

INTEGRITY PROGRAM	INTEGRITY MANUAL	PIN_MIN_ML.
		Rev. 01
		Date of approval: 12/13/2017
	Security Classification: Internal Document	Page No.: 12

Control of changes

Revision	Date	Place of Revision	Description
1		-	Initial issue

Distribution List

DUTY
Board of Directors
Board of Executive Officers
Integrity Executive Board
Areas Officers
Integrity Managers

Prepared/Revised by:

Integrity Executive Board

Approved by:

Board of Directors

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1. INTRODUCTION

The word **integrity** is a female noun originated from Latin *integritate* which means the **quality or state of what is uprightly or complete, incorruptible**. It also means **honesty, rectitude, impartiality**. In this regard, integrity may be described as **probity, purity or innocence**. It may designate an attitude of ethical fullness, the characteristic of an incorruptible person, someone who acts correctly by conviction, who does what is right, even if nobody is looking.

The Brazilian lawmaker chose the word integrity to represent the word compliance in English. The word compliance derives from the verb to comply, which means observe, execute, act in accordance with demands, guidelines, i.e., be in conformity with the ethical principles, laws, regulations, policies and internal rules, and with corporate principles which ensure the best market and corporate governance practices.

The main aspects of the Corporate Integrity are:

- ✓ Dissemination of a culture of risks, internal controls and compliance;
- ✓ Ethical conduct in business;
- ✓ Definition of duties and authority, with adequate division to avoid conflict of interests;
- ✓ Periodic training, information and communication;
- ✓ Monitoring (follow-up, tests and action plans).

1.1 Objective of Magazine Luiza Integrity Manual

Provide the general and required information to implement and operate the Company's Integrity Program. Determine parameters for production, monitoring and control of documents relating to the Integrity Department and the corporate areas, as well as provide instructions to the operational areas so that to formalize their procedures and work instructions.

1.2 Control of Manual

The Integrity Officer, assisted by the Integrity team and Integrity Agents, is the person in charge of controlling this Manual, including:

- ✓ The conduction of the approval process;
- ✓ Critical analysis, update and, if necessary, re-approval;
- ✓ Identification of Manual and revision status; and
- ✓ Distribution of Manual and removal of obsolete versions from its usage sites.

This Manual is distributed in accordance with the "Distribution List" of the Manual cover sheet.

If revisions are made, these will be referenced under "Control of Alterations", mentioned in this Manual cover sheet.

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1.3 Scope

It shall apply to all the activities, procedures and documents of Magazine Luiza Integrity Program.

1.4 References

- Magazine Luiza Articles of Incorporation
- Code of Ethics and Conduct
- Anti-Corruption Manual
- Integrity Policy
- Operational policies of respective Functional Areas
- Integrity Procedures
- Brazilian Federal Constitution
- Federal Law No. 9.613/98, amended by Federal Law No. 12.683/2012 (Anti-money laundering law)
- Federal Law No. 12.813/2013 (Law referring to the conflict of interests)
- Federal Law No. 12.846/2013 (Anti-Corruption law)
- Decree No. 8.420/2015 (Decree regulating the Anti-Corruption Law)

1.5 Definitions and Acronyms

Integrity Officer – Person designated by senior management. Officer is liable for providing requested information to the control bodies; report to the Integrity Committee serious non-compliance verified in the period. Within the scope of the executive board, the Integrity Officer shall be liable for monitoring and defining the priorities and strategies, requesting updates, implementations or exclusions of mechanisms of internal controls, required revisions of manuals, policies, etc.

Document – Information and the means in which this information is included.

Integrity Documents – Documents referring to Magazine Luiza Integrity Program, such as this Integrity Manual, Code of Ethics and Conduct, Anti-Corruption Manual, Policies, Procedures, Forms and Records.

External Document – Document which is not controlled by the Integrity Program, but it can be referenced Ex.: relevant legislation.

Record – Document presenting the results obtained or providing evidence of activities executed.

Requirement – Need or expectation which is expressed implicitly, by legal or mandatory order for correct execution of an activity in order to mitigate operational and corporate risks.

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2. INTEGRITY PROGRAM

Magazine Luiza works to ensure the highest level of integrity and ethics in its activities. With this purpose, it laid out an Integrity Program to assure adhesion of its activities to prevailing laws, regulations, provisions of its Code of Ethics and Conduct, in the Anti-Corruption Manual and the Company's internal policies and procedures.

2.1 Principles

- ✓ Ethics
- ✓ Transparency
- ✓ Compliance

2.2 Objectives

- ✓ Promote a culture of ethics and compliance based on our values and in the guidelines consolidated in the Code of Ethics and Conduct;
- ✓ Create a culture of risk management to mitigate corporate and operational risks by means of prevention;
- ✓ Pursue continued improvement based on the regular analysis, assessment and development of the compliance program and applicable ruling environment;
- ✓ Implement the best practices, in line with the targets defined by Magazine Luiza and in accordance with the highest ethical standards;
- ✓ Consolidate all the compliance initiatives, especially the anti-corruption initiatives.
- ✓ Assure that policies and procedures of each area are duly formalized and observed by employees; and
- ✓ Promote transparency.

2.3 Pillars

Magazine Luiza Integrity Program is based on the following pillars:

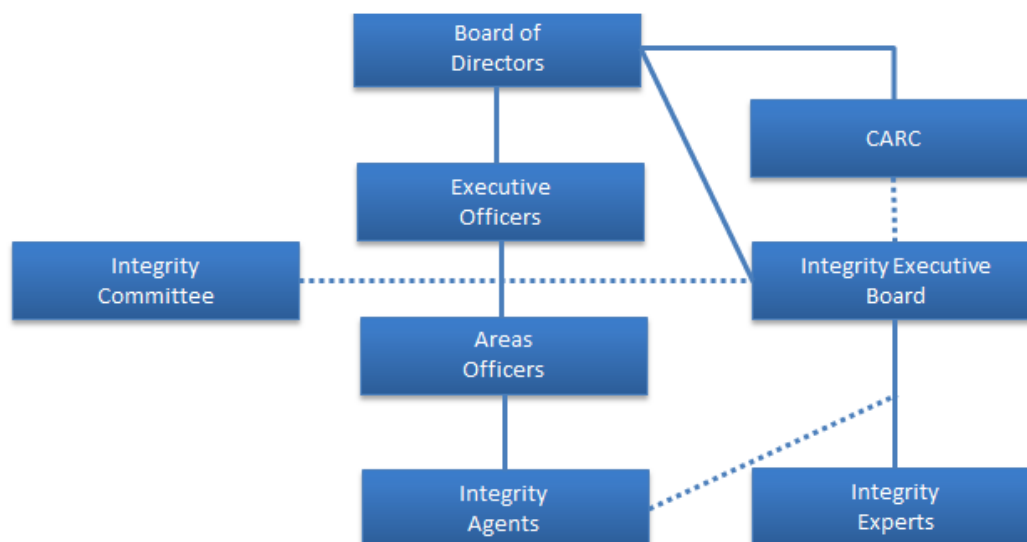
- ✓ Senior management commitment;
- ✓ Independent and dedicated area in charge;
- ✓ Risk Management;
- ✓ Structuring of Rules and Instruments;
- ✓ Continued Monitoring.

To support these pillars, Magazine Luiza defines, executes and/or provides:

- ✓ Responsibilities, leadership, supervision and organizational structure;
- ✓ Mapping process and risk monitoring;
- ✓ Policies, procedures and controls;
- ✓ Training and disclosure;
- ✓ Audit and Monitoring;
- ✓ Internal Communication and Concern Survey;
- ✓ Corrective and Preventive Actions;
- ✓ Channel to report concerns - "Whistleblowing Channel";
- ✓ Outcome Policy.

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2.4 Integrity



2.5 Supervision

Supervision is performed by the Board of Directors and Integrity Committee, Chairman of the Board and Chief Executive Officer, observing the following order:

- ✓ The Board of Directors oversees, assesses, defines strategies and controls if Integrity Program targets have been observed, its Audit, Risk and Compliance Committee advises in the assessment activities and seeks to ensure the efficacy of Magazine Luiza Integrity Program;

2.6 Implementation and Operation

- ✓ The Board of Executive Officer is liable for conducting all the initiatives to promote the company's integrity in compliance with ethics, laws and regulations; and
- ✓ The Integrity Executive Board conducts the daily management of the Integrity Program, proposing and setting out mechanisms and/or monitoring protocols, control, supervision and training to prevent potential illegal, anti-ethical and improper conduct.

The structure dedicated to Integrity is complemented by a group of Integrity experts and is reinforced with the team of Integrity Agents involved in daily operations.

2.6.1 Critical Analysis by Senior Management (ACAD)

Periodically, at least, once a year, the Senior Management (Board of Directors), formally assesses the efficacy of Magazine Luiza Integrity Program.

It shall be incumbent upon the Integrity Executive Board to conduct entire ACAD process and keep all the records.

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2.7 Targets

- Comprise all the processes and operations with risk valuation, when necessary, creation of policies, procedures or work instructions;
- Conduct training and promote communication, monitoring and controls necessary so that not to hinder the business dynamics;
- Provide guidance and advice, when requested;
- Promote the reporting channels (“whistleblowing channel”) and make feasible its efficacy.

All the initiatives are conceived in order to prevent, detect events of loss and comply with the Integrity Program requirements.

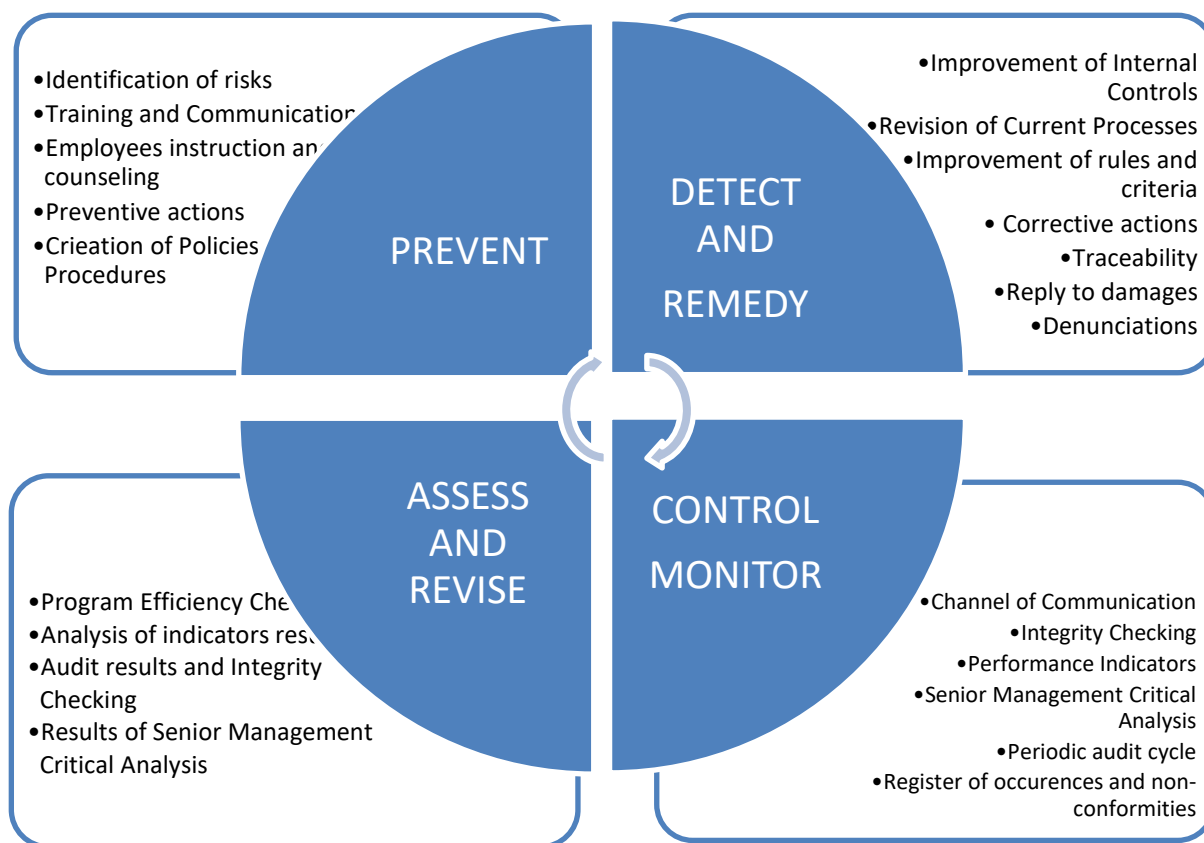


Figure 2 – Integrity Cycles

2.8 Requirements

For a better performance, the Integrity Area activities are divided:

- ✓ prevention and risk management;
- ✓ monitoring and control;
- ✓ detection and answer.

To support the Integrity activities, the Integrity Program has the following documents:

- ✓ The non-negotiable conduct;

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- ✓ Code of Ethics and Conduct;
- ✓ Anti-Corruption Manual;
- ✓ Integrity Manual;
- ✓ Statutory Policies;
- ✓ Corporate Policies;
- ✓ Integrity operational procedures;
- ✓ Operational procedures;
- ✓ Work instructions.

2.9 Whistleblowing Channel

Magazine Luiza makes available a confidential channel by means of an independent company for denunciations and report of irregularities.

Other types of concerns are reported directly to the leaders and/or integrity agents.

3. INTEGRITY EXECUTIVE BOARD

3.1 Responsibilities

The Integrity Executive Board shall be liable for ensuring the compliance with prevailing laws, the rules issued by regulatory agencies, as well as the guidelines and policies laid out by Magazine Luiza; disseminate a culture of compliance, internal controls and risk management, establishing procedures and guidelines; report needs of implementation, as well as improvement opportunities; answer and/or report doubts and criticism as to the elements composing Magazine Luiza Internal Controls System; assist the integrity agents to assess and revise the policies and procedures of their areas; offer technical support and research for several areas of Magazine Luiza (operational or not), inside their area of competence, acting as advisor, aiming at minimizing the operational risks of regulatory impacts, amongst others.

The Integrity Executive Board shall adopt preventive control of potential or effective issues raised by Internal and External Audit, by bodies of public control, Public Prosecutor Office and/or other Inspection Agencies; check the efficacy of corrective actions adopted by functional areas; request the People Management area to conduct training courses with new employees (or when necessary) to all employees referring to the rules and instruments of Magazine Luiza (Ex.: non-negotiable conduct, areas policies, anti-corruption manual); conduct the integrity checking process; prepare periodic report (at least, half-yearly), covering components of the Internal Controls System, as well as points of attention and main risks involved, which shall be discussed at the Integrity Committee and, subsequently, submitted to the Audit, Risk and Compliance Committee (CARC) and to the Board of Directors.

The Integrity Executive Board shall also oversee the Whistleblowing Channel and monitor the treatment of denouncements and the application of the outcome policy.

4. INTEGRITY COMMITTEE

4.1 Objective

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Assist the Board of Executive Officers in the performance of their duties relating to the allocation of mechanisms to mitigate the risks identified inherent to business and to comply with Internal Rules, prevailing Regulations and Applicable Laws and measures concerned with dissemination of a culture of Integrity and Internal Controls of Magazine Luiza.

4.2 Responsibilities and Duties

The following duties:

- ✓ Ensure the compliance with the Non-Negotiable Conduct, Code of Ethics and Conduct and Anti-Corruption Manual;
- ✓ Discuss and clarify doubts of interpretation of the Code of Ethics and Conduct;
- ✓ Assess the need of opening preliminary investigations and inquiries due to denouncements received;
- ✓ Recommend the application of sanctions, when reasonable; and
- ✓ Analyze the Outcome Policy effectiveness.

Especially when referring to the outcome policies referring to violations to the Code of Ethics and Conduct, the Anti-Corruption Manual, and corporate policies, when recommendation is termination for cause, the Committee's resolutions shall always be submitted to the Board of Executive Officers.

The Committee is liable for assessing and resolving on the reports submitted by employees and by the Integrity area. When deemed necessary, the Committee may request the production of reports, technical notes, the hiring of experts and external auditors to subsidize their decision.

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4.3 Structure of the Integrity Committee



Figure 3 –Structure of the Integrity Committee

Note: Participants and the periodicity of the Integrity Committee are detailed in respective Charter, which may be altered, whenever necessary, to comply with regulatory requirements or for a better conformity with the good Corporate Governance practices.

5. INTEGRITY MANUAL

5.1 General Requirements

The Integrity Executive Board defines mechanisms, documents, implements, maintains and continuously improves the efficacy of the Integrity Program, in order to ensure that Magazine Luiza and its employees are in conformity with ethical principles, prevailing laws, regulations, Code of Ethics and Conduct, Anti-Corruption Manual and the Company's internal policies.

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5.2 Documentation Requirements

The Integrity Program documents are consolidated and are controlled so that to assure their adequacy and update. Records are maintained to evidence conformity of activities.

5.3 Documentation Structure

The Integrity Executive Board maintains the Integrity Program consolidated and distributed into four (4) hierarchical levels of documentation, as shown in Figure 4.

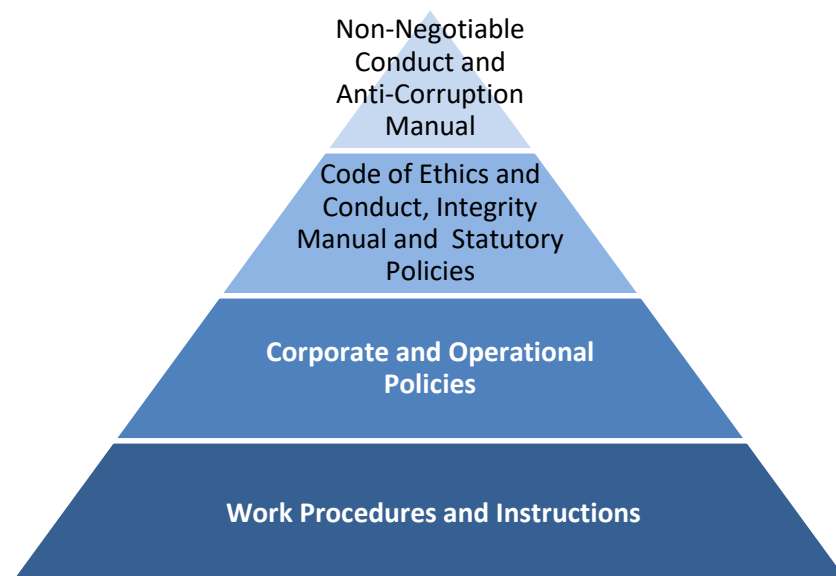


Figure 4 – Documentation Structure

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5.4 Preparation, Revision and Approval

- The Integrity documents shall be approved prior to their first issue, or before any distribution of subsequent revisions.
- The responsibilities for preparation/revision and approval of the Integrity documents are defined in Table 1.

DOCUMENT	PREPARED BY/ REVISED BY	APPROVED BY
Non-Negotiable Conduct	Integrity Executive Board/ Legal Executive Board	Board of Directors
Code of Ethics and Conduct/Anti-Corruption Manual	Integrity Executive Board / Legal Executive Board	Board of Directors
Institutional/Organizational Policies	Integrity Executive Board / Legal Executive Board	Board of Directors
Integrity Manual	Integrity Expert or Officer /CARC	Board of Directors
Risk Matrix	Integrity Executive Board/ CARC	Board of Directors
Risk Indicators Notebook	Integrity Executive Board/ CARC	Board of Directors
Going Concern Plan	Integrity Executive Board/ CARC	Board of Directors
Statutory/Institutional Policies	Integrity Executive Board/ Legal Executive Board	Board of Directors
Integrity Procedures	Integrity Expert/Officer	Integrity Committee
Corporate Policies	Area Integrity Agent/Area, Integrity and Legal Officer	Area Executive Officer, jointly with Chief Executive Officer
Operational PR (Procedures)	Area Manager or Expert /Integrity Expert or Officer	Area Executive Officer, jointly with Chief Executive Officer
Work Instruction	Area Manager or Expert /Integrity Expert or Officer	Area Officer

Table 1 – Preparation, Revision and Approval X Persons in Charge

- In the absence of person in charge of procedure, the authority to approve the document will be the immediate superior who prepared the document or Executive Officer.
- Instruction to prepare and format work procedures are referenced in Exhibit 1 – Formatting Integrity Documents –Work Procedures.