2023

SUSTAINABILITY IN THE ANNUAL REPORT

LOJAS RENNER S.A.

RENNER CAMICADO YOUCOM realize ASHUA repassa

Introduction

The purpose of this report is to present our investors and stakeholders with a summarized view of our sustainability strategy, management and governance and our performance against the strategic objectives of our 2030 sustainability strategy, in a timely manner, concomitantly with the publication of our annual financial statements, in order to support a complete analysis of our performance in 2023.

The contents addressed herein will be explored in depth and in greater details in our 2023 annual report, to be published in our institutional and investor relations website in April.

Sustainability Governance

We have a formally structured governance for managing sustainability and climate risks and opportunities.

The **Board of Directors** is advised by a Sustainability Committee dedicated to identifying and addressing issues that represent risks and opportunities related to sustainability and climate, which have a relevant impact on the business, long-term results, reputation or stakeholders.

The **Committee** is chaired by an independent member of the Board of Directors, who is the advisor responsible for the topic, which facilitates the interface between the two bodies.

On a quarterly basis, totaling **four times a year,** the Committee meets, and may invite other executives or external experts, to supervise the socio-environmental and climate risks, opportunities and impacts of the operation and ensure that the Board of Directors and members of the Executive Board are aware of matters that could have a significant impact on the Company's image.

Annually, the Committee presents the main topics discussed at its meetings to the Council.

The **Executive Board** has five statutory boards, including one dedicated to People and Sustainability, with a general sustainability management, responsible for managing material topics and Instituto Lojas Renner.

Sustainability strategy

In 2021, we developed the second cycle of the 2022-2030 Sustainability Strategy, based on a broad study, involving 45 employees from different areas of the Company, Board, Council and external experts on the following fronts:

1. 1. Analysis of trends, pressures and sustainability topics critical to the future of companies in the sector.

2. 2. Analysis of the positioning and practices of the Company and companies in the same sectors and the mapping of material topics from various stakeholders' point of view:

3. 3. Prioritization of topics identified in the previous stages analyses, based on the definition of negative impacts criticality and positive impacts relevance.

4. Development of the response strategy to critical topics and consolidation of the strategic sustainability agenda and the change management plan, based on two dynamics bringing together 10 Executive Directors and the CEO, in addition to managers from the Sustainability Board.

5. Critical analysis of risks and opportunities, strengths and weaknesses in each prioritized theme, definition of goals and working groups.

Upon completion of this process, the 2030 ESG strategy was presented to the Sustainability Committee and the Board of Directors and approved.

Variable compensation

Since 2021, the Board's remuneration has been formally linked to ESG goals, related to public commitments made for 2030, with semi-annual monitoring of result indicators

The variable compensation of several other positions in the various teams also has goals linked to ESG themes relevant to achieving the objectives of our 2030 strategy.

All listed goals are on the panel of managers from different areas of the company, with a weight ranging from 5% to 15%. For the CEO and other Statutory Board members, we considered Renner's goal of participation in the market's Sustainability indices, B3's Corporate Sustainability Index (ISE) and Dow Jones Sustainability Index (DJSI), with a 5% weight on variable compensation.

Impact valuation

In 2023, we started our impact measurement and evaluation strategy and developed our first materiality analysis of the business and chain impact on external stakeholders and valuation of the main impacts, with the aim of measuring the social value of the contribution of the 2018-2021 Responsible Fashion commitments and the emissions compensation strategy.

Social value provides for quantification of impact on people, nature and society generated by activities within the scope of 2018-2021 public commitments.

The study was based on the best valuation practices and was guided by the following methodologies:

- T**he Social and Human Capital Protocol** (2019, Capitals Coalition);
- **The Natural Capital Protocol** (2016, Capitals Coalition), and A Guide to Social Return On Investment (2012, The SROI Network);
- **GIIN COMPASS;**
- **Impact Management Project;**
- **Valuing Balancing Alliance.**

Both primary data provided by the Company and secondary data from global databases, literature and statistics were used.

The 2018-2021 Responsible Fashion commitments and the emissions compensation strategy generated a net positive impact of R$227 million.

The results obtained also support the advancement of our ESG strategy by allowing us to:

- Prioritize actions and goals;
- Use SROI (Social Return on Investment) analysis to better understand the most efficient way to create social value;
- Monitor, learn and promote awareness about ESG impact on the business model.

Management of socio-environmental and climate risks

We identify socio-environmental and climate risks through two complementary fronts: the institutional risk identification and management process, and the scenario, strengths, weaknesses, opportunities and threats study, carried out to build the 2030 Sustainability Strategy.

The **Board of Directors** monitors, evaluates and follows up the management of socio-environmental and climate risks and opportunities identified from quarterly reports from the **Sustainability Committee**, which presents the Company's management performance status and external trends to be observed in relation to each one.

The Committee is composed of the People and Sustainability Executive Board, the president of the Board of Directors and Thomas Bier Herrmann, president of the Committee and independent member of the Board of Directors. The general sustainability manager acts as a secretary of the committee to ensure its close connection to the operation.

The Board also reports to **shareholders** on the topic in the annual results disclosire, in the Annual Report, in the Reference Form, in the General Shareholders Meeting Manual and on Renner Day.

We have a work plan that lists the activities to be monitored in the short, medium and long term, with frequency and stages foreseen by a schedule, macro and micro objectives, responsible parties and evolution percentage, with the aim of guaranteeing the progress of each goal of our commitments and mitigating associated risks.

In addition to the Committee, Council and People & Sustainability Board, in accordance with the Sustainability Policy, we understand that the management of risks and opportunities is transversal to all areas of the business, and is the responsibility of everyone in their daily activities, regardless of their area of activity or hierarchical level.

Impact on the business model

Socio-environmental and climate risks and opportunities are considered in decision-making processes and directly influence the Company's business model, strategy and financial planning.

Among the main risk factors considered in all decision-making processes, the following are worth considering:

- Human rights violation risks.
- Legal sanctions for non-conformities in waste management.
- Physical and transition climate risks.

Since 2016, with the development of our first institutional ESG strategy, we have promoted significant changes to the business model with the aim of mitigating risks and capturing opportunities. Some examples include the following:

- We have reached **80.49% of products with sustainable attributes** for Renner and Ashua and 75.6% for Youcom.
- We have opened the **first circular stores** in Brazilian retail
- We have started offering a service for **selling our customers' used clothes** (thrift store) after acquiring the Repassa platform.
- We have achieved **100% socio-environmental audit and certification in tier 1 and tier 2 resale supply** chain globally.
- We have developed innovative technologies and processes that support the transformation of the textile chain, such as the **first jeans fabric with infinite recyclability** potential and agroecological cotton cultivation.
- Since 2021, we have maintained **100% of our operations using electricity from low-impact renewable sources,** which provides us with a 25% reduction in energy costs.

As a result of the significant advances, we have become the best positioned fashion retailer in the main indices, ratings and rankings in the capital market.

Financing ESG risk and opportunity management

Intrinsic to its criteria, our investment decision-making includes meeting the socio-environmental and climate assumptions related to the 2030 sustainability strategic pillars..

Our new Distribution Center in Cabreúva, for example, which came into operation in 2022, represented the Company's largest investment in recent years and included socio-environmental and climate risk mitigation and opportunities generation throughout its design and execution, being the first in Brazil to achieve LEED GOLD level certification, which attests to the highest eco-efficiency standards in construction and operation.

Investments to implement our ESG and climate risk and opportunity management strategy are made from our own financing sources, such as the CD and the RX Ventures fund, our venture capital fund that includes sustainability among one of its criteria to invest in startups.

Identified risks

We have a robust management of ESG risks identified as priorities, and in recent years, we have prioritized progress in assessment, mitigation and remediation on the human rights and climate change fronts, given their global relevance and urgency and their potential to contribute to the business sustainability.

Climate risks

We survey the physical and transition climate risks to which our operations are exposed, based on a multidisciplinary risk diagnosis, with the participation of various areas, following the same procedure for managing other corporate risks.

The study considers the short (3 to 5 years), medium (2030) and long (2050) term horizons and the SSP1-2.6 and SSP3-7.0** IPCC GHG concentration scenarios, providing coverage and completeness to the analysis by addressing a more efficient strategy for valuation, control, and mitigation of risks.

The choice of scenarios is made according to TCFD (Task Force on Climate Related Financial Disclosures) recommendations that organizations should report two different climate change scenarios, including a scenario below 2ºC. Climate risks are modeled based on climate scenarios for the locations of our units and considering the different types of infrastructure and characteristics of the units, in addition to weighing the financial and operational relevance of each unit for Lojas Renner S.A. ecosystem.

Identified risks are evaluated in relation to probability and severity and categorized into four dimensions of effect: image, financial, legal and reputational.

The climate risk study includes all Lojas Renner S.A. operations, in all countries, in addition to the global supply chain:

Physical risks

deterioration of water quality in locations close to suppliers (finished materials suppliers and manufacturing plants) can lead to stigmatization of the sector as responsible for the event, and association of the Company with these suppliers.

Transition risk

the increase in fossil fuels price due to the withdrawal of subsidies or direct incidence of taxes on these fuels may result in an increased cost to supply the Company's own vehicles, transport trucks and equipment that use fossil fuels, thus increasing operational costs. In Brazil, in just over five years, the price of a liter of common diesel rose by around 121.73% and the average price of gasoline rose by around 66%, according to data from the Brazilian National Agency for Petroleum, Natural Gas and Biofuels (ANP), while inflation in the same period was 32.88%.

transition risk

Due to the nature of the activity, if customer suitability is not investigated, Realize may be responsible for financing activities that have the potential to cause negative environmental

Legal risk
We identify the legal risk arising from inadequate management of climate impacts in communities as low.

Emerging regulatory risk
According to a study on carbon pricing for jeans products completed in 2020, regulatory changes that imply the taxation of emissions could impact our production costs by 0.1% in the short term, 0.21% in the medium term and 0.3% in the long term. This financial impact is considered low.

We also identify opportunities arising from progress on decarbonization:

Technological
Reduction of direct GHG emissions resulting in reduced operational costs in scenarios with an increase in the price of fossil fuels, increasing competitiveness in relation to competitors.

Reputational

In order to offset the GHG emitted during the delivery of sold products, the company may adopt mechanisms for the customer to pay a fee to offset carbon emissions resulting from the product delivery.

Market

Increased demand for products that are related to the circular economy chain and/or reusable product, boosting Repassa sales.

Reputational

Participation in projects that encourage conscious water consumption in the textile industry, such as the Movimento Sou de Algodão, which bring together chain agents to encourage responsible cotton production.

Market

Reduction of indirect GHG emissions resulting in reduced operating costs in scenarios with carbon pricing, increasing competitiveness in relation to competitors. Since 2021, 100% of corporate energy consumption has been from renewable low-impact sources – solar, wind, biomass and small hydropower plants.

In addition to creating a strategy to leverage the low-carbon economy journey as a way of mitigating climate risks, we have prepared a transition plan involving our chain, which will be updated according to best practices and identification of new components.

Our Commitments	Our operation plan	Supply chain plan	Positive influence on society	Governance
Net Zero by 2050, target submitted to SBTi (Science Based Targets initiative) in December 2023, under analysis.	100% of our operations have consumed low-impact renewable energy since 2021.		Target aligned with the latest studies on an 1.5°C target scenario.	Annual report on the progress of actions and goals since 2013 and assurance of third party since 2014.
Reduce absolute GHG emissions of scope 1 and 2 in 46.2% by 2030 against 2019, target aligned with the 1.5°C target scenario.	Store automation program focused on energy efficiency.	90% of our suppliers using low impact renewable energy by 2028.	Participate in advocacy alliance in favor of positive actions for the climate.	Theme follow-up by the Sustainability Committee.
Reduce GHG emissions of scope 3 of goods and services acquired in 75% per piece of clothing and footwear (Renner and Youcom) by 2030 against 2019, target aligned with the well below 2°C target scenario.	Gradual replacement of air conditioning for more efficient models with less GWP cooling fluids.	Energy efficiency program in boilers and machinery.	Engage our consumers as to climate urgency.	Variable compensation of executives on the theme performance since 2021.
-	100% of own vehicles sing renewable fuel by 2028.	100% of main raw materials more sustainable by 2030.	-	Commitment with TCFD principles.
-	Incorporate circularity principles to our products.	-	-	Disclosure of progresses to investors in CDP since 2012.

Human rights risks

We are committed to the preservation and respect to Human Rights, and keep on working intensively to identify risks of violations in our operations and value chain, mitigate them and remedy the possible impacts caused.

In addition to the Ethics and Compliance Committee, we count on a Human Rights governance allocated in the Sustainability area focused on articulating the necessary actions to mitigate and address identified risks.

As responsible for the Board of Directors, we have Thomas Hermann (who is president of the Sustainability Committee) and Osvaldo Schirmer (president of the People Committee). On the executive board, Regina Durante (director of People and Sustainability) is responsible for managing the topic.

We carry out due diligence on the impacts of our chain on Human Rights, guided by the Human Rights Policy that addresses the topic, in addition to the Code of Conduct for Employees and the Code of Conduct for Partners.

The process covers 100% of tier 1 and 2 operations and suppliers.

This process results in a matrix of human rights impact risks by topic and by holder of the affected right and also in recommendations for progress to mitigate risks and generate opportunities in each topic.

In 2023, we worked to identify our management level in relation to the most relevant risks and understand those that already have an adequate level of mitigation or remediation and those that we need to advance, creating management programs from the perspective of human rights.

For risks identified as a focus for advancement, we brought together the human rights team with the various areas involved and that interface with potentially impacted audiences to analyze current management based on documentation and interviews and define recommendations for advancement.

Priority risks

with adequate level of management, mitigation and remediation

- Discrimination and harassment
- Forced and child labor in the supply chain
- Working conditions in the supply and raw material chain
- Environmental damage throughout the chain
- Damage to employees' mental health
- Environmental degradation and contamination in the agricultural

identified as a focus for advancement to mitigate gaps
2023 → 2024

- Product safety in relation to the use of chemicals in the production process
- Damage to the physical integrity of delivery drivers
- Unfair commercial approach that generates misinformation, inadequate sales or encourages excessive purchasing
- Precarious work for sellers and delivery people

Goals and Metrics

In each strategic pillar, we identify the themes that present priority risks and opportunities for the Company and establish a roadmap of voluntary goals for progress until 2030:

Human and diverse relationships

» **To be among the national references in engagement, guaranteeing living wage and continually advancing in the promotion of the well-being of employees.**

In 2023, we reached 86% engagement, a high performance zone, and made progress in reviewing the methodology for calculating living wages.

» **To build a culture of diversity, equity and inclusion of minority groups.**

In 2023, we reached 30.5% leadership positions held by self-declared black employees, for which our 2030 target is 50%. For senior leadership positions held by women, we reached 45%, for which our 2030 target is 55%.

Climate, circular and regenerative solutions

» **To speed up the transition to a low-carbon economy, achieving science-based reduction targets (SBTi) and climate neutrality by 2050.**

Our greenhouse gas emissions inventory in 2023 will be completed by the end of March and emission indicators will be published in our 2023 Annual Report, to be made available on our institutional and investor relations website.

» **To reduce water consumption in the operation and strategic suppliers, eliminating the disposal of chemicals with restricted substances in the production of textiles and footwear.**

In 2023, we reached 51% of pieces (jeans and twill) classified as low water consumption (strategic suppliers) and 38% of suppliers with water recirculation practices in their manufacturing processes and committed to conscious water use.

We expanded the Chemical Management program, covering 100% of the national jeans chain and advancing in the international supply chain, reaching 87% adherence to the test for restricted substances in this chain. We had a 93% approval rate in carrying out the tests and the non-conformities found are still in the monitoring, management and action plan phase.

We also started testing the mesh chain for strategic suppliers, with the aim of completing its implementation for 100% of suppliers in 2025.

» **To incorporate principles of circularity in the development of products, services and business models.**

We launched a Circular Fashion Guide, aimed at our product team, presenting key concepts on the topic, tools, references and practical tips for adopting circularity in product design.

» **To invest in the development of circular and regenerative textile raw materials, guaranteeing 100% of the main more sustainable raw materials.**

We achieved less impactful products for 63.7% of Renner’s clothing products.

Connections that amplify

» **To certify the supply chain through socioenvironmental criteria and focus purchases on suppliers with high management and performance.**

100% of our chothing suppliers and 99% of our home and decor suppliers are certified, and we achieved 46.6% of purchasing volume from resale suppliers with an A rating in our ESG performance matrix. This score represents the best level of compliance achieved in our audits.

Credits

GRI 2-3

Coordinated by

People and Sustainability Board

Administrative, Financial and Investor Relations Board

Marketing Board

Consulting, content, translations and layout

RICCA Sustentabilidade

Collaboration

This report was produced thanks to the contribution of a multidisciplinary work team, to whom we would like to thank and dedicate this publication.

To learn more

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