



INTEGRATED
REPORTING **2018**

magazineluiza

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About the REPORT

For the seventh year, Magazine Luiza presents its Annual Report, which discusses its economic, financial, social and environmental performance from January 1 to December 31, 2018, as well as next year's projections. This annual report was elaborated based on the guidelines of the Global Reporting Initiative (GRI), in accordance with the core option standard. [GRI 102-50; 102-52; 102-54](#)

The report includes the objectives, targets, and challenges of the Company in 2018, and management of sustainability aspects and relationship with its different stakeholders.

All the information reported herein refers to Magazine Luiza S.A. Financial and operational data are reported on a consolidated basis and pursuant to the accounting practices under the IFRS (International Financial Reporting Standards), and financial statements were audited by KPMG Auditores Independentes. The social and environmental indicators were calculated internally, pursuant to the Brazilian standards. [GRI 102-45; 102-56](#)

RELEVANCE MATRIX | [GRI 102-48; 102-49; 103-1](#)

Aiming at increasingly adding sustainability to its business strategy, Magalu reviewed its materiality matrix, which defines social and environmental issues of greater relevance, both for the company and its stakeholders.

Initiated at the end of 2018, materiality was reviewed by means of an online consultation with over 3,600 respondents, among employees, customers, suppliers, partner sellers, board members and opinion leaders (non-governmental organizations, academy, and press). The process comprised the following phases. [GRI 102-40; 102-42; 102-43](#)

- **Radar:** it consists of a previous analysis of topics considered relevant not only for the sector but also characterizing society's trends and moves. At this stage, current topics of Magazine Luiza's matrix were analyzed, GRI sector studies, topics connected with the Global Compact Sustainable Development Goals (SDG), and social and environmental certifications. Overall, 24 potential comprehensive topics were verified. Of this universe, 17 were selected of greater relevance for the stakeholders' hearing process.
- **Hearing:** this the stage of receiving the internal and external vision of the company's key stakeholders, in the format of an online survey, so that to ensure greater stakeholder representativeness. In this process, stakeholders were invited to classify the sustainability topics based on their relevance for Magalu's development.
- **Prioritization:** by means of own weighting methodology developed by consulting firm Gestão Samaúma, different weights were assigned to survey's results. The result was a materiality matrix which, validated by senior management, takes into account:
 - **Internal axis:** it considered the results of employees and board members survey, besides current materiality matrix.
 - **External axis:** it considered the results of customers, suppliers, seller partners, investors and opinion leaders survey, as well as the result of sector and competitor survey, besides topics relating to SDG, social and environmental certifications.

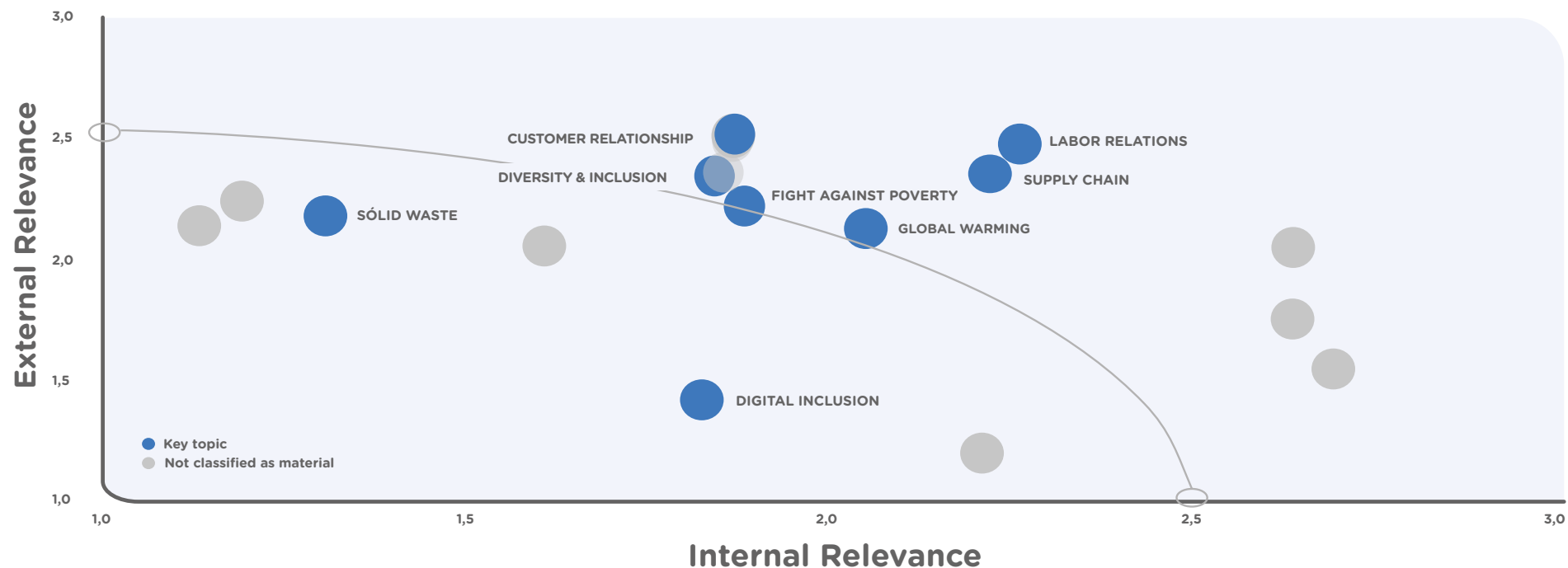
KEY TOPICS | GRI 102-44; 102-46; 102-47; 103-1

The outcome of crossing internal and external axes and a critical analysis resulted in the recommendation of seven key topics:

Key Topics*	GRI-related aspects and content	Impact inside the company	Impact outside the Company
Fight against poverty (new)	Indirect economic impacts - GRI 203-1, 203-2	Yes	Customers, suppliers, sellers and society
	Local communities - GRI 413-1		
Solid waste (new)	Effluents and waste - GRI 306-2	Yes	Society
Digital inclusion (new)	Indirect economic impacts - GRI 203-1, 203-2	Yes	Customers and society
	Local communities - GRI 413-1		
Global warming	Economic performance - GRI 201-2	Yes	Society
	Emissions - GRI 305-1, 305-2, 305-3		
	Environmental compliance - GRI 307-1		
	Social and economic compliance - GRI 419-1		
Labor relations	Employment - GRI 102-8, 102-41, 401-1, 401-2	Yes	Society, suppliers and sellers
	Training and education - GRI 404-1, 404-2, 404-3		
	Diversity and inclusion - GRI 405-1, 405-2, 406-1		
Customer relationship	Products and services labeling - GRI 417-2	Yes	Customers and society
	Marketing communications - GRI 417-3		
	Customer privacy - GRI 418-1		
Supply chain	Procurement practices - GRI 204-1	Yes	Suppliers, partners and sellers
	Supplier environmental assessment - GRI 308-1, 308-2		
	Supplier social assessment - GRI 414-1, 414-2		

* Concerning the previous list of topics, the new matrix excluded ethical topics and fight against corruption and corporate governance, considered transversal and relevant, independent from materiality and financial education responsibility.

MATERIALITY MATRIX 18/19 - MAGAZINE LUIZA



With its new version of materiality matrix, the Company will advance in its sustainability strategy, by prioritizing key topics into management and governance. These will also guide the definition of indicators, commitments, employees training, leaders engagement, as well as communication of results achieved

STAKEHOLDERS ENGAGEMENT | GRI 102-40; 102-42; 102-43

For Magazine Luiza, its customers, suppliers, community, sector forums, non-governmental organizations, and entities represent its key stakeholders. The identification considers the extension of positive and negative impacts of Magazine over different sectors of society and the potential impact of stakeholders over the company. (Information about initiatives with stakeholders are reported in Focus on Customer and Value Relationships).

Therefore, the Company seeks to maintain a continual relationship with its stakeholders by means of permanent dialogue channels with employees, customers and shareholders and periodically with other stakeholders. Among the initiatives, we actively participate in discussion forums and organizations, such as the Brazilian Institute of Corporate Hospitality (IBHE) and the Institution for Retail Development (IDV). [GRI 102-12](#); [102-13](#)



01

Message from
MANAGEMENT

Message from **CEO**

GRI 102-14



Over the last few years, each of our employees has been committed to achieving a mission that few companies in the world have been able to accomplish transforming a traditional retail company into a digital one. In 2018, thanks to everyone's hard work and determination, we started an important new chapter in Magazine Luiza's over 60-year history.

Frederico Trajano
Chief Executive Officer (CEO)

We have wrapped up our digital transformation process and we now think, act and work like a tech company at all levels. We are a tech company – a digital platform with no frontiers between the physical and virtual worlds, where the retail universe is seen as a single unit – which is what we think it is. No barriers, no walls, no idiosyncrasies, and no domain.

Our infrastructure is and will continue to be part physical, as it has proven to be vital and an increasingly important element of our platform. But Magazine Luiza currently has no analog process in place.

An army of more than 750 experts makes up our innovation laboratory Luizalabs, responsible for delivering “Made in Magalu” technology to all business units. Being able to develop technology internally has allowed us to digitalize the work of our more than 10,000 sellers, our nearly 1,000 stores across the country, the operation of our 12 distribution centers, our logistics, our distribution, and everything done out of sight of external world.

Now is the time for us to take an even more ambitious. It is time for Magalu to contribute to the digitalization of Brazil itself.

We will do that by radicalizing our purpose and commitment to inclusion. Since our inception, we have strived to make as many things as possible available to all Brazilians. We have done that with televisions, washing machines and smartphones. The same will happen with digital life and everything it can offer to our customers and a huge number of Brazilian companies, many of whom are still stuck in the analog world and therefore work less efficiently, productively and successfully.

We will continue to open new physical locations and expand our presence in all regions of Brazil. We will do that because our stores aren’t just stores -- they are advanced shopping and distribution centers, perfectly integrated to our digital operations and providing a warmer human experience for our customers. Currently, we have a consolidated network which, in 2019, will surpass 1,000 locations. This gives us an indisputable head start that puts us on the fast track for global retail.

To date, Magalu has been growing extraordinarily. Over the last three years, the company’s revenue has almost doubled. Net profit grew 600%. Market share has soared by more than 5 percentage points in our main operations segments.

In the same period, we also expanded our customer base, but at a lower rate. But from now on, we want to increase the number of interactions exponentially, similarly to the growth experienced in China. This is what Magalu’s more than 27,000 employees are working hard to achieve in 2019.

We currently have nearly 17 million active customers. This means we have penetrated 13% of Brazil’s consumer market. But there is still room for growth, which we will tackle by gradually expanding our offering of products and services to Brazilians through technology. Magalu currently has one of Brazil’s most successful shopping apps, with 26 million downloads and accounting for roughly 40% of the Company’s online orders. We are not only building an app but rather a “super app”: a digital environment where customers can go shopping, pay bills, top-up their mobile phones, hire transportation services, buy lunch, play games and connect with friends on social media. By attracting partners to the super app environment we will increase our chances of attracting new customers, whose relationship with the company will be even more frequent and meaningful.

While these corporations are opening new stores, Magalu is opening APIs (Application Programming Interface – our doors opened to technology. Through these doors, other companies will join our ecosystem.)

We are strategically positioned to achieve the mission we have set out for ourselves. Time, history and the current context are all in our favor. Today, digital-native companies like Alibaba and Amazon are investing their financial resources, time and energy into building physical networks from the ground up. They do that because they know there is no future for retailers who are unable to harmoniously combine the physical and virtual worlds.

Our strategy considers that we will not be leaders in durable goods alone, but a plethora of other categories – from apparel and footwear to personal hygiene and household products, wines, pet food, stationery and office supplies, and hardware and construction materials. A digital platform like ours offers infinite opportunities for collaboration with other companies of most varied sectors, sizes, and locations. The sky is the limit.

This is the beauty of the model. The more companies we attract to our platform – especially through our marketplace, the more customers we will attract. The more customers we attract, the greater the power we will have to attract new business partners. Thus, a virtuous circle is formed, creating growth that is exponential rather than linear. At the end of 2018, we had over 3,300 sellers in our marketplace and more than 4.3 million items for sale. At the year-end, this universe will be much larger.

Technology developed by Magalu is now made available to each of our partners, so that they can become as digitally-advanced as Magazine Luiza itself. This is what we are calling Magalu as a Service. The transformative power of such an initiative (for us, for the partners and for the country) is just the beginning.

Brazil is not accustomed to this type of platform model, which is a novelty even in developed economies. But there is no doubt that the future is now, and businesses will only be able to grow through a collaborative and open system that enables multiple partnerships and expands at the speed of the customer's needs and wants. The platform revolution is here to stay. At Magalu, it is already in motion.

Just like Magalu, sellers can count on developers who are working hard every day to improve customer experience. Also, like Magalu, they will have an efficient distribution network at their disposal, with salespeople who can sell their products to consumers in the stores and team members who will prepare their shipments. They can also rely on a cutting-edge digital marketing infrastructure to promote their offers and grow their credit opportunities.

We are not talking about a distance future. We are talking about 2019.

Magalu has been preparing for quite some time to make all of this possible so that we can take the quantum leap of growth that we have planned for the future. In December 2018, we acquired Softbox, a service developer for retail companies and industries that wish to sell digitally to end consumers. In May 2018, we announced the acquisition of Logbee, a startup specializing in logistics technology. And, in April 2017 we acquired Integra, which focuses on

integrating e-commerce systems and marketplaces. This signifies that in less than two years, a series of new competencies were incorporated to further improve upon the Magalu shopping experience.

We raised our own bar in terms of customer satisfaction. We know our growth ambition must be in line with our efforts to exceed expectations and surprise and delight our consumers on a daily basis.

This is why we became the only retail company with the RA 1000 accreditation from the Reclame Aqui website. This is also why we managed to complete more than 30% of all of our deliveries in 48 hours or less. Moreover, this is why we achieved a customer satisfaction level of over 80% in our Customer Services.

Is it possible to grow at a high pace like China and continue to consistently improve our relationship with customers?

It's a challenge. A huge one. But we have overcome others before. Years ago, our belief in a retail model that could bridge the digital and physical worlds was frowned upon. More recently, we had to prove we were capable of transforming from a traditional company into an essentially digital one. Many said it would be impossible to develop wide-scale technology in Brazil, with Brazilian people.

But with the hard work, determination, and dedication of our team, we proved that it was all possible.

We want to share these achievements with our investors, suppliers, business partners, employees and, above all, each one of our customers. Without their confidence in our work and our purpose, none of this would have been possible.

After closing another chapter in our history, we are looking forward to the next one. We are ready. And we are happy to be here.

Lastly, we would like to pay our respect to Pelegrino José Donato who, together with his wife, Luiza Trajano Donato, founded and dedicated most of his life to Magazine Luiza. Pelegrino left us in December 2018, but he will live forever live on in our hearts and minds.



02

Overview

MAGAZINE LUIZA

MAGAZINE LUIZA

Magazine Luiza S.A. is a digital platform, with physical stores and human touch, which, at the end of 2018, cumulated 954 physical stores spread across 16 Brazilian states, besides e-commerce, a sales app and a marketplace which combines over 3,300 sellers. One of Brazil's leading retailers, with 27,576 employees at the year-end, 12 distribution centers, and three offices, administratively based in São Paulo. [GRI 102-1; 102-2; 102-3; 102-5; 102-6; 102-7; 102-8](#)

Its product portfolio includes several categories, such as telephones, heavy electronics, image, furniture, computers, household appliances, market, automotive accessories, beverage, pet shop products, amongst others. In addition, the Company seeks to make connectivity accessible to the highest number as possible of Brazilians, by selling smartphones, computers and connected TVs with competitive prices. [GRI 102-2](#)

In 2018, the rollout of Maga+ was one of the highlights, Magazine Luiza's mobile phone operator, its new line of business. Also, in 2018, store product categories grew significantly, such as tires, panettones, videogame accessories, and towels, for instance, amongst several other items. [GRI 102-6; 102-10](#)

Through Luizacred, a joint venture with Banco Itaú, Magazine Luiza also offers credit and other financial products to its customers, especially by means of Luiza Card. The Company also offers extended warranty and other insurance by means of Luizaseg, a joint venture with Cardiff.

Assisted by other 500 developers, LuizaLabs improves shopping experience, customer journey, and business development, by means of technology and innovation. The lab supports Magazine Luiza's multichannel strategy and allows greater business efficiency. In 2018, the Company also inaugurated another office in the city of São Paulo, and an innovative building in Franca (SP), which currently shelters Luizalabs and Luiza Resolve, Magalu's Call Center.

Also in 2018, the Company acquired the Minas Gerais startup Softbox, specialized in technology solutions for retailers and consumer goods industry intending to provide digital sales to final consumer. This acquisition is in line with Magazine Luiza's objective of assisting in the transformation of analog companies into digital businesses. [GRI 102-6; 102-10](#)



SALES CHANNELS



CONVENTIONAL STORES

They consist of street stores or shopping malls, with an average sales area of 700 square meters, with window display and own physical inventory. In 2018, 100 new stores were inaugurated, expanding to new footprints, such as Goiás and Maranhão.

In addition, in 2018, 101 stores were upgraded to the concept “Loja Mini CD” (mini distribution center), storing products to be directly delivered to consumer or to be picked up at the store, in case of online sale, thus, enhancing the physical store’s role in the Company’s strategy.



VIRTUAL STORES

These are smaller units, across four Brazilian states. The 162 active stores offer the same product mix of a conventional store, but operate without physical inventory or window displays. Sellers demonstrate products by means of Mobile Sales or multimedia resources.



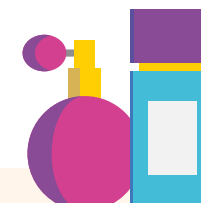
E-COMMERCE

At the electronic address www.magazineluiza.com.br customers have access to a wide assortment of products. This is a multichannel platform, which allows after-sales services at physical stores, such as the pickup at store, where customer who buys via Internet may pick up the product at store, and free shipping.



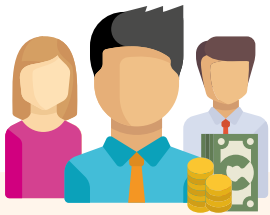
MARKETPLACE

An arm of e-commerce, the Marketplace is a platform destined to the sale of sellers products, which ensures an even wider assortment of products to customers. In 2018, roughly 3,300 thousand sellers offered nearly 4.3 million items via platform. In 2018, Magazine Luiza launched the marketplace at store, which allows the sale of sellers’ products at physical stores.



ÉPOCA COSMÉTICOS

The electronic address www.epocacosmeticos.com.br is an online platform specialized in perfumes and cosmetics.



MAGAZINE VOCÊ

This is a platform which allows any person to setup an online store with Magazine's products. All payment structure, delivery of order and services are under Magazine Luiza's responsibility, which pays a commission to the user for each product sold.



TELESALES

With a phone call customers can buy products and services and clarify doubts.



LUIZACRED

A joint venture between Magazine Luiza and Itaú Unibanco, in charge of financing a significant amount of the Company's sales, besides offering financial products and services for customers, such as the Luiza Card. In 2018, one of the novelties applied was the digitalization of Luiza Card, which now is issued upon customers' request and ready for use.



LUIZASEG

A joint venture between Magazine Luiza and Cardif, Luizaseg is one of Brazil's leaders in the extended warranty insurance market, also selling other insurance-related products, such as loss and theft, safe purchase, winning exchange, right exchange, amongst other services.



LUIZA CONSORTIUM

it was created to enable group customers to fulfill their dreams, by operating in four segments - electronics, vehicles, real properties and services- and several options of credits and terms.

DISTRIBUTION THROUGHOUT THE COUNTRY

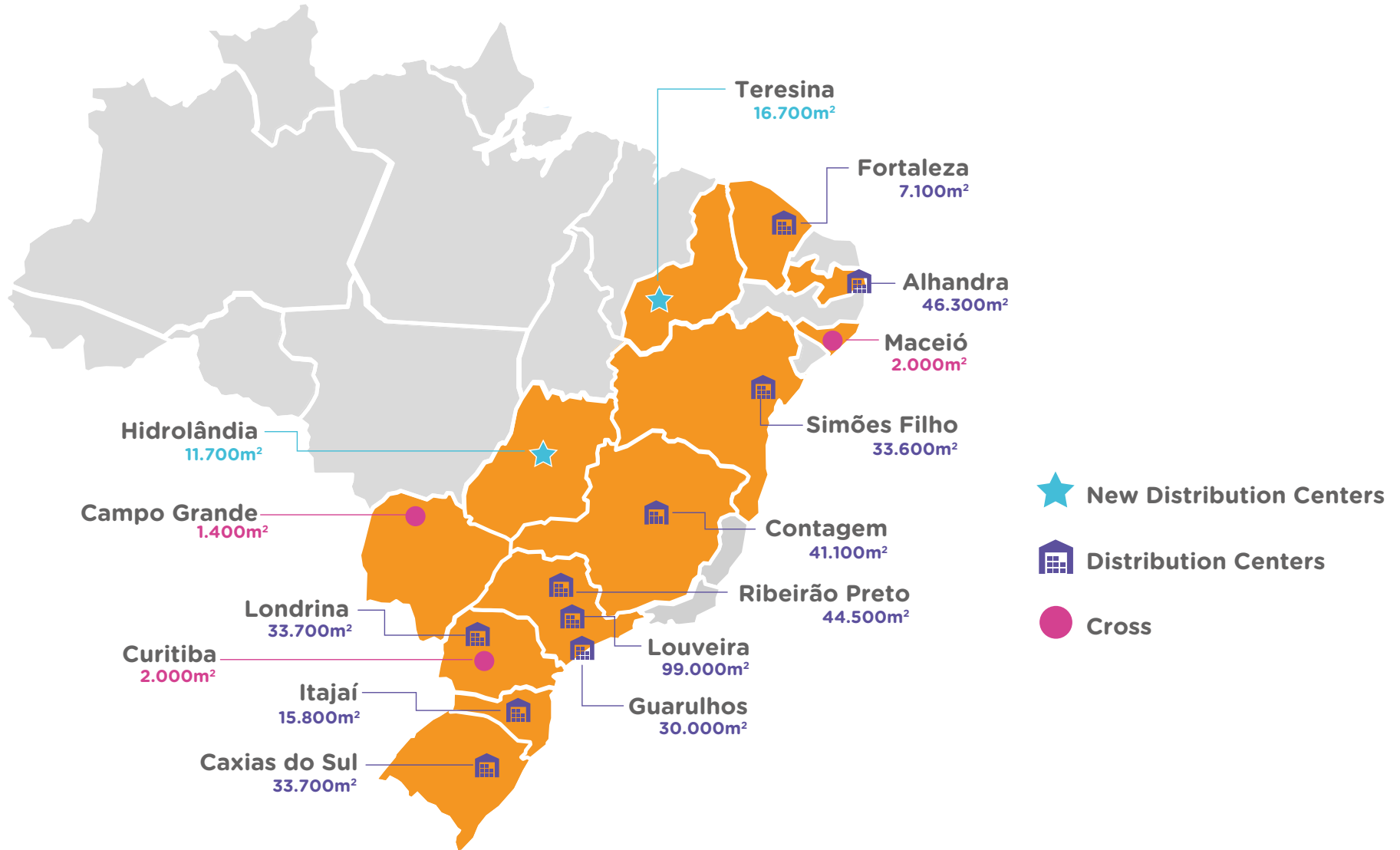
To support its structure, with agility and efficiency, the Company relies on a unique logistics platform, as well as an exclusive inventory to serve all channels of Magazine Luiza.

UNIQUE DISTRIBUTION PLATFORM



In 2018, to boost the Company's operations, with an increased number of stores and opening of new markets, such as the state of Maranhão, two new distribution centers were inaugurated and total area increased 23% from 2017. Overall, the Company now has 12 distribution centers throughout the country.

LOCATION OF OPERATIONS | GRI 102-4



In 2018, the Company continued to be focused on optimizing products storage, and continuously improving logistics processes to increase productivity and reduce wastage. Therefore, 80 Kaizen cycles were executed in 2018.

To optimize deliveries, as well as expenses, Magazine Luiza also relies on Luiza Network, currently composed of over 1,900 (1,500 in 2017) outsourced small trucking carriers who distribute the products sold by the Company, both via physical stores and e-commerce, with an agile and competitive delivery term. Over 80% of the Company's deliveries are made under this mode.

In addition, to improve even more customer experience, Magalu remodeled its stores to convert them into mini distribution centers (DCs), which allowed the Company to start operating the Ship from Store. Inventory of physical stores is used to deliver items acquired online by customers.

The acquisition of LogBee was another highlight in 2018, a logistics startup which offers apps, such as Uber and 99 to assist Luiza Network. With deliveries via bikes and motorcycles and light vehicles, LogBee offers a complete platform, with routing via app to manage all deliveries made. During Black Friday, the platform increased by 60% deliveries productivity. [GRI 102-10](#)

Looking for other startups which, like Logbee, may boost the Company's logistics, Magalu promoted the Pitch Day, a meeting which relied on the participation of 70 companies of business intelligence, machine learning, artificial intelligence, IoT and express delivery solutions areas, and resulted in eight partnerships.

Also in August 2018, the MagaLuEntregas pilot was implemented, so that marketplace sellers may rely on Magazine Luiza's logistics services. At the end of December, 20 sellers already used this service.

RESILIENCE IN ADVERSE PERIODS

Due to its structure, Luiza Network was a great differential during truckers' strike in May 2018, affecting several sectors of Brazilian economy, especially those relying on logistics. Among the initiatives adopted to overcome such period's turmoil are

- Structuring of a Crisis Committee;
- Direct contact between the Company and small trucking carriers, in real time
- Quick and transparent communication with customers on delivery terms extension, and at the end of strike, the Company announced delivery terms regularization.

Within three days, 98% of stores had already regularized supplies while Luiza Network's deliveries were regularized less than one week. Thus, our customers were satisfied and eventual impacts were minimized.

The Company also anticipated payment to small trucking carriers, therefore, engaging entire team in 2018.

In 2018, the Company maintained the RA 1000 accreditation, which stands out companies with excellent services indexes at Reclame AQUÍ website. Companies with this seal, evidence to their consumers their commitment to post-sales, thus, bolstering brand. At physical stores, Magazine Luiza's index is 8.5 (out of 10) and 8.2 in e-commerce. It is worth mentioning that Magalu's e-commerce index in Reclame AQUÍ, unlike other companies, it also comprises our marketplace.

PURPOSE, VISIO, AND VALUES | GRI 102-16

PURPOSE

Provide access to many what is the privilege of a few.

VALUES

- **People who like people** - with positive energy at workplace we celebrate our achievements. We contribute to attract and retain talented professionals, always collaboratively, with respect and human touch. We look straight in the eye, we like giving and receiving constructive and honest feedbacks.
- **Ownership attitude** - we think in the company as a whole and on an ongoing concern basis. Therefore, we are always seeking to improve, doing more with less, and reward those differentiated deliveries, and everybody wins.
- **Hands-on attitude** - we promote the company's culture and we strive to be always close to the frontline. We work hard to solve problems, even if these are not our responsibility. We seek to make correct decisions based on facts, data and intuition.
- **Simplicity and innovation** - we are not afraid of making mistakes and we stimulate autonomy with responsibility. We act quickly, we are creative and we are always willing to learn and redirect.
- **The Customer comes first** - we are passionate about selling, serving and enchanting customer. Customer comes first in our actions and decisions.



AWARDS AND RECOGNITIONS

ÉPOCA Reclame Aqui 2018 Award: Magazine Luiza's e-commerce won services category, which recognizes the best companies for customer service.

E-commerce Brazil Innovation Award: the Company's online store was recognized among Brazil's top 5 e-commerce companies.

Best Companies to Work For: Magazine Luiza was the second in the large corporates category in the ranking of Época NEGÓCIOS and Great Place to Work of best companies to work for.

Caboré 2018 Award: Magazine Luiza was recognized among 13 winners of one of the key Brazilian advertising awards, in the advertiser category.

Effie Awards Brazil 2018: two campaigns of the Company - "Magalu Copa 2018 #Saizica" and "Black Post" - were recognized as gold and bronze, respectively, in the commerce and retail category.

Best marketplace in Brazil: Magazine Luiza was elected the best marketplace in Brazil according to Ebit Award, an e-commerce benchmark in the country. Besides this top award, Magalu joined the top 5 virtual stores in Brazil, in general voting. In 2018, Magazine Luiza's marketplace sales grew by 272%.

List of most innovative companies: For the second year in a row, Magalu joined the list of most innovative companies in Latin America, listed by the US magazine Fast Company, a reference in this matter. Magazine Luiza is the single one of this list, which is not a digitally native company, evidencing its recent move of transformation.





03

Corporate
GOVERNANCE

CORPORATE GOVERNANCE

The principles of transparency, equity, accountability, and corporate responsibility guide Magazine Luiza's actions. Under the ticker MGLU3, its shares are listed on B3 Novo Mercado, Brazil's highest corporate governance standard.

Besides the attributions provided for the by Brazilian Corporation Law, it shall be incumbent upon the Shareholders' Meeting to elect or withdraw members of the board of directors and fiscal council; set out the overall annual compensation of members of the Board of Directors (BD) and Board of Executive officers; deliberate on the allocation of net income for the year and payment of dividends; and restate the Company's Bylaws.

The board of directors also has the authority to resolve on other issues directly or indirectly involving Magazine Luiza, such as capital increase or decrease beyond the limit of authorized capital; any financial restructuring; merger, spin-off, transformation or incorporation of shares, as well transfer of a substantial amount of assets to result in discontinuance of its operations; redemption, amortization, stock split or reverse split or any other securities issued by the Company; besides the payment of dividends above the minimum mandatory amount.

GOVERNANCE STRUCTURE | GRI 102-18

Magazine Luiza's governance structure is composed of the Board of Directors and the Board of Executive Officers, governed by the Brazilian Corporation law and the Company's Bylaws. To assist the Board of Directors, Magazine Luiza has four advisory committees installed, namely: (i) Audit, Risks and Compliance; (ii) Finance

and Consumer Credit; (iii) People and Organizational Culture; and (iv) Strategy, Businesses, and Digital Transformation.

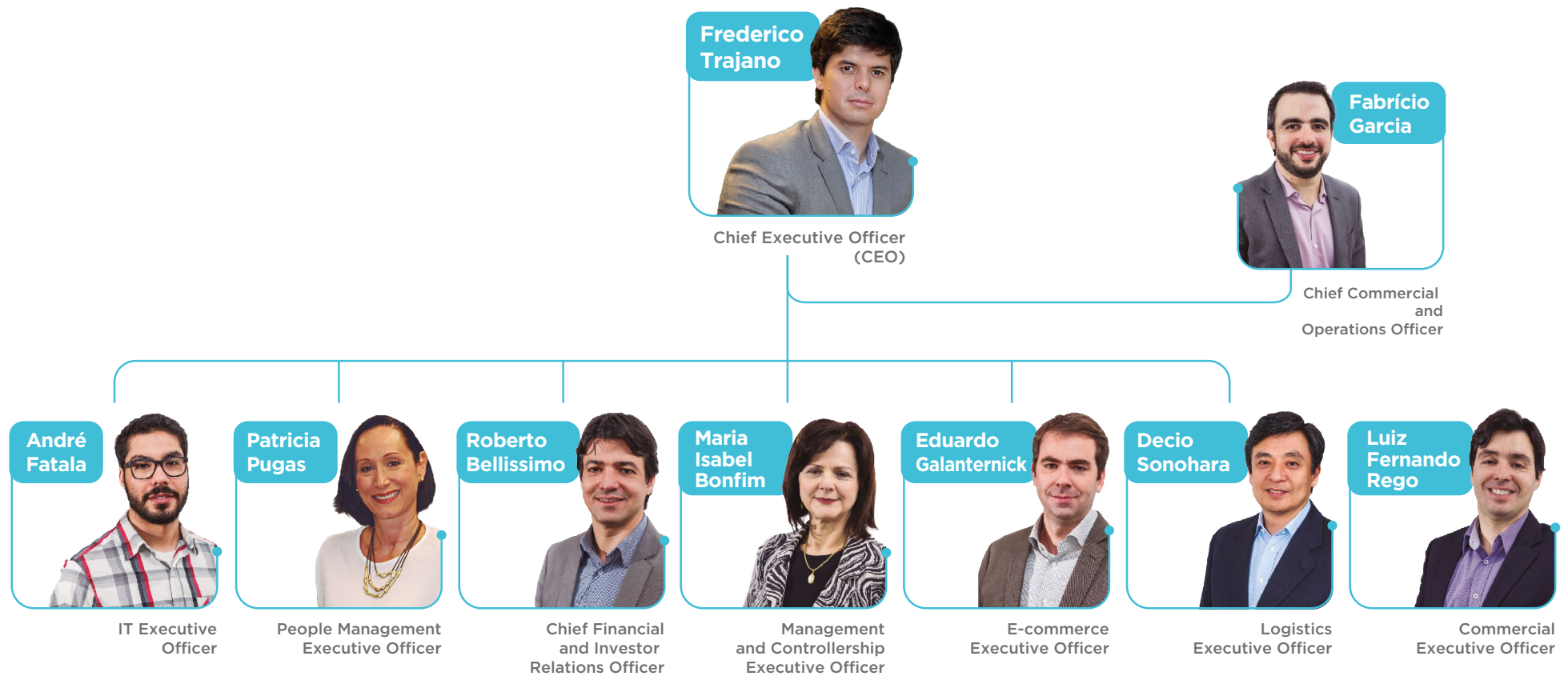
Besides the Company's managing bodies, Magazine Luiza has a permanent Fiscal Council with powers and duties conferred thereto by laws.

BOARD OF DIRECTORS | GRI 102-22; 102-23; 102-26

The Board of Directors (BD) is the body in charge of setting out the business guidelines and elect members of the Board of Executive Officers, besides defining their duties and monitoring their performance. Its members are elected at the Shareholders' Meeting for one-year term of office, and re-election is authorized. Currently, the board of directors is composed of seven members- three women and four men, four of them are independent members.

Members	Position
Luiza Helena Trajano Inácio Rodrigues	Chairwoman
Marcelo José Ferreira e Silva	Vice Chairman
Carlos Renato Donzelli	Sitting board member
Inês Corrêa de Souza	Independent board member
José Paschoal Rossetti	Independent board member
Betania Tanure de Barros	Independent board member
Sílvia Romero de Lemos Meira	Independent board member

BOARD OF EXECUTIVE OFFICERS



FISCAL COUNCIL

his corporate and permanent body acts independently from senior management. Installed at the Annual General meeting as requested by shareholders, pursuant to the laws, it monitors Management’s activities and analyzes the financial statements.

Members	Position
José Antônio Palamoni	Board member elected by the controlling shareholder and Fiscal Council’ chairman
Walbert Antonio dos Santos	Sitting member elected by the controlling shareholder
Eduardo Christovam Galdi Mestieri	Sitting member elected by minority shareholders
Mauro Marangoni	Deputy member elected by the controlling shareholder
Robinson Leonardo Nogueira	Deputy member elected by the controlling shareholder
Thiago Costa Jacinto	Deputy member elected by minority shareholders

ADVISORY COMMITTEES

Audit, Risks and Compliance Committee

It advises the BD to oversee strategic risk management activities of legal and regulatory compliance, by analyzing the financial statements, the reference form, releases, and management report; performance evaluation and independence of independent auditors; monitoring the Company’s compliance with the requirements of law and other regulations; and monitoring the managerial activities of main corporate risks formally delegated by the Board.



Finance Committee ad Consumer Credit

It advises the Board of Directors: (i) to define the Company’s policy and financial planning; (ii) to define the policies and adequate levels of indebtedness for activities, contractual monitoring and guarantees; (iii) to define the financial investments policy; (iv) to monitor the financial risks for Magazine Luiza and; (iv) to monitor the activities of subsidiaries.



People and Organizational Culture Committee

it is in charge of guidelines on values, ethical and legal standards, statutes, charters and regulations, and the Company’s organizational structure until executive board level.



Strategy, Business and Digital Transformation Committee

It is in charge of defining the field’s aspirations and business model, risks and return for investors, entry, and exit of businesses and activity sectors, macro strategy and sustainability.





04 | RISK MANAGEMENT

RISK MANAGEMENT

GRI 102-15;
102-30

Magazine Luiza has its Risk Management Policy, reviewed and approved in 2018, applicable to all macro processes and business operations of Magazine Luiza; its observance is mandatory from all employees, which sets out the guidelines and responsibilities relating to the identification, analysis, and monitoring of risks which may affect the Company's strategy. Risk management activities assist in the decision-making process, based on risk assessment in order to preserve the Company's objectives, also create, preserve and increase value.

Magazine Luiza's risk management process was defined based on the consolidated guidelines of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and on the risk management process suggested by ISO standard 31000:2009. Aiming at increasing the likelihood of reaching the goals defined by the company and enhance the identification of threats and opportunities, among other objectives, risk management activities are developed to ensure business perpetuity.

Below, risk management principles adopted:

MAGAZINE LUIZA RISK MANAGEMENT PRINCIPLES



Risk culture built into the organization.



Independence of risk management area.



Total focus of operating areas in risks deriving from their activities for adequate management and control.

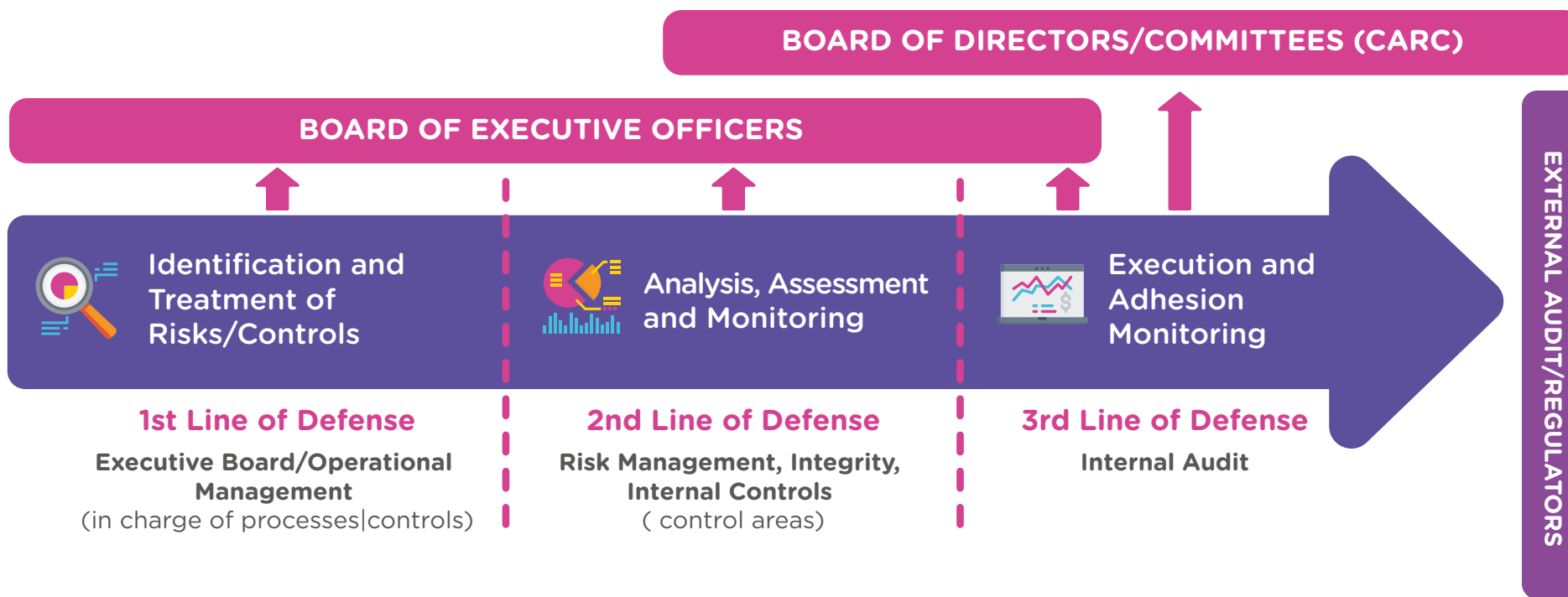


Methodology to ensure the Company know the risks and respective persons in charge of risk control and management.

RISK MANAGEMENT STRUCTURE | GRI 102-30

Yearly, the senior management defines the Company’s consolidated risk profile by means of guidelines, strategic targets, and recommendations issued by the Audit, Risk and Compliance Committee (CARC). In addition, it ensures an effective risk control system.

The activities which may pose relevant risks for business are monitored by Risk Management principles, which are in line with Magazine Luiza’s fundamentals and policies and take into account recommendations of CARC, external regulators and best market practices.

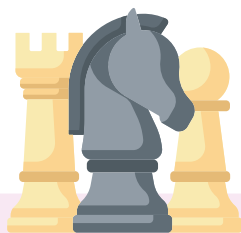


Risks are identified and assessed according to the likelihood of occurrence and their impact on the company’s business, image, and reputation. Each decision takes into account the benefits, the adverse aspects and related risks, measuring the ratio between impact and mitigation.

Besides regular processes to identify and assess risks, the Company also develops a contingency and business continuity plan to complete essential managerial instruments.

RISK CLASSIFICATION

STRATEGIC RISKS



These are risks associated with the company's strategy to create, protect, and add value. These are caused by events of changes in the external environment, such as political, economic and social, market events, new technologies, amongst others.

OPERATIONAL RISKS



These derive from inadequacy or failure in managing internal processes and people, which may hinder or impede the Company from achieving its objectives. These risks are associated with the business operation – sales, commercial and logistics, for instance, and management of business support areas, such as administrative, supplies, occupational health, and safety, amongst others

COMPLIANCE RISKS



These are risks of legal or regulatory sanctions, financial loss, or reputation, resulting from eventual failures in compliance with laws, agreements, regulations, code of ethics and conduct, internal policies and procedures. These include risks of frauds in financial statements and assets embezzlement, corruption and cybercrimes.

FINANCIAL RISKS



These include (i) market risks caused by changes in trend of interest rates, foreign exchange, share quotes and commodities prices; (ii) credit risks, resulting from uncertainty as to receivables of amounts agreed with borrowers, agreement counterparties or issues of securities; (iii) liquidity risks, with eventual loss deriving from the failure to execute a transaction within reasonable time and without significant loss of value or lack of funds to honor commitments assumed.

Additional information on Risk Management is available at the Company's Investor Relations website:

<https://ri.magazineluiza.com.br/ListEstatutos.aspx?idCanal=/EigRdOu6BBQndW6fU+bTw==>

ANTICORRUPTION | GRI 103-2, 103-3: ANTICORRUPTION; 205-1

Legal compliance risks, according to Magazine Luiza's Risk Management Policy, are the risks of corruption, frauds in financial statements and assets embezzlement.

The Company is committed to rejecting any practice of corruption and bribery and sets forth rules and guidelines, besides formal procedures to ensure control and prevent any infringements to the Anticorruption Law in relations maintained with its stakeholders. These rules and guidelines are specified in the Code of Ethics and Conduct and in the Anticorruption Manual, both built into the Company's daily routine and known by all employees.

The internal audit department continuously monitors key operations carried out at stores and distribution centers, also being liable for verifying 100% of reports relating to Magazine Luiza's assets. In 2018, no cases of corruption were identified in the Company. GRI 205-3

The Company and its subsidiaries promote continual training courses, so that employees are aware of provisions of the Anticorruption Manual, considering the consequences relating to the practice of illegal acts and misconduct. In 2018, managers, leaders and store sellers received training. GRI 205-2

The Manual is available for download at: <https://ri.magazineluiza.com.br/ListEstatutos.aspx?idCanal=/EigRdOu6BBQndW6fU+bTw==>

ETHICAL BEHAVIOR | GRI 102-16

For Magazine Luiza, integrity and ethical behavior are non-negotiable in its relations. To convey its guidelines, policies, and procedures, the Company has a Code of Ethics and Conduct, which is yearly revised, so that to ensure fair and honest business conduct.

The Code, its values and principles are broadly disseminated among employees, also through the "Rite of Communion", "Luiza TV" broadcasts and "Strategic Planning Seminars", so that to reach entire Company.

In addition, the Company has an Integrity Program to ensure its activities adherence to prevailing laws, regulations, provisions of its Code of Ethics and Conduct, the Anticorruption Manual, and the Company's internal policies and procedures. Its guidelines and principles are outlined in the Integrity Manual, available at <https://ri.magazineluiza.com.br>.

Magazine Luiza's employees can rely on the Whistleblowing Channel available 24 hours/day, throughout the year (www.disquedenunciagemagazineluiza.com and via toll-free number 0800 792 1007). Besides ensuring whistleblower's anonymity and confidentiality of reports, the Company does not tolerate any type of retaliation to whistleblowers and the Company always seek to prevent this type of conduct. Reports are verified according to the nature of misconduct reported by compliance and integrity, internal audit, security, people management and/or legal areas and reply is conveyed to areas in charge. In 2018, 390 reports were recorded, of which 119 were considered valid; 113 were considered partially valid. GRI 102-17



05

Strategic
PLANNING

Strategic PLANNING

SECTOR OVERVIEW

The year of 2018 was marked by Brazil's economic growth below expectations, due to factors, such as the truckers' strike, political and electoral uncertainties, and unfavorable international scenario. In 2018, the Gross Domestic Product (GDP) grew 1.1% in line with 2017, still evidencing a very slow recovery, while goods and services exports were up 4.1%, imports advanced 8.5%, reflecting a negative contribution from foreign sector.

However, the 2018 growth, still mild, was ensured by the services sector which increased by 1.3% (versus 0.5% in 2017), which accounted for 75.8% of GDP. This sector's activities recorded positive rates. Commerce was up 2.3%, highlighting the 3.1% advance in November 2018, the highest monthly rate of all survey historical series, boosted by Black Friday sales.

In this regard, household consumption also increased by 1.9%, due to higher wage and salaries, interest rate drop and inflation under control. For 2019, GDP is estimated to grow 2.48%, according to the Brazilian Central Bank.

With growing advances every year, the Brazilian e-commerce surged 12% and sold R\$53.2 billion in 2018, according to a survey of E-bit/Nielsen. Overall, 123 million products were ordered online, 10% higher than in the previous year.

This result especially reflects the entry of new consumers who shopped via e-commerce - 10 million in 2018 - and changes in consumption standards, with higher online sales acceptance. For 2019, still according to the survey, an advance of 15% is expected, with total sales of R\$61.2 billion

MAGAZINE LUIZA STRATEGY

For Magazine Luiza, the year of 2018 was marked by advances in its digital transformation strategic cycle, in line with its objective of becoming a multichannel company increasingly digital, focused on a continual improvement of customer services by means of process optimization and human touch. All the Company's actions are concerned with leading new trends of the digital universe so that to support its growth capacity, market share gain, improved operational efficiency, and profitability.

STRATEGIC PILLARS



Digital inclusion: promote digital inclusion, assisting customers on technologies which may make their lives easier. Trained with such purpose, employees guide consumers, who also can rely on the support of "Lu", a virtual digital influencer, who assists customers with information about products and clarifies doubts on the Internet and social media.



Multichannel: multichannel permeates the Company's entire chain until the end consumer. By means of fully integrated channels, supported by technological tools, result consists of greater efficiency, cost savings, and improved customer service.



Physical stores digitalization: Magazine Luiza stores are more than points-of-sale, they are shoppable distribution centers, or mini distribution centers, offering the Pickup at Store to customers who buy online, as well as quicker deliveries. Sales and inventory employee use the apps developed by Luizalabs, the Company's technology and innovation laboratory, thus, providing greater efficiency to processes. In 2018, stores also started offering marketplace products to customers.



Digital platform: every year, Magazine Luiza has been investing in its digital platform, with a relevant growth of its marketplace, which in 2018 combined nearly 3,300 sellers offering 4.3 million items. In 2018, we highlight the rollout of MagaLu Entregas, so that marketplace sellers may rely on Magazine Luiza's logistics services.



Digital Culture: A desire for innovation is embedded in Magazine Luiza's culture and this is materialized by using several technological tools which today boost business. Luizalabs leads the development of these technologies, and attempts to disseminate such knowledge to entire company, by means of training.

INNOVATION

In 2018, Magazine Luiza's digital transformation cycle has been wrapped up. With technological and cultural changes over the last years, the Company now thinks like a tech company, it works as a tech company and represents a digital platform, without boundaries between physical and virtual world.

Luizalabs, a key driver of the Company's strategy- an internal technology and innovation center - advanced in 2018. Two new spaces were inaugurated, one in the city of Franca (SP), where Magazine Luiza was founded, and another in São Paulo.

LUIZALABS RESULTS IN 2018

E-commerce



- Navigation restructuring with a review of filters and sub-categories
- New search system
- "Clube da Lu" loyalty platform
- Cash discount for marketplace products
- Categorization automation and improved product registration

Stores

Digitalization of Luiza Card, with credit analyzed online by Sales Mobile and card, is printed at stores

- Marketplace products start to be sold at stores
- Maga+ rollout, Magazine Luiza's mobile phone operator
- Pickup at store using store's own inventory and Ship from Store pilot with Logbee
- Digitalization of Inventory Counting and Supply
- A pilot project of Mobile Cash to reduce queues, where customer is not required to check out in physical cashier
- Inauguration of 100 new stores and 101 stores converted into mini DCs

Marketplace



- Magalu Pagamentos pilot is rolled out, the Company's payment system, which allows the split of transactions, receivables anticipation, payment in digital account and cost savings.
- Optimization of sellers onboarding process to speed up partners' integration at platform.
- Magalu Entregas: New service to calculate freight for sellers.

Logistics



- Express delivery: products promised and delivered within 48 hours to over 180 Brazilian cities
- 1P pickup at store in 100% of stores, representing 32% of e-commerce orders
- Mobile Delivery with geolocation and digital signature
- Acquisition of Logbee
- Logistics is transformed by adopting the Agile model
- Two new DCs are inaugurated in Hidrolândia and Teresina

Commercial



- Price recommendation, considering market variation
- Machine Learning, a platform that foresees demand
- Procurement automatic re-supply
- Prioritization of entry in distribution centers to minimize breakages

After-sales customer service



- WhatsApp with Lu as talker for daily transaction communications with customer
- Self-service for exchange, cancelation and gift card
- Luiza Resolve new call center system
- New communication interface between marketplace sellers and customers

Use of data



- Bob on Mobile Sales, a system which recommends products by means of consumer behavioral analysis in e-commerce, to support physical stores' sellers and indicate the right products to customer
- Team structuring by incorporating eight scientists and six data engineers

Corporate management



- Back office structures:
 - Marketplace services sales platform
 - Reconciliation and transfer platform
- Systems migration to cloud in SaaS model (Software as a Service), ensuring greater information security
- Digitalization of roughly 50 internal processes

Infrastructure



- Measures to be compliant with the Brazilian General Law of Data Protection, enacted in August 2018
- Preparation for PCI certification (Payment Card Industry - Data Security Standard) in 2019, which ensures secure online transactions

Research and development



- Service Bot with the flow for order status, second copy of invoice, bank slip and calls opened for exchanges and cancelation
- Lu Bot on Google Assistant, another interaction channel with the consumer
- Lu Bot on Social Networks for customer-first contact

RELATIONSHIP WITH STARTUPS GRI 102-43

Besides all projects and deliveries, in December 2018, Magazine Luiza acquired the Minas Gerais startup Softbox, which develops services for retailers and industries intending to sell digitally to end consumer. Thus, over 200 new employees were integrated into the Luizalabs and now work in marketplace development Magalu Entregas (Delivery) and latest Magalu Pagamentos (Payment), to speed up the transformation of the company's digital ecosystem.

Another startup acquired in 2018 was Logbee, specialized in logistics technology, which was integrated into the São Paulo office (additional information in the chapter Distribution throughout the country).

In addition, the FIAP Challenge took place, a challenge with 54 FIAP students, which resulted in the development of three solutions relating to cashier, marketplace and inventory control.

In order to capture new talents and partnerships, Magazine Luiza started integrating the Stack Overflow, the world's largest developers community, with a base of 430,000 professionals only in Brazil. From August and October 2018, the Company also attended 17 events among developers communities to introduce the Luizalabs.

The Luizalabs blog was also launched in the period, as a way of approach, with articles written by employees.

FOCUS ON CUSTOMERS | GRI 102-43

We have strived to make as many things as possible available to all Brazilians. We have done that with televisions, washing machines and smartphones. Now that the digital transformation process has been wrapped up, the Company gives a leap to offer to customers everything the digital world can offer access to products and services when and how customer desires, whether in physical, virtual stores or online, by means of quality services at competitive prices;

The Company ended 2018 with a base of 17 million customers. Luiza Cards base grew nearly 1 million in 2018 to 4.3 million cards

PHYSICAL AND DIGITAL EXPANSION

In 2018, the Company continued inaugurating physical stores in several regions of the country, because these points-of-sales are much more than stores, but advanced shoppable distribution centers fully integrated to digital operations which provide a human experience to customers.

The Company's strategy is also guided by a diversification of products sold. More than durable goods, with the online and physical marketplace, customers have access to a wide range of products, from cosmetics, pet food, coffee capsules to tires and musical instruments. At the year-end, we had over 3,300 sellers in our marketplace offering over 4.3 million items.



INITIATIVES TO IMPROVE CUSTOMER SERVICE



Magalu Entrega (Delivery): in 2018, this project advanced, which aims at streamlining logistics for the seller and improving level of service for customer. At the end of December, 20 sellers already relied on such service, resulting in reduced delivery and shipping term.



Express Delivery: orders delivered within 48 hours at customer's house accounted for 28% of the Company's total deliveries in December 2018.



Pickup at Store: such mode which allows customer buying via e-commerce and pick up at the store is implemented in 100% of stores, accounting for 32% of online orders.



Pickup at Store with store inventory: in 2018, 791 stores had inventory in their physical area and 200 stores were able to ensure a 2-hour term to pick up the product.



Ship from store: at the end of 2018, 10 stores in the State of São Paulo could provide the ship from store service by means of bike pilot project in one business day.



Marketplace at store: at the end of 2018, 100% of Magazine Luiza's stores sold products of best sellers, selected by quality criterion, so that to expand a wide range of products available to customers. Currently, over 50,000 products are made available.



Multichannel exchange and return: in 2018, 100% of stores were ready for multichannel exchange (purchase via e-commerce and exchange in any physical store).



Magalu App: with 26 million downloads at the end of 2018, the app has an approximate share exceeding 30% of the Company's online orders. This also was the most downloaded app during Black Friday of 2018. From 2019, the objective is this tool to become a super app, a digital environment where customers can go shopping, pay bills, top-up their mobile phones, hire transportation services, buy lunch.



New categories: besides products traditionally sold by Magazine Luiza, the Company expanded its portfolio and started selling categories products, such as tires, babies accessories, home and construction, tools, furniture, sports and cleaning products.



Luiza Card: with Luiza Card, customers have a limit of credit in double to shop at Magazine Luiza, with lower interest rates of the market and exempted annuity for Golden Customer. In addition, it is worth mentioning that means of payment are not only used for purchases in the company, but on average seven times/month, for transactions in other merchants. In 2018, the credit experience became even more digital, sellers may request a new card for customer, and if authorized, card is printed within few minutes.

CUSTOMER RELATIONSHIP AT NETWORKS AND LUIZA RESOLVE

#clientenaveia | GRI 102-43

Like everything done at Magalu, our communication is also omnichannel. Our virtual digital influencer, Lu, is the interface of social media - Facebook, Instagram, YouTube and Twitter. Thus, we have a team which comprises over 40 people working at the Company's social networks and other 100 people involved, from content production to channels monitoring.

One of the great achievements in 2018 was the service scope expanded to 24/7. In 2018, over 90% of customers were served at networks within two hours. According to Socialbakers, global social network consulting firm, Magalu is amongst the companies which answer quicker on social networks. Accordingly, engagement improved. If in 2017, average totaled 17,000 monthly users interacting with Magalu, in 2018, this figure reached 20,000.

The Company is amongst those with higher engagement on Facebook and, on Youtube, Canal da Lu is the world's largest retail channel, with several contents, especially on technology, in line with its digitalization goal.

Within this context, campaigns rolled out in 2018 were also a highlight. Besides Sai Zica World Cup campaign, the Mete a Colher campaign on domestic violence against women, and the traditional and expected Black Friday received extensive coverage in the press and social media.

As to service quality, at the end of 2018, 300 stores received rate higher than 80 in NPS (Net Promoter Score), against 60 stores in early year. In 2018, complaints at Procon also declined by 40% and 22% at Reclame Aqui.

In after-sales relationship, telephone waiting time decreased from 5:38 minutes to 0:46 seconds in the period. On average, exchanges also went down from 17 days to 6 days. Result: customer's satisfaction increased from 64% to 86%.

This is a result of Luiza Resolve, which at the end of 2018 had 718 employees.

Magazine Luiza's initiatives resulted in e-commerce recognition as top service by ÉPOCA Reclame Aqui 2018 Award, which recognizes the best companies for the consumer in this category. In 2018, the Company also maintained the RA 1000 accreditation, which stands out companies with excellent service indexes at Reclame AQUÍ.





06

Value
RELATIONSHIPS

Value RELATIONSHIPS

EMPLOYEES | GRI 102-8; 102-41; 102-43; 103-2, 103-3: Employment; 401-1; 401-2; 103-2, 103-3: Training and education; 404-1; 404-2; 404-3

Ownership attitude, people who like people, hands-on attitude, simplicity and innovation and the customer comes first; these are the values permeating all Magazine Luiza's relations, also with its employees.

The Company's People Cycle includes a definition of strategies and goals, follow-up by means of feedbacks and results evaluation, concerned with attracting, developing and granting benefits to its employees, with clear and transparent communication.

In addition, the Company relies on a meritocracy policy based on employees' well-consisted evaluations. Due to its solid people management practices, the Company was elected the second-best company to work for in Brazil in 2018, in accordance with the Great Place to Work Institute survey. The Company was also elected the best company to work for in retail industry and the 8th best company for women to work for in Brazil. This ranking is elaborated from a study of GPTW's experts on the culture and practices of large Brazilian companies, survey and interviews with employees. Employees' voice is heard in a climate survey, which in 2018 scored 88 points, one point higher than in previous year.

EMPLOYMENT

The Company ended 2018 with 27,454 employees, all covered by collective bargaining agreements, a 20% increase compared to 2017, with a turnover rate of 31.3%. GRI 102-8; 102-41; 401-1

By means of a social inclusion program, Magazine Luiza filled 84% of the 5% quota required by laws when hiring disabled people in 2018. The program involves initiatives relating to the adaptation of facilities for employees and customers, as well as training and development of all employees. In December 2018, the Company had 1,139 employees with disability.

In addition, another trainee program was executed in 2018, but different from previous years, the selection process prioritized candidates' behavioral profile in line with the company's values. Overall, 27,000 candidates applied, and 10 were recruited as new trainees.

TOTAL EMPLOYEES | GRI 102-8

Total employees	2017		2018	
	Men	Women	Men	Women
By position				
Board of Directors	6	3	7	3
Board of Executive Of-ficers	28	5	27	6
Management	784	330	861	399
Leaders/coordinator	339	792	422	858
Technical/supervision	394	104	477	154
Administrative	2.185	4.566	2.864	5.308
Operational	7.456	5.103	9.011	6.069
Trainees	3	6	3	7
Outsourced workers	0	0	0	0
Apprentices	447	300	545	410
Interns	8	11	10	13
TOTAL	11.650	11.220	14.227	13.227

RECRUITMENT AND SELECTION

The year of 2018 was marked by a significant volume of hires and promotions with over 5,000 new job positions and 4,013 promotions. We offer tools and supporting materials to facilitate selection processes and to ensure quality hires, we defined a minimum mandatory number of candidates per vacancy.

With robust initiatives to attract and select talents, Magazine Luiza relies on a Stack Overflow Talent Platform, a tool which seeks talents and announces job vacancies in a community of developers; we also have the Inbound Recruiting, which facilitates the recruiting process by maintaining a continual relationship with those interested in technology and job vacancies in the company. In addition, the Talent Referral Program when an employee may refer a friend, a colleague or even a relative to a job position still vacant in the Company's internal process.

DIVERSITY & INCLUSION GRI 103-2, 103-3: DIVERSITY AND EQUAL OPPORTUNITIES; 405-1; 405-2; 103-2, 103-3: NON-DISCRIMINATION

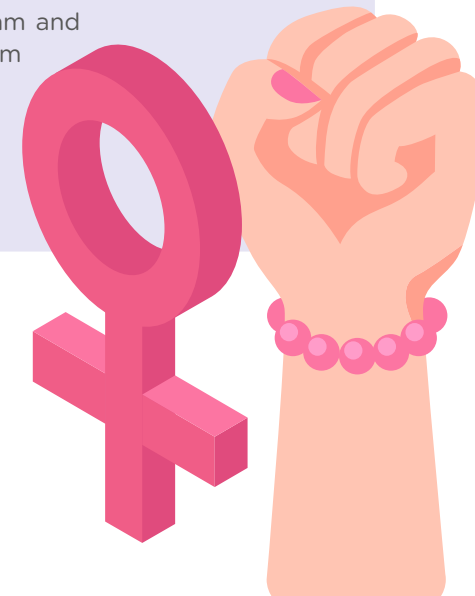
In 2018, Magazine Luiza's headcount was 48% composed of women, and 18.18% represented leadership positions. The Company continues pursuing women representativeness in its staff, as well as in its governance.

#EUMETOACOLHERSIM - CALL NUMBER 180 AND MAKE A COMPLAINT WOMEN'S CAUSE

Magazine Luiza has a history of engagement with women's cause. In June 2017, the Company internally launched the Women's Channel, a service wherein over 27,000 employees can report episodes of violence. At the year-end, Magalu Women's Channel received 168 complaints. Nearly 35% of complaints were made by men reporting cases of violence suffered by women employees, pairs or subordinates. More than simply receiving complaints, this Channel also has a specialized team who gives support to the victims and advise them to seek women's protection government services.

Magalu is also one of the supporters of the "Tem saída" Program, a partnership with the Economic Development and Labor Department of São Paulo local government, the Public Prosecutor Office, the Public Defender, the Court of Justice, the OAB-SP (Brazilian Bar Association) and the UN Women. As a partner, Magalu hires women victims of domestic violence to reintegrate them into the labor market. Therefore, it contributes to these women's financial independence and to put an end in this cycle of violence. In 2018, Magalu hired four women referred by such program.

In 2018, to raise breast cancer awareness during the October Rose campaign, all women employees over 50 years of age were contacted by people management area and were advised to go through screening exams. Women with health insurance were exempted from co-participation in exam and those without any health insurance had 100% of exam borne by the company.



STAFF DIVERSITY | GRI 405-1

EMPLOYEES	2017						2018					
	Men		Women		Total		Men		Women		Total	
	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
By employee category	11.553	51%	11.109	49%	22.662	100%	14.220	52%	13.224	48%	27.444	100%
Officers	28	84,9%	5	15,2%	33	100%	27	81,8%	6	18,2%	33	100%
Managers	784	70,4%	330	29,6%	1.114	100%	861	68,3%	399	31,7%	1.260	100%
Administrative	3.373	36,9%	5.773	63,1%	9.146	100%	4.318	39,0%	6.743	61,0%	11.061	100%
Production	7.365	59,6%	4.995	40,4%	12.360	100%	9.011	59,8%	6.069	40,3%	15.080	100%
Trainees	3	33,3%	6	66,7%	9	100%	3	30,0%	7	70,0%	10	100%

STAFF DIVERSITY | GRI 405-1

EMPLOYEES	2017		2018	
	Total	%	Total	%
By age group				
Under 30 years old	9.508	42,0%	11.937	43,5%
30-50 years old	11.789	52,0%	13.981	50,9%
Over 50 years old	1.365	6,0%	1.526	5,6%
By minority groups				
Disabled people	925	100,0%	1.138	100,0%
Foreigners	0	0,0%	0	0,0%



DIVERSITY IN LEADERSHIP POSITIONS | GRI 405-1

OFFICERS	2017				2018			
	Men		Women		Men		Women	
By gender	Nº	%	Nº	%	Nº	%	Nº	%
Officers	28	84,9%	5	15,2%	27	81,8%	6	18,2%

OFFICERS	2017		2018	
By age group	Total	%	Total	%
Under 30 years old	0	0%	0	0%
30 to 50 years old	27	82%	26	79%
Over 50 years old	6	18%	7	21%
By minority groups				
Disabled people	0		0	
Foreigners	0		0	



TRAINING AND DEVELOPMENT | GRI 103-2, 103-3: TRAINING AND EDUCATION

Aiming at preparing new professionals to perpetuate the Company’s culture, the Training, and Development area invests in training courses for leaders, both at stores, distribution centers and offices.

In 2018, we highlight the on-site development for 100% of managers, stockist managers, sales and logistics leaders: 278 managers were trained and 1,800 qualified for new stores and distribution centers. In 2018, 23,999 employees were trained, with a total of 258146:20:36 hours, or an average of 10.45 hours per employee.

GRI 401-1; 404-2

AVERAGE TRAINING HOURS | GRI G4-404-1

	2017			2018		
	Total employees	Total hours	Average hours	Total employees	Total hours	Average hours
By employee category						
Board of directors	-	-	-	-	-	-
Board of executive officers	5	51:30:00	10:18:00	6	48:56:00	8:09:20
Manager	460	3909:30:00	8:29:56	956	7969:35:24	8:20:11
Leader/coordinator	590	9162:37:00	15:31:47	971	9826:26:12	10:07:12
Technical/supervision	164	1528:37:00	9:19:15	227	1298:41:36	5:43:16
Administrative	4.481	57534:41:00	12:50:23	7.068	73605:37:36	10:24:50
Operational	8.291	110794:42:00	13:21:48	13.319	155108:42:24	11:38:44
Occasional	-	-	-	697	6118:39:24	8:46:43
Trainees	9	1584:00:00	176:00:00	10	614:38:00	61:27:48
Apprentices	32	250:20:00	7:49:22	720	3302:16:36	4:35:11
Interns	529	2486:04:00	4:41:58	25	252:47:24	10:06:42
By gender						
Men	7.455	942000:00:00	126:21:29	11.534	126298:03:12	10:57:00
Women	7.106	931200:00:00	131:02:39	12.465	131848:17:24	10:34:39
Total	14.561	187302:01:00	12:51:48	23.999	258146:20:36	10:45:24

PERFORMANCE EVALUATION

The Company has a management model composed of clarification, cascading and monitoring of strategic goals, which result in individual panels per manager/store. In addition, this model is also composed of behavioral evaluation which translates Magazine Luiza’s values in observable behaviors applicable to all the company’s levels.

In 2018, the behavioral evaluation comprised all units and hierarchical levels of the company.


Performance analysis GRI 404-3	2017	2018
Board of executive officers and managers	1134	1243
Coordinator	366	515
Administrative	3550	4737
Operational	14483	17519
Men	9455	11825
Women	10078	12189
Total	19533	24014

RETENTION AND BENEFITS | GRI 401-2


With a view to retaining talents, in 2018 the Company executed a long and short-term incentive program linked to goals and behavior.

Approximately 65 store managers were promoted, also employees’ fixed and variable compensation increased, as well as rental assistance and other benefits. Stockists were also rewarded with bonus, Pickup at Store reward, amongst others.


BENEFITS HIGHLIGHTS




60 TRIPS
to New York.




900 PEOPLE
received scholarships.




+ 40%
in food voucher.




4.300 OCCASIONAL WORKERS,
837 of them were hired to work 44 weekly working hours



OVER 100
employees received long-term share-based incentive.



3.300 EMPLOYEES
employees had 42% health insurance reduced costs and in migrated regions, adhesion increased by 35%.



100% OF EMPLOYEES
received short-term incentives (ICP).

Still referring to benefits, besides meal voucher, healthcare assistance, and optional dental care, and private pension, Magazine Luiza offers different options to its employees:



Mother ticket

Offered to women employees with children aged between one month and 10 years and 11 months.



Special educational ticket

Offered to employees who have children with special needs, irrespective of age.



Scholarship

Support to the self-development plan, so that to contribute to the Company's career plan.



Payroll-deductible loan Line of credit with special interest rates.



Consortium for Employees

Special conditions and exclusive fees for employees.



Bebê à vista Program

Offered to pregnant employees, including pregnancy monitoring, exemption of co-participation in medical appointments and exams, online course and baby book.



Dining Hall

For employees working in the distribution centers, with a symbolic payroll deduction.



Gym

For employees working in São Paulo business office with a symbolic payroll deduction.



Running group

For employees and dependants working in the central office of Franca/SP, with a symbolic payroll deduction.

SOCIETY | GRI 102-43; 103-2, 103-3: Indirect economic impacts; 203-1; 203-2; 103-2, 103-3: Local communities; 413-1

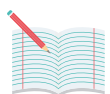
Magazine Luiza's goal is to invest 100% of funds deriving from tax incentives, such as the Rouanet Law, Cultural Action Program (PROAC), Sports Incentive Program (PIE), Federal Law of Incentive to Sports and Audiovisual Law.

Projects are selected by the social intelligence center, by means of specific analysis. Focused on development of children and adolescents under social vulnerability, main criteria involve the identification with Magazine Luiza's values and culture, services to community where the Company operates, besides the scope of people benefited with these initiatives.

SOCIAL INVESTMENTS FOCUS



Culture: contribute to cultural democratization, by supporting projects which broaden the access to the cultural production of all areas - visual arts, performing arts, cinema, and video, literature, and music.



Education: promote improved quality of education, by means of projects to complement and reinforce the role of school, so that to enhance the development of supported projects' participants.



Health: support projects which promote the health of children and adolescents under social vulnerability to reduce children's mortality rate.



Sports: contribute to the inclusion of children, adolescents, and youngsters in sporting activities, so that to strengthen leadership skills and teamwork, besides valuing school and family.

Through the Rouanet Law, Magazine supported 24 projects in 2018 and four projects via Sports Federal Law. Actions took place in 15 municipalities, benefiting nearly 28,000 people.

MAIN PROJECTS SPONSORED IN 2018

- **Christmas at Avenida da Paz:** this event took place in Maceió (AL) and comprised lighting theme, artistic presentations, and relied on the participation of children from public and charitable institutions in the districts of Centro, Ouricuri, Sobral and Trapiche and neighborhood. Benefited people: 10,000 people during four weekends in the city of Maceió-Alagoas.
- **Espaço Dança e Arte da Associação Ária Social (Dance and Arts of Ária Social Association), in Recife:** this project directly assists 450 children and youngsters under social vulnerability, from 6 years of age, and extended to relatives who are also involved in this project.
- **Baccarelli Institute:** sponsored since 2012, the Institute based in São Paulo, has completed 20 years of history in 2018 with a presentation at Sala São Paulo. The event relied on special guests, amongst them, the conductor Silvio Baccarelli, who was honored for materializing this project, after a great fire at Heliópolis community. On stage, 300 students performed in such an event. Institute's structure: two buildings where group practices take place, with 5 orchestras, 14 choirs, 20 groups of musicalization for children, 20 chamber groups, 52 group instrument classes, besides group and individual classes under the responsibility of 78 musicians.
- **A -Cor-Dar Project 2nd Edition:** this project took place in Ribeirão Preto, SP, and aims at promoting the social (re)integration, the awareness of social values, the critical sense and development of potentialities in children and youngsters under social vulnerability, as well as promote elderly community well-being by means of healthy sporting activities. Benefited people: 120 children (7 to 10 years of age), 130 youngsters (11 to 17 years of age) and 100 elderly people (over 60 years of age), male and female.
- Magazine Luiza also invested in the protection of children's and adolescents' rights by means of Law of Child and Adolescent Fund. It also supported projects concerned with education, citizenship guidance, and political awareness of children and adolescents. This initiative comprised two projects in the city of Franca, involving 9,000 children and adolescents under social vulnerability.

- By means of the Brazilian Elder Law N° 12.213/2010, the Company allocated funds via the Elderly Municipal Fund to Barretos Elderly Municipal Council (Amor de Barretos Hospital) and Pindamonhangaba (Lar do Idoso Irmã Terezinha), which should invest in four health and education-related projects and 1,450 elderly people will be assisted in these municipalities.
- **Barretos:** to create a space of thought so that health professionals can understand how an elderly person lives, the São Judas Tadeu Hospital – the palliative care unit and in attention of the elderly of Barretos Cancer Hospital- held the Elderly Awareness Workshop. Presentations were divided into five areas, which aimed at simulating different problems underwent by the elderly so that professionals could experience these situations and learn how to deal with them.
- **Pindamonhangaba:** the Third Age Experient Art project consists of applying the therapy art, which means using artistic language, symbols, metaphors and general creativity in therapeutic processes.

SPONSORSHIPS

The book *Do Jeito Delas* is published with histories of female entrepreneurs (Authors: Fernanda Moura and Taciana Mello)

Action: Magazine Luiza provided an expert in incentive laws to monitor the elaboration and format of the project approved by Rouanet Law in 2018.

International Mathematical Olympiad Without Frontiers

Action: Magazine Luiza sponsors the technical state school (ETEC) Profa. Dra. Doroti Quiomi Kanashiro Toyohara, in Pirituba, and nine students who won gold and silver medals in the International Mathematical Olympiad Without Frontiers, and were accredited to compose the Brazilian team in the 4th International Youth Convention on Commerce & Economics which took place in Lucknow - India.

Support to Brazilian young students at the UN Conference

In 2018, Magalu sponsored two Brazilian students' participation in the UN Youth Entrepreneurship Conference, which took place in New York, USA. Dalvana Lopes and Luiz Henrique Sampaio, university scholarship students received referred support and proposed innovative projects that promote the economic and cultural development of their communities.

Dalvana from the State of Mato Grosso do Sul, created a project that teaches English in public schools of Mato Grosso do Sul's inland. Referred project, named as Teaching Folks, works as a cultural exchange for foreign youngsters visiting Brazil to teach English at public schools.

Luiz Henrique, a law student from the State of Pará inspired several adolescents during a conference by sharing the results of his volunteer work. He provided free-of-charge legal services to more than 100 households. Luiz was also inspired by innovative ideas disseminated in the UN conference and devised a digital platform to make legal information more accessible to the Brazilian population.



SUPPLIERS AND PARTNERS | GRI 102-9; 102-43; 103-2, 103-3: PROCUREMENT PRACTICES; 204-1

In 2018, Magazine Luiza maintained 564 suppliers active to sell its 1P products at stores and on the website, with a concentration of purchase volume higher than 67% in 10 key partners. Procurement is well distributed and the Company is not dependent upon any supplier. [GRI 102-9](#)

Suppliers' selection also aims at complying with quality and price requirements, partners are hired by means of an analysis of Commercial, Legal and Financial areas. In the case of furniture acquisition, this process also involves quality department's annual inspections.

In order to gain more agile services, reduce freight costs and minimize the environmental impacts of product transportation, Magazine Luiza prioritizes suppliers working close to its distribution centers, and, whenever possible, it encourages partners to open local industries. [GRI 204-1](#)

Planning with suppliers takes place every six months and, in a few cases, on a quarterly basis, by means of meetings when decisions are jointly made, between suppliers and the Company. At these meetings, besides planning, improvement issues and action plans monitoring are discussed.

Responsibility in supply chain | GRI 103-2, 103-3: Supplier environmental assessment; 308-1; 308-2; 103-2, 103-3: Supplier social assessment; 414-1

In order to maintain a long-lasting and transparent relationship with its suppliers, the Company maintains a commitment statement which defines the ethical and sustainable practices with suppliers, as well as the preference for more efficient consumer products. A specific clause on Social and Environmental Responsibility determines the compliance with laws, environment preservation, respect for people and human rights.

In addition, the Goods Supply Agreement includes a Declaration of Conduct which details the responsibilities of parties involved and all Magazine Luiza's suppliers shall act in line with the Company's Code of Conduct.

Besides quality and price, the procurement process observes compliance standards, with strict criteria in relation to legal, financial and labor aspects, and is analyzed by commercial, legal and financial teams.

The Company is strongly against practices of environmental degradation, deforestation in embargoed areas or areas of environmental protection, and expects its suppliers and service providers to share this belief and to adopt practices which forbid any damage to the environment due to activities developed.

Thus, it requires that all its partners comply with environmental and labor laws, and includes these issues in contractual clauses.

In 2019, the Company will elaborate a more solid supplier monitoring program, which allows deeply understand the social and environmental policies and practices of its business partners.



07

Operational & Environmental
EFFICIENCY

Operational & Environmental

EFFICIENCY

BUSINESS PERFORMANCE

OPERATIONAL PERFORMANCE

Magazine Luiza ended 2018 with 954 stores, 791 conventional stores, 162 virtual stores – distributed in 16 States and e-commerce. In 2018, the Company opened 100 new stores (four in the South region, 27 in the Southeast region, 29 in the Mid-West region and 36 in the Northeast region) and shut down other four stores. Out of total base, 25% of stores are under maturation process. In 2018, the Company had 27,576 employees, 12 distribution centers, of which two were inaugurated in 2018, and a base exceeding 17 million active clients.

The Company's total sales grew by 36.2% in 2018, versus 27.9% in 2017. E-commerce sales hiked 60.1%, versus a 12% growth of the Brazilian online market, according to the E-bit. Luiza Card's share rose from 23% in 2017 to 27% in 2018, so that to contribute to the Company's strategy of enhancing customer's loyalty. At year-end, Luiza Card base totaled 4.3 million cards, nearly one million growth from 2017.

Market share gain was bolstered by an extraordinary performance of Magazine Luiza app, which reached 26 million downloads, the maturation of multichannel projects and continuance of RA1000 seal. Currently, the app has an approximate share of 40% of the Company's online orders.

OPERATIONAL HIGHLIGHTS

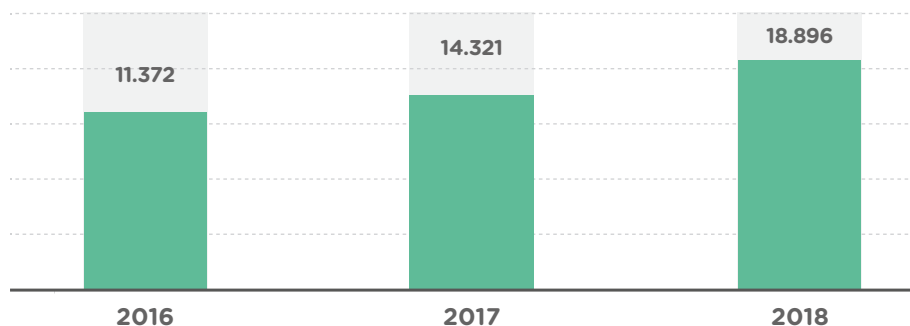
	2016	2017	2018
E-commerce growth	32.3%	60,9%	60,1%
E-commerce percentage of sales	24.2%	30,4%	35,7%
Same-store sales growth	0.4%	14,3%	18,6%
Physical stores' total growth	2.4%	17,4%	25,8%
Total number of stores	800	858	954
Total sales area (m2)	501,319	525.981	572.394
Average area per store (m ²)	627	613	600

FINANCIAL PERFORMANCE | GRI 103-2, 103-3: ECONOMIC PERFORMANCE

Gross and net revenue

In 2018, gross revenue grew 31.9% to R\$18.9 billion year-over-year. It is worth noting the 27.1% growth in services revenue in 2018, including the sale of new insurance, digital services (Lu Conecta), and the 32.3% increase in product resale, which recorded net revenue of R\$15.6 billion, up 30.1% year-over-year, in line with gross revenue evolution.

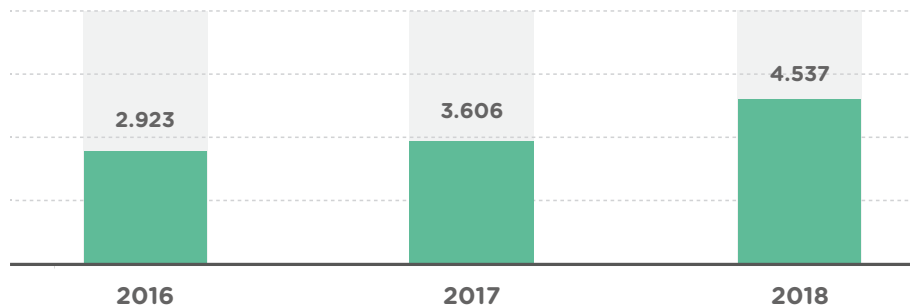
GROSS OPERATING REVENUE (R\$ MILLION)



Gross profit

Gross profit totaled R\$4.5 billion in 2018, 25.8% higher than the R\$3.6 billion recorded in 2017, and a gross margin of 29.1%. This result mainly reflects a significantly higher share of e-commerce in total sales.

GROSS PROFIT (R\$ MILLION)



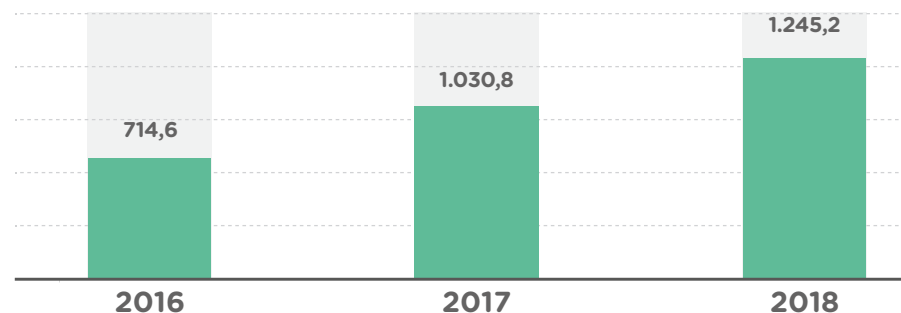
Operating expenses

Total operating expenses totaled R\$3.3 billion in 2018, 25.9% higher than in 2017, mostly deriving from selling expenses, explained by investments in marketing, acquisition of new customers and a higher level of services, including logistics and services.

EBITDA

High sales growth, a positive result of e-commerce and dilution of fixed expenses drove EBITDA's nominal growth. In 2018, EBITDA advanced 20.8% to R\$1,245.2 million, corresponding to an 8.0% margin of net revenue.

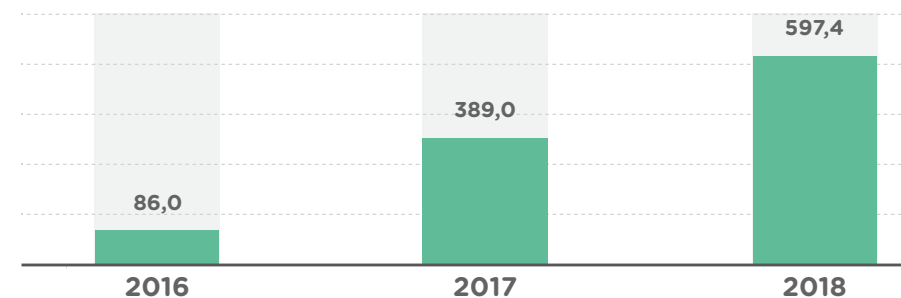
EBITDA (R\$ MILLION)



Net Income

In 2018, net income came to R\$597.4 million (net margin of 3.8%), significant growth of 53.6%. Considering Luizacred's equity accounting pursuant to the accounting practices defined by the Brazilian Central Bank, in 2018 net income would total R\$634.3 million, with a margin of 4.1%, up 62.5% versus 2017.

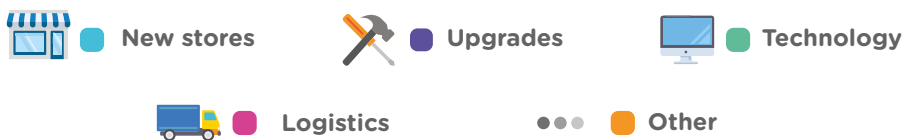
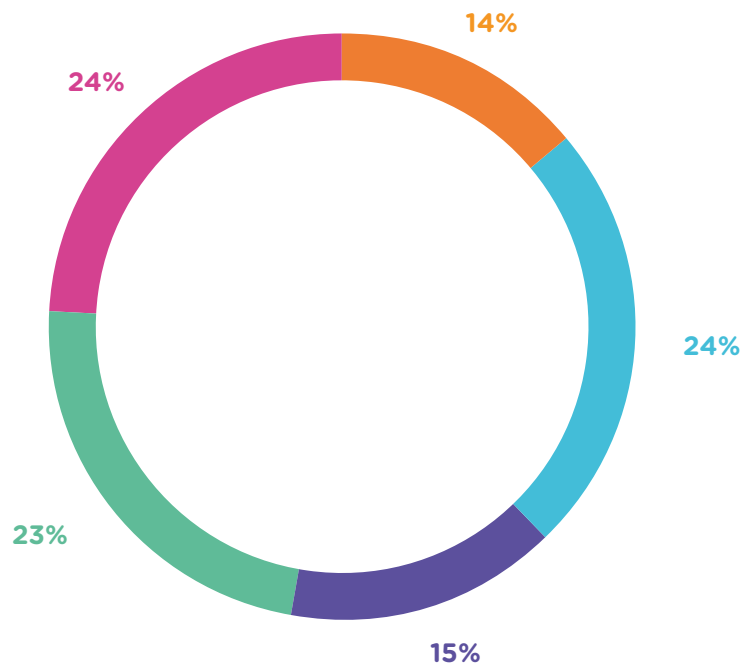
NET INCOME (R\$ MILLION)



INVESTMENTS

In 2018, investments totaled R\$364.4 million, 113% higher than in 2017. Most of the investments was allocated to new stores, logistics, and technology.

DISTRIBUTION OF INVESTMENTS



CAPITAL STRUCTURE

In 2018, the Company improved its capital structure by R\$488.1 million, from a net cash position of R\$1.7 billion at the end of 2017 to R\$2.2 billion at the end of 2018.

DISTRIBUTION OF VALUE ADDED (DVA) | GRI 201-1

Value-added statement	2016	2017	2018	Chg.%
Revenue	10.907.837	13.727.997	18.096.614	32%
Inputs acquired from third parties	-8.169.559	-10.254.627	-13.287.183	30%
Gross value-added	2.738.278	3.473.370	4.809.431	38%
Depreciation and amortization	-133.612	-143.059	-163.690	14%
Net value-added	2.604.666	3.330.311	4.645.741	39%
Value-added received in transparency	179.357	196.263	191.686	-2%
Total value-added to distribute	2.784.023	3.526.574	4.837.427	37%

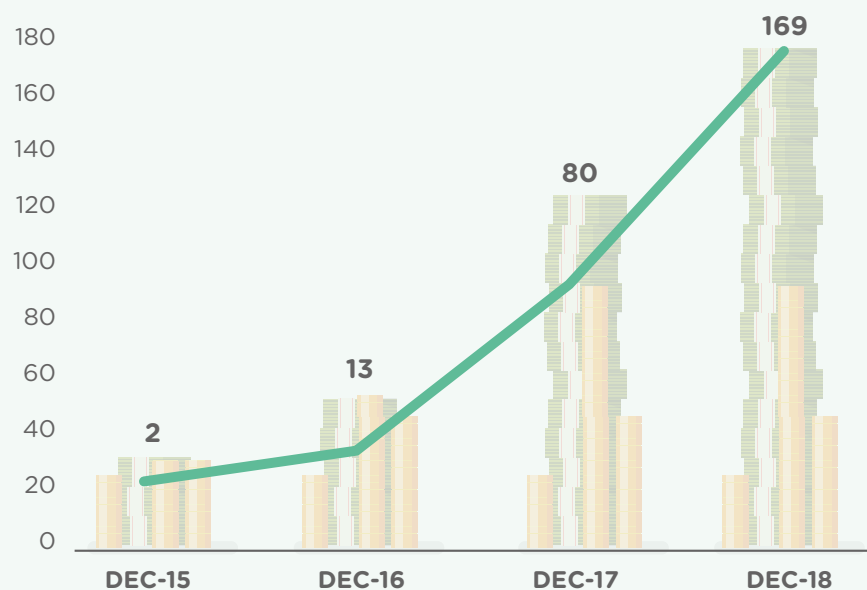
DISTRIBUTION OF VALUE ADDED

Distribution of value-added	2016	2017	2018	Chg.%
Personnel and charges	941.562	1.088.793	1.356.657	25%
Taxes, fees and contributions	827.700	1.201.874	2.088.429	74%
Debt capital remuneration	928.196	846.885	794.912	-6%
Equity capital remuneration	86.565	389.022	597.429	54%
Total	2.784.023	3.526.574	4.837.427	37%

SHARE PRICE EVOLUTION

Magazine Luiza's share price (MGLU3) more than doubled in 2018, versus 2017, evidencing a consistent performance since results upturn in 2016.

SHARE PRICE EVOLUTION (R\$)



ECOEFFICIENCY AND MANAGEMENT | GRI 103-2, 103-3: ENVIRONMENTAL COMPLIANCE

EMISSIONS MANAGEMENT | GRI 103-2, 103-3: EMISSIONS

At Magalu, a culture which respects the environment and environmental laws is promoted by deploying policies and processes. In 2018, recognizing that to achieve its economic and financial targets, to tackle this issue, the Company decided to move forward and produced environmental impacts.

The most relevant step in this regard was the first formal inventory of GHG emissions. To calculate inventory, total volume of emissions was considered within scopes 1, 2 and 3, i.e., it included the consumption of coolant gases in air conditioners of hundreds of stores, from purchase and use of energy of different sources to transportation services and distribution by Malha Luiza, a network of thousands of outsourced small trucking carriers. The inventory observed the standards of NBR ISO 14.064:2007 and the Brazilian GHG Protocol Program.

Note that Magalu has included the theme of global warming in its relevance matrix and is mindful of its carbon footprint. Therefore, in 2020, based on the data collected in inventories between 2018 and 2019, it will establish measures and targets to reduce its relative GHG emissions. Efforts will initially focus on increasing the use of renewable energy, finding alternatives to cooling gases currently used, and optimizing logistics.

Scope 1 (tCO ₂ e)	2017	2018	% of emissions - 2018
Mobile combustion	2.085,7	1.876,3	7,1%
Stationary combustion	5,5	10,5	0,0%
Fugitive emissions (Kyoto)	1.312,6	1.466,2	5,6%
Total	3.403,8	3.353,0	12,7%
Scope 2 (tCO ₂ e)	2017	2018	
Electricity consumption	7.243,2	6.031,3	22,9%
Total	7.243,2	6.031,3	22,9%
Scope 3 (tCO ₂ e)	2017	2018	
Transportation and distribution	12.325,3	12.327,3	46,9%
Commuting hours	-	4.099,0	15,6%
Business travels	993,6	352,8	1,3%
Plastic		106,4	0,4%
Paper	23,7	32,9	0,1%
Total	13.342,6	16.918,4	64,3%

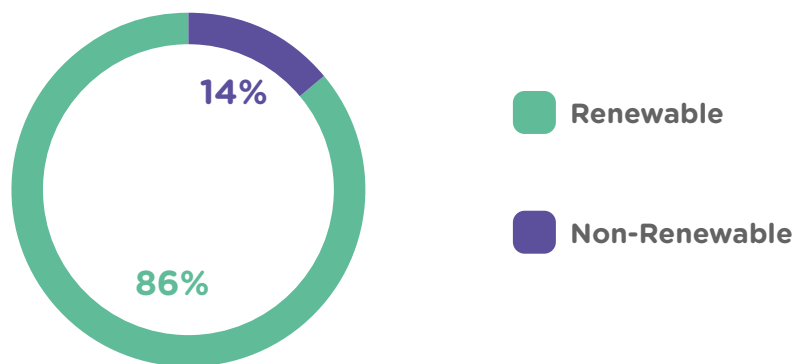
ENERGY CONSUMPTION | GRI 103-2, 103-3: ENERGY

The Company continues advancing in the absolute and relative energy consumption reduction. Thus, despite the accelerated growth of Magalu, we saw relevant energy efficiency gains. In 2018, with 954 stores operating, the absolute volume of energy consumed was 1.8% lower than in 2016, when the network had 800 stores.

This result is due to several measures. Over the last three years, fluorescent lamps were exchanged with 78,000 LED lamps in 373 stores. We estimate that by 2020, all branches will have adopted this technology.

It is worth noting that for the past three years, the Company has been acquiring electricity from renewable sources, whose volume has been increasing. Currently, 86% of the energy consumed by Magalu derives from renewable sources, and we have a strong guideline for it to become even cleaner.

SOURCE OF ENERGY CONSUMED



Besides the 45 stores supplied with clean energy in 2018, 70 stores in the State of Minas Gerais are supplied by hydraulic generation centers (CGHs), which are small-sized electricity generators. By 2020, 400 stores of the network, in the States of Alagoas, Bahia, Paraíba, Ceará, Paraná, Rio Grande do Sul, Santa Catarina and São Paulo will adopt this model of generation distributed. These initiatives contribute to reducing the impacts of GHG emissions since electricity consumption is one of the emission sources mapped in Scope 2.

ENERGY CONSUMED BY TYPE (MWH) | GRI 302-1

Source	2016	2017	2018
Renewable ¹	66.248	66.431	67.856
Non-renewable ²	14.267	12.214	11.220
Total	80.515	78.645	79.076

¹ It includes: generation distributed (electricity generated from renewable sources: solar and CGH - electricity generation centers), present in 70 stores in the State of MG supplied by CGH; Energy Free Market (purchase of electricity from renewable sources, such as wind, solar, small hydroelectric power plants) to 45 stores of the group; share of renewable sources in the Brazilian electricity matrix, in accordance with the Brazilian National Energy Balance - BEN.

² It considers the share of non-renewable sources in the Brazilian electricity matrix, in accordance with the Brazilian National Energy Balance - BEN..

ENERGY INTENSITY | GRI 302-3

Source	2016	2017	2018
MWh/Net Revenue (R\$)	28,36	21,71	17,15

GLOBAL REPORTING INITIATIVE



08

GRI
SUMMARY

GRI SUMMARY STANDARDS - CONTENT INDEX | 102-55

GRI 101 Foundation 2016

General disclosure

Organization Profile

	Standards	Page or Answer	Omission	Global Compact	ODS
	102-1 Name of the organization	11			
	102-2 Activities, brands, products and services	11			
	102-3 Location of headquarters	11			
	102-4 Location of operations	15			
	102-5 Ownership and legal form	11			
	102-6 Markets served	11			
	102-7 Scale of the organization	11			
GRI 102 General Disclosure 2016	102-8 Information on employees and other workers	4, 11, 36 and 37		6	8
	102-9 Supply chain	46			
	102-10 102-10 Significant changes to the organization or supply chain	11 e 16			
	102-11 Precautionary principle or approach	Due to the nature of businesses, Magazine Luiza does not entirely adopt the precautionary principle, but seeks to act cautiously and responsibly when doing businesses and identifying and minimizing the impacts of its operations.			
	102-12 External initiatives	5			
	102-13 Membership of associations	5			

Strategy

Standards	Page	Omission	Global Compact	ODS
102-14 Statement from senior-decision maker	7			
102-15 Key impacts, risks and opportunities	24			

Ethics and integrity

Standards	Page	Omission	Global Compact	ODS
102-16 Values, principles, standards, and norms of behavior	17 e 27		10	16
102-17 Mechanisms for advice and concerns about ethics	27			

Governance

Standards	Page	Omission	Global Compact	ODS
102-18 Governance structure	20			
102-22 Composition of the highest governance body and its committees	20			
102-23 Chair of the highest governance body	20			
102-26 Role of the highest governance body in setting purpose, values and strategy	20			
102-30 Effectiveness of risk management processes	24 e 25			

Stakeholder engagement

Standards	Page	Omission	Global Compact	ODS
102-40 List of stakeholders groups	3 e 5			
102-41 Collective bargaining agreements	4 e 36		3	8
102-42 Identifying and selecting stakeholders	3 e 5			
102-43 Approach to stakeholder engagement	3, 5, 31, 32, 34, 36, 44 e 46			
102-44 Key topics and concerns raised	4			

Reporting practice

Standards	Page	Omission	Global Compact	ODS
102-45 Entities included in the consolidated financial statements	3			
102-46 Defining report content and topic boundaries	4			
102-47 List of material topics	4			
102-48 Restatements of information	3			
102-49 Changes in reporting	3			
102-50 Reporting period	3			
102-51 Date of most recent report	2017			
102-52 Reporting cycle	3			
102-53 Contact point for questions regarding the report	66			
102-54 Claims of reporting in accordance with the GRI standards	3			
102-55 GRI content index	54			
102-56 External assurance	3			

Specific Topic	Item	Page	Omission	Global Compact	ODS
Economic Standards					
GRI 103 Management Approach	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	48		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	48			
GRI 201 Economic Performance 2016	201-1 Direct economic value generated and distributed	50			2, 5, 7, 8, 9
	201-4 Financial assistance received from government	Not available			
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	44		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	44			
GRI 203 Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	4 e 44			2, 5, 7, 9, 11
	203-2 Significant indirect economic impacts	4 e 44			1, 2, 3, 8, 10, 17
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	46		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	44			
GRI 204 Procurement Practices 2016	204-1 Proportion of spending on local suppliers	4 e 46			12

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	27		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	27			
GRI 205 Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	27		10	16
	205-2 Communication and training about anti-corruption policies and procedures	27		10	16
	205-3 Confirmed incidents of corruption and actions taken	27		10	16
Specific contents	Item	Page	Omission	Global Compact	ODS
Environmental standards					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	52			
	103-2 The management approach and its components	52		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	52			
GRI 302 Energy 2016	302-1 Energy consumption within the organization	52		7 8	7, 8, 12, 13
	302-2 Energy consumption outside of the organization	52		8	7, 8, 12, 13

Specific contents	302-3 Energy intensity	Page	Omission	Global Compact	ODS
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	51		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	51			
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	4 e 51		7 8	3, 12, 13, 14, 15
	305-2 Energy indirect (Scope 2) GHG emissions	4 e 51		7 8	3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	4 e 51		7 8	3, 12, 13, 14, 15
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	Magazine Luiza began structuring a process to improve waste management. Additional information must be given in next reports.		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	Magazine Luiza began structuring a process to improve waste management. Additional information must be given in next reports.			
GRI 306 Effluents and Waste 2016	306-2 Waste by type and disposal method	Magazine Luiza began structuring a process to improve waste management. Additional information must be given in next reports.		8	3, 6, 12

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	51		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	51			
GRI 307 Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Zero material non-compliance in the period.		8	16
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	46		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	46			
GRI 308 Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	4 e 46		8	
	308-2 Negative environmental impacts in the supply chain and actions taken	4 e 46		8	
Specific contents	Item	Page	Omission	Global Compact	ODS
Social standards					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	36		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	36			

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 401 Employment 2016	401-1 New employee hires and employee turnover	4, 36, 37 e 40		6	5, 8
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4, 36 e 42			8
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	36 e 40		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	36 e 40			
GRI 404 Training and Education 2016	404-1 Average hours of training per year per employee	4, 36 e 41		6	4, 5, 8
	404-2 Programs for upgrading employee skills and transition assistance programs	4, 36 e 40			8
	404-3 Percentage of employees receiving regular performance and career development reviews	4, 36 e 42		6	5, 8
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	38		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	38			
GRI 405 Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	4, 38, 39 e 40		6	5, 8
	405-2 Ratio of basic salary and remuneration of women to men	4 e 38		6	5, 8, 10

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	38		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	38			
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	In the period, three reports were received via this channel. Out of total, after analysis, one of them was considered invalid and other two were confirmed. In both situations, employees involved were dismissed.		6	5, 8, 16
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	44		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	44			
GRI 413 Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	4 e 44		1	
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	3 e 4			
	103-2 The management approach and its components	46		1 8	1, 5, 8, 16
	103-3 Evaluation of the management approach	46			
GRI 414 Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	4 e 46		2	6, 8, 16
	414-2 Negative social impacts in the supply chain and actions taken	4		2	6, 8, 16

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	In products sold at retail, labeling is directly made by manufacturer or distributor. Magazine Luiza adopts procedures to ensure to consumers information about product characteristics and tips for use, besides clearly reporting price information, interest rates applied and Exchange Policy. This same transparency applies to financial products and services sold by Consórcio Luiza, LuizaCred and Luizaseg. Besides observing specific legal rules, Magazine Luiza is guided by its Code of Conduct in information to consumers.		1 8	1, 5, 8, 16
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 417 Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	In products sold at retail, labeling is directly made by manufacturer or distributor. Magazine Luiza adopts procedures to ensure to consumers information about product characteristics and tips for use, besides clearly reporting price information, interest rates applied and Exchange Policy. This same transparency applies to financial products and services sold by Consórcio Luiza, LuizaCred and Luizaseg. Besides observing specific legal rules, Magazine Luiza is guided by its Code of Conduct in information to consumers.			12, 16
	417-2 Incidents of non-compliance concerning product and service information and labeling	In 2018, zero non-compliance concerning product labeling and Luizacred services.			16
	417-3 Incidents of non-compliance concerning marketing communications	Magazine Luiza voluntarily observes the rules of the Brazilian Code of Advertising Self-Regulation (Conar). Zero non-compliance with this code in 2018.			

Specific contents	Item	Page	Omission	Global Compact	ODS
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	Magazine Luiza adopts good market practices to protect customer data. The Company maintains policies, processes, procedures and technologies to identify, prevent, detect, mitigate and answer eventual information security incidents. In 2018, we did not receive complaints of this nature.		1 8	1, 5, 8, 16
	103-2 The management approach and its components				
	103-3 Evaluation of the management approach				
GRI 418 Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Magazine Luiza adopts good market practices to protect customer data. The Company maintains policies, processes, procedures and technologies to identify, prevent, detect, mitigate and answer eventual information security incidents. In 2018, we did not receive complaints of this nature.			16

Corporate INFORMATION

|GRI 102-53|

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