



**INTEGRATED
REPORTING
2017**

magazineluiza

magazineluiza



TABLE OF CONTENTS

01. MESSAGE FROM MANAGEMENT	04
02. OVERVIEW - MAGAZINE LUIZA	08
03. CORPORATE GOVERNANCE	18
04. ESTRATEGY	23
05. BUSINESS PERFORMANCE	31
06. EMPLOYEES	36
07. CUSTOMERS	42
08. COMMUNITIES	46
09. SUPPLIERS	50
10. ENVIRONMENTAL MANAGEMENT	51
11. ABOUT THE REPORT	53
12. GRI CONTENT INDEX	55
CORPORATE INFORMATION	64



01 | Message from **MANAGEMENT**

Message from **MANAGEMENT**

GRI 102-14;
102-10



2017 was an exceptional year for us. We completed six decades of existence, six decades spent focusing on our core values: the constant search for innovation and the spirit of reinvention. This year, our motto was, “What never changes is that we always change.” Within the context of the digital revolution, which has overwhelmed those companies averse to innovation, these intrinsic characteristics of Magazine Luiza remained, as they have always been, nothing less than integral to our success.

Frederico Trajano
Chief Executive Officer (CEO)

This year, by investing in innovation and in our digital platforms, we improved each quarter's sequential financial results. Despite the political and economic uncertainties that persist in Brazil, we increased our profits, expanded our market share, dramatically reduced leverage and transitioned further into digital. Our e-commerce platform now accounts for nearly one-third of our total sales, yielding profitability levels that are especially exceptional in light of the current Brazilian economic environment.

Innovations are ultimately valued by the concrete benefits they bring to customers and their businesses. We do not believe in off-the-shelf technology or mindless upgrades to complete checklists. We are not interested in "PowerPoint technology" — used only so it can be conspicuously mentioned on slides, designed solely to impress audiences — or to create factoids for use in public relations campaigns. We use technology as a means and not as an end.

We will be relevant every time we help our customers to maximize the value they get for their money, and above all, their time — the most valuable asset in our lives. We will be relevant every time we make a complex process simple. We make the slow, fast. We make the difficult, easy. "Simplicity is the ultimate sophistication," wrote Leonardo da Vinci, the Renaissance genius who changed how we see the world by uniting art and science. The search for the simple will bring us, and our business model, closer to the ultimate sophistication.

Our organizational culture works in our favor. It is genuinely simple — as it was when our founders first opened the doors of Store Number One in Franca, in the countryside of São Paulo state. We decide rapidly. We do rapidly. We give up rapidly when something does not work out. We take risks. We try to combine rationality and intuition. We are not afraid of failing because we know that we will stand up and do it again — this time, correctly. We are a company that tries and, for this reason, we do not stop learning. We are not afraid of the future — whatever future. And we try to resist the temptation to let our competition guide us — no matter what name it is called.

Thanks to this way of being, combined with ability and execution discipline, we are becoming a tech company dedicated to uniting producers and consumers as efficiently as possible — the essence of the retail trade.

Every day, more than 450 engineers and other experts work at Luizalabs, our development and innovation center, seeking a fluid relationship with our customers by eliminating any possible friction. They (and we should note that the number of women engineers is ever-increasing) already represent around 30% of the Company's payroll. They are professionals that understand the business and are in direct contact with our other departments, seeking custom-tailored solutions to concrete problems.

Organized in small teams dedicated to specific missions, the Luizalabs staff created solutions such as Mobile Sales, present in all of our 858 stores, which reduced the average sale time from 40 to 4 minutes. Or Mobile Delivery — which enables the 1,500 micro-transit companies that work for us to track deliveries. Or Mobile Inventory, which reduced inventory-checking time from 90 to 10 minutes. Or Digital CDC, which reduced credit approval time. Not to mention Magazine You, our direct sales system through social networks, with more than 200,000 online agents that use this platform to supplement their income.

All these digital solutions reduce frictions, making the relationship between the physical and the digital worlds more fluid. They are all proprietary technology, owned by us and were developed according to our business strategy and our values. Truly Brazilian technology.

In a milestone period like 2017 was for Magalu, it is likely that this has been our main achievement: to prove, amidst skepticism and preconceptions, that a company established six decades ago in Brazil's countryside can be a protagonist of the Digital Era.

This achievement extrapolates Magazine Luiza. This is the evidence that the false prophecy — which many want to impose upon us — is wrong: the ability to develop technology is not confined to a geek monopoly in Silicon Valley or the Pacific Northwest. And it is not written in stone that only a handful of corporations will win the battle for the hearts and minds of global consumers.

Tom Jobim wisely said that Brazil is not for beginners. We have, at the same time, one of the largest consumer markets and one of the most complex tax systems in the world, perversely allied to a poor distribution infrastructure. Business models, processes, and systems adopted by the most successful multinational corporations have great difficulty adapting to such an inhospitable business environment. Nobody better knows how to create specific solutions that will overcome such challenges than Brazilian professionals.

By believing in our ability to play today's retail game, we have taken important steps over the last fiscal year. In April, we announced the acquisition of Integra Commerce, a startup based in the State of Minas Gerais specialized in the integration and management of sellers and marketplaces. The acquisition of Integra and the merger of its team with Luizalabs professionals were both crucial to the growth of our marketplace. Created in 2016, the Magalu marketplace currently has more than 750 sellers, offering 1.5 million items. This way, we have expanded our offering of the Company's products by 40 times and explored the long tail in a way that only the internet could allow.

We did it despite the adoption of the market's most selective approval process for new sellers. We refused more than 30% of entry proposals. We only do business with sellers who have the same service level required in our own operations. Magalu's marketplace exists to offer — from purchase to post-sale — the same experience we offered before the platform was open to third parties. Ultimately, everything sold in our marketplace is our responsibility. We don't pass the buck. We chose to manage this reality in a unique way, dealing with all events entered on Reclame Aqui, a website that scores customer satisfaction and that is a benchmark in Brazil. We were the only retail company to keep the consumer-feedback-derived RA1000 seal of highest-quality customer service.

The creation of and investment in the marketplace platform was not just a business decision. They were manifestations of Magazine Luiza's purpose: to deliver the opportunities and benefits of digitalization to as many Brazilians as possible. And that involves all companies — especially the small ones. We are talking about inclusion, a meaningful word that defined our company long before it became a fad; a passing, fashionable part of speech. We want to provide the sellers integrated in the marketplace with all the features developed by Luizalabs, acting as a powerful link to digitalization for those businesses.

Marketplace sellers will soon be able to use our distribution centers' services. Their products will also be traded by Magazine Luiza sellers within the stores and by our Magazine Você promoters. The products offered by sellers within the e-commerce platform will be available to buyers in any of our physical stores and distributed nationwide.

That is what multichanneling is all about.

As we have been adopting it — steadily, with no comings or goings — for the last twenty years, we are now ready to transform our physical stores in shoppable distribution centers, advanced hubs of distribution and expertise. This change has already begun and should intensify over the coming months.

Given Brazil's size and logistical problems, having 858 alternative distribution centers (in addition to the traditional DCs) is a considerable competitive advantage. Already, more than 20% of Magalu's total e-commerce sales are delivered via in-store pickup. Most of them within 48 hours.

It is an irony of fate that physical stores, whose very viability was strongly questioned in the recent past, are proving the keys to combining growth and profitability of digital operations. The world's largest e-commerce retailers are now directing investment capital toward opening physical stores or acquiring traditional retailers.

By turning our stores into small distribution centers, we are one step ahead in this movement. Our investments in our physical stores include increasing storage area, the installation of new storage equipment, the implementation of new technologies for local inventory management, the introduction of tools to improve sales processes, and the launch of digital services, such as LuConecta, released in 2017, which offers installation of and technological assistance for products sold.

With that, Magazine Luiza stores are more than points of sale. They are customer service centers, offering information and delivery services for our own and third-party goods, as well as the sale of products and services. All with a human touch. Such a sound history of integration and digitalization — relentlessly focused on the customer — is reflected in the results achieved by the company and has been well received by investors, who continue to demonstrate a growing trust in our business model.

In September, we performed a successful follow-on transaction which injected 1.1 billion reais into the Company's cash reserves and instituted Magalu's shares on the Ibovespa, the index of most-traded shares of the B3, the Brazilian Stock Exchange. The follow-on, added to the 1.0 billion reais in operating cash flow generated during the year, helped the Company end 2017 with a net cash position of 1.7 billion reais. We have built the financial foundation upon which to thrive in what we believe will be a coming, new cycle for the Brazilian economy.

In recent years, in the midst of the worst recession our country has ever faced, we successfully attained good results despite the stiff headwinds opposing the retail market. In defiance of this adversity, Magazine Luiza's performance consistently improved. We increased our sales by 28%, our EBITDA by 44%, and our net profit by 350% year-over-year. In 2018, as growth, employment rate, and income gradually increase, while interest rates drop to levels never seen before, retail can now sail with the wind at its back.

We have justifiable reasons to be optimistic. We got to this moment of optimism with a World Cup on the horizon, with the lowest bank indebtedness levels in our history, and available funds to speed up our transition into digitalization. Still, there is much to be done. And there always will be. Constant change is the new normal. We are prepared, confident, and excited about embracing this change.

We thank our shareholders, suppliers, and business partners for trusting us. We also appreciate the passionate dedication of all of our employees, who make Magalu the best company to work for in Brazil's retail market. And, of course, our thank you to all of our customers, the ultimate reason for our striving.

MAGAZINE LUIZA MANAGEMENT



02

Overview

MAGAZINE LUIZA

Overview

MAGAZINE LUIZA

BUSINESS OVERVIEW

Founded 60 years ago, we are Magazine Luiza S.A., one of Brazil's largest retailers. At the end of 2017, the Company had 858 stores, spread across 16 Brazilian states: 716 conventional stores, 141 virtual stores and the e-commerce platform. Add to that our app and the Marketplace, in addition to Magazine Você, Telemarketing and Corporate Sales, i.e., a multichannel platform which serves all social classes throughout the country. The Company also has 10 distribution centers and three offices, administratively based in São Paulo. [|GRI 102-1; 102-3; 102-4; 102-5; 102-6|](#)

Through its physical stores and e-commerce, Magazine Luiza sells several product categories, such as telephones, heavy electronics, image, furniture, computers, household appliances, market, automotive accessories, beverage, pet products, and more, through traditional e-commerce (own physical inventory) and a 2016-created marketplace platform which already includes over 750 sellers and over 1.5 million items. [|GRI 102-2|](#)

Luizalabs supports the Company's entire multichannel strategy, with 450 engineers and experts working in our development and innovation center, so as to ensure the utmost efficiency of our business performance. Organized into approximately 50 small teams, each with a specific mission, these professionals have created solutions, such as Mobile Sales, Mobile Delivery, Mobile Inventory, Digital CDC and Magazine Você (additional information in Channels), which continue to play an essential role in executing the Company's strategy.

Magazine Luiza also has Luizacred, a joint venture with Banco Itaú, which offers credit and financial products to its customers, in addition to Consórcio Luiza and Luizaseg, a joint venture with Cardif, which offers services, such as extended warranties and other insurance to customers.



SALES CHANNELS

At the end of 2017, Magazine Luiza had 525,981 m² in total sales area, distributed throughout the following store formats:

- **Conventional Stores**

Most of the Company's stores, a total of 83%, consist of street stores or shopping mall locations, with assortments of products suitable to their locality and consumers, with window displays and own physical inventory.

- **Virtual Stores**

Representing 16% of total stores, virtual stores are physical outposts located in smaller cities or in certain districts of medium-sized cities. These 141 stores offer the same product mix of a conventional store, but operate without a physical inventory or window displays (except for few electronic devices and mobile phones). Sellers demonstrate products to potential customers by means of Mobile Sales or multimedia resources.

- **E-commerce**

At www.magazineluiza.com.br, customers have access to a much larger assortment of products. With multichannel facilities, the platform also allows for an after-sales relationship with physical stores, besides the in-store pick up option where customer who buys via internet may pick up the product at a store.

- **Marketplace**

Launched in 2016, the Marketplace platform features the sales of partners' products and dramatically expands the Company's product offering capacity. Currently, it has over 750 sellers and offers more than 1.5 million items, which reinforce and complement the assortment of own products sold by the Company.

- **Época Cosméticos**

Época Cosméticos consists of e-commerce specialized in perfumes and cosmetics, expanding the Company's offerings in a segment which boasts attractive margins and has enjoyed considerable growth in Brazil.

- **Magazine Você**

Magazine Você offers customized webpages featured on social networks. Any web user can build a page and sell any Magazine Luiza product while providing recommendations and advice to their friends about what to buy. This innovative approach allows users and customers to receive advice from people they already know and trust, seamlessly integrating shopping into an environment in which they already spend an appreciable amount of time.

- **Telemarketing**

This is used by customers who contact Magazine Luiza via telephone, asking questions about products or trying to negotiate terms of sale. It offers access to our full suite of e-commerce products.

- **Luizacred**

Founded in 2001, Luizacred is a joint venture between Magazine Luiza and Banco Itaú. It finances a significant amount of the Company's sales while offering financial products and services for customers, such as the Luiza Card. Magazine Luiza's primary role is in employee management and customer service, while Banco Itaú is in charge of Luizacred's funding, credit extension and collection policies and support activities, such as accounting and treasury.

- **Luizaseg**

Founded in 2005, Luizaseg is the result of a 50/50 partnership between Magazine Luiza and Cardif, a subsidiary of the French financial group BNP Paribas. It is one of the leaders in the extended warranty insurance market in Brazil, also selling other insurance-related products, such as loss and theft, safe purchase, winning exchange, and right exchange, amongst others.

- **Consórcio Luiza**

Founded in 1992, the Consórcio Luiza was created to enable customers to fulfill their dreams for a better future. It operates in four main segments: household appliances, vehicles, properties, and services, with several options regarding credit and terms. It is positioned as one of Brazil's largest consortium companies.

DISTRIBUTION CHANNELS

- **Logistics**

Magazine Luiza has an exclusive logistics platform and an unique inventory, via which it is possible to serve all channels of the Company in an agile and efficient manner. Featuring 10 standalone distribution centers spread across the country along with 857 physical stores which function as smaller, shoppable distribution centers, Magazine Luiza has been developing The Fulfillment Project, with the objective that in 2018, marketplace sellers may also rely on Magazine Luiza's logistics platform.

- **Luiza Network**

Luiza Network is currently comprised of 1,500 outsourced carriers which distribute the products sold by the Company via an agile and competitive delivery team. In 2017, they made approximately 82% of the Company's deliveries. Luiza Network enables significant savings in freight expenses and on-demand procurement, resulting in better expense management and an improved level of service for our customers.

LOGISTICS HIGHLIGHTS

In 2017, one of the main highlights was the evolution of Luiza Network and the addition of a new distribution center. The Company ended 2017 with over 1,500 outsourced micro-transit companies (up from 900 in 2016) and 10 distribution centers spread across the country, all executing to serve the company's accelerated growth and customers' demands for more competitive terms. Distribution-center efficiency also increased with the optimization of product storage areas, without increasing meterage and costs.

In addition to the growth of Luiza Network, Magazine Luiza also progressed in the digitalization of our delivery process. In 2017, the Mobile Delivery app was implemented in 100% of our micro-transit companies, enabling improved order management through tracking and routing. In 2017, over three million deliveries were routed through Mobile Delivery.

In 2017, the Company carried on its work of continuously improving its logistics processes, conducting three Kaizen cycles supported by a consulting firm and 10 other internal cycles, aimed at identifying and executing improvements enabling greater efficiency and agility. We focused on the adaptation of processes with a pragmatic, lean philosophy, whether in operations or the delivery of products to customers.

Cycles, two weeks in duration, target the identification of problems and their causes, resulting in the development and implementation of solutions. Cycles involve employees of all hierarchical levels and provide improvements to daily activities at all vertical levels of the organization. In addition to reducing costs, these improvements generate efficiency gains in logistics operations.

Such improvements allowed for 80% of purchases made on our website using in-store pickup to be available to the customer within two business days. This method of order fulfillment, which is provided at no cost to customers, is available in 100% of our stores.

In order to meet growing customer demand for services like this, stores will continue to be transformed into shoppable distribution centers, providing for better storage of products in inventory and an improved customer experience.

“Reclame Aqui” Stands Out

As a result of the improvements in our multichannel strategy and integration of distribution centers, today Magazine Luiza's logistics operations serve online and offline customers with the same superior quality, capitalizing on our unique inventory and management system. Magazine Luiza was the single large company to maintain the RA 1000 seal of “Reclame Aqui”, despite the inclusion of third-party-driven Marketplace transactions in our evaluation..



PURPOSE, VISION, AND VALUES | GRI 102-16|

PURPOSE

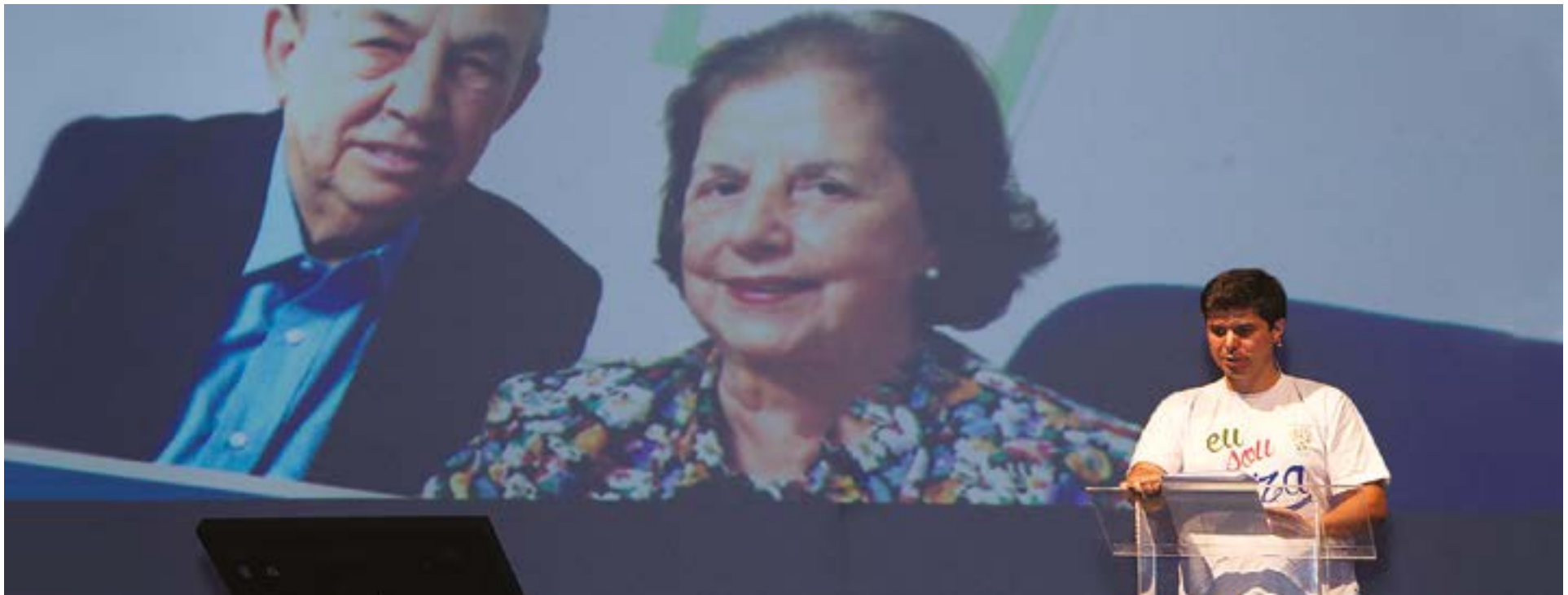
Provide access to many what has historically been the privilege of few.

VISION

Be the most innovative group in Brazilian retail, offering several lines of products and services for Brazilian households. Be present where, when, and how the customer desires, whether in physical, virtual, or online stores. Always enchant customer with the best retail team, differentiated service, and competitive prices.

VALUES AND PRINCIPLES

- **Respect, Development, and Recognition** - We put people first, because they are the strength and vitality of our organization;
- **Ethics** - Our actions and relationships are based on truth, integrity, honesty, transparency, justice, and the common good;
- **Simplicity and Freedom of Expression** - We seek simplicity in our business and processes, we respect everyone's opinion and we are open to listening to them, regardless of their relationship to the Company;
- **Innovation and Courage** - We cultivate entrepreneurship in the pursuit of making a difference, with innovative and bold initiatives;
- **Golden Rule** - Do unto others what you would have others do unto you



2017 ANNUAL HIGHLIGHTS | GRI 102-7|



OVERVIEW

- **61%** sales growth of e-commerce
- **17%** sales growth of physical stores
- **10** million active customers
- **3.4** million Luiza Cards
- **858** stores
- **+30%** e-commerce transaction share vs +24% in 2016
- **16** million single visitors at digital channels



PEOPLE

- **22,870** employees as of year-end
- Best company to work for in the retail sector, according to Great Place to Work Institute
- Hiring of seasonal workers
- Launch of new “Portal do Saber” (Knowledge Portal)
- **22,000** participants in the trainee program



FINANCIAL HIGHLIGHTS 2017 VS. 2016

- **R\$14.4B** total sales, 28% growth
- **17%** physical-store sales growth
- **R\$3,606M** gross profit, 23% increase
- **R\$1,031M** EBITDA, 44% increase
- **8.6%** EBITDA margin, an increase of 1.1 p.p.
- **R\$1.0B** cash flow from operations
- **R\$1.8B** net debt reduction
- **R\$1.7B** net cash



STORE AND COMMERCIAL OPERATIONS

- **1.1 p.p.** physical-store market share gain
- **14%** same-store sales growth
- **263** million in sales; 60 stores opened in 2017



E-COMMERCE

- **6 p.p.** de ganho de *Market share*
- **6 p.p.** market share gain
- **60%** mobile-traffic growth
- **50%** active-customer sales growth
- Launch of Magalu Market
- **53%** growth of customer base
- **10M** app downloads
- **48%** active-store growth in Magazine Você



MARKETPLACE

- **1.5M** SKUs
- **750** sellers
- Excellent service: "Reclame Aqui" Seal RA 1000 award



LOGISTICS

- **10** distribution centers and 1,500 micro-transit companies
- **82%** of deliveries via Luiza Network
- **Mobile Delivery:** best cargo tracking per customer-experience Contact Rate Index



CONSÓRCIO LUIZA

- **3th** ranked of best companies to work for, according to the Great Place to Work Institute
- Excellent evaluation in the index of “Reclame Aqui” website
- **29%** sales growth
- **23%** increase in net income



LUIZACRED

- **45%** physical-store sales growth via Luiza Card
- **35%** new-card sales growths;
- decrease of 2.1 p.p. in NPL 90;
- **31%** growth of Luiza Card portfolio



LUIZASEG

- **46%** net-income growth;
- **23%** reduction in claims;
- **11%** growth of net premium



LUIZALABS

- Acquisition of Integra Commerce
- **450+** developers and experts
- Implementation of digital inventory count
- Created exchange coupon
- Back-office digitalization for both Magalu and sellers
- **200+** projects in the year

AWARDS AND RECOGNITION

Great Place to Work: Magazine Luiza was considered the best company to work for in the retail sector, according to the Great Place to Work Institute, and was fourth-ranked nationally across all sectors;

Época Reclame Aqui 2017 Award: The Company was ranked third in the Época Reclame Aqui 2017 Award, in the “E-commerce: Large Operations” category. In the General Insurance category, Luizaseg was ranked fourth;

Brand Finance: According to this consulting firm, Magazine Luiza was the second-fastest-growing brand in Brazil for market-cap-adjusted growth, at 133% year-over-year, and ranked 27th overall;

Interbrand: Magazine Luiza joined the list of Brazil’s 25 most valuable brands, according to Interbrand. In addition, the Company’s brand value grew by 30%, the largest gain among all 25 ranked companies.





03 | Corporate GOVERNANCE

Corporate GOVERNANCE

Under the code MGLU3, Magazine Luiza's shares are listed on B3 Novo Mercado (formerly BM&FBovespa), which demands the highest corporate governance standards, focused on transparency, equity, accountability, and responsibility. In addition, in 2017, we performed a successful follow-on transaction which injected 1.1 billion reais into the Company's cash reserves and instituted Magalu shares on the Ibovespa, the index of most-traded shares of B3, the Brazilian Stock Exchange.

GOVERNANCE STRUCTURE | GRI 102-18|

Magazine Luiza's governance structure is composed of the Board of Directors and the Board of Executive Officers, supported by the Fiscal Council and four committees: Audit, Risk, and Compliance; Finance and Consumer Credit; People and Organizational Culture; and Strategy, Businesses, and Digital Transformation.

BOARD OF DIRECTORS (BD) | GRI 102-22; 102-23; 102-26|

Its members, elected at the Shareholders' General Meeting for two-year terms of office, and reelected as authorized, are in charge of establishing business guidelines and electing members of the Board of Executive Officers, as well as defining their duties and monitoring their performance. Currently, the board of directors is composed of seven members, of whom four are considered independent.

Member	Title
Luiza Helena Trajano Inácio Rodrigues	Chairwoman
Marcelo José Ferreira e Silva	Vice Chairman
Carlos Renato Donzelli	Deputy board member
José Antônio Palamoni	Sitting board member
Betânia Tanure de Barros	Independent board member
Inês Corrêa de Souza	Independent board member
José Paschoal Rossetti	Independent board member
Sílvio Romero de Lemos Meira	Independent board member

BOARD OF EXECUTIVE OFFICERS

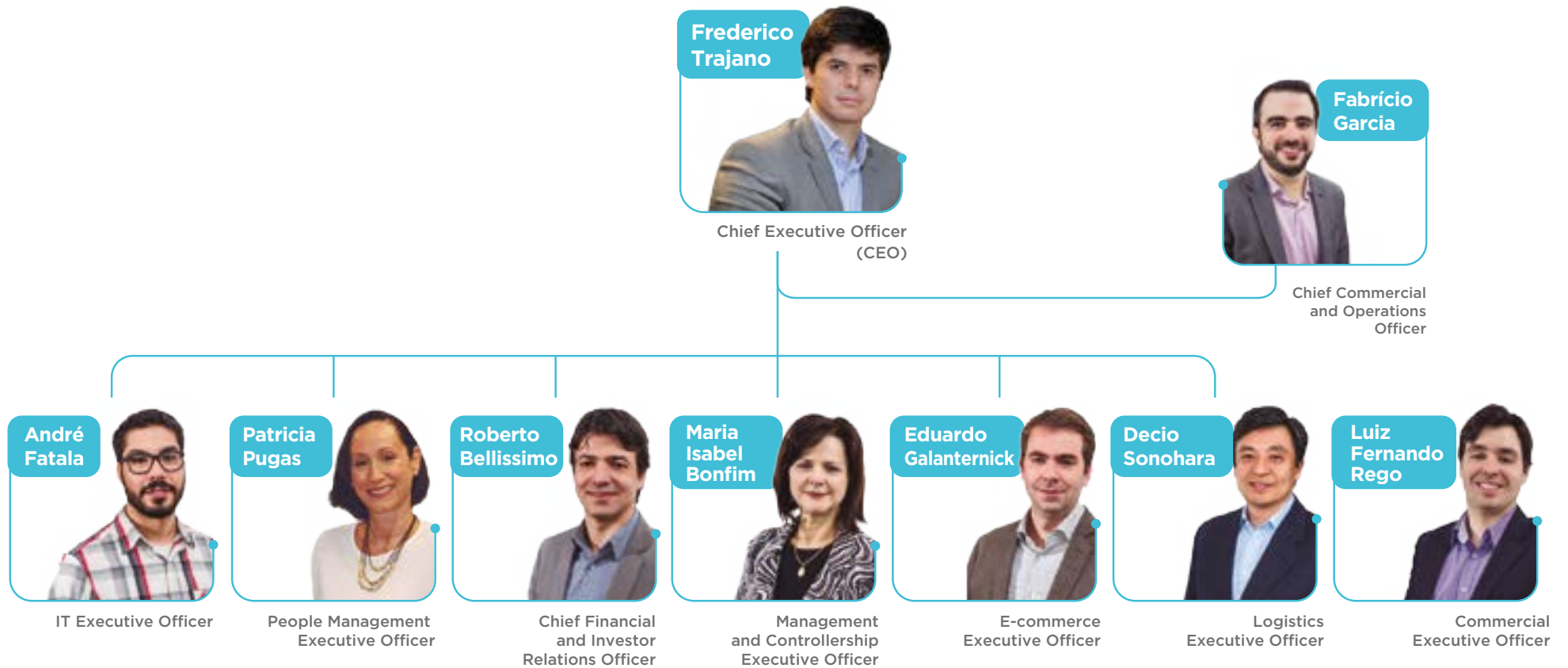
It shall be incumbent upon the Board of Executive Officers to manage the Company's businesses and execute the decisions of the Board of Directors. The chief executive officer is in charge of delegating the duties and responsibilities for each executive officer.

FISCAL COUNCIL

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

Member	Title
Inocência Teixeira Baptista Pinheiro	Chairman elected by controlling shareholder
Fabício Gomes	Member elected by controlling shareholder
Thiago Costa Jacinto	Member elected by minority common shareholders
Mauro Marangoni	Member elected by controlling shareholder
Robinson Leonardo Nogueira	Member elected by controlling shareholder
Eduardo Christovam Galdi Mestieri	Member elected by minority common shareholders

BOARD OF EXECUTIVE OFFICERS



SUPPORTING COMMITTEES

**Audit, Risk, and Compliance Committee**

Advises the Board of Directors in the monitoring of Magazine Luiza's normative activities, by means of analysis of the financial statement, the reference form, releases, and the management report; evaluation of performance and independence of independent auditors; monitoring of the Company's conformity with the requirements of law and other regulations; and monitoring of management of primary corporate risks formally delegated by the Board.

**Finance Committee and Consumer Credit**

Advises the Board of Directors to assist in defining the Company's policy and financial planning, including adequate levels of indebtedness for activities and financial investments, investment policy, as well as it monitoring the financial risks for Magazine Luiza and the activities of subsidiaries Luizacred and Luizaseg.

**People and Organizational Culture Committee**

In charge of guidelines on values, ethical and legal standards, statutes, charters, regulations, and the Company's organizational structure up to the executive board level,

**Strategy, Business, and Digital Transformation Committee**

In charge of defining the company's aspirations and business model, risks and return potential for investors, entry into and exit from businesses and activity sectors, as well as the company's macro strategy and sustainability,

ETHICAL BEHAVIOR |GRI 102-16; 103-1; 103-2; 103-3|

Magazine Luiza has a Code of Conduct. Revised annually, the document provides clear guidelines, policies, and procedures to ensure fair and honest business conduct. By means of this document, the company expects compliance and transparency to guide the actions of the Company's employees.

Besides being available for consultation on the Company's investor relations website (ri.magazineluiza.com.br), the Code and its values and principles are broadly disseminated to employees also through the "Rite of Communion", "TV Luiza" broadcasts and "Strategic Planning Seminars", so as to reach all employees.

In 2017, a highlight was the launch of the communication channel "Disque Denúncia" (Dial Complaint), where employees may anonymously provide information about situations that conflict with the principles in the Code of Conduct. Complaints are verified by internal audit and conclusions are passed on to management in the relevant business area. **|GRI 102-17|**

It is worth mentioning that the Company also relies on its Anticorruption Manual, Integrity Manual, Gifts and Hospitality Policy, and Treatment of Information Policy, all available on the investor relations website, in support of its commitment to ethical conduct in business.

ANTICORRUPTION |GRI 205-1; 205-2; 205-3|

Besides maintaining an Anticorruption Manual, the business office in São Paulo, the hub for all corporate activities, underwent a risk assessment relating to corruption in 2017. In 2017, 877 employees participated in the training related to this topic, a 129% increase vs. 2016.

In addition, the internal audit department continuously monitors main operations carried out in stores. The team also verifies 100% of complaints received. In 2017, no cases of corruption were identified in the Company.

RISK MANAGEMENT |GRI 102-15|

Magazine Luiza's risk matrix, revised annually, quantifies the company's main risks based on their probability of occurrence and the potential magnitude of their impact on businesses. Risk monitoring and mitigation occur by means of attention to indicators, which are periodically assessed by the Audit, Risk, and Compliance Committee and by the Finance and Consumer Credit Committee. Whenever any likely threat to the business's strategy, assets, or image is verified, it is reported to the Board of Directors, the body in charge of the risk management guidelines.

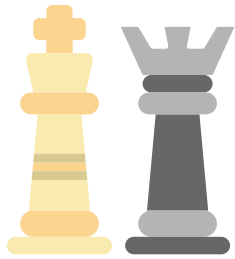
Risk management relies on the participation of all hierarchical levels of the Company, from Board of Directors to advisory committees, board of executive officers and other areas. In addition, the Company has a Corporate Risk Management Policy, with a set of guidelines and principles to be considered in the Company's risk management process. Applicable to all levels in charge of risk management, directly or indirectly, the Policy also defines, details, and formalizes the responsibility of each governance agent of the Company involved in this process. **|GRI 102-30|**

Another important aspect to mitigate risks is contained in our internal auditing, which aside from administering the annual auditing program, also conducts 36 remote audits in 100% of stores and manages a few reverse-logistics processes. These audits take place on daily, weekly, and monthly bases. There is also a bi-monthly self-audit conducted, in which store managers evaluate themselves. These audits are then, in turn, reviewed by an auditor. In this fashion, the Company proactively manages areas requiring improvement, while simultaneously helping to avoid eventual fraud.

RISK CLASSIFICATION

The Company's risks are classified as follows, according to the Corporate Risk Management Policy:

STRATEGIC RISKS



Risks that may prevent or affect the achievement of the Company's strategic decisions for its business objectives as defined in its Strategic Planning

FINANCIAL RISKS



Risks that may imply financial losses, due to unexpected effects on the Company's forecast economic scenario and market trends, reflected in changes of interest rates, exchange rates, inflation, employment, income, indebtedness, selection of financial investments, share prices, and other variables.

OPERATIONAL RISKS



Risks that may imply financial losses and image damages due to operational failures or deviations related to internal controls, processes, information systems, resource management, and fraud, among other factors

COMPLIANCE RISKS



Risks related to legal or regulatory sanctions; financial or reputational losses that the Company may suffer as a result of failing to comply with laws, rules, regulations, ethics, Code of Conduct and other internal policies



04 | STRATEGY

STRATEGY

SECTOR OVERVIEW

In 2017, the retail market followed the slight recovery of the wider economy, as indicated by a 1.1% growth of Gross Domestic Product (GDP), an increase of wages bill, and a reduction of the Central Government's primary deficit (Treasury, Central Bank, and Social Security). Nominal sales in 2017 were 7.7% higher than in 2016, according to PMC (IBGE).

Online sales also increased in 2017, accounting for 4.3% of retail sales in Brazil, versus 3.8% in 2016. In 2017, e-commerce grew by 7.5% year-over-year, with sales of R\$47.7 billion, according to e-bit.

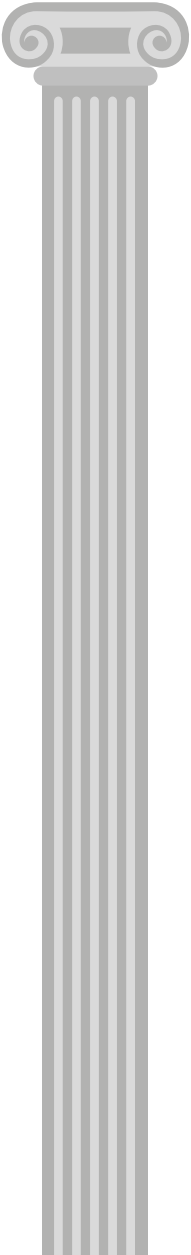
Also according to e-bit, the expectation for 2018 is 12% sales growth via e-commerce, which should exceed R\$53.5 billion.

STRATEGIC POSITIONING

2017's results and our outlook for 2018 indicate opportunities for Magazine Luiza as we undergo our digital transformation strategic cycle, the fourth cycle since our foundation. This cycle sets the Company's positioning as an increasingly digital multichannel entity, focused on processes optimization and better services for customers: where, when, and how they want them. Next, the Company's strategic pillars:



STRATEGIC PILLARS



Contribute to consumers’ digital inclusion: To promote their digital inclusion, the Company teaches its customers to embrace digitalization, showing how technology can make their lives easier. Employees, who are thoroughly trained in all things digital, act as agents of this change. Customer guidance is offered in digitized format, like “Lu”, a virtual character who is an IT expert, used in communications to assist customers in making the right purchase based on product information and clarification of doubts expressed on the internet and via social networks.



Continuously improve Multichannel engagement: With our unique infrastructure, the Company operates fully integrated channels, supported by technological tools, so as to generate higher efficiency and lower costs. An example is in-store pickup, which allows purchase via virtual channels, and order fulfillment at a physical store.



Reformulation and digitalization of physical stores: With our multichannel strategy, the Company has been investing in physical stores, including increasing storage area, the installation of new storage equipment, applying new technologies for local inventory management, introducing tools to improve sales processes and launching digital services, similar to LuConecta, launched in 2017, which offers installation and technological assistance for products sold. Thus, stores will be more than a point-of-sale, but customer service centers which offer information, delivery of own goods and of third parties, and sale of products and services (shoppable distribution centers).



Continuous development of digital platform: The Company relies on a marketplace composed of sellers who can be small retailers, leaders of complementary categories to the Company’s products, or industries interested in obtaining direct sales channels to their customers. In 2017, Magazine Luiza acquired Integra Commerce, a startup based in the state of Minas Gerais specialized in the integration and management of sellers and marketplaces. The operation, combined with its team of LuizaLabs professionals, was essential to the marketplace growth at Magazine Luiza.

It is worth mentioning that soon the marketplace sellers will also be able to use the Company’s distribution centers. The products offered by sellers on the e-commerce platform will be available to be picked up by customers at any of Magazine Luiza’s physical stores throughout the country. In addition, their products will be also sold by Magazine Luiza’s sellers at stores and by Magazine Você’s promoters.



Strengthening of a digital culture: Beyond technological tools, the Company fully embraces digital culture, valuing speed, innovation, and people. We invest in training and expansion of new services solutions, and encourage our employees to digitize, to use social networks and apps to communicate, buy and sell products, address doubts, or answer complaints.

MAGAZINE LUIZA'S STRENGTHS



Strategic positioning to capture e-commerce growth in Brazil: Magazine Luiza has a digital platform which offers a multichannel experience to consumers, who can buy any product via any channel, such as e-commerce, app, or Magazine Você, and the customer can choose in-store pickup or to receive the product at home. This is one way the Company is capitalizing on the growth of e-commerce in Brazil, since it serves the how, when, and where customers want.



Unique and integrated platform of corporate services and logistics: The Company has over 1,500 carriers, 858 physical, conventional, virtual, and e-commerce stores, 10 strategically located distribution centers and a single shared-services center (back office). The distribution centers serve all the channels and rely on regional specialization, which enables a significant reduction in delivery terms and costs. With such platform consolidation, administrative, logistics, and sales costs are diluted, and processes are optimized.



E-commerce growth: Magazine Luiza e-commerce continues to experience solid growth. In 2017, this channel's sales grew by 61%, reaching 30.4% of the Company's total sales. In addition, the sales app reached the 10-million-download mark, double the downloads compared to 2016.



Profitability and cash generation: Focused on profitability and cash generation, the Company has financial discipline and control of risks inherent to the business. It relies on a rigorous expense-control policy, with annual budgets based on Zero Base Budget methodology (OBZ) and Expense Matrix Management (GMD).



Strong digital culture and capacity for innovation: With the digital transformation cycle, the Company seeks to capitalize on new trends, aware that Brazilian consumers are increasingly connected to the digital world. By means of Luizalabs, technological solutions are continually developed, spearheading innovation across all processes for the Company.



Experienced management with a proven track record of delivering solid results: The Company's management is composed of professionals with broad experience in both the traditional and digital retail sector. Annual performance evaluations are conducted and the management model forecasts corporate and individual targets, which contribute to business development.

INNOVATION

As a tech company focused on retail, Magazine Luiza relies on Luizalabs, an internal development and innovation center, whose objective is to support our entire digital transformation strategy by focusing on ways to improve the customer's shopping experience.

To reduce roadblocks between customer and purchase, Luizalabs seeks to use technology to provide simplicity. Over 450 engineers and experts work to ensure process improvement and ideal flow for several areas of the Company, from operations to customer relations.

In 2017, the IT area was integrated by joining teams focused on sales channels and back-office, managed by an IT executive officer. The objective was to promote more focus on the Company's strategy, with a holistic view toward ensuring the development of business-supportive technologies.

With such change, approximately 50 small teams were organized at Luizalabs. They were assigned missions, according to various business needs. The teams essentially function as individual startups within the company. Currently, 100% of IT and innovation development is carried out internally.

Digital culture permeates the Company as a whole. Luizalabs' leading role drives this process and influences the business models of several areas. The process is so integrated that business targets are stipulated jointly between IT and other areas of the company.

In 2018, the main focus will be to make Magazine Luiza's infrastructure available for sellers, improving customers' marketplace shopping experiences while contributing to sellers' management processes. In so doing, we will offer a whole new suite of financial, marketing, and logistics services.



LUIZALABS RESULTS IN 2017

Over 200 projects which impacted all of our operations, including



Corporate management: Back office and admission processes have been automated, such as creation of a second copy of an invoice, in real time, for physical store customers and invoice integration (60% of the process is automatically integrated).



Marketplace: Tools were created to transform Magazine Luiza into the most profitable and simple-to-operate marketplace in the market. Among the features offered in 2017, Marketplace sellers can use the price list of Magazine Luiza with the Brazilian Postal Service and create the Magalu Ads, an advertising platform for sellers in the Company's digital sales channels, enhancing the marketability of their offerings.



Digital channels: Luizalabs sought to deliver a simple shopping experience, with the best options for consumers, by means of new "Clube da Lu", a self-service portal for partners. A new wedding registry app was created for Magazine Você. integration with credit and debit card machines, amongst other highlights



Business operations: The technologies developed involved the automatic supply of products, multichannel rebate coupons, and a pricing system for physical stores.



Logistics: Projects included expanding Mobile Delivery to the entire Luiza Network, the digitalization of reverse process in distribution centers, the implementation of Express Delivery (within 48 hours) in 10 cities, amongst others



Store digitalization: By means of the Digital CDC, the credit approval period decreased from 40 to five minutes. The Mobile Inventory app reduced inventory-checking time from 90 to 10 minutes. The wedding registries are now fully integrated to the physical stores and, in a pilot project, the Marketplace products are now sold at stores, amongst other highlights



After-sales: This involved multichannel exchange coupons, greater accuracy of order information, tracking of delivery, and reduced contact rate



Research and development: Four service processes have been automated by means of artificial intelligence, which was also used to help consumers choose their smartphones, with recommendations. Also, the app Meu Salão Virtual was created to manage beauty salons, which can sell Época Cosméticos products.

VALUE CREATION

Magazine relies on five main types of capital, the strategies of which aim to create value for all the Company's stakeholders Luiza.

CAPITAL

Natural Capital: Due to the nature of business, water and energy are the main resources used by the Company, which invests in awareness and greater efficiency in the use of these resources.

Human Capital: We value the human touch in our business, and the Company invests in employee attraction, retention, development, and recognition.

Social Capital: Includes the relationship with communities and support to cultural, sports, and social projects.

Financial Capital: The Company invests in continued managerial improvement for better operational and financial performance.

Intellectual Capital: Via LuizaLabs, 450 engineers promote innovative solutions for process improvements.

VALUE ADDED

Relationship with partners and suppliers: The Company seeks to contract suppliers who work next to its distribution centers, and whenever possible, it stimulates partners to open local industries, so as to generate a productive relationship for all parties.

Operation: With 858 stores, 10 distribution centers, and three offices distributed through 16 Brazilian states, the Company serves customers throughout the country by means of a diversified and integrated multichannel platform, composed of (i) e-commerce, including the app, the website, and the Marketplace, (ii) conventional physical stores, (iii) virtual stores, (iv) Magazine Você, (v) Telemarketing, and (vi) Corporate Sales.

Customer Satisfaction: In order to promote increasingly better service, the Company's multichannel strategy offers processes integration, so the consumer has the facility of buying how, when, and where they prefer. Customer satisfaction is monitored by means of the NPS methodology (Net Promoter Score), which assesses the percentage of shoppers who would recommend the company to relatives, friends, or colleagues.

Relationship with community: Besides a volunteer program and investments in cultural and social projects in several communities, Magazine Luiza's strategy includes the promotion of digital inclusion of the Brazilian middle class, by means of access to technological products.

VALUE CREATED IN 2017

- 26% growth of gross revenue, reaching R\$14.3 billion;
- 61% growth of e-commerce or 30% of sales;
- 28% increase in total sales, reaching R\$14.4 billion
- Net income grows 350% to R\$389 million;
- Operating cash generation increases, reaching R\$1.0 billion in 12 months;
- Total investment of R\$170.8 million, especially in IT and logistics projects, besides store renovations and openings;
- 22,870 employees;
- 548 active contracts with suppliers;
- Stable energy consumption, despite operations growth;
- R\$4.3 million investment in projects for communities.

VALUE SHARED WITH:

Shareholders: with its shares listed on B3 Novo Mercado (formerly BM&FBovespa), Magazine Luiza observes the highest corporate governance standards. In 2017, the Company conducted a successful follow-on, which injected R\$1.1 billion into the Company's cash reserves and instituted its shares on Ibovespa.

Suppliers: além de priorizar contratações locais, a Companhia apoia as empresas de sua cadeia de valor com iniciativas que envolvem linha de crédito e relacionamento próximo.

Employees: a estratégia de gestão de pessoas visa atrair, reter, desenvolver e reconhecer os colaboradores da Companhia, além de contar com programa estruturado para a contratação de pessoas portadoras de deficiência.

Customers: os clientes do Magazine Luiza contam com acesso a facilidades, como a compra pelo *e-commerce* e retirada na loja, promovidas pela plataforma multicanal. A Companhia também atua na instrução dos consumidores, para que façam a melhor compra.

Communities: 22,000 people are benefited via social and cultural projects and Magazine Luiza's employee volunteerism.

RELATIONSHIP WITH STAKEHOLDERS | GRI 102-40; 102-42; 102-43|

In order to generate value and better understand the needs of the various individuals and organizations who have an interest in Magazine Luiza, the Company seeks to maintain a continuously open relationship with them via permanent dialogue channels with its employees, customers, and shareholders.

The identification of the Company's main stakeholders takes into account the extension of positive and negative impacts of Magazine Luiza on different sectors of society and the potential impact of stakeholders on the Company. Thus, the list includes customers, suppliers, communities, sector forums, non-governmental organizations and government entities, all periodically engaged by the Company.

In addition, to promote sector improvements in the areas where it operates, Magazine Luiza actively participates in discussion forums and organizations, such as the Brazilian Institute of Corporate Hospitality (IBHE) and the Institute for Retail Development (IDV). **| GRI 102-12; 102-13|**





05

Business
PERFORMANCE

Business PERFORMANCE

OPERATIONAL PERFORMANCE

Magazine Luiza ended 2017 with 858 stores and 10 strategically located distribution centers in 16 Brazilian states. At the end of the year, the Company had 22,870 employees and a customer base exceeding 50 million. It also opened 60 new stores while closing two. 17% of stores are in their maturation process.

One of the year's main highlights was the 60.9% growth of e-commerce sales, the remarkable strength of which is evidenced by a comparison with Brazilian overall virtual market growth: according to e-bit, the e-commerce segment grew by 7.5% in 2017 in Brazil.

Magazine Luiza again gained market share in all channels and main product categories. In 2017, according to IBGE's data (PMC), nominal sales of furniture and home appliances grew only 7.7% for Brazilian companies overall, versus a growth of 27.9% for the Company's sales.

The market share gain was a result of (i) higher sales from mobile platforms, especially the app, (ii) increase in conversion rate in all channels, (iii) implementation of multichannel projects, highlighting the in-store pickup and (iv) the RA1000 seal of excellence in logistics and services.

OPERATIONAL HIGHLIGHTS

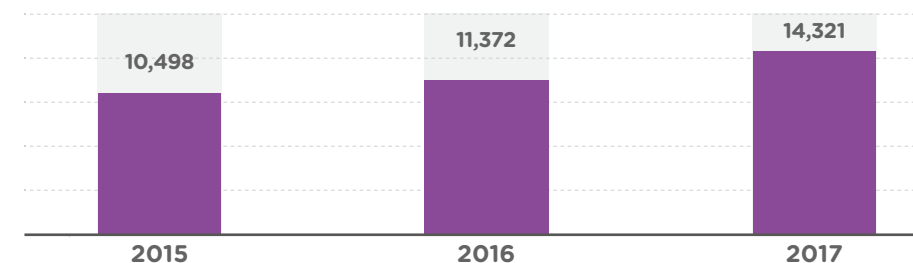
	2015	2016	2017
E-commerce growth	9.8%	32.3%	60.9%
E-commerce percentage of sales	19.8%	24%	30.4%
Same-store sales growth	-12.5%	2.4%	17.4%
Physical stores total growth	-12.5%	2.4%	17.4%
Total number of stores	786	800	858
Stores' total area (m2)	498,570	501,319	525,981
Average area per store (m2)	634	627	613

FINANCIAL PERFORMANCE |GRI 103-1; 103-2;103-3|

HIGHLIGHTS

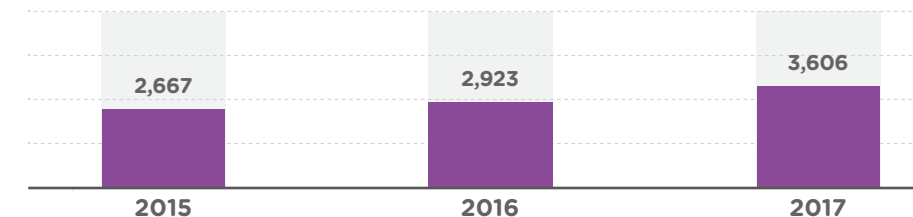
- Gross Revenue:** In 2017, gross revenue grew by 25.9% to R\$14.3 billion, versus R\$11.4 billion in 2016. This increase was due to accelerated growth of e-commerce, higher same-stores sales, and contribution from 60 new stores. In 2017, year-over-year net revenue rose 26.0% to R\$12.0 billion.

GROSS OPERATION REVENUE (R\$ MILLION)



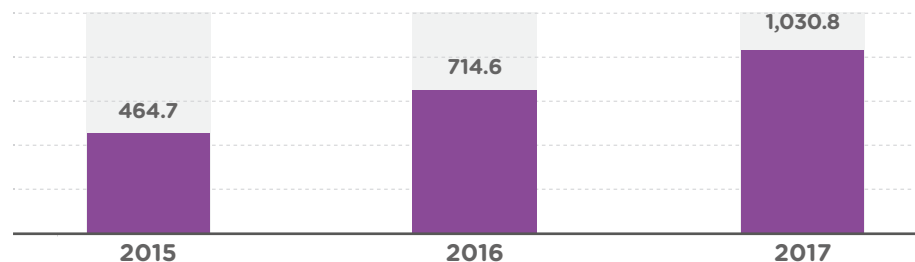
- Gross Profit:** Gross profit grew by 23.4% in 2017, totaling R\$3,606.0 million versus R\$2,922.6 million in 2016. Gross margin stood at 30.1% in 2017, down 0.8 p.p. year-over-year, a result of the significant increase of e-commerce contribution to total sales. Gross margin remained the same in all channels.

GROSS PROFIT (R\$ MILLION)



- Expenses:** In 2017, expenses totaled R\$2.1 billion or 17.7% of net revenue, down 1.0 p.p. versus 2016. General and administrative expenses totaled R\$536.0 million or 4.5% of net revenue, down -0.6 p.p. versus 2016. Allowances for loan losses totaled R\$41.9 million in 2017 and other net operating revenue totaled R\$36.5 million in 2017.
- EBITDA:** In 2017, EBITDA climbed 44.3% to R\$1,030.8 million on a margin of 8.6% (+1.1 p.p. versus 2016). Higher sales growth, a positive contribution from e-commerce, the dilution of operating expenses, smf Luizacred and Luizaseg performances contributed to results.

EBITDA (R\$ MILLION)



Net Income: Net income posted its best result since the Company’s IPO, totaling R\$389.0 million in 2017 (net margin of 3.2%).

Working capital: In the last 12 months, the adjusted working capital variation contributed R\$299.5 million to operating cash generation, and, accordingly, to reduce adjusted net debt.

Capital structure: In the last 12 months, the Company improved its capital structure by R\$1,799.0 million, from a net debt position of R\$135.6 million in December 2016 to a net cash position of R\$1,663.4 million in December 2017, including the proceeds from the secondary offering held in October 2017, totaling R\$1,144 million.

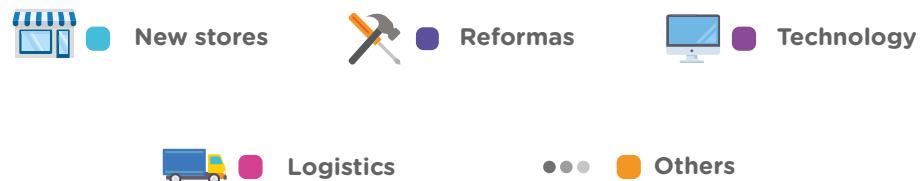
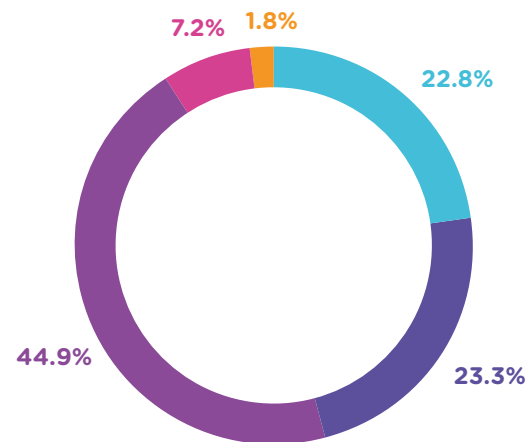
The Company ended 2017 with a total cash position of R\$2.5 billion, considering cash and financial investments of R\$1.7 billion plus R\$0.9 billion in credit card receivables.

INVESTMENTS

In 2017, investments totaled R\$170.8 million, 37.4% higher than the previous year. Most of this amount was allocated to investments in technology, followed by new stores, renovations, and logistics.

DISTRIBUTION OF INVESTMENTS

The pie chart below includes amounts in Brazilian Reais totaling R\$ 170.8 million. the % amount are:



VALUE-ADDED STATEMENT | GRI 201-1

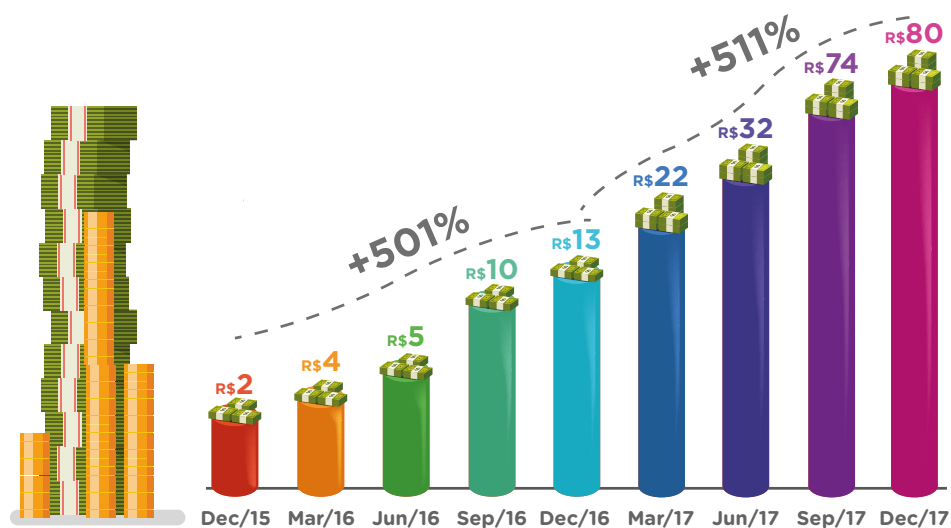
	2016	2017	Var.%
Revenues	10,907,837	13,727,997	25.9%
Inputs acquired from third parties	-8,169,559	-10,254,627	25.5%
Gross value added	2,738,278	3,473,370	26.8%
Depreciation and amortization	-133,612	-143,059	7.1%
Net value added	2,604,666	3,330,311	27.9%
Value added received in transparency	179,357	196,263	9.4%
Total value added to distribute	2,784,023	3,526,574	26.7%

DISTRIBUTION OF INVESTMENTS|GRI 201-1

	2016	2017	Var.%
Personnel and charges	941,562	1,088,793	15.6%
Taxes, fees and contributions	827,700	1,201,874	45.2%
Debt capital remuneration	928,196	846,885	-8.8%
Equity capital remuneration	86,565	389,022	349.4%
Total	2,784,023	3,526,574	26.7%

STOCK PERFORMANCE

Magazine Luiza's shares (MGLU3) recorded the best performance on the B3 in 2017, with 511% appreciation, compared to 501% in 2016, a two-year total percentage appreciation of 3,258%. In addition, shares are now listed on the Ibovespa as of January 2018.

SHARE PRICE EVOLUTION




06 | EMPLOYEES

OUR EMPLOYEES

[GRI G4-103-1; 103-2; 103-3]

The human touch permeates all Magazine Luiza's relationships, inclusive of those with its employees. The Company aims at attracting, retaining, developing, and granting benefits to its employees, with clear and transparent communication. In addition, it relies on a meritocratic policy based on solid employee evaluations.

Due to its people management practices, the Company was ranked first amongst the large-sized companies, as the best company to work for in retail by Great Place to Work Institute (GPTW). In the Brazilian overall ranking, the Company reached the fourth position. In addition, in the GPTW Climate Survey conducted in 2017, Luiza scored four points higher than the previous year. The survey's main highlight was employee pride in being part of the Company.

EMPLOYMENT

The Company ended 2017 with 22,870 employees, 9.8% more than in 2016, with a turnover rate of 31.77%. [GRI 102-8; 401-1]

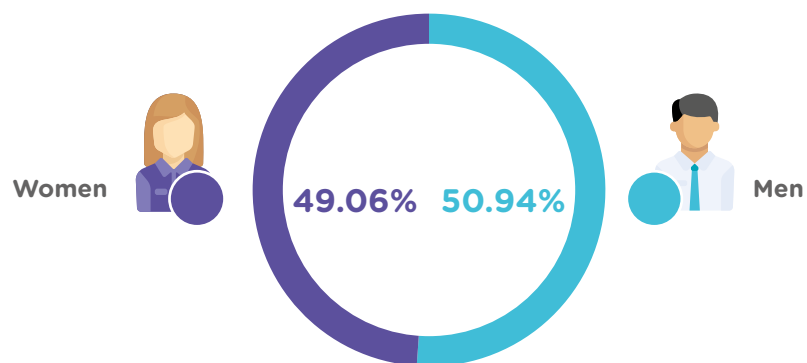
By means of a social inclusion program, Magazine Luiza filled 4% of the quota required by laws when hiring disabled people in 2017. The program involved initiatives relating to the adaptation of facilities for employees and customers, as well as training and development of all employees. In December 2017, the Company had 928 disabled employees.

Also, a new trainee program was implemented in 2017, by means of which nine new trainees were hired, in line with the company's behavioral profile, besides their technical qualifications. The internship program was redesigned in 2017, so as to provide more substantial youth training.

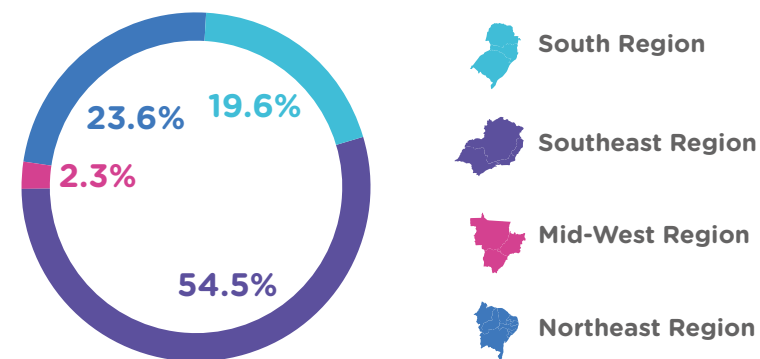
TOTAL EMPLOYEES [GRI 102-8]

Total employees	2016		2017	
	Men	Women	Men	Women
By position				
Board of directors	7	3	5	3
Board of executive officers	22	4	28	5
Management	722	287	784	330
Leader/coordinator	323	744	339	792
Technical/supervision	230	87	394	104
Administrative	1,985	4,370	2,185	4,566
Operational	6,665	4,672	7,456	5,103
Trainees	0	0	3	6
Third parties			0	0
Apprentices	379	309	447	300
Interns	7	9	8	11
TOTAL	10,340	10,485	11,650	11,220

EMPLOYEES BY GENDER | GRI 102-8|



EMPLOYEES BY REGION | GRI 102-8|



TURNOVER | GRI G4-401-1|

	Hired	Dismissed	Total	Turnover Rate (%)
By gender				
Men	4,803	3,344	8,147	17.81%
Women	3,639	2,749	6,388	13.96%
By age group				
Less than 30 years	5,095	3,162	8,257	18.05%
From 30 to 50 years	3,195	2,736	5,931	12.96%
Above 50 years	152	195	347	0.75%
By region				
South region	1,764	1,453	3,217	7.03%
Southeast region	4,428	3,264	7,692	16.81%
Mid-west region	220	201	421	0.92%
Northeast region	2,030	1,175	3,205	7.00%
North region	0	0	0	0

ASSERTIVE SELECTION

With the Company’s values redesigned in 2016, in 2017, selection was more assertive and guided by a behavioral basis to ensure the alignment of new employees with Magazine Luiza’s culture and principles. The first phase of the interview process’s evaluation is performed digitally and besides technical skills, also evaluates a candidate on a scale of beliefs. Interviews are conducted with at least three separate Company leaders, which include these values in evaluations.

RETENTION AND BENEFITS |GRI G4-401-2|

Aimed at retaining talent, in 2017 the Company implemented long-term incentive programs, which reinforce employee alignment with the Company’s strategies through long-term variable compensation from deliveries and targets achieved. A cycle with officers was conducted in 2017, and the program should be extended to key middle management in 2018.

In relation to benefits, in addition to meal vouchers, healthcare assistance, optional dental care, and a private pension, Magazine Luiza offers the following different options to its employees:



SPECIAL EDUCATION ASSISTANCE

Offered to employees who have children with special needs



SCHOLARSHIP

Support to those who wish to further their educations, so as to better contribute to their career plan at the Company



PAYROLL-DEDUCTIBLE LOAN

Line of credit with special interest rates



CONSORTIUM FOR EMPLOYEES

Special conditions and exclusive rates for employees



MATERNAL HELP

Offered to women employees with children between one month and 10 years and 11 months of age



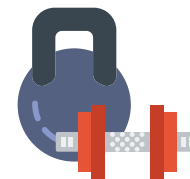
“BEBÊ À VISTA” PROGRAM

Offered to pregnant employees, including pregnancy monitoring, exemption of co-pays for medical appointments and exams, online courses, and a baby book



DINING HALL SUBSIDY

For employees working in the distribution centers



GYM SUBSIDY

For employees working in São Paulo business office



RUNNING GROUP

For employees and their dependents working in central office of Franca/ SP

PERFORMANCE EVALUATION

To promote a culture of feedback, development, and employee growth, the Company relies on a management model composed of monitoring strategic targets, which then result in individual analyses by management/store. In addition, the model is also composed of a behavioral evaluation which translates Magazine Luiza's values into observable behavior and which is applicable to all the company's levels of employment.

In this regard, 2017 was marked by the consolidation of this model, which was benchmarked on the first full cycle of targets unfolding over the course of the year. In addition, this model has been broadened to reach store managers and increased from 300 to over 1,000 surveys. Due to targets cascading, the model has been feeding back and reaches the Company's internal public.

After verifying target surveys and behavioral evaluations, the Company launched its Feedback campaign, where leaders and those evaluated hold a meeting for on-site feedback and discuss employee's development plan. The results indicated are used as the basis for employees' profit sharing (PLR); people meeting (performance committees); merits and promotions; feedback and development.

At the people meeting, employees who were outstanding in the last cycle are listed and accelerated development plans are outlined for those who have performance gaps. Subsequently, at the year's end, another Feedback campaign and a new People Meeting are conducted, in order to sustain a culture of monitoring and meritocracy.

In 2017, the behavioral evaluation comprised all the units and hierarchical levels of the company.

Análise de desempenho GRI G4-404-3	2016	2017
By position		
Board of directors	1	0
Board of executive officers	26	32
Manager	918	1,167
Leaders/Coordinators	925	1,061
Technical/Supervisory	112	937
Administrative		8,136
Operational		6,945
Trainees		9
Apprentices		612
Interns		24
By gender		
Men	1,017	9,223
Woman	965	9,700
Total	1,982	18,923

Another highlight was the managers' development program, which relied on practical and technical training over a 6-month duration for over 200 professionals. The objective, besides education, is to sustain the Company's growth momentum. In this regard, it is also worth mentioning that 100% of store managers derive from the Company's staff.

TRAINING AND SUCCESSION | GRI G4-404-2|

Aiming at preparing new leaders to sustain and grow the Company's culture, the Training and Development area invests in training courses for leaders, both at stores and in logistics and our offices. Employees of new stores, opened during 2017, also participated in training courses. In 2017, 14,561 employees were trained, for a total of 187,302 hours, or an average of 12.51 hours per employee. |GRI G4-404-1|

Average Training Hours GRI G4-404-1	Total Employees	Total hours	Average hours
By position			
Board of directors	-	-	-
Board of executive officers	5	51:30:00	10:18:00
Manager	460	3909:30:00	8:29:56
Leaders/Coordinators	590	9162:37:00	15:31:47
Technical/Supervisory	164	1528:37:00	9:19:15
Administrative	4,481	57534:41:00	12:50:23
Operational	8,291	110794:42:00	13:21:48
<i>Trainees</i>	9	1584:00:00	176:00:00
Apprentices	32	250:20:00	7:49:22
Interns	529	2486:04:00	4:41:58
By gender			
Men	7,455	942000:00:00	126:21:29
Women	7,106	931200:00:00	131:02:39
Total	14,561	187302:01:00	12:51:48

A new distance-education platform was launched in 2017 and made available for 100% of employees, featuring new content and learning tracks. Employee usage rates increased 167% compared to the previous platform.





07 | CUSTOMERS

CUSTOMERS

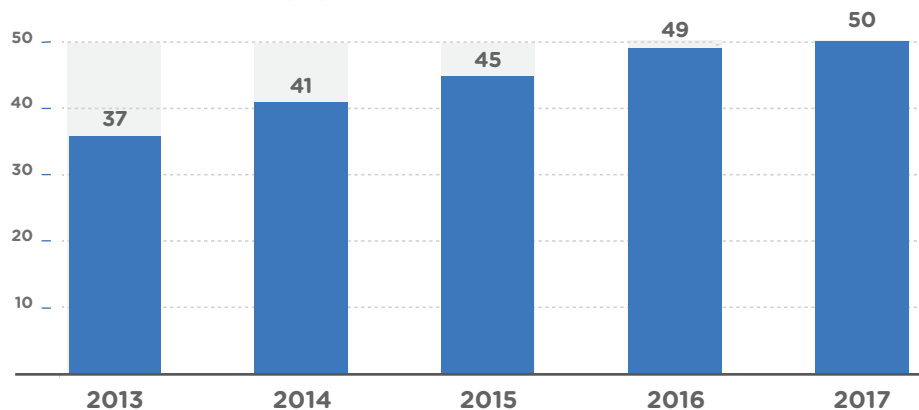
| GRI G4-103-1; 103-2; 103-3 |

Magazine Luiza's vision is to be present where, when, and how our customers desire, whether in physical, virtual, or online stores, by means of differentiated service and competitive prices. We establish relationships based on honesty, simplicity, empathy, and ethics. In 2017, the Company's customer base exceeded a total of 50 million consumers.

In 2017, Luizacred's total card base reached 3.4 million cards issued, a 4.2% higher total than in 2016. Store sales for Luiza Card customers, known for their loyalty and higher shopping frequency, grew by 48.3% in 2017.

CUSTOMER BASE EVOLUTION

TOTAL NUMBER OF CUSTOMERS (MM)



CUSTOMER VALUE

Our multichannel strategy, app Mobile Sales, Mobile Assembler, Mobile Inventory, Mobile Delivery, and Mobile Good Sales, besides optimizing the Company's internal processes, contribute to a better experience for customers. In addition, by means of LuConecta, a service which installs apps and sets up smartphones, customers can answer questions by phone and have access to thousands of points with free-of-charge wi-fi and antivirus protection, among other benefits.

With in-store pickup, customers can buy on the Company's digital platforms and pick up their purchase at their closest store. Currently, over 20% of Magalu's total e-commerce sales are fulfilled via in-store pickup, most of them within 48 hours. It is also possible to buy online and exchange products via any channel.

In order to increase the assortment of products offered on the sales platform, Magazine Luiza continued investing in marketplace growth and development. The platform sellers will be able to use the Company's logistics services (distribution centers and Luiza Network). Thus, the products offered by sellers via the Company's e-commerce channels will be available to be picked up at any of the physical stores distributed in Brazil. In addition Marketplace products are already available to be sold by Magazine Luiza's sellers at stores, and will likewise soon be offered via Magazine Você.

As recognized by customers, the Company was ranked third in the Época Reclame Aqui Award 2017 in the E-commerce - Large Operations category. Luizaseg was ranked in the fourth in the General Insurance category.



GOLD CUSTOMER

By means of the Gold Customer Program, the Company recognizes and values its loyal customers, based on their consumption behavior. They shop Luiza with greater frequency, and are rewarded by having the annual fee for their Luiza Card waived. Gold Customer Days take place on regularly scheduled weekends, and feature exclusive offers, a red carpet, and breakfast. In 2017, our over 1.7 million Gold Customers accounted for a significant portion of our sales.

CUSTOMER SATISFACTION

In 2017, the Company invested in the customer service platform, which resulted in better, faster services. In addition, the Company invested in reverse logistics, further improving customer experience.

Several lines of investments focused on the after-sales team, such as exchange process automation, adjustment to communication with customers, improvements in the order monitoring page, and a headcount increase of the SAC (call center) team. The Company's Customers Committee holds bi-weekly meetings during the year to implement strategies that improve customer experience. One result was the 40% reduction in average calls from customers, amid a year marked by business expansion.

By means of NPS (Net Promoter Score) methodology, Magazine Luiza monitors customer satisfaction based on the percentage of customers who would recommend the company to relatives, friends, or colleagues. In 2017, investments were made for a more robust sampling per store, which allowed us to contact 150,000 respondents over the course of the year. For e-commerce, survey is conducted by Ebit.

In 2018, the objective is to continue investing in customer experience, including sales and after-sales processes. The company foresees the full automation of the exchange process, aimed at providing more agility for the customer. This is only possible due to the Company's multichannel model.

CUSTOMER RELATIONSHIP

The Company's strategy promotes the digital inclusion of its customers, whether by means of connected products and digital vehicles, or through content, such as via the Magazine Luiza YouTube channel, which surpassed 1 million subscribers in 2017, the first Brazilian retailer ever to earn the Gold Play Button, granted by YouTube to those who achieve this mark.

The Company also relies on Magalocal, which consists of fan pages on Facebook. 100% of Magazine Luiza stores are represented. Magalocal allows each store to further engage with its local community. In this manner, the team's digital inclusion encourages the customer's digital inclusion. Teams work to produce compelling content and media, using best practices.

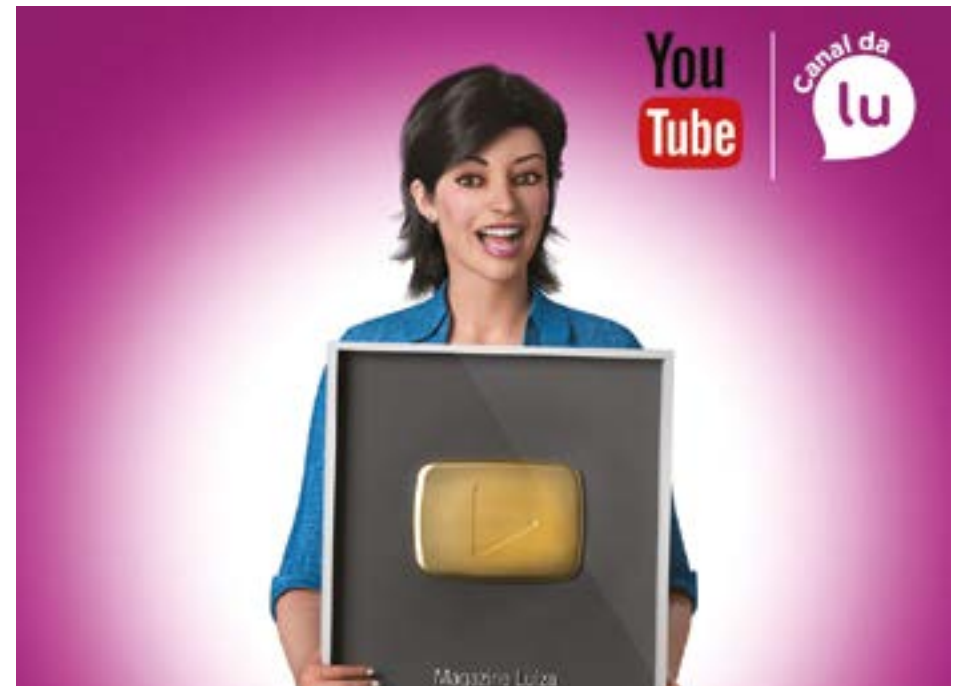
In addition, aware that most consumers browse for products on the internet before buying them, but not always actually buy online, Magazine Luiza was the first company in Brazil to adopt the Google's Local Inventory Ads tool, which combines stores' physical inventory and the consumer's location. Through this tool, based on product information on Google, consumers are directed to the company's closest physical stores that have the items they are looking for.

Within the scope of the wider customer relationship, the Company's advertising campaigns are a highlight, as they not only show our service facilities, but also our human touch, Magazine Luiza's trademark. For example, our Father's Day campaign was one of the most viewed videos on Facebook in 2017, wherein real customers, as part of a true story, showcased in-store pickup (<https://youtu.be/Nh54PMFzYOU>).

To emphasize the reliability that Magazine Luiza offers, another highlight in 2017 was the Black Friday "Quem confia no Magalu sempre se dá bem" ("Who trusts Magalu always succeeds"). Approximately 300 black boxes, without product identification, only prices, were made available on the Company's e-commerce platform. Those customers who trusted the Company and bought a black box won surprise products worth more than prices paid. The Magazine Luiza app experienced its highest number of single-day Google searches ever on Black Friday and the Company was ranked in the O Estado de S. Paulo amongst the most reliable Black Friday brands.

Magalu's close relationship with its customers helped drive the Company to the second-highest market cap growth of any Brazilian brand.

This 133% growth saw the company reach the 27th position in the Brand Finance ranking. According to Interbrand, the brand value grew by 30%. The Company is among the online commerce brands with whom customers show the highest engagement on social networks, according to a study conducted by Estadão in partnership with the consulting firm Trioano Branding, which recognized the most engaging brands of 2017 (<https://bit.ly/2rpmfB>).





08 | COMMUNITIES

COMMUNITIES [GRI 103-1; 103-2; 103-3; 413-1]

To promote long-lasting social benefits relevant to Magazine Luiza’s performance areas, so as to better contribute to a friendly environment for sustainable business operations, the Company relies on a social intelligence center, as part of the Reputation area, which works to generate shared value.

Within the scope of promoting access to culture, the Company sponsored, by means of Rouanet Law and Federal Sports Law, 22 visual arts projects, performing arts, cinema, music, literature, heritage, and sports. Sponsorships contributed to 15 municipalities; 23,000 people were benefited, including 2,500 youth.

22 projects promoted in **15 municipalities**
23,000 people were benefited
 including, **2,500 youth**.



PROJECT HIGHLIGHTS:

Cinema: The launch of the movie “O Galã” in August 2018, sponsored by Pernambuco Cinema Festival - CINE-PE, with outstanding exposure in the Brazilian and international film industry.



Music: Baccareli Institute’s Heliópolis Symphonic Orchestra has been sponsored by the Company since 2012. Besides traditional symphonic concerts, it presents innovative projects, such as the feature film “Tudo que Aprendemos Juntos” (Everything We Learnt Together), directed by Sérgio Machado and starring Lázaro Ramos. The script was inspired by the true story of when the education project developed by Baccareli Institute first started. Since 1996, it has been assisting the children and youth of the Heliópolis community by means of social and cultural programs.

Sports: Since 2004, the “Rugby Para Todos” (Rugby for All) Project has offered the youth of Paraisópolis (a community in the south area of São Paulo) the opportunity to learn rugby and its values of union, discipline, and friendship, amongst others. This project has benefited over 5,000 children and adolescents, while also serving as a springboard to tomorrow’s high-level athletes, who represent faculties, São Paulo first division clubs, and juvenile and adult male and female national teams.



Performing arts: The 42 year-celebration of dancing group Grupo Corpo, which performed in eight cities with a commemorative presentation including five repertoire shows in Rio de Janeiro, Belo Horizonte, and São Paulo, reaching a total audience of 96,733 people in 108 shows in 2017.



Magazine Luiza contributed to the Children and Adolescent Municipal Fund via the Incentive Law. Over 7,500 children and adolescents were assisted in projects which used such fund's resources. The "Associação Mão Amiga" and Santa Casa de Misericórdia of Franca which assist socially vulnerable children and adolescents were other institutions also benefited with such fund's resources.

By means of the National Law of the Elderly, the Company also allocated resources to the Municipal Elderly Fund destined to social and educational projects in the municipalities of Barretos and Pindamonhangaba, which assisted over 1,400 older people. In the city of Barretos, the "Amparo ao Idoso" (Support to the Elderly) project offers assistance to the elderly undergoing treatment at the Cancer Hospital. In the city of Pindamonhangaba, the "Lar do Idoso Irmã Terezinha" invests the resources in social and educational actions, which promote better life quality of the elderly assisted by such institution.

VOLUNTEERING

The “Rede do Bem” (Network for Good) project, created in 2010, encourages employees to engage in social activity that benefits low-income people and improves the city or district where they live. In 2017, through such volunteerism, this program benefited approximately 1,200 people in 19 cities, involving over 1,350 employees of Magazine Luiza. In 2017, the Company also donated products, such as TVs, home appliances, microwaves, toys to approximately 146 social institutions in 61 Brazilian cities.

Magazine Luiza also allocates resources to the “Casa Hope”, an institution which supports children with cancer throughout the country – and the NGOs, “Sociedade Francana para Cegos” and “Instituto Pró Criança”.





09 | SUPPLIERS

SUPPLIERS

| GRI G4-103-1; 103-2; 103-3|

The Company seeks to promote mutual value creation with its suppliers, by means of a solid and transparent relationship. Over the past 10 years we have adhered to a commitment statement which defines ethical and sustainable practices for suppliers, as well as the preference for more efficient products in terms of consumption and quality.

In this regard, relationships are governed by our Goods Supply Agreement, which includes a Declaration of Conduct which details all responsibilities of those involved. All of Magazine Luiza's suppliers are also expected to act in accordance with the Company's Code of Ethics.

In 2017, the indirect supplier procurement process was refined so as to foster improvement and evolution in terms of compliance. Criteria are more rigid, especially regarding legal, financial, and labor aspects. Although Magazine Luiza does not use social and environmental criteria when selecting suppliers, it requires that all its partners comply with all applicable environmental and labor laws, and includes these issues in its contractual clauses. |GRI 308-1; 414-1|

The selection of suppliers also aims at compliance with quality and price requirements, and partner contracting involves an analysis of commercial, legal, and financial areas. In the case of furniture, this process also involves annual inspections. Meetings for planning with suppliers occur twice yearly and, in few cases, quarterly. Decisions are made jointly between suppliers and the Company. At these meetings, improvement issues and action-plan monitoring are also discussed.

In 2017, Magazine Luiza maintained 548 active suppliers to sell its own products at the stores and on the website, with a concentration of purchase volume exceeding 60% 10 major partners. Purchases are well distributed and the Company is not dependent on any of its suppliers. |GRI G4-102-9|



Local suppliers |GRI G4-204-1|

In order to provide more agile services, reduce freight costs, and minimize environmental impacts from product transportation, Magazine Luiza prioritizes suppliers close to its distribution centers and, whenever possible, encourages its partners to open local facilities.



10 | Environmental MANAGEMENT

Environmental MANAGEMENT

|GRI G4-103-1; 103-2; 103-3|

The Company aims to promote efficient consumption of natural resources by means of monitoring indicators, internal communication plans, and implementation of improvements in operations. In this regard, it relies on an Electricity and Water Committee to reduce costs and better manage the use of natural resources.

Since our major business impact derives from renewable electricity consumption, in 2017, to reduce this footprint, more than 40,000 fluorescent lamps were exchanged for LED lamps in 117 stores, and the company Bulbless.

Was in charge of ecologically responsible bulb disposal. Magazine Luiza also acquires renewable energy in the free market for 45 stores, at a cost 20% lower than in the captive market, and in the state of Minas Gerais, at CEMIG's concession area, it produces its own energy by means of a hydroelectric generator, which meets the consumption needs of all stores in this area.

With the initiatives implemented in 2017, the Company's electric consumption was reduced by 4%, totaling 75,408,824 kWh. |GRI G4-302-1; 302-4|





11 | About the REPORT

About the REPORT

Magazine Luiza presents its Annual Report which encompasses its performance referring to the period between from January 1 to December 31, 2017. The report has been drawn up based on the guidelines of the International Integrated Reporting Council (IIRC) for the Integrated Reporting and the guidelines of the Global Reporting Initiative (GRI). [|GRI 102-50|](#)

The report includes the objectives, targets, and challenges of the company in 2017, as well as the how economic-financial, social, and environmental aspects are addressed, as well as the outlook for the next year. All the information refers to Magazine Luiza S.A. The financial and operational information is presented on a consolidated basis pursuant to the accounting practices adopted by IFRS, and the financial statements are audited by KPMG Auditores Independentes. The social and environmental indicators were calculated internally, pursuant to Brazilian law [|GRI 102-45|](#)

MATERIALITY AND BOUNDARIES [|GRI 102-21; 102-46|](#)

The information presented was prioritized by means of a materiality process conducted in 2015, supported by an external consulting firm. On that occasion, internal policies were analyzed along with the future vision and commitments assumed by Magazine Luiza, as well as reference documents for sustainability of the retail sector and financial services.

The Company's main stakeholders – employees, suppliers, investors, and market analysts – were consulted, and listed material topics for the company and its public, then validated by Magazine Luiza's senior management. Below, the material topics presented:

BOUNDARIES OF MATERIAL TOPICS [|GRI 102-46; 102-47|](#)

Key Topics GRI 102-44 	GRI-related aspects and content GRI G4-19 	Boundaries inside the Company GRI G4-20 	Boundaries outside the Company GRI G4-21
Energy consumption per operation	Energy – 302-1 and 302-5	Company	
Ethical relationship with suppliers	Procurement practices – 204-1	Company	Suppliers and society
	Supplier evaluation – 308-2, 409-1, 414-1	Company	Suppliers and society
	Product and service labeling – 417-2	Company	Customer and society
Customer relationship and satisfaction	Marketing communications- 417-3	Company	Customer and society
	Customer privacy – 418-1	Company	Customers
Education and financial inclusion	Product and service labeling – 417-2	Company	Customer and society
Work conditions	Employment – 401-1 and 401-2	Company	
Qualification and internal public development	Training and education – 404-1, 404-2, 404-3	Company	
Financial management responsibility	Economic performance – 201-1	Company	Society
Adhesion to good corporate governance parameters	Anti-corruption – 205-1, 205-2, 205-3	Company	Society
Risk Management	No related aspect	Company	Society



12 | GRI CONTENT INDEX

GRI INDEX

General Disclosures				
Organizational Profile				
GRI Standard	Disclosure	Page/URL	Omission	
GRI 102: General disclosures 2016	102-1	Name of the organization	Business Overview	
	102-2	Activities, brands, products and services	Business Overview	
	102-3	Location of headquarters	Business Overview	
	102-4	Location of operations	Business Overview	
	102-5	Ownership and legal form	Business Overview	
	102-6	Markets served	Business Overview	
	102-7	Scale of the organization	2017 Highlights	
	102-8	Information on employees and other workers	Employees/Employment	
	102-9	Supply chain	Suppliers	
	102-10	Significant changes to the organization and its supply chain	Message from Management	
	102-11	Precautionary principle or approach	Magazine Luiza does not adopt the precautionary principle entirely, but seeks to act cautiously and with responsibility when doing business, identifying and minimizing the impacts of its operation	
	102-12	External initiatives	Relationship with related parties	
	102-13	Membership of associations	Relationship with related parties	

Strategy			
GRI Standard	Disclosure	Page/URL	Omission
GRI 102: General disclosures 2016	102-14 Statement from senior decision-maker	Message from Management	
	102-15 Key impacts, risks and opportunities	Risk Management	
Ethics and integrity			
GRI Standard	Disclosure	Page/URL	Omission
GRI 102: General disclosures 2016	102-16 Values, principles, standards and norms of behavior	Purpose, Vision and Values + Ethical Behavior	
	102-17 Mechanisms for advice and concerns about ethics	Ethical behavior	
Governance			
GRI Standard	Disclosure	Page/URL	Omission
GRI 102: General disclosures 2016	102-18 Governance structure	Governance Structure	
	102-21 Consulting stakeholders on economic, environmental and social topics	Materiality and Boundaries	
	102-22 Composition of the highest governance body and its committees	Governance Structure	
	102-23 Chair of the highest governance body	Governance Structure	
	102-26 Role of highest governance body in setting purpose, values and strategy	Governance Structure	
	102-30 Effectiveness of risk management processes	Risk Management	

Stakeholders commitment			
GRI Standard	Disclosure	Page/URL	Omission
GRI 102: General disclosures 2016	102-40 List of stakeholder groups	Relationship with related parties	
	102-41 Collective bargaining agreements	100% of employees are covered by collective bargaining agreements	
	102-42 Identifying and selecting stakeholders	Relationship with related parties	
	102-43 Approach to stakeholder engagement	Relationship with related parties	
	102-44 Key topics and concerns raised	About the report	
Reporting practice			
GRI Standard	Disclosure	Page/URL	Omission
GRI 102: General disclosures 2016	102-45 Entities included in the consolidated financial statements	About the report	
	102-46 Defining report content and topic boundaries	About the report	
	102-47 List of material topics	About the report	
	102-48 Restatements of information	No reformulations in the period	
	102-49 Changes in reporting	Magazine Luiza now complies with GRI standards in 2017	
	102-50 Reporting period	About the report	
	102-51 Date of most recent report	2016	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	Informações corporativas	
	102-54 Claims of reporting in accordance with the GRI Standards	Essential	
	102-55 GRI content index	GRI Index	
102-56 External assurance	The report was not submitted to external assurance		

Key Topics			
Economic performance			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Financial performance	
	103-2 The management approach and its components	Financial performance	
	103-3 Evaluation of the management approach	Financial performance	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	Financial performance	
Procurement practices			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Suppliers	
	103-2 The management approach and its components	Suppliers	
	103-3 Evaluation of the management approach	Suppliers	
GRI 204: Procurement practices 2016	204-1 Variation of initial lower salary proportion compared to local minimum wage	Suppliers	
Anti-corruption			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Ethical behavior	
	103-2 The management approach and its components	Ethical behavior	
	103-3 Evaluation of the management approach	Ethical behavior	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anticorruption	
	205-2 Communication and training about anti-corruption policies and procedures	Anticorruption	
	205-3 Confirmed incidents of corruption and actions taken	Anticorruption	

Energy			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation on the material topic and its Boundary	Environmental Management	
	103-2 The management approach and its components	Environmental Management	
	103-3 Evaluation of the management approach	Environmental Management	
GRI 302: Energy 2016	302-1 Energy consumption inside the organization	Environmental Management	
	302-4 Energy consumption reduction	Environmental Management	
Supplier environmental assessment			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Suppliers	
	103-2 The management approach and its components	Suppliers	
	103-3 Evaluation of the management approach	Suppliers	
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers selected based on environmental criteria	Suppliers	
Employment			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Employees	
	103-2 The management approach and its components	Employees	
	103-3 Evaluation of the management approach	Employees	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employment/Turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Retention and benefits	

Training and education			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Employees	
	103-2 The management approach and its components	Employees	
	103-3 Evaluation of the management approach	Employees	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Training and succession	
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance evaluation	
Local communities			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Communities	
	103-2 The management approach and its components	Communities	
	103-3 Evaluation of the management approach	Communities	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Communities	
Supplier social assessment			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	Suppliers	
	103-2 The management approach and its components	Suppliers	
	103-3 Evaluation of the management approach	Suppliers	
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Suppliers	

Marketing and labeling			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Customers
	103-2	The management approach and its components	Customers
	103-3	Evaluation of the management approach	Customers
GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	For products sold at retail, labeling is done directly by the manufacturer or distributor. Magazine Luiza adopts procedures to provide consumers with usage tips and information on product characteristics besides transparent presentation of data related to price, interest rates applied, and exchange policy. The same transparency shall apply to the financial products and services sold by Consórcio Luiza, LuizaCred and Luizaseg. Besides observing specific legal rules, the company is guided by the Code of Conduct regarding information to consumers
	417-2	Incidents of non-compliance concerning product and service information and labeling	In 2017, no non-compliances were registered in the labeling of products and services of Luizacred
	417-3	Incidents of non-compliance concerning marketing communications	Magazine Luiza voluntarily observes the rules of the Brazilian Code of Advertising Self-Regulation (Conar). No case of non-compliance with this code was registered in 2017

Customer privacy			
GRI Standard	Disclosure	Page/URL	Omission
GRI 103: Abordagem de gestão 2016	103-1 Explanation of the material topic and its Boundary		
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 418: Customer privacy 2016	418-1 Substantiated complaints regarding breaches of customer privacy and losses of customer data		Magazine Luiza adopts best market practices to protect customer data. There are policies, processes, procedures, and technologies to identify, prevent, detect, mitigate, and respond to potential information security incidents. In 2017, no complaint of this type was registered

Corporate INFORMATION

|GRI 102-53|

INVESTOR RELATIONS

Rua Amazonas da Silva, 27 - Vila Guilherme, Marginal Tietê, São Paulo.

CEP 02051-000

(55 11) 3504-2727

<http://www.magazineluiza.com.br/ri>

ri@magazineluiza.com.br

ACKNOWLEDGMENTS

GENERAL COORDINATION

Kenny Damazio

Analista de Relações com Investidores

kenny.damazio@magazineluiza.com.br

(55 11) 3504-2070

GRAPHIC DESIGN, LAYOUT, AND REVISION

Luz Publicidade

GRI CONSULTING, COORDINATION, AND WORDING

InspIR Group Brasil

PHOTOS

Banco de Imagens - Magazine Luiza