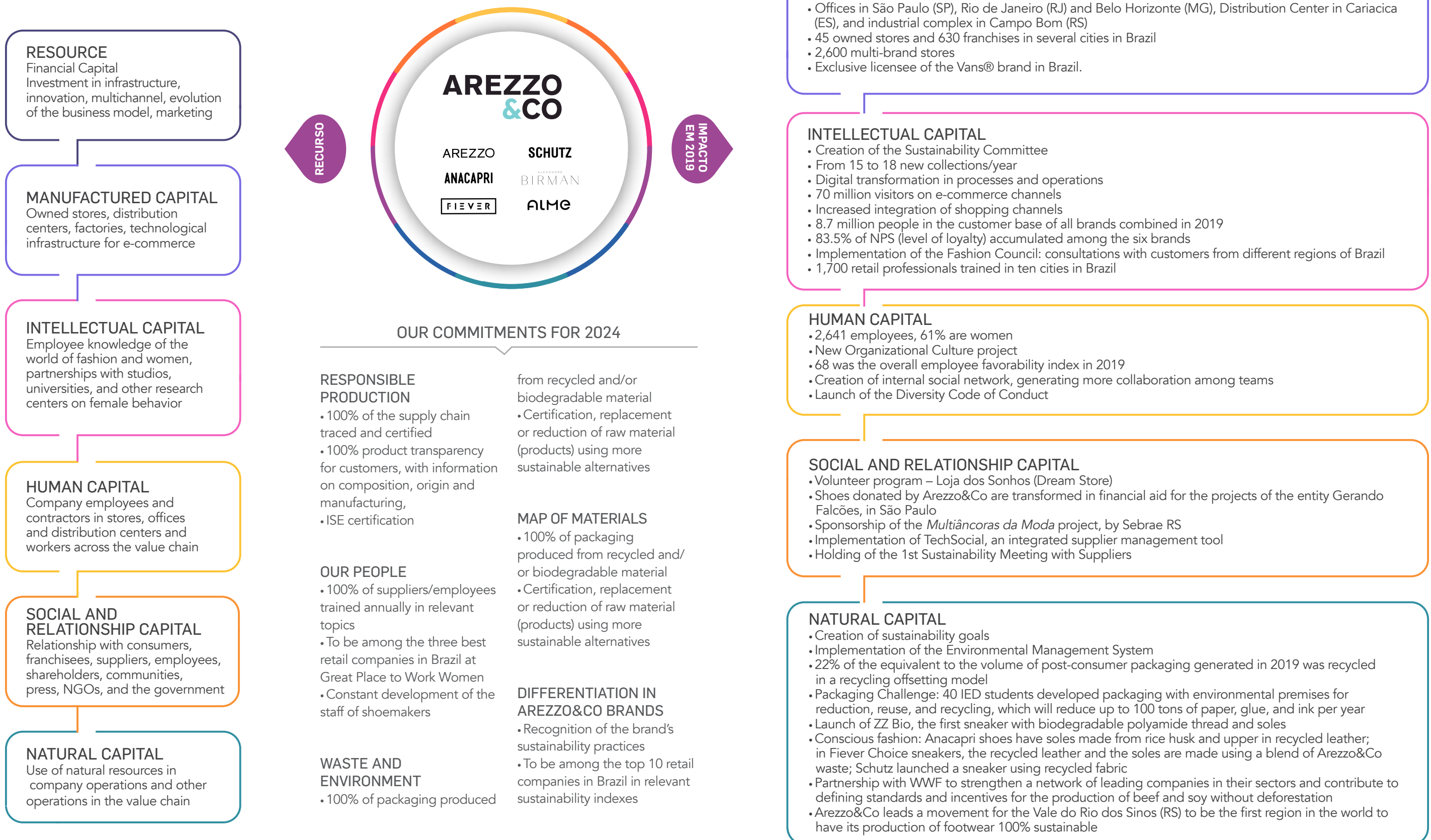
## MATERIALITY MATRIX

MATERIAL TOPIC <a href="#">GRI: 102-47</a>	RELATED SUSTAINABLE DEVELOPMENT GOAL (SDG)
Social and environmental audits in the supply chain	 
Social and environmental criteria for hiring/terminating suppliers	  
Proper destination of waste across the production chain	    
Promotion of diversity	   
Raw materials that do not cause a negative impact	 
Traceability of the main raw materials	 
International certification of partner tanneries	 

**FOR QUESTIONS,** information or suggestions, contact us by email [ri@arezzo.com.br](mailto:ri@arezzo.com.br) [GRI 102-53](#)

# AREZZO&CO VALUE CREATION MODEL

GRI 102-40, 102-42, 102-43



# WE ARE AREZZO&CO



**WE ARE BRAND MANAGERS** who are passionate about the challenge of seducing our customers. For 47 years, we have created products to cater to the desire of women of various styles and who never forsake quality, comfort and style. Arezzo&Co spans generations identifying trends and following the constant changes in behavior and consumption habits. Today, we are six own brands that sell the most desired shoes, handbags, and accessories in the Brazilian market, always with a total focus on our customers.

GRI 102-1, 102-2

## MISSION

Create desire by identifying and interpreting trends and behaviors of women, providing the best experience and offering the right product at the right time.

## VISION

To be a leader in Brazil in fashion footwear and handbags, with an international presence, satisfying our consumers with the most desired brands, generating lasting value for stakeholders.

## PRINCIPLES

Transparency, Meritocracy, Alignment, Humility, Challenge, Authenticity, Engagement, Flexibility, Passion, Union. GRI 102-16

## OPTIMIZED PRODUCTION

Shoes, handbags, and accessories are developed in our industrial complex, in Vale do Rio dos Sinos (RS), and in more than 50 independent factories and workshops. GRI 102-4

## DISTRIBUTION

Our Distribution Center in Cariacica (ES) handles tens of thousands of items per day to meet the demand for products for owned and franchise stores, multi-brand stores and e-commerce. It was expanded in 2019, moving from a building of approximately 2,600 sqm to an area of nearly 5,000 sqm. As a result, our storage capacity increased from 210,000 pairs/pieces to 370,000 pairs/pieces. In addition to our new storage system, this represents an estimated productivity gain of 15%.

## AREZZO&CO

is a publicly traded company, with shares listed on B3.

GRI 102-5

## AREZZO&CO IN 2019

GRI 102-4, 102-7

From **15 TO 18** collections per brand per year

**53** owned stores (Brazil and abroad)

**699** franchise stores (Brazil and abroad)

**250** cities

**2,646** multi-brand stores

**14.5 MILLION** pairs of shoes sold per year

**1.8 MILLION** handbags sold in 2019

**14,000** models of shoes and handbags created in the year

**R\$ 2.06 BILLION** in gross revenue

**R\$ 261.9 MILLION** in EBITDA

**R\$ 166.7 MILLION** in net income

More information on Arezzo&Co's financial results can be obtained at <http://ri.arezzoco.com.br/?lang=en>.



# WE ARE AREZZO&CO

## NEW TIMES

The year 2019 was marked by the realization that it was time to lay the groundwork for a new expansion cycle at Arezzo&Co. So, the question is: how to activate the levers to improve the current business, with the brands and channels we already have while setting a foothold in the future, accelerating toward 2154, the year we adopted as a reference for a long-standing company on which we base our long-term decisions? With a focus on three main principles—obsession with the front line, owner mindset, and insurgency—we defined the strategy for the next five years, structured on seven pillars:

### EXPANSION OF CURRENT BRANDS IN THE WOMEN'S AND CASUAL SNEAKERS MARKET

Our brands start to operate in a new customer relationship channel, through purpose and activation of cause, coupled with the growing integration of channels.

### TRANSFORMATION OF THE BUSINESS MODEL

With sustainability as the norm, the increasingly agile shopping experience is associated with the evolution of responsible production, merchandising, procurement, sourcing, and logistics.

### TO BECOME A FASHION PLATFORM

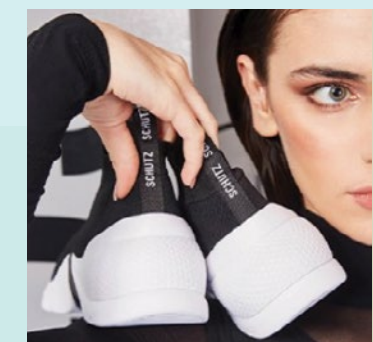
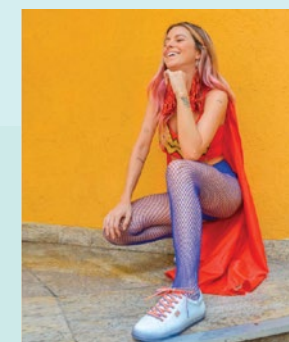
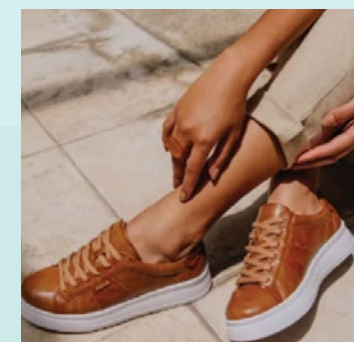
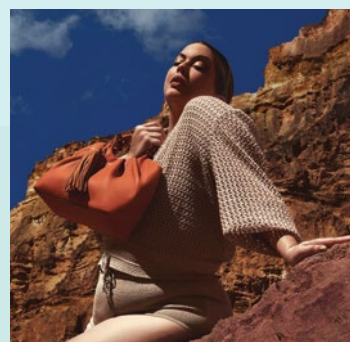
The goal is to build a single market place, powered by our brands, services, relevant content, and social connectivity, in addition to a solid loyalty program and in-depth knowledge of our customers.

### NEW BRANDS IN BRAZIL

With the licensing agreement for the Vans® brand, in 2019, Arezzo&Co reaffirms the strategy of becoming a brand manager, owned or third-party. As of 2020, the idea is to also work with 'insurgent brands', i.e., brands that grow above the market average, with a digital bias, but without abundant resources (financial and people) to scale their operations.

### PEOPLE AND CULTURE

Transformations in the business model and empowerment of the frontline im-



ply strong governance and changes in organizational culture. Initiatives related to Arezzo&Co's new culture will be widely developed in 2020.

### DATA AND TECHNOLOGY

To connect customers to their desired products, it takes a great deal of data analysis and integrated management of the value chain.

### CONSOLIDATED GOVERNANCE

The ongoing evolution of Arezzo&Co is a direct result of dynamic governance that is in sync with our times. Clearly defined criteria for the relationship with our stakeholders, in an environment based on transparency, ethics and trust, guide the company's conduct.

### SHAREHOLDING STRUCTURE IN 2019 GRI 102-5

SHAREHOLDERS	NUMBER OF SHARES
1. . Controlling	46,124,511
2. Management	1,291
3. Outstanding shares	44,828,478
3.1. Shareholders with 5% or more of the capital	
3.2. Other shareholders	44,828,478
TOTAL	90,954,280

The Board of Directors is responsible for preparing and approving the company's global strategies. In 2019, the board was composed of seven members, five men and two women. Only one member holds an executive position and five members are independent. Learn more about the Board and its composition [here](#).

## WE ARE AREZZO&CO



THE BOARD OF DIRECTORS HAS THE SUPPORT OF FOUR INTERNAL COMMITTEES: [GRI 102-18](#), [102-22](#)

- Risks, Audit, and Finance
- Strategy, Brands, and Innovation
- People
- Sustainability

**IN 2019**, a committee specially dedicated to sustainability began guiding our operation in this area. Bimonthly meetings bring together the company president, the chairman of the board of directors, executive directors, and managers of the area for strategic guidance on this topic. [GRI 102-20](#)

### EXECUTIVE BOARD

It is responsible for managing Arezzo&Co and for complying with the guidelines and rules established by the Board of Directors. The Executive Board is formed by at least two and at most ten members, shareholders or otherwise, appointed and removed at any time by the Board of Directors, who are allowed to simultaneously hold other positions. Learn more about this Board and its members by clicking [here](#).

### AUDIT COMMITTEE

Supervises the performance of the administrators and verifies the fulfillment of their legal and statutory duties. See the members of the Audit Committee by clicking [here](#).

### RISK MANAGEMENT [GRI 102-29](#)

A priority topic at Arezzo&Co, risk management is handled by the Risk, Audit, and Finance Committee. The decisions of this group are mainly guided by:

■ **Risk Matrix** — Contains critical information about strategic business risks. Among the ones that most require our attention are those associated with the use of raw materials, the operation of the industrial complex in Campo Bom (RS), the franchise network, and the supply chain.

■ **Internal Audit** — Detects critical points and flaws in controls and proposes action plans to mitigate potential risks. The evolution of these plans is reported monthly to the committee.

■ **Internal Ombudsman's Office** — Effective communication channel for our employees, it ensures that all reports receive appropriate, confidential treatment and within clear rules of conduct and ethics.



# WE ARE AREZZO&CO

## SUSTAINABILITY JOURNEY

One of Arezzo&Co's most important commitments is to generate positive impacts for the planet and people. In 2019, our journey toward sustainability focused on 11 major projects along two lines.

■ **Ensure low risk** in the supply chain, to support brand activations. The projects on this line are the new model for auditing suppliers and the Environmental Management System.

■ **Introduce sustainability** into the company's processes, management and culture, being a determining factor in our business model. The initiatives in this line include Annual Report, reverse logistics for shoes, sustainability curatorship group with customers, Sustainability Committee, Packaging Challenge, products with sustainability attributes, brand purpose, 1st Arezzo&Co Sustainability Meeting, and Diversity.

For the future, we are working on a new sustainability management system that will allow us to closely track and monitor our evolution and the company's transformations in this area.



## DEFINED GOALS

We have defined some goals that portray how we want to be in 2024 in terms of people, the environment, and production. However, this five-year period is just a baseline to measure our evolution. The truth is that for a long time we have been monitoring these issues and working to improve our performance. And we do this because we have always pursued a more just and better business for the environment and society, inspiring us to do more and more, leading changes in our industry and motivating our peers to do the same. Learn about our goals in the Arezzo&Co Value Creation Model infographic on [page 8](#).

## SOCIAL SUSTAINABILITY

We strengthened our partnerships with community support entities in São Paulo and Rio Grande do Sul, mainly.

■ **Loja dos Sonhos (Dream Store)** — Our 150 volunteers prepared a special morning for 100 women served by the NGOs Vocação (SP) and Elas por Elas (RS). The stores were set up with more than 6,000 items collected by the employees themselves, 230 school kits, 100 food staple baskets, and *chocotones*, and each woman also received two pairs of our brand shoes, celebrating another year of the corporate volunteer program.



## WE ARE AREZZO&CO

■ **Gerando Falcões** GRI 102-12 — Shoes donated by Arezzo&Co are transformed into financial aid for the dozens of projects by *Gerando Falcões*, an entity dedicated to programs to generate family income, sports and culture for children and adolescents from the outskirts and shantytowns of the city of São Paulo. Donated shoes are sold in bazaar sales promoted by the social organization.

■ **Mother's Day s** GRI 102-12 — NGOs *Elas por Elas* and *Gerando Falcões* supported us in promoting a meeting of 60 women with our CEO, Alexandre Birman. They discussed topics such as the participation of these mothers in the communities and in the labor market, and were given shoes from the Anacapri and Arezzo brands.

■ **Multiâncoras da Moda** GRI 102-12 — For the second consecutive year, we sponsored *Multiâncoras da Moda* (former *Projeto Mais*), developed by the Brazilian Service to Support Micro and Small Enterprises in Rio Grande do Sul (Sebrae RS) to guide small companies on concepts of efficient and lasting management.

### AWARDS AND RECOGNITION

**Seal of Excellence in Franchising** from ABF (Brazilian Franchising Association) since 2004

**Época Reclame Aqui Award** – Best online store in 2019

**Best Companies that Communicate with Journalists** – Fashion Category 2019

**Best CEOs in Brazil 2019** – Alexandre Birman was one of the highlights in the country in the Forbes magazine awards

**Alshop Lojista Award 2019** – Arezzo, Schutz, and Anacapri were recognized as the most relevant brands in Brazilian retail during the National Brasilshop Conference, in the Women's Shoes category

**Institutional Investor Ranking** – Arezzo&Co took home six awards in 2019. Among them, the first place in Best Investor Relations Team and Best IR Website, Best CEO, Best Investor Day, and Best ESG (Environmental, Social and Governance) Program

## WE ARE THE JOURNEY



**WHO ARE THE PEOPLE** working to make our customers' dreams come true? They are dedicated, committed, and driven by a passion for what they do in every step of the process.

### PEOPLE AT AREZZO&CO GRI 102-8

2,641 employees\* in 2019

67% in Southern Brazil

61% women

39% men

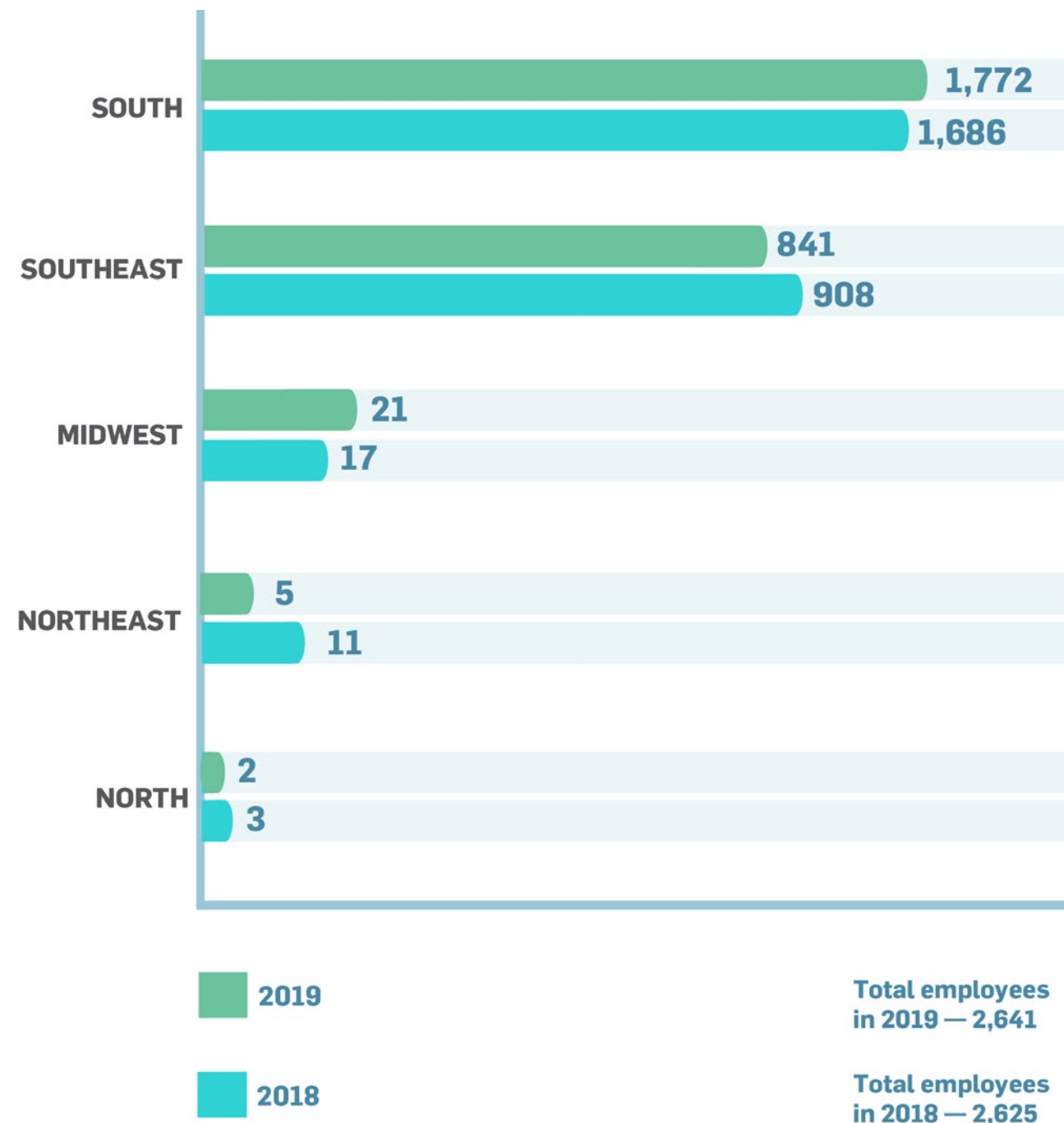
\*All employees have permanent employment contracts.



# WE ARE THE JOURNEY

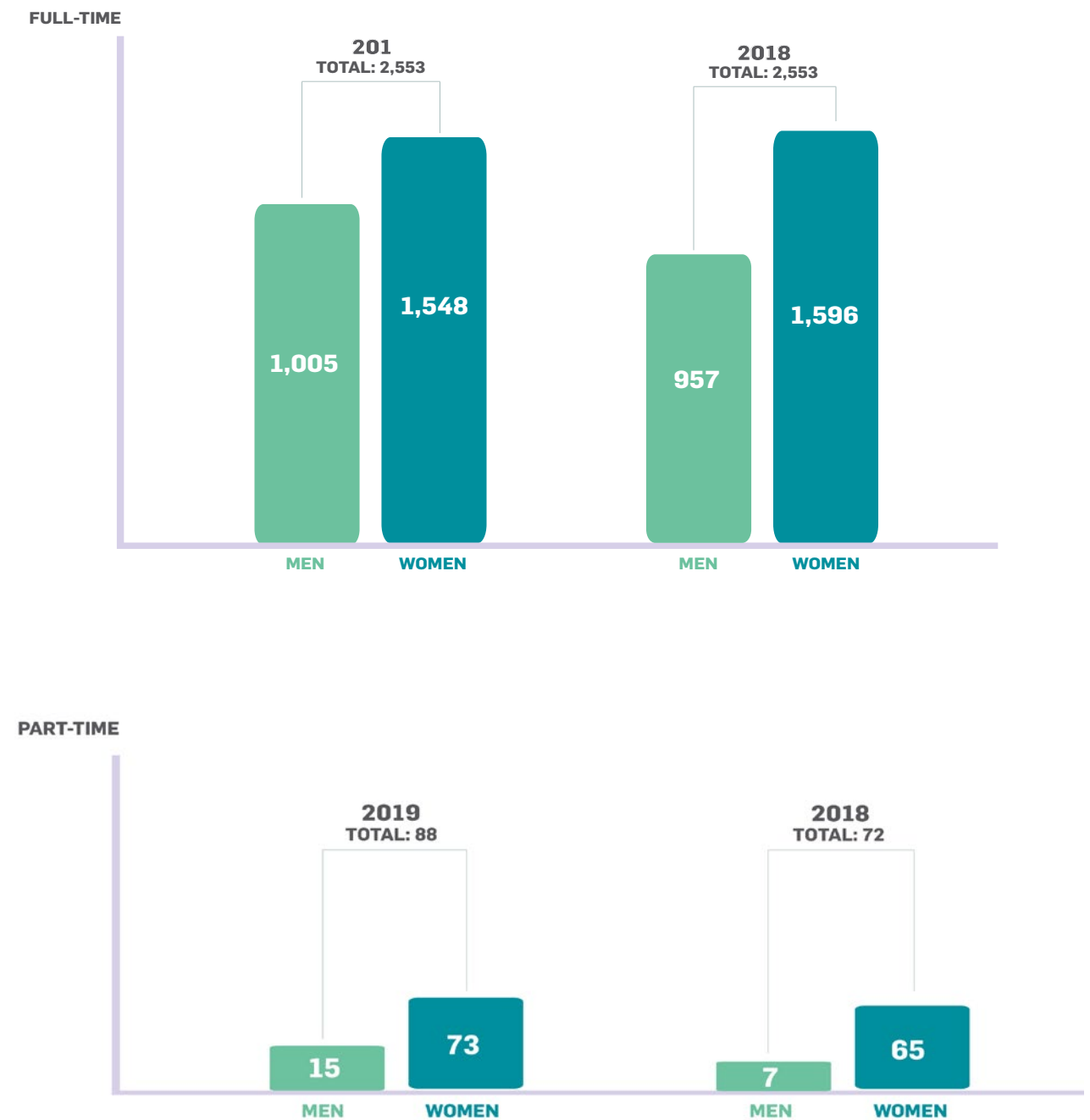
## NUMBER OF EMPLOYEES BY REGION IN 2018-2019

GRI 102-8



## NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE AND GENDER IN 2018-2019

GRI 102-8



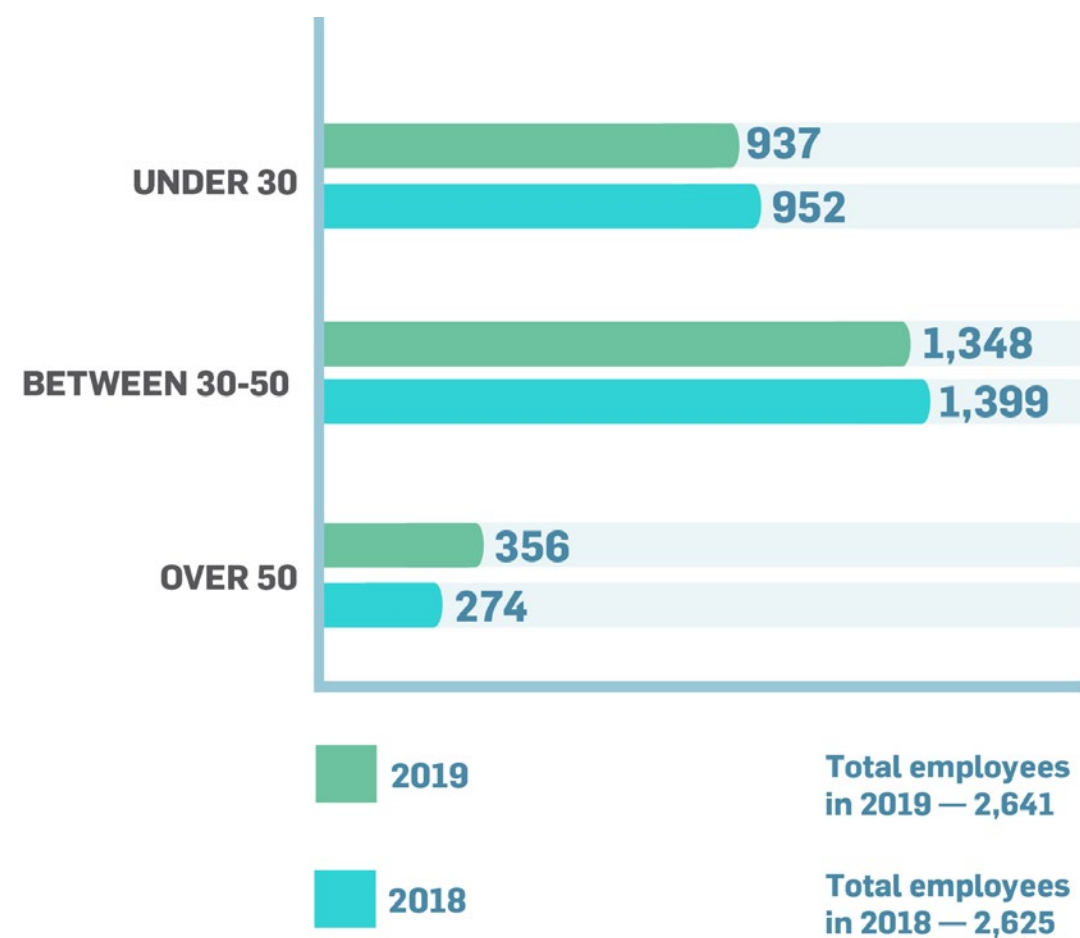
2019  
 Total full-time and part-time: 2,641  
 Total number of men full-time and part-time: 1,020  
 Total number of women full-time and part-time: 1,621

2018  
 Total full-time and part-time: 2,625  
 Total number of men full-time and part-time: 964  
 Total number of women full-time and part-time: 1,661

# WE ARE THE JOURNEY

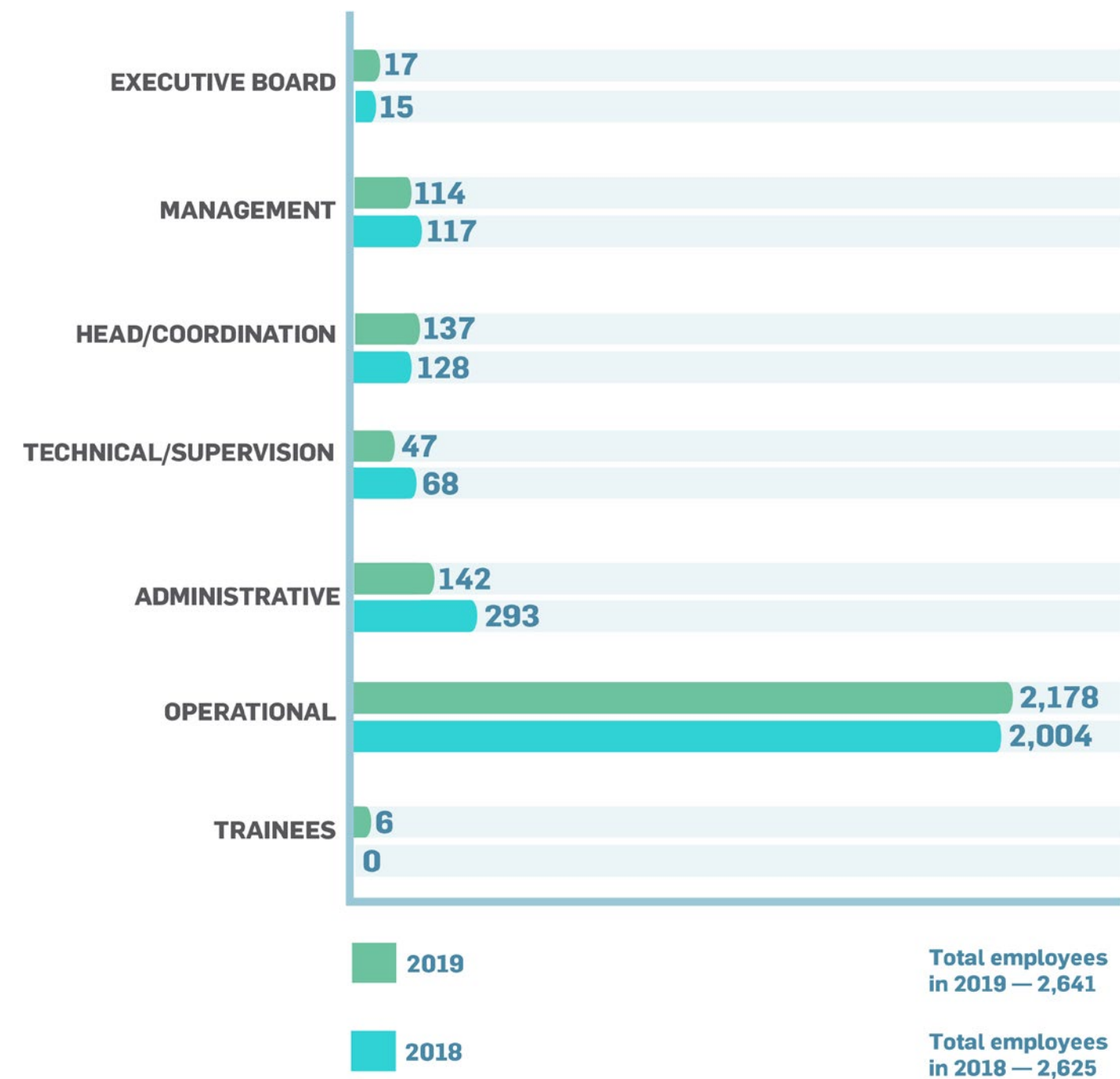
## NUMBER OF EMPLOYEES BY AGE GROUP IN 2018-2019

GRI 102-8



## NUMBER OF EMPLOYEES BY EMPLOYMENT CATEGORY IN 2018-2019

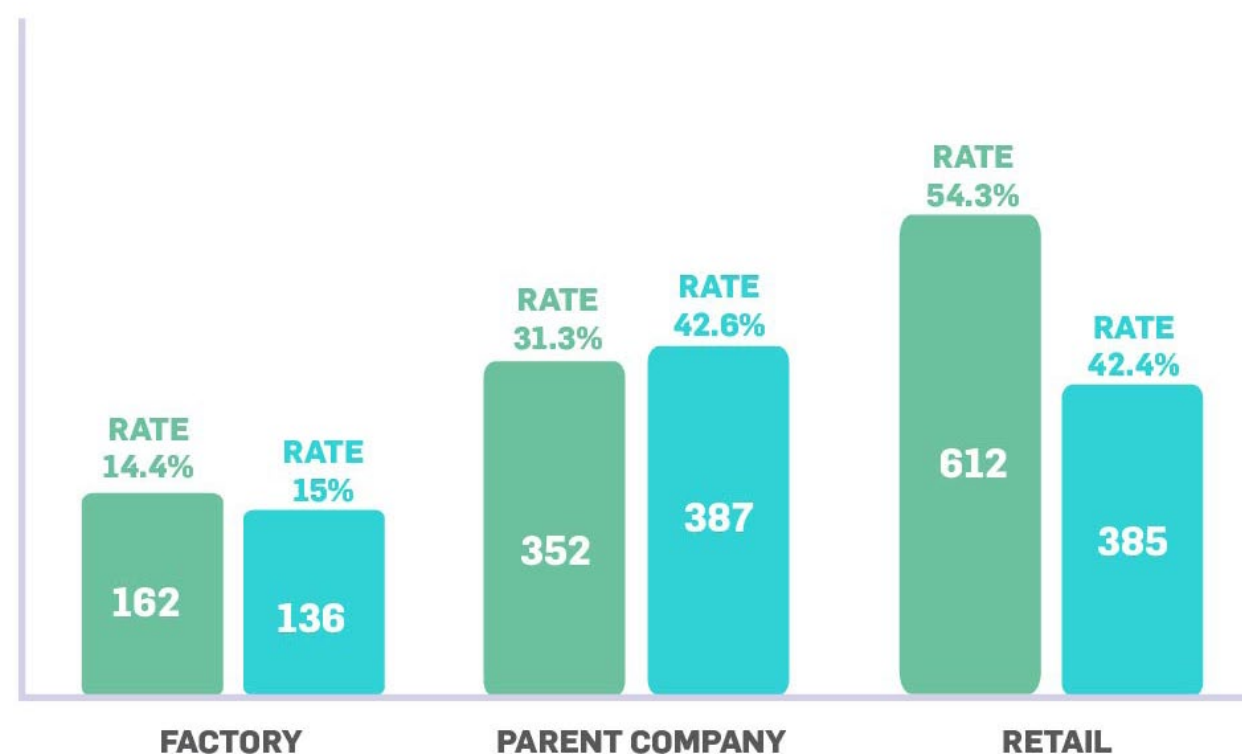
GRI 102-8





# WE ARE THE JOURNEY

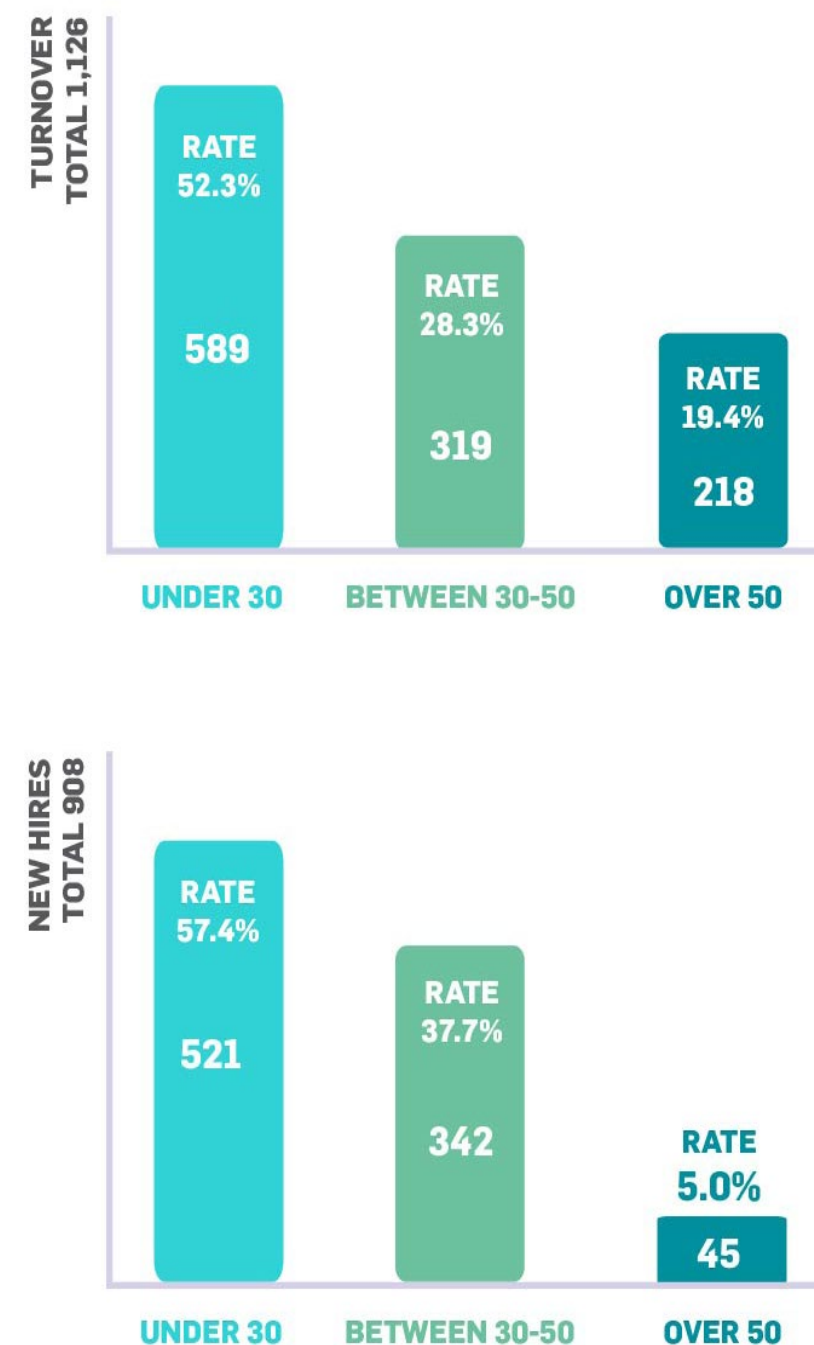
**TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER AND NEW HIRES IN 2019, BY TYPE OF OPERATION** GRI 401-1



Turnover  
1,126

New hires  
908

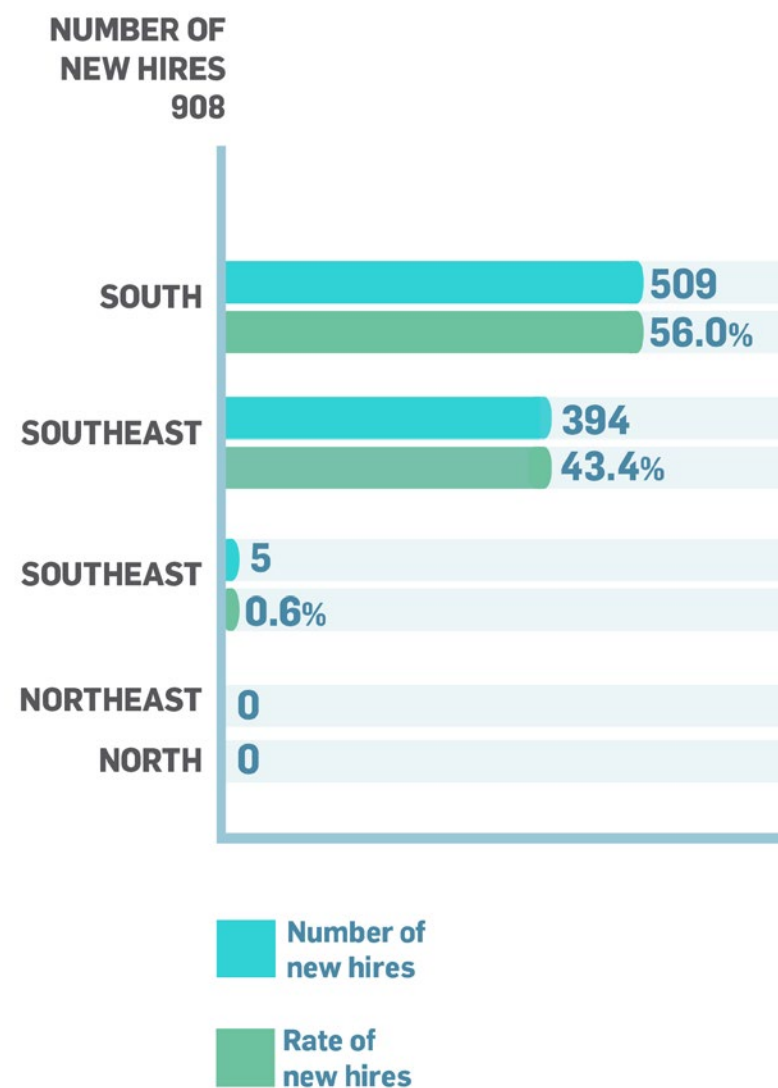
**TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER AND NEW HIRES IN 2019, BY AGE GROUP** GRI 401-1



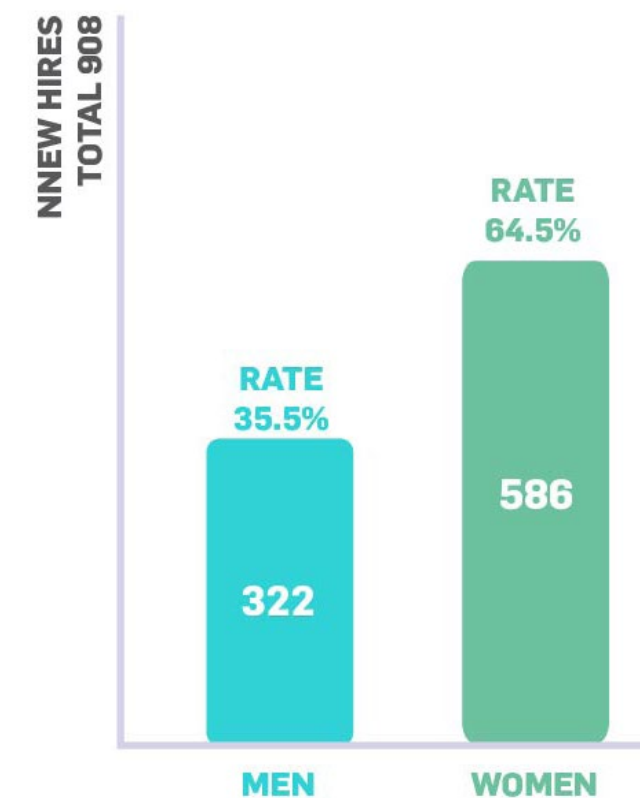
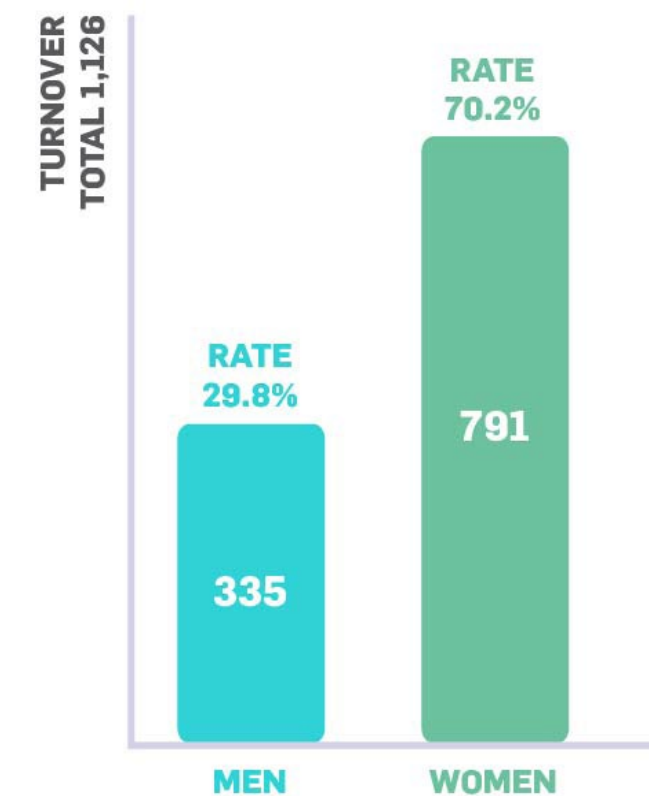
**IN 2019**, Arezzo&Co had 908 new hires and 1,126 terminations. Rates are calculated by dividing the number of hired/terminated employees in the category by the total number of hired/terminated employees. GRI 401-1

# WE ARE THE JOURNEY

## TOTAL NUMBER AND RATE OF NEW HIRES IN 2019, BY REGION GRI 401-1



## TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER AND NEW HIRES IN 2019, BY GENDER GRI 401-1





# WE ARE THE JOURNEY



## PEOPLE CYCLE

OUR PEOPLE CYCLE has four evaluations phases and individual planning throughout the year:

- Performance evaluation
- Calibration Committee
- Feedback culture
- Succession and career map

## 128 TALENTS RECOGNIZED THROUGH MERITOCRACY IN 2019 (5% of employees)

+81 PEOPLE promoted internally (8% of the workforce)

CORPORATE TRAINING 12 hours per employee

EXECUTIVE DEVELOPMENT 11 hours of training per employee

## WHAT'S NEXT

2020 – Developments in the People Cycle will reflect the new organizational culture project. We will also implement an integrated employee management system.



## CLIMATE AND ENGAGEMENT 2019 GRI 102-43, 102-44

IN 2018, we conducted a Climate and Engagement Survey with our employees in partnership with Great Place To Work (GPTW). A new sample of perceptions was collected in 2019, in light of the process to build a new culture. We noted that there was no significant change in relation to data from the previous year, but that it was time to streamline improvement plans. Under the coordination and monitoring of the Internal Communication, Culture and Climate teams, the managers implemented action plans to improve the climate in their areas.

## CLIMATE SAMPLE 2019

1,000 people randomly selected, or 1/3 of the total workforces

803 answers from different areas, with adherence of 80% of the people selected

68 is the Overall Trust Index, compared with 67 in 2018



# WE ARE THE JOURNEY

## COLLABORATIVE ENVIRONMENT

LAUNCHED IN 2019, the Arezzo&Co Workplace, Facebook's proprietary platform, offers features such as groups, surveys, chats, profiles, live video, and news feeds, among others, which have brought employees from the corporate areas, our stores and the United States closer together. The Anacapri store team is the first to use its functionalities and, soon, the other brands and franchises will be included. Factory employees, whose activities do not depend as much on the digital medium in internal relationship, should be the last to join the platform.

## WORKPLACE HIGHLIGHTS

1,800 people invited  
86% using the tool  
80% monthly users  
73% average monthly users  
830 is the monthly average of posts



## DIFFERENCES THAT ADD UP

GRI 103-1, 103-2, 103-3



BASED ON INPUTS gathered in 2018, we launched our Code of Conduct for Diversity in 2019, followed by a series of internal initiatives, with which we want to transform the differences between our professionals into a powerful cultural symbol and competitive gain for the company. The Code covers topics to fight racism and intolerance to the LGBTQIA+ audience and helps guide and mobilize employees on how to act in cases of possible discriminatory attitudes in the company.

Structured internal communication, with visibility in the Workplace, are also a source of support for the work on diversity, including:

- black professionals, professionals from the LGBTQIA+ community or with some type of disability share their experiences, which helps reduce distances and break unconscious biases
- videos with subtitles for the hearing impaired
- sign language interpreter at quarterly results meeting ("Canal Aberto")



# WE ARE THE JOURNEY

## OUR DIVERSITY PROGRAM INCLUDES FOUR MAIN INITIATIVES:

■ **First job** — for the first time, the company offered a program focused exclusively on training in Retail. In partnership with the NGO Vocação, Arezzo&Co received 57 apprentices in 2019, from the outskirts of the city of São Paulo (SP). In 2020, the model will be replicated in Rio Grande do Sul, for the development of shoemakers, a craft profession that is unappealing to new generations.

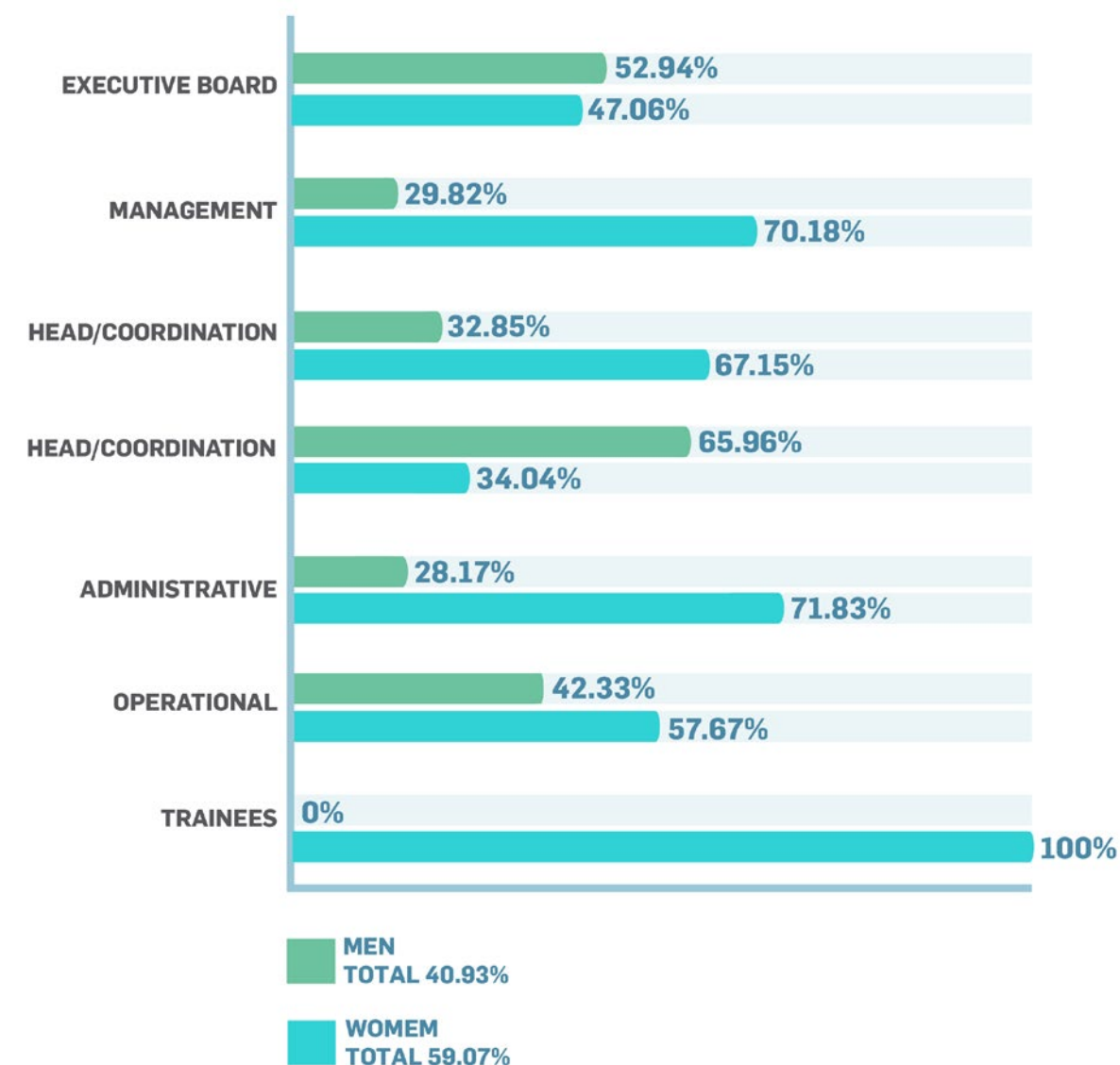
■ **Racial equality** — a series of videos, made in partnership with ID\_BR (Instituto Identidades do Brasil), was exhibited at Arezzo&Co in 2019 to spur internal reflection on racial equality and demonstrate the company's position on this topic.

■ **PwDs** — the company has a development path in place to give these professionals opportunities for growth and career development.

■ **LGBTQIA+** — we participated in Gay Pride Week and Lesbian Visibility Week. We encourage our employees to reflect on topics such as homophobia, gender, and sexual orientation. We also participated in the Recruitment Fair – CASA 1 – to hire transsexuals with a profile for year-end sales in our stores.

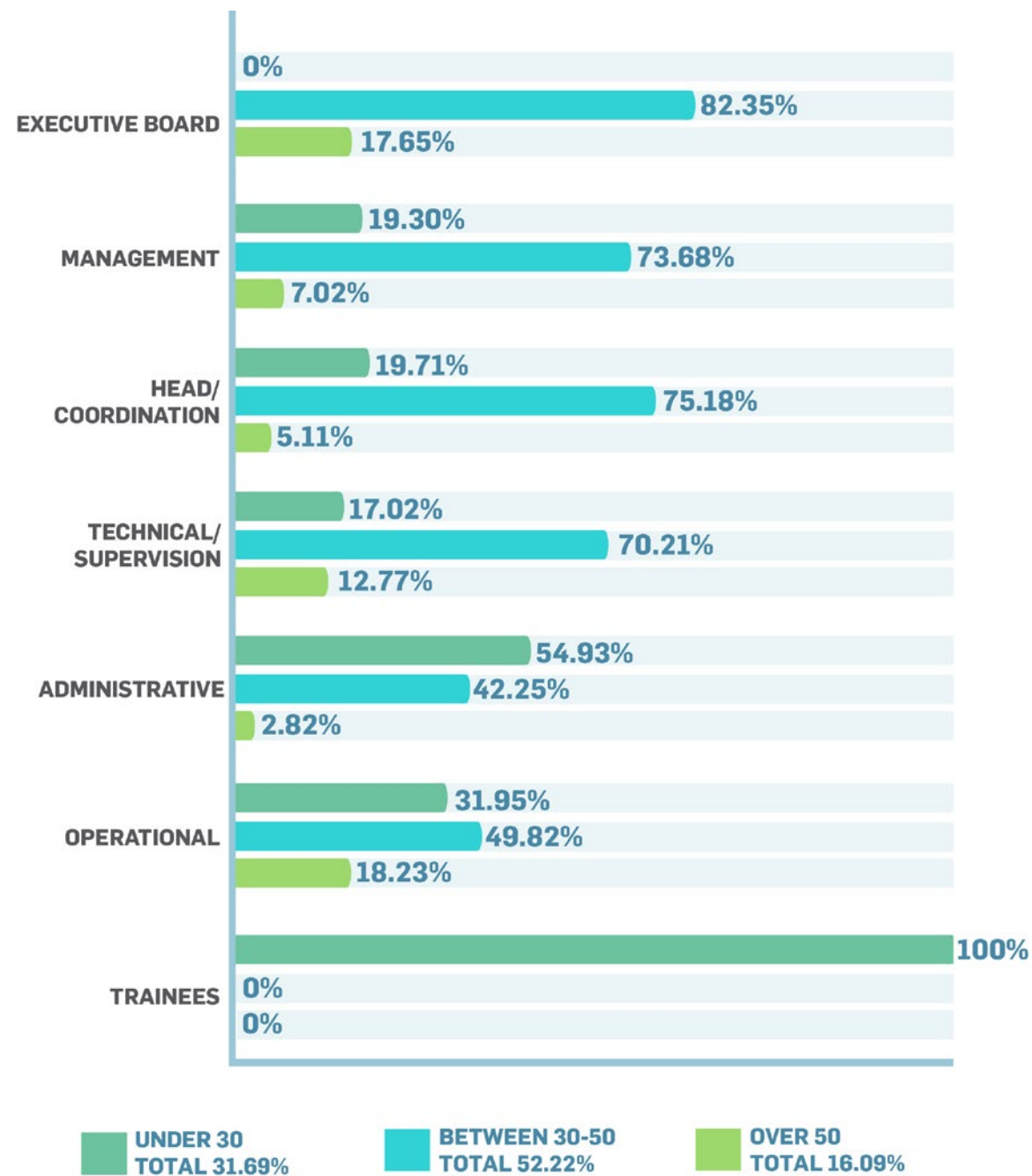
## DIVERSITY AT AREZZO&CO GRI 405-1

### EMPLOYEES, BY EMPLOYEE CATEGORY AND GENDER, IN 2019

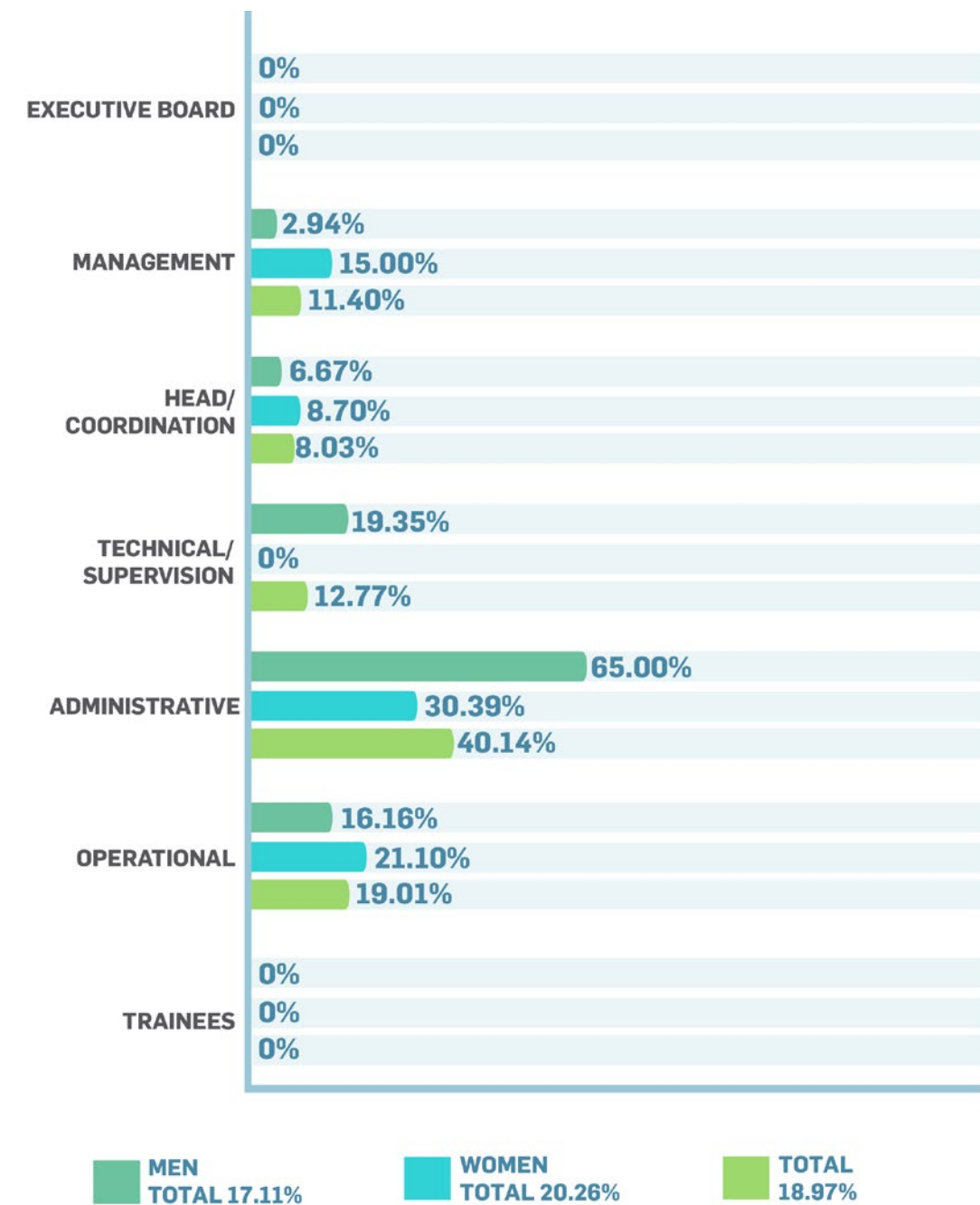


# WE ARE THE JOURNEY

EMPLOYEES, BY EMPLOYEE CATEGORY AND AGE GROUP, IN 2019

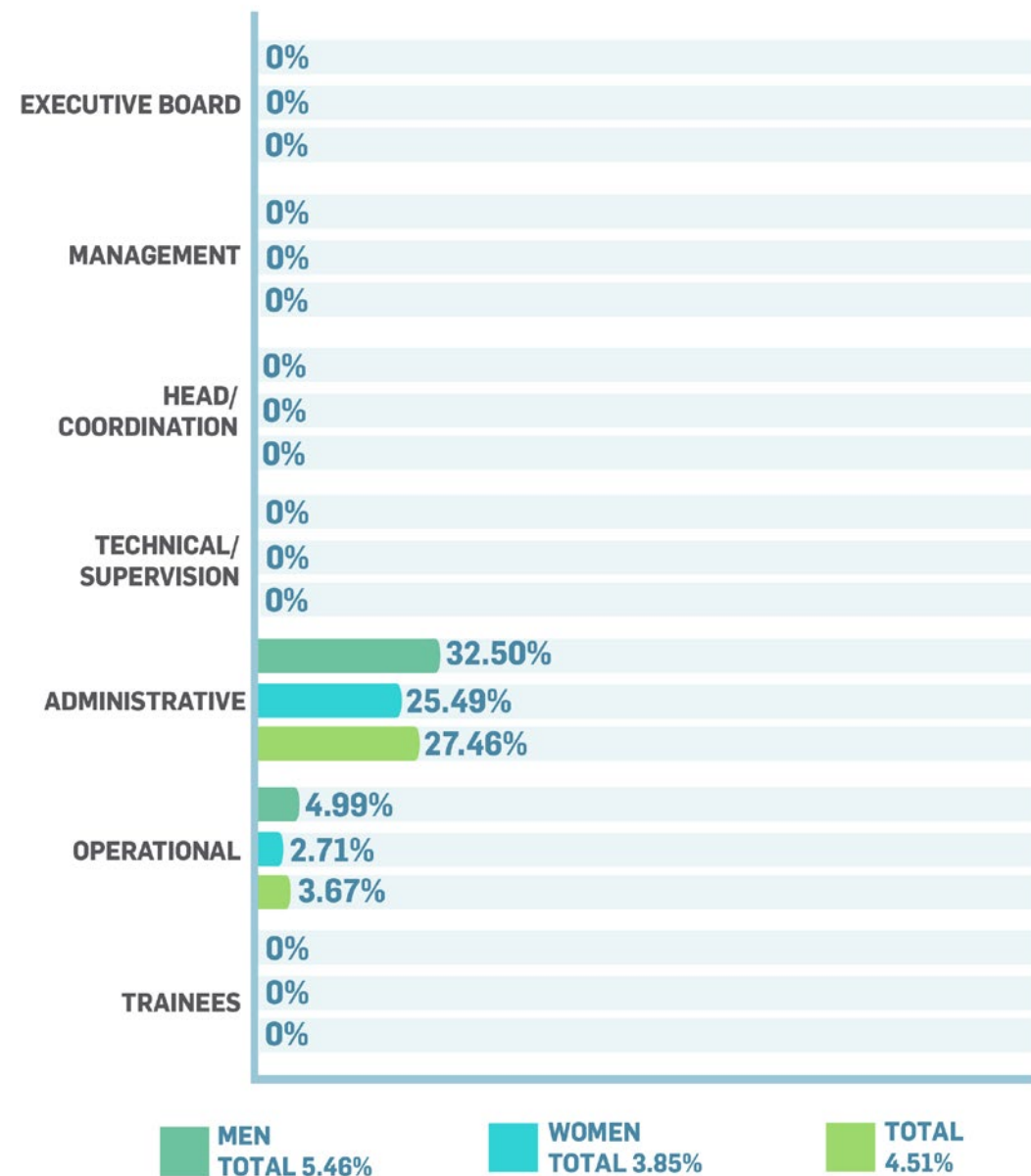


BLACK EMPLOYEES, BY EMPLOYEE CATEGORY, IN 2019



# WE ARE THE JOURNEY

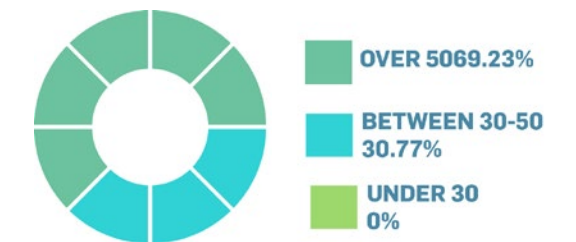
## PEOPLE WITH DISABILITIES (PWDS) AMONG EMPLOYEES, BY EMPLOYEE CATEGORY, IN 2019



## PEOPLE IN THE ORGANIZATION'S GOVERNANCE BODIES, BY GENDER, IN 2019 GRI 405-1



## PROFESSIONALS IN THE ORGANIZATION'S GOVERNANCE BODIES, BY AGE GROUP, IN 2019 GRI 405-1



## INVESTING IN NEW TALENT

The presence of younger professionals, often still in training, allows for an exciting and invigorating work environment. Therefore, in 2019 we resumed our Trainee Program and reinforced the Internship and Apprenticeship programs.

### OUR TRAINEES

- 8,624 registrants
- 4,892 résumés analyzed + tests of English as a second language and logical thinking
- 501 virtual interviews
- 266 face-to-face interviews
- 126 candidates in face-to-face panel at Arezzo&Co
- 32 candidatos em painel executivo
- 6 candidates on executive panel
- +3 hires for the Merchandising and Sustainability area

### INTERNSHIP PROGRAM

- 13 INTERNS in total
- 8 IN STYLE fashion students, working with stylists of the brands
- 5 IN CORPORATE Commercial, Communication, Sustainability, etc.

### PROUD TO BE A SHOEMAKER

The importance of the shoemaker culture and the need to continue training new talent are bearing fruit in Vale do Rio dos Sinos, in Porto Alegre (RS). In partnership with the National Service for Industrial Learning (SENAI) and the Brazilian Footwear Industry Association (Abicalçados), the technical shoemaker development program has trained 150 new professionals in the last seven years, many of whom are part of the Arezzo&Co team.





# FOR CUSTOMERS, ALWAYS

MATERIAL TOPICS RELATED TO THIS SECTION: 1. PROPER DESTINATION OF WASTE ACROSS THE PRODUCTION CHAIN; 2. PROMOTION OF DIVERSITY



Having customer at the center of our strategy means understanding their real needs. After all, how do they relate to our brands and products? In the constant studies of trends and behaviors, combined with data analysis, our teams seek to deliver benefits beyond the purchase, in relevant experiences and content, at the right moment in time.



## AREZZO&CO CUSTOMERS

**8.7 million people** form the customer base of all brands combined in 2019 – up 21.9% over the previous year  
**51.5% customers** retained

## CULTURE OF INNOVATION

From planning to practice, innovation is a reality at Arezzo&Co. With a focus on digitizing business and operations and integrating channels, we seek to advance in three aspects:

- empower our salespeople through platforms that allow stores to establish more personalized interactions with customers;
- expand opportunities for personalized contact, based on the profile information collected;
- increase the retention and frequency of consumers, offering valued benefits.

## NEW LEVEL

One of the main investments was made in business intelligence (BI): we opened a new cycle, of deeper and more assertive assessments, by implementing a data intelligence tool that allows us to obtain a complete map of customer behavior, style, preferences, and consumption habits.

**13.9%** growth in the registered customer base  
**7.2 million** in 2018 vs. **8.2 million** in 2019  
**85% of in-store tickets** are already associated with customer registries

## STRONGER ONLINE

Our e-commerce is maturing fast. As a result, the share of online transactions in brand sales is growing.

+ **10%** Arezzo  
+ **12%** Schutz  
+ **7%** Anacapri  
+ **5%** Alexandre Birman  
+ **15%** Fiever  
+ **15%** Alme

**780,000** orders in 12 months  
**70 million** visitors  
**25 million** single users  
**22.5% growth** in mobile audience  
**9.5%** is the growth rate in online conversion compared with 2018

Some factors contribute to the good performance on the web: we offer a complete and proprietary solution for e-commerce, we invest in a personalized relationship with consumer and our rates of product returned are around 9%, below the market. In 2019, the launch of seven exclusive collections in the digital environment also contributed to strengthening competitiveness of the platform.

**92% customer satisfaction** in the last three years  
Average of **1,094 compliments** per month

**NPS (customer loyalty level)**  
83.5% accumulated among the six brands

## AREZZO AND SCHUTZ

**875** people trained in person  
**500** people trained online  
**125** stores visited



# FOR CUSTOMERS, ALWAYS



## OMNICHANNEL STRATEGY

Four fronts stood out in 2019 in the expanding process to integrate our channels and provide in-store solutions.

### IN-STORE PICK-UP OR DELIVERY

Customers can pick up their online purchases at a store or receive the goods at home sent by the store.

#### PICK UP

**453** stores enabled

**64%** of the chain\*

#### DELIVERY

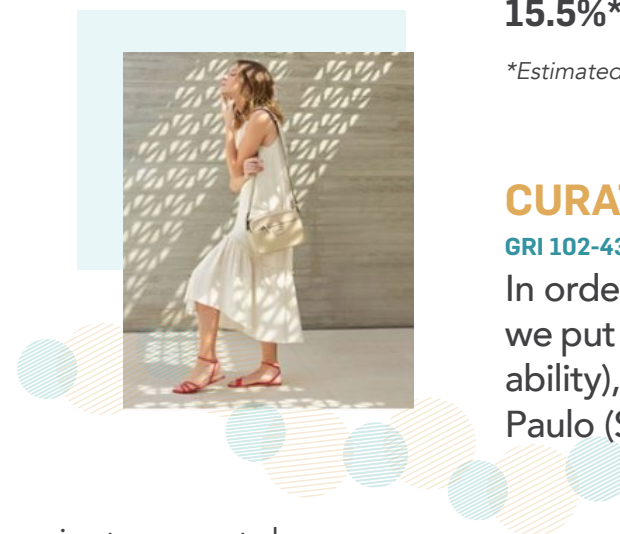
**134** stores enabled

**19%** of the chain\*

#### BENCHMARK

**6.3%** of the average monthly sales of Arezzo Villa-Lobos (SP)

\* Arezzo, Schutz, and Anacapri brands



### SALE LINK

Digital extension of the store. Customer and salesperson communicate remotely. Through a link, the purchase is made using a credit card and the product is available in-store for pickup by a carrier.

#### BENCHMARK

**16.5%** of the average monthly sales of Alexandre Birman, Shopping Iguatemi (SP)

**587** authorized stores

**83%** of the chain\*

\* Arezzo, Schutz, and Anacapri brands

### MOBILE CHECKOUT

Infinite shelf already relies on a mobile checkout, a new solution from Arezzo&Co, which gathers all the functionalities associated in the salesperson's journey on a single mobile device. Online and physical store purchases can be paid for in a single transaction.

**2019** – Tested in 60 stores in São Paulo and Rio de Janeiro

**2020** – Implementation in all company stores

### INFINITE SHELF

Customers choose the products on a touch screen in the physical store, checking the in-store inventory and options from other units and the web, and purchase directly from the salesperson.

**604** stores enabled

**85%** of the chain\*

#### BENCHMARK

**15.5%\*** of average monthly sales of Arezzo São Mateus (ES).

\*Estimated average from January to September 2019.

## CURATORSHIP IN SUSTAINABILITY

**GRI 102-43, 102-44**

In order to understand the expectations of those who actually consume our products, we put together a group called *Curadoria em Sustentabilidade* (Curatorship in Sustainability), which currently brings together six heavy users of our brands who live in São Paulo (SP).

## FASHION COUNCIL

What benefits are valued by our consumers? Listening to our customers more and better was also an important advance in terms of relationship in 2019. Throughout the year, we created the *Conselho Fashion* (Fashion Council), a series of consultations in different regions of Brazil, all involving customers of the Arezzo brand.

## REVERSE LOGISTICS

**GRI 103-1, 103-2, 103-3, 301-3**

Today, our customers already know how to properly dispose of shoes that are no longer in use. Since March 2019, we have provided appropriate boxes for this type of disposal, in partnership with ADS Micrologística, a company specializing in collection and disposal for recycling or reuse of solid waste. The first stores benefited are Fiever and Alme, on Oscar Freire St. (SP), in addition to the offices in São Paulo and Rio Grande do Sul.





# CONNECTION BEYOND THE PRODUCT

MATERIAL TOPICS RELATED TO THIS SECTION: 1. PROPER DESTINATION OF WASTE ACROSS THE PRODUCTION CHAIN; 2. PROMOTION OF DIVERSITY

GRI 103-1, 103-2, 103-3



From the most casual attitude to the profile of women who value exclusivity, our six brands exist to delight our customers, with products that offer quality, design, comfort, and innovation.

## DESTAQUES

Opening of **67 stores**

**51.2% growth** in web commerce, now accounting for **13.4% of domestic sales**

## HANDBAGS

**20%** average growth in four years

**15.5 p.p.** in five years – profitability similar to the company's footwear business.







# CONNECTION BEYOND THE PRODUCT



## AREZZO

#JuntasSomos

### WOMEN EMPOWERMENT

GRI 102-6, 103-1, 103-2, 103-3, 301-3

For almost 50 years, Arezzo has been one of the most beloved brands among Brazilian women, born to be an ally of women in life and fashion. With an eclectic style and easy to use, it inspires the new and women empowerment. So much so that, in 2019, Arezzo sponsored a cinema exhibition organized by Instituto Dona de Si, in which the scripts were entirely developed by female writers. Arezzo's advertising campaigns are also starred by women of various ethnicities and biotypes, in a celebration of diversity.

### TOP OF MIND

16 consecutive years



**22 million** women impacted in 2019 by Arezzo's communications  
**93%** of Arezzo customers feel more represented in communication strategies

### IN BRAZIL

**10** owned stores

**432** franchises

**1,210** multi-brand stores

**3.5%** growth in sales in the domestic market in 2019 compared with 2018

**R\$ 983.8 million** in gross revenue in the domestic market in 2019

**54.5%** of Arezzo&Co's domestic sales in 2019

### SUCCESS OF THE LIGHT\* MODEL

**51 stores** opened in the last three years

\* Franchise model in cities with a population of 160 to 200,000, with 40-sqm stores that, in addition to a reduced assortment compared to standard stores, require less investment

### WHERE WE ARE

In all Brazilian states, in owned, franchise, multi-brand stores, and e-commerce. Abroad, in franchises and multi-brand stores in the U.S., Latin America, Europe, and Asia.



# CONNECTION BEYOND THE PRODUCT



## SCHUTZ

#becauseSchutz

### PROVOCATIVE AND BOLD

Schutz is all about authenticity and irreverence. Since 1995, its shoes, handbags and accessories have seduced sexy and bold women who are in tune with the latest trends. Therefore, the brand proposes new design, materials, and finishes.

### IN BRAZIL

**17** owned stores

**72** franchises

**1,086** multi-brand stores

### IN THE U.S

**3** owned stores

**14.5%** growth in global revenue in 2019 compared with 2018

**R\$ 647.2** million in global gross revenue in 2019

**26.3%** of Arezzo&Co's domestic sales in 2019

### WHERE WE ARE

BRAZIL — In owned, franchised, multi-brand and flagship stores in the main fashion centers in the country and on the brand's website.

U.S. — In three owned stores in New York, Los Angeles, and Miami.



## ANACAPRI

#descomplicada

### FEELING GOOD ABOUT YOURSELF

Always choose to be yourself, regardless the age. That's what Anacapri is about, universal, designed for women young at heart, who value casual and affordable flat-shoe style. Its products are a great combination of beauty, quality, and price. They emphasize attributes such as comfort and high self-esteem. And, in terms of self-esteem, in 2019, Anacapri did something special in the relationship with its customers. Debates were held with opinion makers in São Paulo, Rio de Janeiro, and Belo Horizonte and a partnership was signed with the podcast "Beleza Pra Quem?", which discusses self-knowledge and sustainable self-esteem.

### IN BRAZIL

**3** owned stores

**185** franchises

**1,628** multi-brand points of sale

**18%** growth in the domestic market in sales in 2019 compared with 2018

**R\$ 259.1 million** in gross revenue in the domestic market in 2019

**14.4%** of Arezzo&Co's domestic sales in 2019

### WHERE WE ARE

In owned stores, franchises, e-commerce, and multi-brand stores in 22 Brazilian states. The concept store, Espaço Descomplica, is located on Oscar Freire St., in São Paulo (SP).







# CONNECTION BEYOND THE PRODUCT



## ALEXANDRE BIRMAN

### PURE SEDUCTION

Arezzo&Co's most luxurious brand has been attracting celebrities and women's fashion icons worldwide. They are sophisticated women, fascinated by the magnetism of prime and exotic materials, applied in exclusive design.

**6** owned stores in Brazil

**3** owned stores in the U.S.

**150+** multi-brand stores worldwide

**45%** growth in same-store sales

**47.1%** growth in global revenue in 2019 compared with 2018

**5.2%** in global gross revenue in 2019

**2.2%** of Arezzo&Co's domestic sales in 2019

### WHERE WE ARE

**BRAZIL** — Shopping Iguatemi, JK Iguatemi, and Cidade Jardim malls, in São Paulo (SP), and Shopping Leblon, in Rio de Janeiro (RJ), Curitiba (PR), and Brasília (DF).

**WORLD** — At own addresses in the United States (New York, Miami, and Dallas) and showroom in Milan (Italy). On the shelves of the best multi-brand stores, such as Bloomingdales, Bergdorf Goodman, Net-A-Porter, Harrods, Mytheresa, and Galeries Lafayette.



## FIEVER

#fieverbeat

### MODERN AND CONNECTED

The combination of the words five, from Arezzo&Co's fifth brand, and fever. In essence, a brand of sneakers made for a young, vibrant, and very attentive audience. A consumer connected to the urban pace, who celebrates differences and values versatile, practical, and customized style.

### IN BRAZIL

**5** owned stores

**1** franchise

**441** multi-brand stores

**17.9%** revenue growth in 2019 compared with 2018

**1.5%** in global gross revenue in 2019

**1.7%** of Arezzo&Co's domestic sales in 2019

### WHERE WE ARE

At the Morumbi, Pátio Higienópolis, JK Iguatemi, and Frei Caneca malls, and on Oscar Freire St., in São Paulo (SP), and at Leblon shopping mall, in Rio de Janeiro (RJ), in addition to multi-brand stores and proprietary e-commerce.







# CONNECTION BEYOND THE PRODUCT



## ALME

#autocuidado

### NOW WE ARE ALME

Arezzo&Co's youngest brand evolved in 2019. Starting with the name change: what used to be Owme (inspired by the words own and me to express the attitude of "owner of herself") is now Alme, a reference to the word all, shifting from individual to collective. Alme believes that comfort is the best experience. It is designed for women who no longer wish to choose between comfort and beauty, who seek profound inner well-being, in touch with their needs and the balance around them. And this feeling starts at the feet.

**3** owned stores

**3** franchises

**302** multi-brand stores

**75.6%** revenue growth in 2019 compared with 2018

**0.8%** in global gross revenue in 2019

**0.9%** of Arezzo&Co's domestic sales in 2019

### WHERE WE ARE

Shopping Morumbi, Pátio Higienópolis, Shopping Iguatemi malls, and Oscar Freire St., in São Paulo (SP).

## VANS®

### GOLAZO!

The talent to take good care of brands, combined with Arezzo&Co's ability to diversify and innovate, led the company to take one of its most daring steps in 2019—obtaining licensing and exclusive distribution of the Vans® brand in Brazil. For the first time, we will operate a non-proprietary brand, focused on male adults and children. This agreement expands our audience, our product portfolio and, above all, strengthens our strategy to transform the company into a brand management platform.

Launched in the U.S. 54 years ago and present in 84 countries, Vans® is a giant in the markets of sneakers, clothing and accessories for the skateboard and surf segments. It is part of VF Corporation, one of the largest global apparel, footwear, and lifestyle related companies. Arezzo&Co is now responsible for supplier management, logistics, distribution, franchising, e-commerce, and expansion of Vans® stores in Brazil. The contract has a five-year term and can be extended for two additional years, and subsequent renewal.

### WHAT'S NEXT

**\$ 50 MILLION** is being invested by Arezzo&Co to acquire product inventory (in DCs and in transit) and four outlets owned by Vans®, located in São Paulo, Rio de Janeiro, and Brasília

**30%** of Vans® production in 2019 was local  
**70%** is our target to expand local sourcing and, for 2020, the plan is to exceed 50%

**Distribution** Distribution will also be expanded, through Arezzo&Co's wide-ranging reach and extensive knowledge of **franchising operations**

**R\$ 200 MILLION**  
is Vans® revenue  
in Brazil

**20%** of the product  
portfolio is clothing



# CONNECTION BEYOND THE PRODUCT



## THE STRENGTH OF FRANCHISES

FRANCHISEES HAVE A PROMINENT POSITION at Arezzo&Co, after all they are our main partners, responsible for the highest revenue stream generated by the business. In order to provide the franchisee with a much more tactical and specialized commercial service, two major franchising projects are part of the strategic revision developed by the company in 2019.

### AREZZO'S NEW COMMERCIAL STRUCTURE

Commercial service is no longer regional and became segmented, according to the scale of the franchise:

- Large – service by a professional with greater strategic ability, who helps enhance the sales model based on the actual needs of the franchise;
- Medium – service provided by a full consultant, who provides support for commercial operations;
- Small – weekly remote commercial service, albeit at an operational level.

### AGILIZZA, IN ALL STORES

A more strategic sales consultant requires an efficient backup structure, which helps franchisees with their operational demands in an agile manner. In 2019, we implemented a direct assistance service to Agilizza franchisees for all franchised brands.

### AVANTI

In 2019, the meritocracy program of the Arezzo brand awarded nearly R\$ 5 million to the franchises that stood out in the year. As a rule of the Avanti program, award recipients must reinvest their respective amounts to improve their operations, such as training, marketing activations, and business expansion..

## BEYOND THE SEVEN STEPS

HOW TO EXPLORE THE NEW TECHNOLOGIES in commercial service? Unlike previous years, when we opted for external consultants, in this cycle the content was communicated by professionals from the Franchising and People teams, which made the connection with the company's passion and pain faster and more spontaneous.

**220 HOURS** of training

**1,700 PEOPLE TRAINED** – store managers and salespeople

**10 CITIES** – São Paulo, Campinas, São José dos Campos, Rio de Janeiro, Belo Horizonte, Salvador, Fortaleza, Recife, Belém, and Brasília

### WHAT'S NEXT

2020 – Two training cycles per year, one in each half of the year, and hiring of a distance training tool – an advanced usability app will complement the company's initiatives in training franchisees.

Another event promoted for franchisees was Digital Retail Day, which brought together around 300 people to speak, mainly, about digital transformation.

### NOVO E-SHOWROOM

We redesigned the franchisee's shopping experience and developed a new platform, largely based on online analysis of purchases and collaboration, according to the profile of each franchise.





# STRONGER LINK, LESS RISKS

MATERIAL TOPICS RELATED TO THIS SECTION: 1. SOCIAL AND ENVIRONMENTAL CRITERIA FOR HIRING AND TERMINATING SUPPLIERS; 2. RAW MATERIALS THAT DO NOT CAUSE A NEGATIVE IMPACT; 3. SOCIAL AND ENVIRONMENTAL AUDITS IN THE SUPPLY CHAIN; 4. TRACEABILITY OF THE MAIN RAW MATERIALS; 5. INTERNATIONAL CERTIFICATION OF PARTNER TANNERIES; 6. PROPER DESTINATION OF WASTE ACROSS THE PRODUCTION CHAIN **GRI 102-9, 103-1, 103-2, 103-3**



In 2019, the relationship with our supply chain advanced, including with regard to management systems and relationships with this group and to audits, which are now the responsibility of a dedicated sector, the Internal Audit area.

## OUR SUPPLIERS OF FINISHED PRODUCTS IN 2019

**GRI 102-9**

**24** shoe factories  
**28** handbag producers

Most located in Vale do Rio dos Sinos, in Rio Grande do Sul

## RENEWED MANAGEMENT SYSTEM

**GRI 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2**

We implemented TechSocial, an integrated management tool for suppliers in the approval process and for those already in our base, formed mainly by manufacturers of finished products, and workshops.

The approval process takes place in three phases:

- Analysis of documents and signature of the Supplier Code of Conduct, and visit by our Audit team to the factories and subcontractors in the case of companies based in Rio Grande do Sul;
- External audit in all cases;
- Execution of a contract.

To be approved, suppliers must be 100% compliant with aspects such as establishment of the company; Child labor; forced or compulsory labor; illegal foreign work; housing integrated to the company; freedom of association; discrimination; sexual abuse and harassment. Regarding environmental issues, in addition to complying with the legislation, our partners are committed to not using restricted substances.

In 2019, we did not directly hire new suppliers, but rather reinforced support to the existing ones, and were involved in negotiations with indirect partners.

Relationship with our supplier base includes:

- Monthly uploads of documentation attesting to suppliers' compliance with aspects such as labor obligations and waste disposal, among others;
- Monitoring of Internal Audit in the case of manufacturers and subcontractors who need to improve their management models;
- Biannual visits by the Internal Audit to the factories and workshops to check the agreed upon standards;
- Annual external audit.





# STRONGER LINK, LESS RISKS



In order to maintain lasting partnerships in our supply chain, in 2019, we started to prepare our suppliers to adopt production processes and use new sustainable materials. In this way, we ensure that everyone will be in line with the company's objectives in the coming years (learn more in the *"The origin of leather"* section)

## PARTNERSHIP AND TRANSPARENCY

The developments in Arezzo&Co's supply management system were shared with factories and workshops in two events throughout 2019. At the meetings, the group also received guidance on how to prepare for internal and external audit assessments.

## WHAT'S NEXT

2020 – We will join the program of the Brazilian Textile Retail Association (ABVTEX) to obtain certification of our entire supply chain. It is a sector effort, led by fashion retailers, which promotes best practices in the supply chain and compliance with decent working conditions.

## NEW E-COMMERCE DC

In 2019, we focused on expanding logistics capacity and product replenishment

### 2018

11,000 sqm

### 2019

16,000 sqm

### 2020

21,000 sqm = +30% capacity after the integration of the Vans® brand



## SUSTAINABILITY MEETING WITH SUPPLIERS

GRI 102-12, 102-43, 102-44, 308-1, 308-2, 414-1, 414-2

The challenges of the sustainability trail in Arezzo&Co's supply chain were widely discussed at the 1st Sustainability Meeting with Suppliers of Finished Products. The event brought together nearly 400 people in Campo Bom (RS), in March 2019. On that occasion, we reinforced aspects of the Social and Environmental Code of Conduct for Suppliers and the Solid Waste Management Plan. And we reaffirmed our commitment to have 100% of our suppliers certified under two seals: Brazilian Leather Sustainability Certification (CSCB), for tanneries, and Sustainable Origin, for other types of raw material.

## REVOLUTION REQUIRED GRI 103-1, 103-2, 103-3

To have stylish and super comfortable products, developed with the least possible impact on the environment. Thus the #Arezzo Futuro platform was born and, as a result, its first major launch: the ZZ Bio, the first sneakers made using the biodegradable polyamide thread Amni Soul Eco, from Rhodia, and with a biodegradable sole developed in partnership with BASF. Unlike synthetic fibers, which take decades to decompose, this material decomposes in up to three years if disposed of in a landfill. Its threads are dyed with fully water soluble dyes, which can be reused after proper treatment.



# STRONGER LINK, LESS RISKS



## LEATHER

**100%** biodegradable polyamide thread

## EVA INSOLE

**51%** of sugarcane byproducts

**49%** of oil products

**7,400** pairs sold in 2019

## CONSCIOUS FASHION

- Anacapri shoes have soles made of rice husk and upper in recycled fabrics
- In the Fiever Choice line, the upper uses recycled fabric and the soles result from a blend of waste generated by Arezzo&Co
- Schutz also launched sneakers using recycled fabric.

## MAP OF THE FUTURE

We mapped the main materials used in the production of Arezzo&Co footwear. We are evaluating which of them can be replaced by materials from renewable sources, how it will take, and at what cost.

## WHAT'S NEXT

2021 – 100% of our suppliers of final products are committed to having the Sustainable Origin Seal, created by the Brazilian Footwear Industry Association (Abicalçados) and the Brazilian Association of Companies of Components for Leather, Footwear and Manufactured Goods (Assintecal). This certification guarantees that shoe manufacturers in the country incorporate sustainability into their production processes.

2024 – We want to replace 30% of petroleum-based materials with components from renewable sources.

## POST-CONSUMER PACKAGING RECYCLING

GRI 103-1, 103-2, 103-3, 301-3

For the second consecutive year, we hired the consulting firm Eu Reciclo to calculate the volume of post-consumer packaging generated by our operations – 22% of the equivalent to the volume of post-consumer packaging generated in 2019 was recycled in a recycling offsetting model, thereby in compliance with legal requirements.

- 90% of customers prefer to leave the boxes in stores
- 891 tons of packaging recovered in 2019
- The company generates approximately 4,000 tons of waste annually

## PACKAGING CHALLENGE

In 2019, 40 students from IED São Paulo – Instituto Europeo di Design participated in the Packaging Challenge contest. The students developed projects in line with our brand identity and environmental premises (reduction, reuse, and recycling). The winning team was awarded a three-month internship in the company's marketing areas and visits to the Rio Grande do Sul unit and to the factories of our packaging suppliers in the region.

## 2020

The selected prototype will reduce up to 100 tons of paper, glue, and ink per year.







# THE ORIGIN OF LEATHER

MATERIAL TOPICS RELATED TO THIS SECTION: 1. SOCIAL AND ENVIRONMENTAL CRITERIA FOR HIRING AND TERMINATING SUPPLIERS; 2. RAW MATERIALS THAT DO NOT CAUSE A NEGATIVE IMPACT; 3. SOCIAL AND ENVIRONMENTAL AUDITS IN THE SUPPLY CHAIN; 4. TRACEABILITY OF THE MAIN RAW MATERIALS; 5. INTERNATIONAL CERTIFICATION OF PARTNER TANNERIES; 6. PROPER DESTINATION OF WASTE ACROSS THE PRODUCTION CHAIN GRI 103-1, 103-2, 103-3



One of the company's priorities is to mapping our supply chain to be sure that we are purchasing leather from the best origin.

## WWF PARTNERSHIP

In 2019, we accepted the invitation from WWF Brazil (World Wide Fund for Nature) to participate in the CFA – Collaboration for Forests and Agriculture, a project launched in 2016 in partnership with the National Wildlife Federation (NWF), The Nature Conservancy (TNC), Gordon and Betty Moore Foundation, among others. The purpose of the initiative is to strengthen a network of leading companies in their sectors, capable of contributing to defining standards and incentives for the production of beef and soy without deforestation. [GRI 102-12](#)

## FULL TRACEABILITY

WWF has a tool in place that allows us to trace the service radius of the farms, identify the regions with protected areas, the respective deforestation rates, among other data. With this information, Arezzo&Co and other CFA members have more refined criteria for screening suppliers and raising the level of social and environmental practices in their production chains. We will develop and implement an action plan in partnership with WWF and Rever Consulting.

## REGIONAL CERTIFICATION

Arezzo&Co leads a movement for the Vale do Rio dos Sinos (RS) the first region in the world to have its production of footwear 100% sustainable – from tanneries to manufacturers and distributors, within a 50-km radius.



## WHAT'S NEXT

2021 – 100% of leather from tanneries will have the Leather Working Group (LWG) seal or Brazilian Leather Sustainability Certification (CSCB), granted by CICB

2021 – 100% of the leather received will be traceable to the meat packing plants that supply raw materials to tanneries

2024 – Revision of the leather procurement policy, of the target and of the progress indicators defined

2025 – Monitoring 100% of indirect suppliers that supply raw materials to meat packing plants (breeding, rearing, and fattening farms).

## IMPROVED ENVIRONMENTAL MANAGEMENT

With the support of external consultants, in 2019, we initiated our Environmental Management System, in which we map how our activities in our offices, distribution centers, owned stores, and factories impact the environment and how we manage the risks identified, in addition to defining the priorities to take action. .

[GRI 102-11](#)

## WHAT'S NEXT

2020 – We will adopt methodologies to record evidence of our environmental actions, especially in reducing GHG emissions and solid waste generated by our operations.

## MANAGEMENT OF SOLID WASTE AND EFFLUENTS [GRI 306-2](#)

Arezzo&Co follows the parameters of the environmental permit in managing solid waste and does not dispose of its waste in landfills. Our Environmental Management System provides for the proper disposal of solid waste and discharge of properly treated greywater.



# THE ORIGIN OF LEATHER



In 2019, there was an improvement in our waste centers. In the same period, 104.84 tons of hazardous waste and 256.54 tons of non-hazardous waste were properly disposed.

## DISPOSAL OF HAZARDOUS WASTE (TONS)

DESTINATION	2017	2018	2019
Recovery (including energy recovery)	31.64	49.33	54.29
Transformation of leather waste into fertilizers.	104.10	29.10	50.55
<b>TOTAL</b>	<b>135.74</b>	<b>78.43</b>	<b>104.84</b>

## DISPOSAL OF NON-HAZARDOUS WASTE (TONS)

DESTINATION	2017	2018	2019
Reuse	N/A	N/A	0.50
Recycling	24.91	31.07	67.25
Recovery (including energy recovery)	178.02	121.16	188.79
Landfill	2.40	0.00	0.00
<b>TOTAL</b>	<b>205.33</b>	<b>152.23</b>	<b>256.54</b>

## GREENHOUSE GAS INVENTORY

Also in 2019, we prepared the greenhouse gas inventory. Now, we know our emissions rate and how much we have to offset to reduce this impact to zero. Our goal is neutralize greenhouse gas emissions in our operations in 2020.

## MORE SUSTAINABLE AND EFFICIENT MATERIALS

To ensure that our suppliers of shoes and handbags use quality raw materials that are more beneficial to the environment, we have defined a goal to evolve as of 2020 that includes replacements, reductions, and certifications and involves improvements in monitoring; supplier training, research & development (R&D) team, sourcing and procurement; and crosscutting goals for the R&D and creative teams of each brand. [GRI 301-1](#)

Along this path, we launched products with sustainable attributes in 2019, such as ZZ Bio (learn more in the [Stronger link](#), less risk section), but we have not yet measured significant uses of materials. We also use waste from our own factories to produce soles for some of our brands, and we have a reverse logistics project for shoes discarded by our customers (learn more in the [For the customer, always](#) section). [GRI 301-1](#)

Below are the details of consumption of the main materials used in the final product in 2019:

Leather	1,018,510 sqm
Synthetic laminate upper	602,522 sqm
Synthetic laminate lining	484,152 sqm
TPU sole	3,353,714 pairs
Lacquered sole	65,205 sqm





# THE ORIGIN OF LEATHER



## GOALS DEFINED BY TYPE OF MATERIAL GRI 301-1

MATERIALS	ESTIMATED GAINS	TOTAL VARIATION 2020-2025
Leather	Replace leather with chrome-free leather	47%
Synthetic laminate upperl	Replace with materials from renewable or recycled sources	20%
Synthetic laminate lining	Replace with materials from renewable or recycled sources	20%
TPU sole	Reduce waste by 20% in the composition (10% industrial waste and 10% recycled PET)	25%
Sola laqueada	Replace with 10% industrial waste	30%
Chemicals (restricted substances)	Obtain certification following international parameters	100%
Hardware (chrome-free)	Obtain chrome-free certification	
Packaging	Replace with materials from certified and recycled renewable sources (FSC)	100%
Packaging	Reduce the volume of materials	48%



## ALL AT THE SAME TIME, NOW!

Consumer relations with retail and fashion brands are changing rapidly. Expectations of consumption with a cause, diversity and inclusion is on the rise, driving the concept of community. At the same time, customers demand a frictionless and agile experience, guided by constant innovation. These are some of the main trends that have guided us in all recent company decisions, aiming to increasingly connect our brands to the wishes of customers. Two new avenues of growth will gain momentum in 2020.

### DIGITAL FASHION PLATFORM

Arezzo&Co will gradually shift from being a brand manager to being a fashion platform with competence in brands. The company will continue to preserve the clear identity of each of the seven flags in its portfolio. However, on a single platform, customers will be able to simultaneously relate and interact with all of them, providing great benefits in terms of efficiency and experience.

With launch scheduled for 2020, our fashion platform will have:

- customer base of 8.2 million
- 7 brands of footwear, handbags, accessories, and clothing
- fashion consultancy and social connectivity services
- editorial content, look curatorship, information on fashion
- integrated data management
- new loyalty program
- resale of used shoes

### INSURGENT BRANDS

Licensing of mature brands like Vans® will continue in our crosshairs. Starting in 2020, our strategy will be to continue to look for inorganic opportunities for the acquisition of traditional brands in the market and of fast growing insurgent brands, in order to add a new customer base and expertise to the business.

Insurgent brands make up a very specific segment, with clearly sustainable characteristics and design. Overall, they are very authentic, with reduced assortment and demand greater than the supply capacity. Although they are not very representative in terms of market share, they already account for a good part of the growth of their niches. Together, they can have very significant market share. Traditional brands, on the other hand, can add talent and synergies to the consolidated operation, since we already have a favorable business model with the capacity to absorb new operations.

**INSURGENT BRANDS** are less than 15 years old, turnover below R\$ 100 million and grow on average ten times the size of the market.





# GRI CONTENT INDEX

GRI 102-55

GRI STANDARDS	DISCLOSURE TITLE	COMMENTS OR LINK FOR THE SECTION	OMISSION	PRINCIPLES OF THE GLOBAL COMPACT	SDG
GRI 101: FOUNDATION 2016					
GRI 102: GENERAL DISCLOSURES 2016					
ORGANIZATIONAL PROFILE					
102-1	Name of the organization	10			
102-2	Activities, brands, products, and services	10			
102-3	Location of headquarters	Arezzo&Co's headquarters is in the city of Campo Bom (RS).			
102-4	Location of operations	11			
102-5	Nature of ownership and legal form	11, 13			
102-6	Markets served	44			
102-7	Markets served	11			
102-8	Information on employees and other workers	19, 20, 21, 22, 23			
102-9	Supply chain	54, 55			
102-10	Significant changes to the organization and its supply chain	There were no significant changes in the period.			
102-11	Precautionary Principle or approach	61			
102-12	External initiatives	18, 57, 60			
102-13	Membership of associations	Arezzo&Co participates in projects or commissions of the Brazilian Footwear Industry Association (Abicalçados - Associação Brasileira das Indústrias de Calçados) and the Brazilian Association of Companies of Components for Leather, Footwear and Manufactured Goods (Assintecal - Associação Brasileira de Empresas de Componentes para Couro, Calçados e Artefatos). The company does not have a seat in any of the organizations and considers its participation to be strategic.			
STRATEGY					
102-14	Statement from senior decision-maker	4			
ETHICS AND INTEGRITY					
102-16	Values, principles, standards, and norms of behavior	10			
GOVERNANCE					
102-18	Governance structure	14			
102-20	Executive-level responsibility for economic, environmental, and social topics	14			

102-22	Composition of the highest governance body and its committees	14			
102-29	Identifying and managing economic, environmental, and social impacts	15			
STAKEHOLDER ENGAGEMENT					
102-40	List of stakeholder groups	8			
102-41	Collective bargaining agreements	At Arezzo&Co, the 2,641 employees are covered by collective bargaining agreements. This accounts for 97% of the company's total staff, since 94 employees have another type of link with the company.			
102-42	Identifying and selecting stakeholders	8			
102-43	Approach to stakeholder engagement	8, 29, 41, 57			
102-44	Key topics and concerns raised	29, 41, 57			
REPORTING PRACTICES					
102-45	Entities included in the organization's consolidated financial statements or equivalent documents	9			
102-46	Defining report content and topic Boundaries	7			
102-47	List of material topics	6			
102-48	Restatements of information	Restatements of information from previous years are provided throughout the report.			
102-49	Changes in reporting	Changes in reporting are provided throughout the report.			
102-50	Reporting period	6			
102-51	Date of most recent report	6			
102-52	Reporting cycle	6			
102-53	Contact point for questions regarding the report	7			
102-54	Claims of reporting in accordance with the GRI Standards	6			
102-55	GRI Content Index	68, 70			
102-56	External assurance	The report has not been audited or externally assured.			
MATERIAL TOPIC: SOCIAL AND ENVIRONMENTAL AUDITS IN THE SUPPLY CHAIN					
103-1	Explanation of the material topic and its Boundary	42, 55, 61			
103-2	The management approach and its components	42, 55, 61			

# GRI CONTENT INDEX

GRI 102-55

GRI STANDARDS	DISCLOSURE TITLE	COMMENTS OR LINK FOR THE SECTION	OMISSION	PRINCIPLES OF THE GLOBAL COMPACT	SDG
103-3	Evaluation of the management approach	42, 55, 61			
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
407-1	Operations and suppliers where the right to freedom of association and collective bargaining may be at risk	55		1, 2, 3, 4, 5, 6	8, 16
GRI: 408: CHILD LABOR					
408-1	Operations and suppliers with significant risk of incidents of child labor	55		1, 2, 6	8, 16
GRI 409: FORCED OR COMPULSORY LABOR					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	55		1, 2, 3	8
MATERIAL TOPIC: SOCIAL AND ENVIRONMENTAL CRITERIA FOR HIRING/TERMINATING SUPPLIERS					
103-1	Explanation of the material topic and its Boundary	55			
103-2	The management approach and its components	55			
103-3	Evaluation of the management approach	55			
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT					
308-1	New suppliers that were screened using environmental criteria	55, 57		7, 8, 9	8, 11, 15
308-2	Negative environmental impacts in the supply chain and actions taken	55, 57	Arezzo&Co does not disclose the total or percentage of negative environmental impacts	7, 8, 9	8, 11, 15
GRI 414: SUPPLIER SOCIAL ASSESSMENT					
414-1	New suppliers that were screened using social criteria	55, 57			
414-2	Negative social impacts in the supply chain and actions taken	55, 57	Arezzo&Co does not disclose the total or percentage of negative social impacts		
MATERIAL TOPIC: PROPER DESTINATION OF WASTE ACROSS THE PRODUCTION CHAIN					

103-1	Explanation of the material topic and its Boundary	41, 59			
103-2	The management approach and its components	41, 59			
103-3	Evaluation of the management approach	41, 59			
GRI 306: EFFLUENTS AND WASTE					
306-2	Waste by type and disposal method	61		7, 8, 9	3, 6, 8, 11, 12, 14, 15
MATERIAL TOPIC: PROMOTION OF DIVERSITY					
103-1	Explanation of the material topic and its Boundary	31, 44			
103-2	The management approach and its components	31, 44			
103-3	Evaluation of the management approach	31, 44			
GRI 401: EMPLOYMENT					
401-1	New employee hires and employee turnover	24, 25, 26, 27		6	5, 8, 10
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY					
405-1	Diversity of governance bodies and employees	33, 36, 37			5, 8, 10
GRI 406: NON-DISCRIMINATION					
406-1	Incidents of discrimination and corrective actions taken	Arezzo&Co values respect, diversity, and equality in its relations, preventing the practice of discrimination of any kind. The company monitors indicators of situations related to discrimination, taking appropriate internal and legal disciplinary measures, where applicable. Since they are considered sensitive, the company chose to treat these data only internally and not disclose them in the report.		1, 2, 3, 4, 5, 6	5, 8, 10
MATERIAL TOPIC: RAW MATERIALS THAT DO NOT CAUSE A NEGATIVE IMPACT					
103-1	Explanation of the material topic and its Boundary	41, 57, 59			
103-2	The management approach and its components	41, 57, 59			
103-3	Evaluation of the management approach	41, 57, 59			
GRI 301: MATERIALS					
301-1	Materials used by weight or volume	63	Arezzo&Co does not disclose the total weight or volume of materials for the main products. This information is being improved internally..		12
301-3	Recovery of products and packaging materials	41, 44, 59			



# AREZZO &CO

[arezzoco.com.br](http://arezzoco.com.br)

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[www.schutz.com.br](http://www.schutz.com.br)

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