

**Magalu**

2020 ANNUAL REPORT

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Eliana  
Marquezin,  
Magalu  
customer

**THE  
BEST IS  
YET TO  
COME**

2020 ANNUAL REPORT

# RESILIENCE, SOLIDITY AND STRATEGY STRENGTH

In 2007, Lebanese researcher Nassim Taleb created the “black swan” theory. This theory draws an analogy with the fact that English people at the time were familiar only with white swans. Empirical knowledge made them believe that this was the only color this animal could be. But upon arriving in the New World, the English encountered black swans — which no one could have predicted. Taleb’s analogy refers to events that are impossible to anticipate because they are unknown. In 2020, the Covid-19 pandemic became the greatest example of his theory.

The unique situation tested

the resilience, solidity and validity of strategies of companies all over the world. In addition to being a humanitarian tragedy, the pandemic represents a tough test for business.

In such an atypical year, Magalu doubled the volume of online sales. The digitization of Brazilian retail — the company’s purpose and strategy — was accelerated with the incorporation of thousands of partners which had, until then, been analogical. After a three-month period focusing inwards, the company got back to executing its plan to expand its digital ecosystem. In the second half of 2020, Magalu

made ten acquisitions, helping to strengthen its presence or enter new markets. Approximately 9,000 jobs were created, 201 physical stores were opened and 31 logistics points, including distribution centers and cross dockings, were inaugurated. The different sales channels deepened integration, leveraging each other — as it should be in a true multi-channel strategy.

In 2020, Magalu made great progress with regards its strategy to become the operating system for Brazilian retail. The year, with all its difficulties, served to separate the wheat from the chaff in all dimensions of the business

**IN 2020, MAGALU CREATED THOUSANDS OF JOBS, OPENED 201 STORES AND STRENGTHENED THE MULTI-CHANNEL STRATEGY**

## A YEAR OF CHALLENGES AND ACHIEVEMENTS MAGALU’S MAIN MILESTONES IN 2020

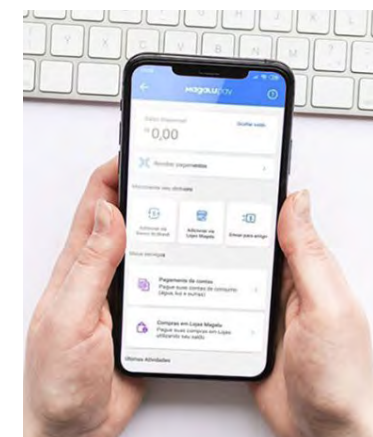


### JANUARY

The traditional “Liquidação Fantástica” (“Mega Sale”) was even more multi-channel.

### FEBRUARY

Magalu releases the results for 2019, the year of the Chinese growth for the Company: total revenues of 27.3 billion reais, 39% expansion — in addition to 1.8 billion reais cash generated. Adjusted net cash was 6.3 billion reais. Magalu buys the book marketplace, Estante Virtual, with annual sales of more than 3 million books.



### MARCH

Beginning of the Covid-19 pandemic in Brazil. The company sets three goals: take care of our employee’s and customers’ health, no redundancies and ensure the operational continuity of our business. Magalu Partner is launched, a program focused on bringing micro and small entrepreneurs (in particular) throughout Brazil online. In the first month, thousands of com-

panies plugged themselves into the company’s digital platform. Magalu temporarily closes its more than 1,100 physical stores, adopts free delivery for grocery items sold through e-commerce and through the app. The Trajano and Garcia families, the company’s controllers, donate 10 million reais in equipment and other items for the treatment of victims of the new coronavirus.



## APRIL

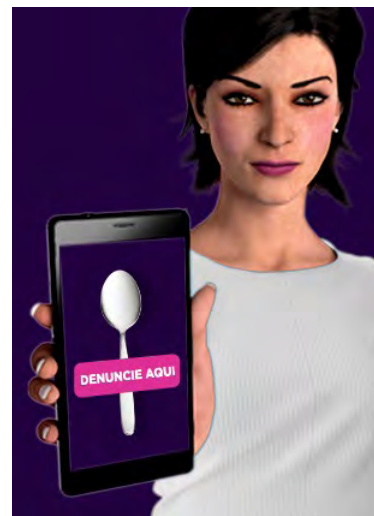
619 of the physical stores throughout Brazil 619 of the total physical stores throughout Brazil already operate as dark stores as dark stores. Grocery items become Magalu's best-selling category in terms of number of items. Even with the stores closed, Magalu's total sales grow 34% compared to 2019.

## MAY

The company announces the results for the first quarter. Although affected by weeks of closed stores, Magalu records growth. Revenues from digital channels exceed 4 billion reais and correspond to 53% of total sales. The marketplace grows 185% in the period and accounts for 30% of online sales. In view of its actions early on in the pandemic, Magalu is among the most admired brands in Brazil, according to a survey carried out by Instituto Croma Insights and online survey company Toluna.

## JUNE

Magalu redesigns the domestic violence reporting button installed on the SuperApp, which now has a direct channel to the Ministry of Women, Family and Human Rights. Virtual influencer Lu leads the new awareness campaign on the social networks. Lu does her first shoot as a model, wearing pieces from Zattini.



## JULY

The company launches "Dinheiro de Volta" (Cashback campaign) on the app, with a campaign starring Zach King, from the U.S.. Magalu makes its second acquisition of the year: Hubsales, the manufacturing hub digitization startup. Netshoes donates 1 million masks to state governments, communities and reference centers in the treatment of Covid-19.

## AUGUST

As part of its Ads strategy, Magalu buys the technology content portal Canaltech and the online media platform developed by the startup InLoco. Soon afterward, it acquires Stoq, a startup specializing in point-of-sale solutions for small and medium Brazilian retailers. The developer team grows with the acqui-hiring of Betta. The company restarts the opening of new physical stores and opens its first stores in the Federal District. Second quarter results are released. Magalu becomes the largest multi-channel retailer in Brazil in sales and takes the lead in formal e-commerce. Lu debuts on TikTok. Magalu and its controllers donate more than 40 million reais to fighting the effects of the pandemic. A fund of 2.5 million reais is launched to finance organizations combatting violence against women.



## OCTOBER

ComSchool, a platform for courses focused on e-commerce and digital performance, was acquired and started to offer training about the online market to sellers. To reinforce its delivery and transport network, Magalu buys GFL Logística, a company focused on e-commerce, in the countryside of São Paulo and in Southern Minas Gerais State. It also acquires the SincLog platform, which manages independent couriers. Magalu is elected the best company to work for in retail by Great Place to Work (GPTW) Brazil — and second in the overall ranking. Third-quarter results are released, with sales up by 81% and profits by 70%. E-commerce grows nearly 150% and physical stores grow more than 18%.



## NOVEMBER

On Black Friday, Magalu promotes the second edition of the show Black das Blacks, broadcast live on Multishow. The event brought together offers, music and entertainment. More than 40,000 sellers take part in the event. Magalu's e-commerce gains ten percentage points of market share in four days of Black Friday. More than 5 million diapers, 90,000 cans of corn and 30,000 tires were sold.

## SEPTEMBER

The company buys the food delivery company Aiqfome, strengthening the superapp. The first trainee program for people of African descent. More than 22,000 candidates apply. Magalu is named the most valuable brand in Brazilian retail, according to the annual BrandZ ranking by Kantar Ibope Media.

## DECEMBER

Magalu closes the year with the acquisition of Hub Fintech, a service platform for digital bank accounts and prepaid cards. With this purchase, more than 29 million individual customers and 40,000 marketplace sellers now have a full online bank account, free of charge and integrated with the SuperApp. The company restructures its organization. Three vice-presidency positions are created: Operations, Business and Platform, which takes on the task of building the Brazilian retail operating system. Seven executive officers now report to the CEO, Frederico Trajano.

# WHAT HAS HAPPENED AND WHAT'S COMING UP AT MAGALU

GRI 102-14

At Magalu, we pride ourselves on our innate ability to change. Paradoxically, throughout our 63-year history, we have never been comfortable in the comfort zone. We have learned that there will always be challenges and that each time we overcome them, we become stronger. In more than six decades, we've seen almost everything. But nothing compared to the scenario since March 2020.

The greatest pandemic in over a century has forced us to live many years in just one. And like all companies, like every individual, Magalu was put to the test. In this space, dedicated to taking stock of 2020 and pointing out directions ahead, we wish to propose looking at everything our more than 40,000 employees have done throughout a year that is still not over. It was an epic period with extraordinary results, but above all, deep and nonstop changes in the market and in our business model. What has happened in recent months will be the basis for understanding the future of Magalu's multi-channel digital ecosystem and the enormous opportunities we will explore with it.

## MARCH 20, 2020.

On that day, Magalu started to wage war against the threats and effects of Covid-19. For the first time in more than six decades, all the company's physical stores closed their doors. Thousands of employees were sent home. Three priorities were adopted on an emergency basis: the health and safety of all those who interacted with the company, guaranteeing continuity of operations and maintaining jobs. Each was directly linked to the others. If we failed at one, we would probably fail at them all.

From March onwards, we saw a series of actions that seemed

would take years carried out in a matter of months. To ensure that no employees lost their jobs, Magalu reduced the salaries of officers and directors, implemented provisional presidential decree 936, which allowed employment contracts to be suspended and working hours and salaries to be reduced, and renegotiated rental and service agreements. Cash, which was 7 billion reais, was reinforced by an issue of 800 million reais in bonds.

Our aim to bring Brazil online had never been so essential. The internet was, at that time, the only way to reactivate businesses, protect jobs and contribute to the

**“WITH THE PANDEMIC, THE  
MAGALU DIGITAL ECOSYSTEM  
WAS MORE IN DEMAND AND  
FUNDAMENTAL THAN EVER”**

Frederico  
Trojano, CEO  
of Magalu:  
epic period



fight against inequality, which has deepened due to the pandemic. We believe that, in an increasingly connected world, there can be no social inclusion without digital inclusion.

In April, we launched Magalu Partner, an intuitive digital platform helping analog companies, which had to close their doors due to the pandemic, to sell online. In less than a year — from April 2020 to date — 14,000 partners have become part of the Magalu ecosystem. 14,000 digital doors were opened. Without Magalu Partner, many of these businesses would not have survived. Going digital is a movement that the pandemic has accelerated, and which will be strengthened when the Covid-19 outbreak is over.

To ensure our customers have access to essential items without leaving their homes, we have reinforced #TheyHaveItAtMagalu with thousands of new items, with an emphasis on grocery items: non-perishable food and personal care and cleaning products, with no delivery charge. Nowadays, the grocery category represents more than 40% of the items sold online by Magalu.

In 2020, Magalu's multi-channels, together with Logbee's rapid expansion, made it possible for ship-from-store to grow, which was decisive for Magalu in ensuring delivery as quickly as possible, anywhere in the country. Physical stores became dark stores, in which items purchased through the Magalu SuperApp were stocked before traveling the last mile to



Raphael Chiarelli, Magalu Partner: open doors to the digital world

**“WITH MAGALU PARTNER, 14,000 PREVIOUSLY ANALOG COMPANIES STARTED ONLINE OPERATIONS”**

customers' homes. In the fourth quarter of 2020, 45% of all our e-commerce deliveries were made within 24 hours.

All of these coordinated actions have generated tangible results. In the second quarter, Magalu's total sales grew 49% and e-commerce advanced 182%. The third quarter recorded the highest growth in the company's history: 81%, thanks to the strength of online operations and the reopening of part of the physical stores. During this period of the year, Magalu was finally able to start looking around and thus continue, piece by piece, its strategy of building its large digital buying and selling ecosystem.

In just six months — from July to December — ten companies were acquired — ten pieces that fit perfectly into the puzzle we have created. (In February, Magalu had already purchased Estante Virtual, reinforcing the TheHaveItAtMagalu pillar, with a catalog of millions of new and used books.)

HubSales enabled factories

to sell directly to consumers through the Magalu platform. The technology website Canaltech and the InLoco media platform accelerated the company's Ads strategy. With AiQFome, we entered the food delivery market and reinforced the recurrence on the SuperApp. GFL reinforces our last mile logistics. And with Stoq, we began to offer POS solutions to retailers. Acquiring ComSchool allows us to offer digital training to our 47,000 sellers. And we entered the payment market in full force with the acquisition of Hub Fintech.

In the last quarter of the year, even with physical stores opening fully, e-commerce continued to grow at a fast pace, more than doubling in size compared to the previous year (120% growth over a 93% increase in the same period of 2019). Same-store sales rose 11% in the last three months of 2020, despite emergency aid being reduced by half. We generated 2 billion reais in cash during the period (3 billion reais

in the year). And we increased net income by 40%.

The economic and health emergency brought about by the Covid-19 pandemic meant 2020 was marked by three letters for investors: ESG (Environmental, Social and Governance). Concerns related to the environment, societal well-being and governance standards quickly became imperative for companies all over the world. The tragedy that has claimed millions of lives—more than 260,000 in Brazil alone, to date—has highlighted the need for companies to strive to deliver long-term value not only to their shareholders, but also to all their stakeholders.

We believe that by ensuring that Magalu is a sustainable company, deeply connected to its stakeholders, we will provide better returns in the short term and, above all, in the long term for our shareholders. We are aware that the responsibility assumed by a company the size of Magalu is immense and has no end. This

responsibility has become even greater since March of last year.

During this period, we focused mainly on the S (social) of our ESG actions. We undertake not to make any layoffs in the most critical months of the pandemic, included thousands of entrepreneurs on our digital platform and worked to try to mitigate crises deepened by Covid. The increase in cases of domestic violence—an epidemic in Brazil—was one of them. On International Women's Day, in March, the SuperApp gained a permanent reporting button. The new version of the button allows access via chat to the Ministry of Women, Family and Human Rights. In 2020, the number of reports made through the device increased more than 800% compared to the previous year. In August, the Trajano and Garcia families, Magalu's controllers, and the company donated 40 million reais to actions to combat the effects of the pandemic (months earlier, the controllers had already donated 10 million reais).

**“BEING SUSTAINABLE ALSO  
MEANS BEING DIFFERENT  
AND REFLECTING THE  
REALITY OF SOCIETY”**



Gislaine da Cruz, trainee: preparing to be a leader

Being sustainable also means being diverse, reflecting the reality of the society in which we find ourselves within our four walls.

Recently, after a survey, we concluded that we had a problem. Black people made up more than 50% of our total workforce—but only 14% made up the leadership. In recent years, we had tried to to open the doors of Magalu to African descent men and women through the trainee program. It didn't work. We realized that these young professionals didn't even apply.

Therefore, in 2020, we decided to open to open na exclusive trainee program for people of African descent. Our intention was never to serve as an example to anyone. We never had the arrogance of thinking that Magalu would solve the issue of racism in Brazil. Our intention was to solve our problem. More than 22,000 young people across the country signed up. Extraordinary human capital.

Nineteen of them came through all the selection stages. They are well-educated, energetic, and resilient professionals—people for whom, in almost every case, the only thing needed was an open door. That was the first step. Our mission will only be successful when these young people become executives and climb the ladder at Magalu.

All these actions generated recognition from society. According to a survey by the global consulting company Interbrand, Magalu was ranked ninth among the most valuable

brands in Brazil, with the highest growth among all participants surveyed. And in several surveys, our brand was considered among those that best dealt with the pandemic.

We did a lot in 2020. Our team was heroic and is being recognized for it. But, cruel as it may seem, the past gives us credit, but it doesn't guarantee our future. What matters most is what we will do tomorrow, and the day after tomorrow, and beyond. We are prepared to do a lot. And let's do it better and better!

2020 was a year of enormous achievements. There is much to be achieved from now on.

Rather than a harvest year, 2020 was a time to sow our digital ecosystem. The seeds we planted last year, both organic and inorganic, enabled us to explore four major growth vectors – or what the market calls TAMs (Total Addressable Markets). All to be explored within – or in the surroundings of – an ecosystem whose main purpose is the digitization of Brazilian retail. These are markets in which the company has already planted a flag and will continue to invest strategically. We are not talking about watertight initiatives, but about watertight businesses, about businesses that are linked, strengthened when combined and which reflect Magalu's multidimensional strategy. Above all, it is on this gigantic sea of opportunities that we will sail in the coming years.



**AiQFome  
Delivery:  
450 Brazilian  
cities served**

## “WITH RESTAURANT DELIVERY, THE COMPANY ENTERS A POTENTIAL MARKET OF 196 BILLION REAIS”

### 1. NEW CATEGORIES

Today, Magalu has 26 million items in all kinds of categories available on its platform, from its own stock or from sellers in its marketplace. We grow and grow, and we grow. And yet, there is a 1.2 trillion reais market in retail sales and another 200 billion reais in eating out to be conquered. In addition to continuing to grow in the main categories, which have brought us here, we see three major fronts of opportunities:

#### 1.1. GROCERY PRODUCTS

In the grocery category, Magalu has just acquired VipCommerce, a white-label e-commerce platform created to serve food retailers, allowing supermarkets and wholesalers to sell online. With the company's inclusion in our ecosystem, it will be possible to combine the Magalu (1P) market category with the supply of thousands of supermarkets throughout Brazil and offer the consumer a com-

plete basket of products — including perishables. The Fast Moving Consumer Goods (“FMCG”) segment is a market of more than 500 billion reais per year in Brazil. We estimate that the category's online sales will exceed 60 billion reais in the coming years.

#### 1.2. RESTAURANT DELIVERY

Aiqfome, acquired in early September, is operating in 450 cities in 21 Brazilian states. In this geographical radius, which is still limited, AiQfome generates an annualized GMV of almost 1 billion reais.

On average, its customers use the company's app three times a month, generating 2 million monthly requests.

The Brazilian meal delivery market moved 18 billion reais last year. If we take into account the entire take eating out market, the potential market is 196 billion reais. There is, therefore, a lot of ground to conquer.

### 1.3. BEAUTY & FASHION

The other front is lifestyle, composed of the beauty & fashion categories. In fashion, the acquisition of Netshoes and Zattini in 2019 marked Magalu's entry into e-commerce in the category, with a significant market share.

With HubSales, acquired in 2020, we take digitalization to fashion industrial hubs, connecting manufacturers directly to the end consumer through our marketplace. Época Cosméticos, acquired in 2013, has grown exponentially in recent years and achieved online leadership in the perfume, make up and skincare categories. The beauty & fashion categories together form an extremely fragmented market, still not very digitized, with a total size of 223 billion reais a year. Its online potential may reach 67 billion in the near future.

### 2. RETAIL TECH

MaaS. The strategy here is to become the operating system for Brazilian retail. Magalu has become

a great example of digital transformation by showing its ability to develop technology — tailor-made for those delivering products and services to the end consumer. With initiatives such as Magalu Partner, Magalu Payments, Magalu Delivery and the POS (points of sale) of the recently acquired Stog, Magalu will bring technology solutions and services to sellers and to other millions of retailers and restaurants that are not yet part of our platform — many of them with operations still 100% analog. Today there are 5.7 million formal retailers in Brazil. Only 47,000 of them sell online through our marketplace. In the restaurant sector, there are more than 1.6 million establishments in the country. About 20,000 of them are part of the Aiqfome platform.

### 3. FINTECH

In Brazil, in 2020, 2 trillion reais in transactions were made through electronic payment methods, including credit, debit, and prepaid cards. From this total, around 41



Lu, in Zattini's campaign: expansion vector

**“THE BEAUTY & FASHION CATEGORIES, VERY FRAGMENTED, REPRESENT A HUGE OPPORTUNITY FOR GROWTH”**

billion reais in TPV went through the Magalu ecosystem in the past year — a small fraction, given the company's potential. As part of our initiatives in this market, just over a year ago, we launched Magalu Pay, our digital account, fully multi-channel and integrated with the SuperApp. Since then, 2.7 million accounts have been created. This was only the first step. In December, Magalu acquired Hub Fintech, a full-service platform for digital accounts and prepaid cards. Hub already has 4 million accounts and cards, which transacted around 7 billion reais in 2020. From now on, Magalu Pay, Hub and Luizacred will be connected, making room for the creation and supply of digital financial services — prepaid card, credit card, loans for individuals and legal entities, insurance and cashback — for our customers and sellers (including Aiqfome restaurants). All in the same environment: the SuperApp.

### 4. DIGITAL ADVERTISING

In 2020, according to eMarketer data, the advertising market moved 48 billion reais.

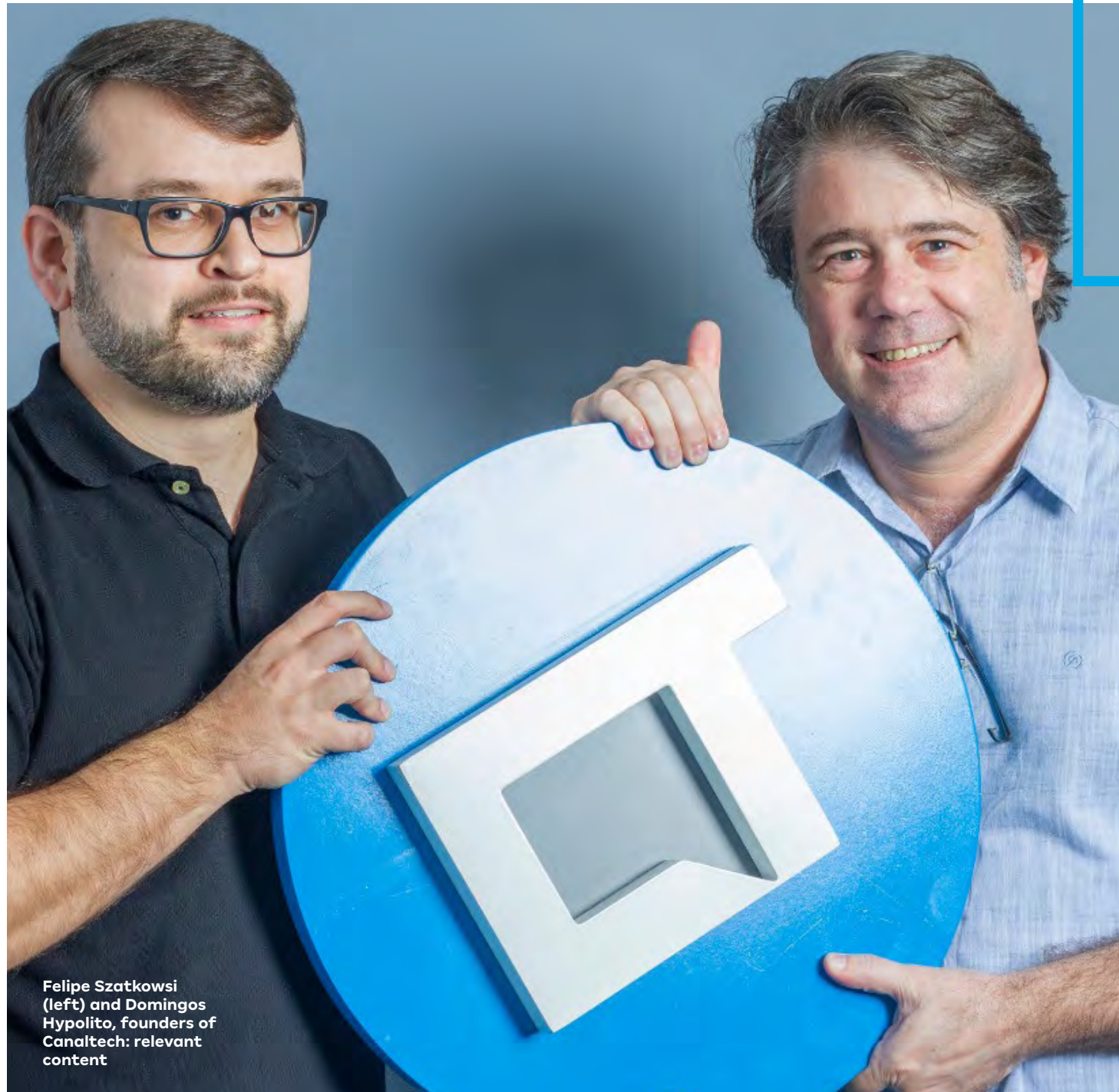
Digital ads, which rely on the assertiveness of algorithms and arrive at the right place at the right time for each consumer, according to their preferences, needs, and occasion, had investments exceeding 40% of the total last year. There is no doubt that the path of digital advertising is uphill, at great speed.

At Magalu, we have the advertiser (us and our sellers) and the audience (millions of customers on Magalu, Netshoes, Zattini, Época,



and Estante Virtual digital devices) in the palm of our hand. To further increase the audience and effectiveness of MagaluAds, around six months ago we acquired Canaltech, a website specializing in technology content and the online media platform from Inloco. From now on, MagaluAds will have its own simple, and intuitive platform, which will help simplify online advertising and allow thousands of Magalu sellers and suppliers to have autonomy to invest and accelerate their sales. The service offered by MagaluAds will be an additional way to monetize Magalu's total audience.

We are in a privileged position to take advantage of these opportunities. We have a Superapp that already has 33 million monthly users, through which the vast majority of business will be generated and completed. We won't need to spend time and energy building a multi-channel operation. It is ready and mature. Today we are taking new leaps in our multi-channel. Let's connect the stores umbilically to the marketplace. In 2021, we will begin to transform part of our physical points into spaces for displaying, selling, receiving and delivering several categories of products on the marketplace. The brick-and-mortar store that serves 1P so well will put all of its features — display of the most popular items in the region, stock, receiving and delivery — at the service of 3P. Our stores will also operate as a capture and development point for local sel-



Felipe Szatkowski (left) and Domingos Hypolito, founders of Canaltech: relevant content

## “MAGALU HAS THE ADVERTISERS (ITSELF AND THE SELLERS) AND AN AUDIENCE OF MILLIONS OF CUSTOMERS”

lers, expanding the platform exponentially.

To foster the entire ecosystem, 2021 will be the year of logistics. The year of #YouBlinkedItArrived. We will accelerate investments significantly, to convert our more than 1,300 stores into logistical support points for sellers, increase the number of DCs and cross dockings – 63 units at the end of 2020 – and automate this infrastructure. Logistics, distribution and delivery of products sold by marketplace partners will be a perfect mirror of what already happens with the operation of their own products.

We started the year at an accelerated pace, with e-commerce growing in the low triple digits in the first two months of 2021. Unfortunately, we cannot yet turn the page on the pandemic. The social isolation measures – which were strengthened at the beginning of March – will have a direct impact on the performance of the stores in the short term. With

physical points closed, we could no longer count on the contribution of sales from the stores, while we continued to bear a large portion of their fixed costs.

Temporary effects on profitability are inevitable. On the other hand, sales in digital channels tend to remain strong.

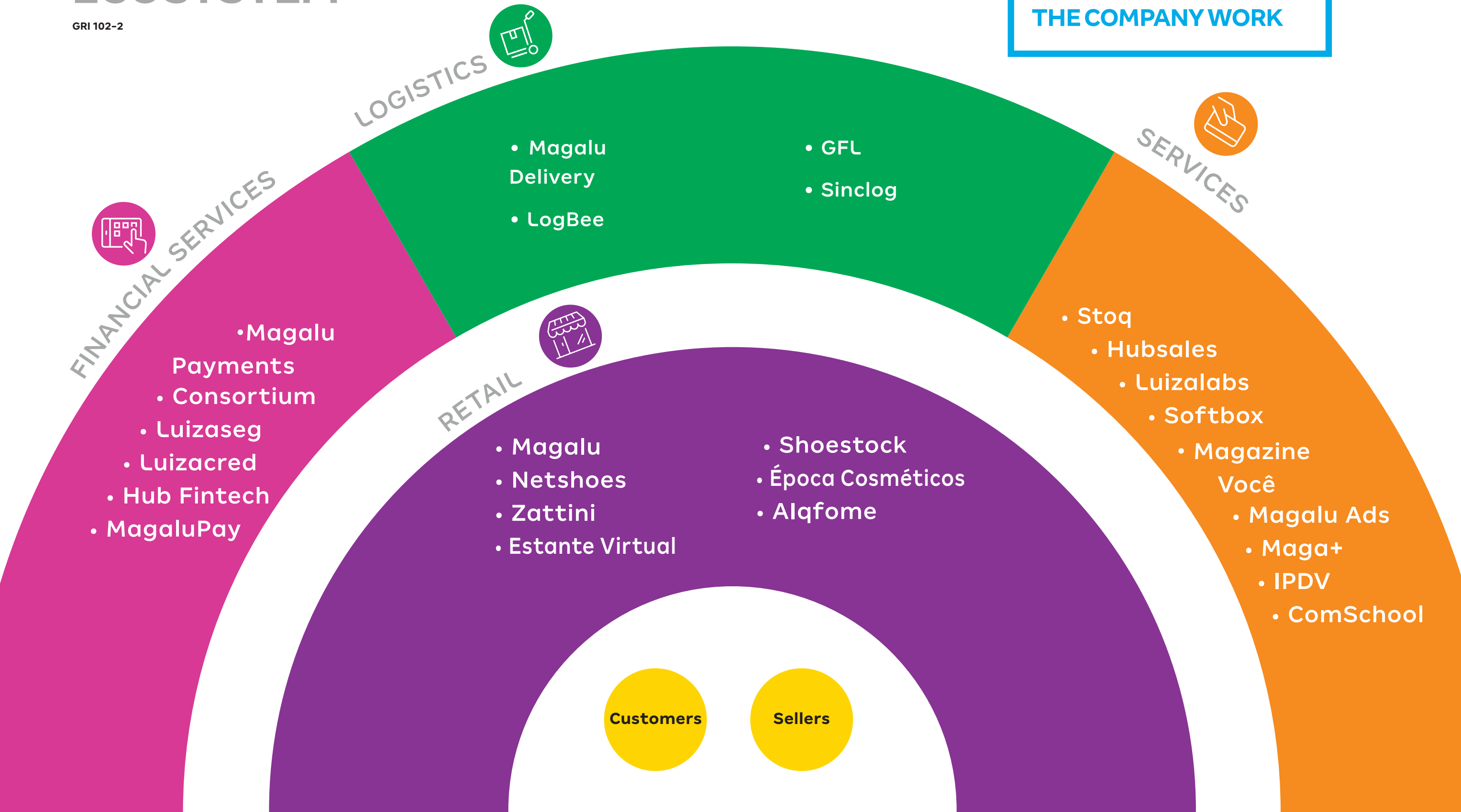
We remain confident about our perspectives. Our capital structure is stronger than ever. Our teams are better prepared to deal with the isolation measures and our business model has proven very resilient to the pandemic. And although we are ready to face a still very challenging present, we continue to look toward the long term, as required of a company that pursues perpetuity.

We are deeply grateful to our employees, who continue to go through turbulent days with us. And to all our millions of customers, throughout Brazil, for believing that we can, especially when it is most necessary, be part of their lives.

# THE MAGALU ECOSYSTEM

GRI 102-2

HOW DOES THE DIGITAL RETAIL PLATFORM CREATED BY THE COMPANY WORK



EXPO  
NENTIAL  
GROWTH

**THE  
BEST IS  
YET TO  
COME**

# THE YEAR WHEN MAGALU BECAME THE LEADER

When a family grows, it is common to move house. You have to pack your bags and find a place that accommodates everyone as well as possible. That's what happened with Magalu in 2020. After more than ten years in the office located above the store at Marginal Tietê, in the north of São Paulo, part of the Magalu team was transferred to a complex that brings together offices, spaces for display of categories and content events, LuizaLabs, and leisure areas. Named Arena Magalu, the new headquarters—also located in the north of the city of São Paulo—is an embodiment of the multi-channel ecosystem that the company is rapidly building. The number of people working in the São Paulo office grew 33.8% and reached 1,629 employees.

Exponential growth was defined as a strategic direction at the end of 2019 and its actions were carried out throughout 2020. The results appear in several of the company's indicators. In 12 months, the number of employees increased from 33,500 to 39,000. Sales almost doubled. In 2020, GMV reached 43.5 billion reais, compared to 27 billion in the previous year. E-commerce made 28.5 billion reais in sales, more than twice the 12.4 billion a year earlier, making the company the leader in formal digital sales in Brazil. At the end of 2020, Magalu achieved the largest market share since its foundation, with an expansion of 5.1 percentage points compared to the end of the previous year, according to GFK consulting company. The annual profit was 338 million reais. The adjusted net cash position

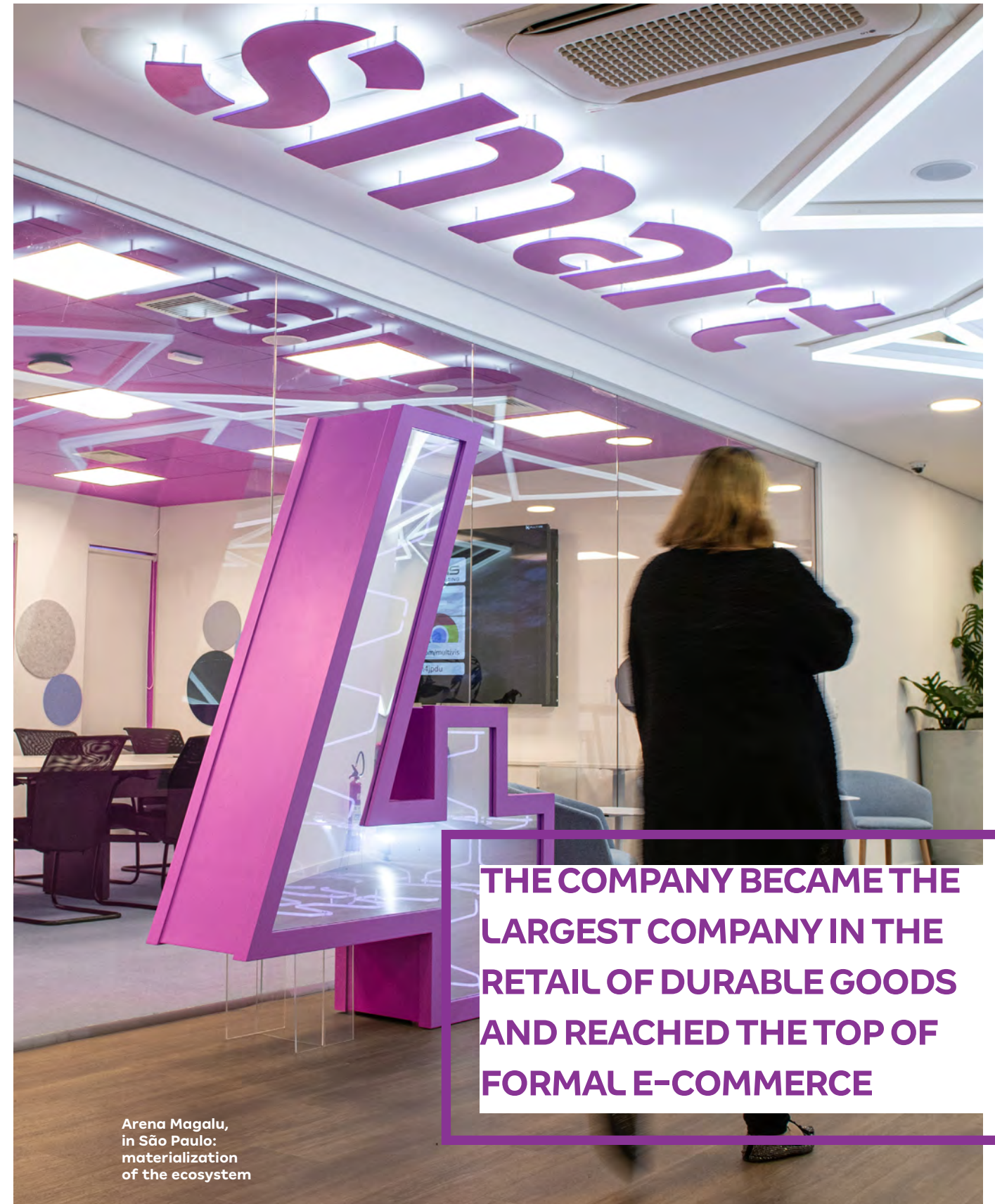
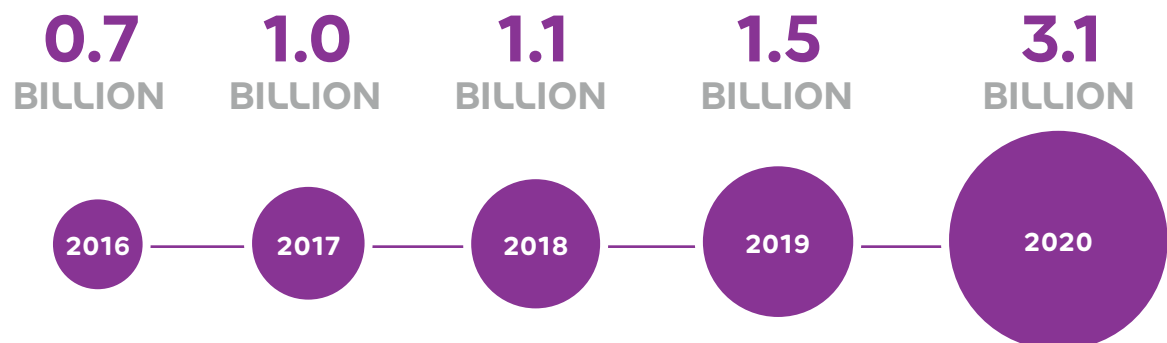
increased by 1 billion reais — from 6.3 billion in December 2019 to 7.3 billion reais in December 2020. 2020 ended with a total cash position of 9 billion reais, considering cash and financial investments of 2.9 billion and available credit card receivables of 6.1 billion reais.

Netshoes, the brand that leads the Magalu sports category, took the lead position in national sports retail. Sales totaled 3.5 billion reais in 12 months. Época Cosméticos, in the beauty category, started in 2020: its revenue grew twofold.

This exponential increase in sales had to be accompanied by logistics. In 2020, 126,000 square meters of storage area were added to Magalu's structure — with the addition of six centers and an increase in the area of the others. Cross docking stations

## REINFORCED CASH

MAGALU IS THE LARGEST CASH GENERATOR IN RETAIL (IN REAIS)



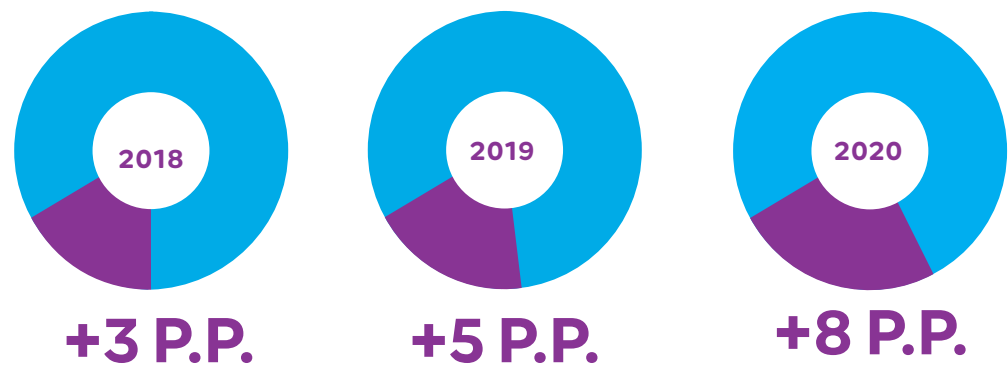
THE COMPANY BECAME THE LARGEST COMPANY IN THE RETAIL OF DURABLE GOODS AND REACHED THE TOP OF FORMAL E-COMMERCE

Arena Magalu, in São Paulo: materialization of the ecosystem

EXPONENTIAL GROWTH

## LEADING PLAYER OF BRAZILIAN E-COMMERCE

IN 2020, THE COMPANY BECAME THE FORMAL E-COMMERCE LEADER IN THE COUNTRY (MARKET SHARE IN %)



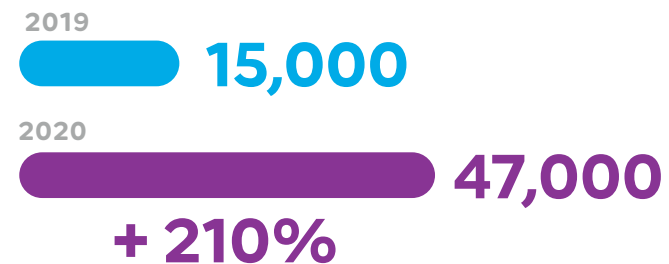
### RAMPED UP 2020

OPERATION WITH OWN STOCK MORE THAN DOUBLED IN SIZE (IN REAIS)

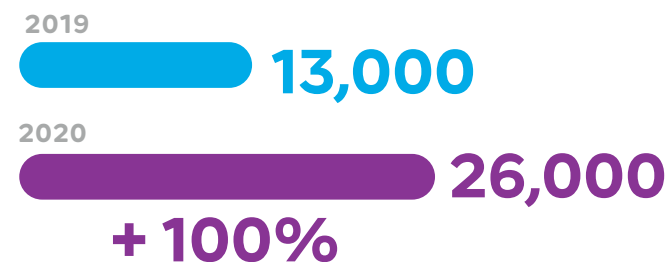
**9.3**  
BILLION  
2019

**20.8**  
BILLION  
2020  
**+ 114%**

### AND THE NUMBER OF SELLERS NEARLY QUADRUPLED...



### MAKING THE ITEMS SUPPLIED DOUBLE IN THE PERIOD



### A CYCLE OF SUCCESS

IN THE LAST FIVE YEARS, MAGALU HAS ALMOST QUADRUPLED ITS REVENUE (IN REAIS)

**11.3**  
BILLION  
2016

**14.4**  
BILLION  
2017

**19.7**  
BILLION  
2018

**27.3**  
BILLION  
2019

**43.5**  
BILLION  
2020

IN THE FOURTH QUARTER OF 2020 ALONE, MAGALU SOLD MORE THAN IN THE ENTIRE YEAR OF 2017: **14.9 BILHÕES**

spread throughout Brazil. Today there are 63 transmission points in the centers of major cities. These stations are used in particular by LogBee, which reached 500 new cities in 2020, with 6,700 partner drivers. Even with the effects of the pandemic, Magalu opened 201 physical stores and kiosks and closed the year with 12,695 sellers. These physical points are also vital for logistics. To connect these logistical points and support sales growth, the company needed more technology. Luizalabs has grown. A lot. There were 300 new employees for the development area. The hiring pace was so intense that the company had to do acqui-hirings — business acquisition transactions with the main objective of adding its employees — of technology startups. The team at Beta, a software development company acquired by Magalu in August, for example, added 50 people to Labs.

This generalized growth cycle

demanded greater investments from the company. 544 million reais were invested in the operation during the year. Of this, 138 million reais were allocated to logistics and another 197 million to the technology area. Marketing also received reinforcement. In 2020, Magalu promoted hundreds of campaigns and gave the audience “Black of the Blacks” show, that marked the country. As a result, Magalu was the most valued Brazilian brand that year — 65% — according to the ranking by the Interbrands consulting company. The company closed the year as the brand with the highest appreciation in the period and the leader among retail companies.

But the growth that can be considered most strategic for Magalu was its marketplace platform. With 32,000 new sellers now using MaaS — Magalu as a Service, the company has taken fundamental steps in achieving its purpose: digitize Brazilian retail.

# NEW CATEGORIES

**THE  
BEST IS  
YET TO  
COME**

# WHATEVER THE CUSTOMER WANTS TO BUY #THEYHAVEITATMAGALU

GRI 102-3, 102-4, 102-6

**M**agalu is working on becoming Brazil's one-stop shop: a point of convergence, where the consumer can buy all kinds of products — from fresh food and cleaning products to state-of-the-art TV sets. This exponential expansion in the categories and products sold in the Magalu digital ecosystem is already underway. In 2011, the year the company went public, the portfolio consisted of 20,000 products — mostly electronic goods and furniture. In 2015, when the sales app was launched, Magalu offered 39,000 items. Today, over all the sales channels, 26 million products are offered. The grocery items category was the fastest growing in 2020. In fashion, with the brand Zattini and Netshoes, Magalu increased what it has to offer, with up to 88,200 items over the year.

At the end of the year, customers could find 40 different product categories at Magalu, in line with the #TheyHaveItAtMagalu strategy. The hashtag, adopted in early 2020, became even more ubiquitous with the advance of the Covid-19 pandemic and the need for social isolation. People who had never bought food or personal care items online went digital, anticipating the consumption trend. In April 2020, thanks to an increase in what was on offer and free delivery, the category most widely sold by Magalu, in terms of number of items, was grocery items.

In the second half of the year, the company accelerated its strategy of creating an ecosystem, which had stalled during the initial months of the Covid-19 crisis. One of the first companies acquired was



**THE GROCERY  
PRODUCTS CATEGORY  
WAS ONE OF THOSE  
WITH THE HIGHEST  
GROWTH IN 2020**

Grocery products in the DC in Louveira, São Paulo state: key during the pandemic

## THEY HAVE IT AT MAGALU

NEW CATEGORIES OF PRODUCTS WERE THE HIGHLIGHT IN 2020'S GROWTH

**166%**  
SPORTS

**276%**  
BOOKS

**293%**  
BEAUTY

**400%**  
GROCERY

**436%**  
FASHION

### #THEYHAVEITATMAGALU

THE NUMBER OF ITEMS AT MAGALU GREW SHARPLY

2018  
**4.8 MILLION**

2019  
**13 MILLION**

2020  
**26 MILLION**



Store in the South Zone of São Paulo: the strength of multi-channels

**MAGALU'S PHYSICAL STORES STARTED STOCKING EVERYTHING FROM REFRIGERATORS TO FOOD**

HubSales, which connects manufacturing hubs with the end consumer, in a process known as F2C (factory to consumer). Initially, HubSales brought to market products from the footwear hub in Franca, in the interior of São Paulo State, the city where it was founded. It now includes textile hubs in Blumenau, in Santa Catarina state.

### THE STRENGTH OF MARKETPLACE

But the strength of the expanded reach of Magalu's categories lies in its marketplace. In 2020, 32,000 new sellers joined the platform. Of the 26 million products Magalu sells, most are offered by partners. It is this cooperation that ensures that the company can, at the same time, grow participation in digitizing essentially analog companies at an exponential rate. Today, it is possible to sell almost anything on Magalu's digital platform, regardless of scale. It is the long tail strategy brought to a paroxysm.

Sellers contributed to increasing the offer in the grocery

category, one of the long-term growth lines chosen by Magalu. In 2020, grocery items accounted for more than 40% of items sold by Magalu and recorded a growth of 408% compared to 2019. But there is room to grow even further. Fast Moving Consumer Goods (FMCG) — products normally found in supermarkets — make up a market of more than 500 billion reais a year in Brazil. The company estimates that the category's online sales will exceed 60 billion reais in the coming years.

Another important step to increase the number of categories offered, purchase recurrence, and customer convenience, was the acquisition of Aiqfome, a take-out food delivery startup, in September. The platform, created in Maringá, Paraná, has more than 2.6 million users in 440 cities in 21 Brazilian states, receives millions of requests per year and has 26,000 registered restaurants. Integration of the companies expects to expand the cities served, gain scale in other regions, in addition to taking advantage of Magalu's logistics



**THE COMPANY  
OFFERS 26 MILLION  
ITEMS EVERYWHERE  
IN BRAZIL**



Store number 1 in Franca: fashion is one of the strategic markets

system. Moreover, Magalu will take advantage of the online system developed by Aiqfome to digitize bars and restaurants throughout Brazil.

In the beauty & fashion market, another blue ocean to be exploited by the company, Época Cosméticos, acquired in 2013, grew 123% in 2020, became online leader in the perfume, makeup and skin care product categories and surpassed the mark of 1 million active customers. The result is explained in particular by the leap in the digital purchase of beauty products. At the end of 2019, the online share of cosmetic sales was 4%. A year later, it is estimated to have reached 7%.

In fashion, the acquisition of Netshoes and Zattini in 2019 marked Magalu's entry into the category's e-commerce, with a significant market share. In the second quarter of 2020, Netshoes became the largest sporting goods seller in Brazil. Two of the sales highlights of the year were

in the "training" category, with a market share gain of 24%, and running, with 14%, in addition to football and team sports, with 28%. Sales at Zattini, the fashion arm of Netshoes, grew 41% in the year, with a 48% gain in market share in the footwear category and 22% in the clothing category. Beauty & fashion together form an extremely fragmented market, still not very digitized in Brazil, with a total size of 223 billion reais a year. Its online potential may reach 67 billion in the near future.

The Books category is also in full expansion at Magalu since acquisition of Estante Virtual in early 2020, which positioned the company among the leaders in sales. Currently, Magalu offers 500,000 titles. In 2020, it registered a 292% growth in sales. During this same period, there was a significant increase in the category of youth literature. In 300 of the cities where Magalu has physical points, there are no bookstores.

**BLACK OF THE BLACKS**

In November, Magalu promoted the second edition of the "Black of the Blacks" show. The pioneer event in Brazil combined the purchasing date with top quality entertainment. This concept, known as shopstreaming or live shopping, was created in China to celebrate Singles Day and has become a global trend. For Black 2020, Magalu brought together big names in music, TV and the internet in a live show. The attractions included singer Anitta, country duo Zé Neto & Cristiano, pagode singer Dilsinho and forró band Barões da Pisadinha. "Black of the Blacks" was broadcast on the Multishow channel, with Luciano Huck as host.

The event was also a celebration of #TheyHaveItAtMagalu, a strategy that exponentially expanded the number of product categories offered by the company, directly and mainly through the more than 47,000 sellers on the company's sales platform. The number of sellers who took part in this Black Friday grew 152% compared to 2019.

Highlight of the year, and also on Black Friday, the grocery category gained even more relevance during the four most important days of retail. More than 1 million items — including personal care and cleaning products, food and beverages — were sold on that date.

**A VARIETY  
SHOW**

**BIGGEST RETAIL SALES  
DATE SHOWED MAGALU'S  
DIVERSITY**

**5  
MILLION  
DIAPERS**

**90,000  
CANS OF CORN**

**30,000  
TIRES**

SUPERAPP

THE  
BEST IS  
YET TO  
COME

# THE WORLD IN THE PALM OF BRAZILIANS' HANDS

GRI 103-2, 103-3

Magalu has a bold goal: to ensure its presence on the smartphone home screen of all Brazilians. The super-app, used by 33 million customers, is the backbone of the company's multi-channel strategy. This is where Magalu will centralize all its services and, from there, it will be able to meet customers' demand. Today, there is an aggressive fight for digital space, with a plethora of apps fighting for attention, time and resources from end consumers. According to a global study by Counterpoint Research consulting company, at the end of 2020, for the first time, the average storage of smartphones reached 100 giga. In Brazil, this number is estimated to be considerably lower, especially in the layers of the population with lower purchasing power. Magalu has a clear strategy to consolidate its position in what is still an open sea: "Mobile only and app first" — priority to mobile and sales via SuperApp.

It is thanks to this vision that the sales app, created in 2015, has been transformed into an

increasingly complete SuperApp — a virtual one-stop shop, in which the customer will soon not only be able to buy products from Magalu and its sellers, but also access public services, make payments and transfers, consume relevant content and order take-out food. A strategy that follows the path traced in recent years by the big Chinese platforms.

Having an increasing number of options for products and categories, in addition to services, is essential for recurrent use of the app. With the social isolation caused by the beginning of the Covid-19 pandemic in Brazil, the grocery category — which has the highest purchase recurrence — gained prominence in 2020. In April, it was already the most widely sold, in terms of volume.

The app also wants to help the seller. For this reason, in 2020, the "Buy Local" section was created, a space for the app's customers to find shopkeepers close to their homes, favoring sellers in the customer's neighborhood.

Thanks to its scope — which is getting bigger by the day — the

Magalu SuperApp is among the most widely downloaded and used in the country. During Black Friday 2020, it topped the list of most downloaded apps during the discount date for the third year in a row. The mission now is to connect new products and services — a priority move for the year 2021.

Take-out food delivery is one of them. In 2020, Magalu acquired Aiqfome, a platform created in Maringá, Paraná, operating in 350 cities in 21 states. The platform has more than 2 million registered customers and receives millions of requests per year, prepared by 17,000 partner restaurants. By the end of the year 2021, it should be fully integrated into SuperApp.

## FROM PAYMENTS TO CONTENT TECH

In the wake of consumption, payment solutions are vital. MagaluPay, the company's digital wallet, was born in February, fully integrated with Magalu's app. In 2020, the "Dinheiro de Volta" (Cashback) campaign gave traction to the payment platform, which ended the year



## SUPERAPP NUMBERS

**21**  
WORLDS  
IN THE  
MAGALU APP

**33**  
MILLION  
MONTHLY  
ACTIVE USERS

**2.7**  
MILLION  
ACCOUNTS  
OPENED IN  
MAGALUPAY

with 2.7 million users. MagaluPay should gain a series of features with the integration of Hub, a fintech acquired by the company at the end of last year (the transaction was approved without reservations by the Antitrust Board and by the Central Bank in 2021). With the integration, MagaluPay users will be able to make transfers between accounts via TED and PIX, pay bills and bank slips, and even withdraw cash at ATMs in the 24-Hour network.

The SuperApp will be the link between Magalu and customer satisfaction. In 2020, an important portion of the SAC services was provided by the platform. Customers also receive news about their purchases and those who release the feature receive notifications with our main promotions.

One of the next expansion fronts for Magalu SuperApp is content sharing. The company bought CanalTech, one of the country's leading technology sites.

In the public service area, since 2019 the Magalu SuperApp has had a button for reporting

violence against women. In 2020, new features were added to the button, such as access to Ligue 180, a hotline for reporting violence against women, and to the Women's Secretariat. Throughout the year, 813,959 people clicked on the report button.

The inspiration for Magalu's SuperApp comes from the Chinese market. There, the main app is also the most widely used for maintaining relationships, shopping, paying bills, using the public transport network or ordering food and even making medical appointments by app. Chinese spend hours a day on superapps, twice the average time of an Instagram user.

That's the vision Magalu has for its app. A place where various services can be provided. This does not mean that Magalu will do everything. Like the marketplace, the SuperApp's growth will involve partnerships. Magalu's APIs have been open for years. The expectation is that partners will observe the tool's potential and seek to include their services in the app.

FAST  
DELIVERY

THE  
BEST IS  
YET TO  
COME



DC in the countryside of São Paulo: 45 million deliveries in 2020

# THE LOGISTICS WAS PUT TO THE TEST

GRI 103-2, 103-3

The capability to deliver products to different regions of the country in the shortest time possible and at competitive costs, has never been more valued than in the year in which the Covid-19 pandemic isolated a significant part of the Brazilian population for a period unprecedented in our history. In March, when all physical Magalu stores were temporarily closed, the company's logistics were put to the test. Overnight, the e-commerce channel, which accounted for about 50% of total sales, started to account for everything sold by Magalu. All products - from TV sets to washing powder - had to be delivered to customers' houses as quickly as possible.

This necessity is the mother of a series of innovations. Stores that were closed due to the imposition of social isolation measures became dark stores, where products purchased in digital channels were stocked before traveling the last mile to the point of delivery. There were

600 physical points operating in this format. In 2020, in order to make deliveries more efficient, Magalu invested 140 million reais in logistics operation - 76 million reais in the last quarter of the year alone, a figure three times higher than that invested in the last quarter of the previous year. The logistics and distribution departments were placed second in the company's investment ranking, behind only the technology sector.

## 1,500 NEW LOGISTICS JOBS

To handle the growing demand - in total, Magalu delivered 45 million items in 2020, an 80% growth compared to 2019 - 1,500 professionals were hired to work mainly in the 23 distribution centers serving 21 Brazilian states. Magalu's storage area went from 536,000 square meters to 690,000 square meters. The third-party fleet, which includes vehicles from Luiza Network and LogBee's utilitarian trucks, reached 8,000 vehicles. As a result, the number of orders delivered within 24 hours

reached 45% of 1P sales.

The adjustments triggered by the pandemic have been incorporated into the multi-channel operation. Ship from store, a system in which deliveries are made from physical points, was implemented in 700 of Magalu's 1,300 physical stores by the end of 2020. This operation should support 1P (the company's own stock) and, increasingly, 3P (products sold by the company's 47,000+ marketplace sellers), reaching every city in which Magalu operates.

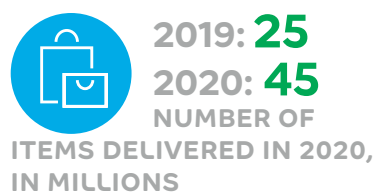
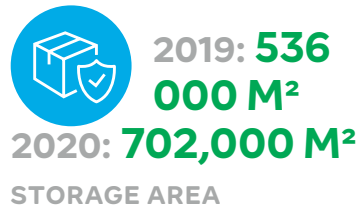
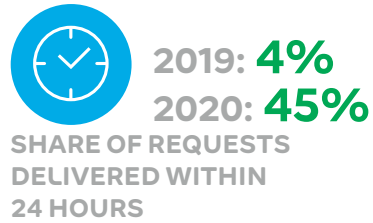
Investments in the area have also come in the form of startup acquisitions. In July, HubSales, a company organized in Franca, in the countryside of the State of São Paulo, was acquired to connect manufacturing hubs to end consumers, a model name F2C (factory to consumers). In August, Magalu acquired GFL Logística, specializing in express deliveries in the countryside regions of São Paulo State and southern Minas Gerais State, and SinLog, which manages shipments, issues

**IN 2020, MAGALU INVESTED 140 MILLION REAIS IN ITS LOGISTICS OPERATION**

FASTER  
DELIVERY

## “YOU BLINKED IT ARRIVED” THROUGHOUT BRAZIL

MAGALU'S MULTI-  
CHANNEL STRATEGY



\*SUM OF OWN AND SERVICE PROVIDERS' FLEET



## THE COMPANY HAS REACHED TWO NEW MARKETS WITH ITS DCS STRUCTURE: RIO DE JANEIRO AND FEDERAL DISTRICT

Operation  
automation:  
efficiency and  
environmental  
care

documents, controls freight schedules, and pays drivers for more than 30 transportation companies. Combined, these companies significantly increase the pace of Magalu's last mile.

In a period of uncertainties and challenges, Magalu has set up a distribution operation in two of the largest markets in the country: the Federal District and Rio de Janeiro, where two new DCs are being built, creating hundreds of jobs.

Moreover, the Magalu ecosystem quickly adapted to respond to the boom in online demand. Época Cosméticos alone has increased the capacity of its Distribution Center, located in Extrema, Minas Gerais state, fourfold, and its service team twofold. Currently, Época is the beauty retailer with the broadest portfolio in the market, with more than 500 local and international brands.

The logistics and distribution operation plays a decisive role in the carbon footprint of a company with Magalu's characteristics. From 2020, the company started producing a complete full emissions inventory, which includes all operations of Magalu and its affiliates from the moment they became part of the company. It was also the first year in which the inventory was verified, a process

that triggered a series of revisions of the calculations made so far.

There was a drop in indirect emissions (scope 2), due to the increased use of renewable energy, which reached 32%. In addition, Magalu reduced energy consumption in MWh due to the shutting down of stores and offices for some months during the year, a measure triggered by the Covid-19 pandemic.

In direct emissions (scope 1), the value of emissions increased due to the growth of the company's operations, increase in the logistics network and frequency of deliveries. The increase in the transportation and distribution indicator is obtained by adding the deliveries made by LogBee and the operations by the distribution centers to stores and customers. The level of detail of data collection also increased this figure. The same goes for other emissions and biogenic CO2 emissions (Scope 3), which for the first time were calculated using data from all distribution centers. This was possible thanks to a drive to improve waste management. In 2020, at 14 DCs and two offices waste management was regularized. For 2021, the goal is to promote the action in 13 other DCs, which are part of the Magalu ecosystem.

MAGALU  
AS A SERVICE

**THE  
BEST IS  
YET TO  
COME**

# RETAIL OPERATING SYSTEM

GRI 103-2, 103-3

Magalu is a company faithful to its purpose: provide access, deliver products and opportunities to the greatest possible number of Brazilians. This mission is materialized in different ways. It started more than 60 years ago, in the countryside of São Paulo, when the company helped thousands of customers to buy their first color TV. It continued in the following decades, when possession of items such as washing machines helped push women into the labor market. In recent years, access to the digital world has been a priority for the company. Brazilians needed smartphones, computers, tablets and products that help them get connected and explore the frontiers opened by the internet. There is a lot of ground to cover. The Magalu digital ecosystem begins to offer a range of content and services, integrated with the SuperApp. But the mission has escalated: now, the goal is to take advantage of everything Magalu has learned and developed in recent years to

digitize Brazilian retail. “We want to be the inducer of this process,” says CEO Frederico Trajano.

In other words: Magalu is fast becoming the operating system for some 5 million retailers who are currently outside of or taking little advantage of digital opportunities. The toolbox for this digitization process is the so-called Magalu as a Service, or MaaS, a set of services that range from the anticipation of receivables to digital advertising, from issuing invoices to delivery to the end consumer. Currently, all marketplace sellers use at least

**MAGALU WANTS TO  
INDUCE BRAZILIAN  
RETAILERS’  
DIGITIZATION**



LuizaLabs,  
in Franca:  
technology  
for everyone



one MaaS service. There are a lot. There are digital ones, such as the Magalu Partner app, the digital invoicer, the Integra Commerce integrator, the physical point of sale IPDV. In logistics, there is the Magalu Delivery solution, which ranges from offering the best rates at the Brazilian Post Office, to collection, transportation, and final delivery solution. In financial services, the company offers Magalu Payments, which provides everything from advances on receivables to loans.

Most MaaS tools are tied to sales. For example, Magalu Partner, a program that encourages the digitization of individual micro entrepreneurs (MEIs) and gained a new boost in 2020, with the worsening of the pandemic, charges 3.99% on each sale - less than the fee charged for over-the-counter transactions with a credit card in physical stores, for example.

Overall, 32% of orders from partners are delivered by Magalu Delivery. By the end of 2020, 1,400 partners had opted for cross docking - a process that includes receiving goods at physical stores or direct pickup and uses the Luiza Network to make deliveries to customers. A group of sellers is already fully integrated and their products can be picked up by buyers at most Magalu physical stores, in a beta project.

The opposite will also be true in the future. This system needs to be expanded with the option to pick up products sold by Magalu



Caio Henrique,  
store employee:  
the physical  
point collects and  
delivers products  
from the sellers

## WITH MAGALU AS A SERVICE, THE SELLER HAS A TOOLBOX WITH A RANGE OF DIGITAL TOOLS AT ITS DISPOSAL

at the sellers' stores, which would mean exponential growth of the physical network and would help generate even more business for the partners.

On the financial front, Magalu Payments reached 2.7 million reais in payments in the last quarter. The platform allows sellers to manage how much they have to receive and when. If necessary, they can anticipate receivables at a competitive rate. With the acquisition of Hub Fintech, the digital account solution is even more complete. The tool should evolve, offering accounts for Legal Entities, eliminating the requirement for seller to use bank accounts to, for example, pay its suppliers.

### FROM COURSES TO FOOD DELIVERY

Sellers' sales can be leveraged with Magalu Ads. By the end of 2020, Magalu's content platforms - website, sales app, YouTube channel, social media, and Canaltech technology website - received 80 million visitors every

month. The Magalu Ads platform will both allow the seller to make its own campaigns, as well as join those formatted by Magalu for major sales dates such as Mother's Day, Christmas, and Black Friday.

Magalu as a Service also delivers other features. The invoicer is one of them. With one click, the user issues invoices, eliminating the need to fill in data on the National Treasury's website. Magalu Tax is another feature. It provides ready-to-use tax payment forms. There are thousands of users of Magalu tools who, with more free time, are able to dedicate themselves to what matters most: selling.

And selling is not trivial. Often, those who were used to the over-the-counter market have to adapt themselves to doing the same thing via a keyboard. To this end, in September Magalu acquired ComSchool, a digital marketing school. With an offering of hundreds of courses, the tool will empower Magalu's sellers.

Retail is Magalu's priority.

However, in 2020, the company also started to connect consumers and entire manufacturers hubs directly. The shortcut to penetrating this type of market was the acquisition of HubSales, responsible for bringing the traditional footwear factories in Franca, in the countryside of São Paulo, to the digital environment. Now, the startup must take its solution to the most varied manufacturing hubs in Brazil – bringing local fashion from different regions to the networks, as well as regional specialties. With the purchase of AiQfome, a delivery app acquired in September, Magalu is moving on to the digitization of thousands of restaurants and cafeterias in medium-sized and small cities.

Accelerating the supply of these solutions goes through

Luizalabs, Magalu's innovation and technology development lab. By the end of 2020, it employed 1,500 developers, with hubs in the cities of São Paulo, São Carlos and Franca, in São Paulo State, and in Uberlândia, Minas Gerais state.

Magalu wants to introduce the seller to the digital world – but this must, of course, be done legally, without exceptions. Before they can start offering their products on the company's digital platform, partners need to prove that they have active CNPJs with the Federal Revenue Service, are in good tax standing, and that their economic activities are related to Magalu's categories. Marketplace partners who fail to follow compliance rules are suspended or banned from the platform. In 2020, 6,017 sellers were removed from the company's marketplace.

**AiQFome**  
Delivery:  
focus on small  
and medium-  
sized cities



A TOOLBOX  
FOR SELLERS  
TO USE  
MAGALU'S  
SERVICES TO  
SELL MORE

**32%**  
OF 3P ORDERS ARE  
DELIVERED BY MAGALU

**1,400**  
SELLERS ADOPT THE  
CROSS DOCKING  
MODEL

**324**  
STORES DELIVERING  
PRODUCTS FROM  
PARTNERS

**2.7**  
**BILLION**  
IN TOTAL MAGALU  
PAYMENTS IN THE LAST  
QUARTER

**THOUSANDS OF  
RESTAURANTS AND  
CAFETERIAS WILL  
JOIN THE DIGITAL  
WORLD THROUGH THE  
AIQFOME PLATFORM**

PEOPLE WHO  
LIKE PEOPLE

**THE  
BEST IS  
YET TO  
COME**

# THE IMPORTANCE OF A MISSION

IN 2020, MAGALU PROVED, ON A DAILY BASIS, THE PRACTICE OF ONE OF ITS MAIN VALUES: TO LIKE PEOPLE. THE COMPANY HAS TAKEN ON ITS ROLE AS A LEADING PLAYER IN SOCIETY AND TAKEN UPON ITSELF A SERIES OF RESPONSIBILITIES TO HELP BRAZIL GET THROUGH ONE OF THE GREATEST CRISES IN RECENT HISTORY, CAUSED BY THE COVID-19 PANDEMIC.

## EMPLOYEES

103-2, 103-3, 401-2, 404-2, 405-1, 405-2

Amid a huge economic and health crisis and a scenario initially characterized by uncertainties, Magalu has pledged not to reduce its staff in 2020. Commitment upheld. To preserve jobs, the company used Provisional Presidential Decree No. 936, which allowed the temporary suspension of employment contracts and reduction of working hours. These emergency measures, combined with the company's growth, meant not only could existing open positions be maintained, but that 9,000 new jobs were opened throughout 2020.

But the first concern, obviously, was the health and well-being of employees. At different times during the year, thousands of employees, most of them working in physical stores, were sent home. People aged over 60, those with comorbidities, and pregnant women were given a leave period at the very beginning of the pandemic. To ease the new routine, in which work, parenting and housework shared the same

environment, Magalu doubled the "cheque-mãe" (maternal check) benefit, a financial aid that the company gives to mothers of children up to 12 years old and to parents of children with any kind of disability. Remote medical appointments are now offered, as well as psychological support. Climate surveys have become more frequent and a special service channel was created to listen to employees and solve their main concerns.

### STRICT PROTOCOLS

For professionals who remained at their workstations - in positions in the Distribution Centers, Logistics, etc. - Magalu employed strict protection protocols, with sanitization of the environment and equipment, measurement of body temperature, and the mandatory use of masks. Assemblers and truck drivers were supplied with personal protection equipment (PPE), such as hand sanitizer and masks, and the company created an "Uber-voucher", so that employees

would not have to use public transportation.

Traditional benefits - such as meal vouchers, healthcare plan, gym memberships, and book vouchers, a joint initiative with Estante Virtual -, equivalent for full and part-time workers, were preserved during the entire period of leave and working from home. This set of policies and measures, adjusted to the atypical circumstances, were essential in Magalu being ranked second in the Great Place to Work Institute's ranking of best companies to work for, responsible for one of the leading surveys of people management excellence in the country.

Remote work, caused by the pandemic, did not prevent Magalu from continuing to monitor the quality of the relationship between its employees. The communication channels and reporting mechanisms remained available. In 2020, the company received 15 reports of discrimination - eight of which were found to have grounds.



Integration area  
at Arena Magalu:  
care multiplied  
during the  
pandemic

**“DURING THE  
PANDEMIC, A  
REMOTE MEDICAL  
APPOINTMENT SYSTEM  
WAS OFFERED”**

**PEOPLE WHO LIKE PEOPLE**

After investigating the cases, five employees were dismissed and three were warned.

**CHALLENGES AND ACHIEVEMENTS**

The company worked to overcome the challenges imposed by isolation. Even at a distance, Magalu recorded an average of 18 hours of training per employee. The restrictions imposed by the pandemic meant that the training took place only over the internet. Magalu already had a history of using the network to educate, with actions such as the Quarta do Saber (weekly training program for all stores, with content related to service and goals), training lives (broadcast by Workplace, with diverse content), the Rite of Communion, which took place in person, but also on the internet, and informal training courses conducted regionally by leaders.

Online has also become crucial for actions such as the Training Manager Program, which, in addition to store experience, uses the internet for six-month training in the new role. New sellers and employees who work at Magalu kiosks inside Marisa Stores have specific online courses. The network is also a tool for employees entering for the launch of points, with the New Stores Training - an integration which lasts four weeks.

Finally, in 2020, 146 Magalus took the Amana Key leadership training course.

The company has dedicated

itself to solving the gender pay gap. On the Board of Directors, the salary of women is higher than that of men. On the executive boards, at the coordination level and at the operational positions, they are very close, with less than 5% difference higher or lower. There is work to be done at the management level, in which the average salary for women was, in 2020, equivalent to 91% of the average salary for men. But the biggest challenge is at the administrative level: the average salary of women was equivalent to 74% of that of men. GRI 405-2

In 2020, 3.8% of Magalu staff was made up of people with disabilities (PWDs), below the minimum quota set by public policy. The company signed a Conduct Adjustment Agreement (TAC) with the Labor Prosecution Office to solve the situation and has been training leaders on how to hire and relate to people with disabilities. In addition, it offers special benefits, such as exemption from the healthcare plan fee and partnership with gyms. Policies are under constant review. Whenever an employee with a disability resigns, the company conducts interviews to identify areas for improvement.

Despite the evident challenges, in 2020 Magalu showed to society that it seeks to be an increasingly diverse company. Therefore, better prepared to understand and dialogue with all Brazilians. The action with the most prominence in this regard was the

launch of the exclusive trainee program for people of African descent. At the end of 2019, the company carried out a survey with 13,000 employees, which made it possible to estimate that 53% of Magalu's staff are black. However, less than 20% of these professionals held leadership positions. For years, the company had been trying to increase the number of black and mixed-race candidates in its trainee selection programs — without much success. The number of registrations was very low, which contributed to delaying the increase in diversity among the company's leaders.

**22,000 CANDIDATES**

The exclusive selection program — months in preparation, with the participation of legal scholars, NGOs that work with racial equity, representatives of the Labor Prosecution Office, executives and black employees of Magalu — sparked huge discussion in society. More than 4,000 articles were published by the press, in Brazil and abroad. The program attracted more than 22,000 highly qualified applicants from across the country, a record. At the end of several selection stages, 19 participants were hired.

In order to assess the company's workforce in greater depth, a diversity census will be carried out in 2021, which will provide more accurate information and data on Magalu's employees.

**A PORTRAIT OF THE MAGALUS**

THE COMPANY HAS AN INCREASINGLY DIVERSE TEAM OF EMPLOYEES

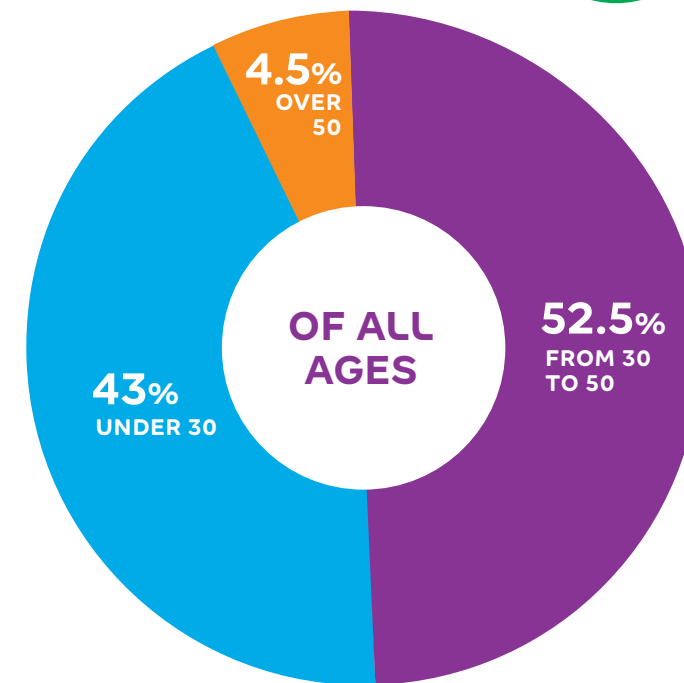
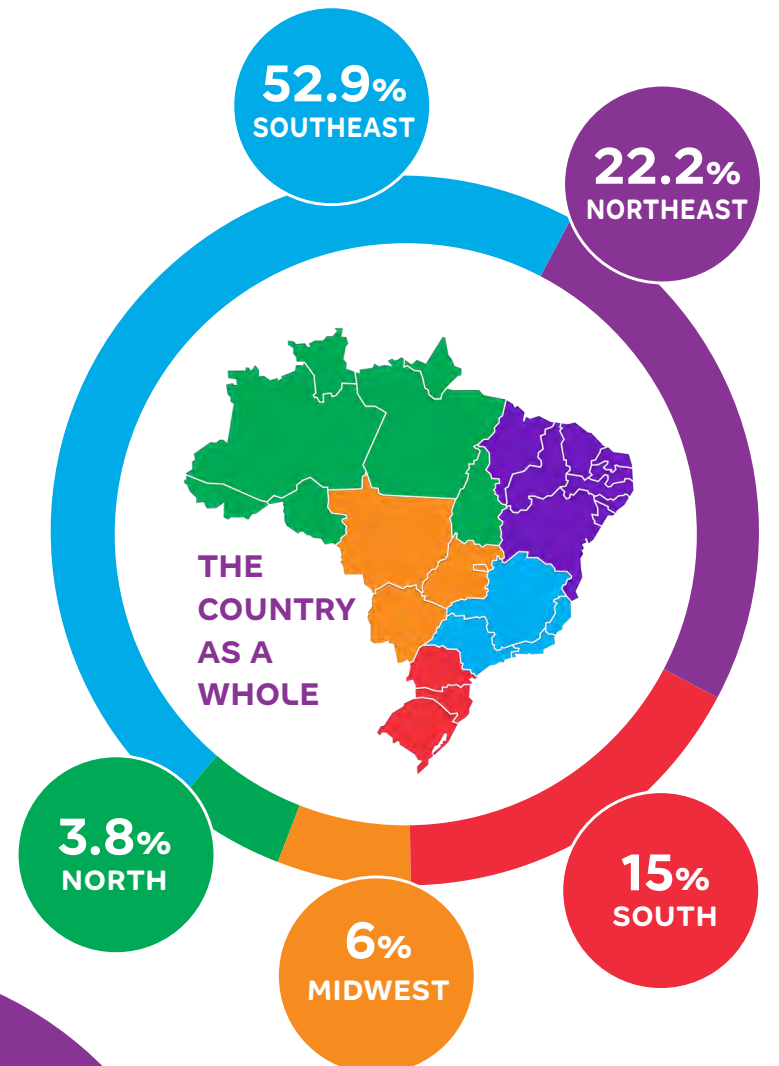
**38,614**

TOTAL EMPLOYEES\*

**19 762**  
MEN

**18 852**  
WOMEN

GRI 102-8



**EVERYONE TOGETHER - AND MIXED**

NUMBER OF EMPLOYEES PER GROUP COMPANY



\*Does not consider interns and apprentices, who total 1,393 people. SEE MORE DATA ON EMPLOYEES IN THE ANNEXES SECTION

## SOCIETY

103-2, 103-3, 203-1, 203-2

2020 was marked by great economic and social difficulties in Brazil and in the world. The pandemic has brought down GDPs, decimated jobs and required a record volume of funds for healthcare. More than ever, companies were required to play their role in society, a movement that the financial market called ESG (environmental, social and governance). Since the beginning of the pandemic, Magalu and its shareholders have mobilized themselves around social causes. Throughout the year, there was a public commitment to allocate 50 million reais in donations — 30 million from the Trajano and Garcia controlling families, and 20 million from Magalu’s funds — to actions to combat the health and social effects of Covid-19. A multidisciplinary committee led by Luiza Helena Trajano, president of the Board of Directors, manages use of these funds and the progress of all projects.

Of these funds, 10 million reais were used to purchase essential items, donations to needy families and cooperation with the public

health system. In addition, Magalu joined joint initiatives, such as Oxigênio para Todos (Oxygen for All), a union of 12 companies that made it possible to donate more than 5,000 oxygen concentrators to health institutions across the country. The company was also a donor of funds — 2 million reais — for the construction of a new vaccine factory at the Butantan Institute, in São Paulo. Magalu has a committee dedicated to philanthropic activities, which monitors all projects, donations and the support of employees to the institutions. It is headed by Luiza Helena Trajano, President of the Board of Directors.

### SUPPORT FUND

One of the company’s major public causes is combatting violence against women, a flag planted four years ago and which gave rise to an internal reporting channel and actions such as the reporting button installed on the SuperApp, accessible to all users. According to the Brazilian Public Security Forum (FBSP), cases of femicide rose 22.2% between March and April 2020 compared to the

previous year, in 12 states of the country. In July, Magalu launched a new version of the reporting button, which now allows calls to numbers 180 and 190 and access to a chat with the Ministry of Women, Family and Human Rights — through a discreet button, so that the aggressor does not notice the use. In 2020, the number of reports made through the device increased by more than 800% compared to the previous year.

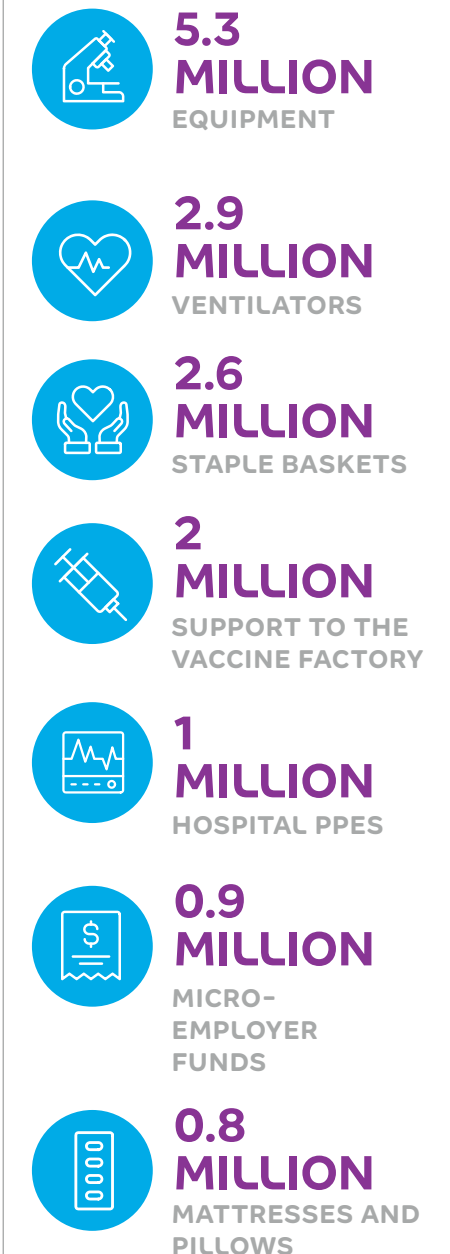
In August, the company created a 2.6 million reais Fund to Combat Violence Against Women, to support 20 Civil Society Organizations (CSOs). Launched through a public notice, it received 459 proposals from organizations located in 200 Brazilian municipalities. More than 70% of the registered CSOs and almost 80% of the finalists are outside the Rio-São Paulo axis. Of the 20 entities covered by the fund’s resources, four are in the National category and three in the State category. Each received 150,000 reais. In the Local category, 13 institutions were selected and each received 100,000 reais in support.



“CONTROLLERS AND COMPANY  
DONATED 50 MILLION REAIS TO  
ACTIONS TO COMBAT COVID-19”

## LEADING PLAYER COMPANY

TO HELP FIGHT THE PANDEMIC, IN 2020 MAGALU ALLOCATED (IN REAIS)



Logbee bikes:  
less emissions



## ENVIRONMENT

103-2, 103-3

We are “people who like people”. Therefore, it would be ridiculous if Magalu did not invest time, energy and resources in protecting the environment and combating climate change.

In order to reach the most effective actions to reduce and mitigate environmental damage, the company carried out assessments of the operation’s impacts on the environment. One of the tools used in these assessments was the greenhouse gas (GHG) emissions inventory.

The inventory has been used by the company since 2017. In 2020, Magalu joined the Brazilian GHG Protocol Program, of the Center for Sustainability Studies of the Getulio Vargas Foundation (FGVces), giving transparency to data by publishing them on the Public Emissions Register platform (<https://www.registropublicodeemissoes.com.br/participantes/3190>). The Brazilian GHG Protocol Program is the national entity responsible for adapting the international method of calculating GHG

emissions to the Brazilian reality, making the guidelines clear and practical for business management.

As carbon management matured, in 2020, the first inventory check was carried out. The audit process had the participation of all areas involved in the company’s data collection, valuing collective construction and increasing reliability of the results obtained.

For direct emissions (Scope 1), the result was 9,584.8 tons of CO<sub>2</sub>, an increase of 83%, as a direct consequence of the operation’s growth. Direct emissions include the Distribution Center’s own fleet and forklifts (mobile combustion), refrigerant gases from air conditioners and fire extinguishers (fugitive emissions) and cooking gas and energy generators (stationary combustion).

### REDUCTION OF EMISSIONS

Emissions related to the purchase of electric power (Scope 2 - location) recorded a drop of approximately 30% compared to 2019 emissions, totaling 5,065.3 tons of equivalent CO<sub>2</sub>. Part of

this drop was due to the 18% reduction in the emission factor of the National Interconnected System (SIN). Added to this is the reduced energy consumption due to the temporary closing of physical stores, as a measure to contain the transmission of Covid-19. But the main factor that reduced Magalu’s emissions was the strategic decision to buy clean energy with incentives, taken in 2009. Currently, the company has contracts for the acquisition of wind energy in the free market and projects for distributed generation of solar energy.

Investing in the diversification of renewable energy sources is essential to reduce the risk of dependence on the water system. Although Brazil is one of the large producers of clean energy generated by hydroelectric plants, in periods of lack of rain, the National System Operator (ONS) triggers the generation of thermoelectric energy, powered by fossil fuels. In addition to increasing the cost of energy, thermal plants are great generators of greenhouse

“SINCE 2017, MAGALU HAS INVENTORIED ITS GREENHOUSE GAS EMISSIONS”

## “THE COMPANY IS IMPROVING ITS PROCESSES TO REDUCE WASTE”

gases (GHG). Today, nearly 65% of all the energy consumed by Magalu operations comes from hydroelectric plants.

In 2020, Magalu consumed more than 18,000 MWh of renewable energy, generated by wind sources, small hydroelectric plants (PCH) and solar plants — equivalent to about 27% of the company’s total energy consumption. For 2021, the goal is for this slice of clean energy to reach 70%. For 2021, the goal is to double this percentage. Because of this investment in renewable energy, Scope 2, based on purchase choice (market-based), totaled 3,784.5 tons of CO2 equivalent.

### QUALIFIED PARTNERS

Scope 3 emissions involve all other processes inherent to the operation, but which are not directly controlled or executed by Magalu: employee commuting, business travels, purchased goods and services, transportation and distribution of products sold and waste treatment. Thus, Scope 3 totaled 74,815.2 tons of CO2 equivalent — an increase of 106% over the previous year. A significant part of this increase is attributed to the logistics operation, which accompanied the advance of e-commerce in 2020. Magalu’s network —

which currently covers the entire country and is made up of logistics operators and more than 6,700 self-employed professionals — is powered by fossil fuels and, therefore, accounts for 77% of emissions in this scope.

Efforts to improve waste management were intensified. In 2020, 14 DCs and two offices underwent waste management regularization and the average disposal in these facilities reached 85%. To reach this level, Magalu hired qualified partners and adjusted contracts. In 2021, another 13 DCs and 100 company stores, as well as offices of affiliated companies, will undergo the same process.

The electronic waste generated by Magalu operation is delivered to Recicladora Urbana, a company specialized in the subject that, in 2020, properly disposed of 22 tons.

In addition to regularizing waste, the company has been improving its processes to reduce the waste generated in the operation. An example is the replacement, at the hubs of the Logbee operation, of pallets wrapped in stretch plastic with metal cages. Plastic was discarded at each use, with no possibility of reuse. The cages are filled and, after removal of the load, can be reused several times. As a result, there was a reduction in the use of

at least 14 tons of plastic per year at the unit where the pilot began.

Other initiatives aimed at packaging are being developed. Magalu is studying the use of new materials, which generate less waste. The constant training of teams ensures minimal waste, reducing externalities in waste generation and ensuring the quality of deliveries. Guidelines are also being developed to reduce the volume of disposal of cosmetic products destined for incineration, through special sales campaigns. Magalu also plans to launch a reverse logistics program for useless consumer electronic goods and household appliances for the second quarter of 2021. The initiative will have the partnership with the Brazilian Association for Recycling of Electronic Goods and Appliances (Abree), and provides for the installation of collectors in hundreds of stores of the company across the country.

### MONITORING

Risk management follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Created by the Financial Stability Board, the financial affairs arm of the G20, which brings together central bank chairpersons and ministers of economy from member countries, TCFD provides

guidelines for companies and institutions to monitor and disseminate information on the financial impacts of climate change on their business, as well as their practices for managing risks and opportunities.

Magalu monitors legal and political risks, such as carbon taxation for fleet and logistics network emissions, which already take place in some countries of the European Union. The company also takes care of market and reputational risks, in light of consumption trends and the profile of a consumer who is increasingly aware of, and involved in, social and environmental issues.

The next step in the company’s carbon management is to define and give visibility to medium and long-term reduction targets, in addition to investing in emission offsetting initiatives and promoting innovations and solutions to decarbonize the operation.

## IDEAS THAT MAKE A DIFFERENCE

LogBee, Magalu’s last-mile startup, used plastic to lash cargo to delivery cars. The material could not be reused. Therefore, it was exchanged for metal cages, used several times.

During the pandemic, with the accelerated growth of

e-commerce, the subject on use of packaging and post-consumption became evident. Reducing the volume of packaging and the use of recyclable raw materials will be an issue to be addressed by the company and by the entire retail sector from now on.



SEARCH FOR MORE APPROPRIATE PACKAGING FOR THE PRODUCTS, CONSTANTLY TRAINING THE TEAM TO MINIMIZE WASTE - WITHOUT COMPROMISING THE QUALITY OF DELIVERY.



ENCOURAGE PROMOTIONS FOR PRODUCTS CLOSER TO EXPIRY TO REDUCE INCINERATION DISPOSAL VOLUME.



## SUPPLIERS

103-2, 103-3, 308-1, 308-2, 414-1, 414-2

For a company to be upstanding, its entire chain must follow the same direction. It is a matter of consistency, increasingly valued in the business environment. Suppliers of goods and services are fundamental links in this chain.

Magalu's supplier selection process is maturing to introduce environmental and social criteria. Currently, the company checks if there are, on the part of its suppliers, sanctions, serious lawsuits and mentions in alert lists and restrictions. All of them are decisive for the contracting process.

Magalu's Compliance, Integrity and PLD area performs the reputational assessment of all suppliers with annual sales above 1 million reais - with the exception of consulting service providers and some other critical segments, which undergo this analysis regardless of volume of revenue. Reputational Risk Assessment is in a centralized way for all companies of the group. Since January 2020, the Compliance, Integrity and PLD department also analyzes the suppliers of Netshoes and, in the second half of the year, the suppliers of Estante Virtual were incorporated.

To perform the reviews, Magalu relies on the use of outsourced tools for data mining and analytics, such as LexisNexis

Risk Solutions, a company of RELX Group, a global leader in legal, financial and strategic information, present in more than 100 countries. In addition, all contracted suppliers are inserted in the BatchNameCheck (BNC) system for continuous monitoring of possible inclusion on warning and/or restrictive lists of over 20 countries.

In 2020, BNC generated 112 alerts that triggered additional checking and notifications to the Atypical Transactions Risk Assessment Committee and, when required, compliance advice. In these cases, the supplier may be subject to quarterly or semi-annual monitoring or have the relationship discontinued.

### MAPPING

The challenge of ensuring whether all companies that provide products and services are compliant will be ever-increasing for the company, which is exponentially expanding the

number of categories and items sold and - consequently - of business partners.

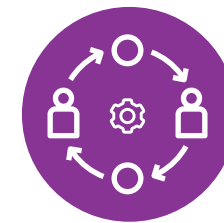
Therefore, in 2019, Magalu carried out a complete risk assessment of its suppliers from the sustainability perspective. In 2020, based on such data, the Sustainable Chain program was started to monitor these partners. To help them on this journey, Magalu selected Sedex, one of the world's largest online platforms for sustainability-related supplier data sharing. The furniture sector was the first to be invited to join the initiative. In 2021, the trend will reach the clothing, footwear, and handbag industries.

The approach, in the first moment, is mainly educational - with the intention of extending and reinforcing good practices throughout the whole network and to closely monitor the necessary adjustments in suppliers' operations to ensure that they share the same values as Magalu.

**“THE CHALLENGE OF CHECKING ALL SUPPLIERS INCREASES AS THE OPERATION EXPANDS”**

## FROM END TO END

STEP-BY-STEP PROCESS TO CHECK MAGALU SUPPLIERS



### QSA

CHECK ON SUPPLIER'S REGISTRATION RECORD, MAKING IT POSSIBLE TO MAP ITS PARTNERS AND OTHER COMPANIES IN WHICH IT HAS AN EQUITY INTEREST

### LEXIS DILIGENCE

VERIFIES IF THERE ARE NEGATIVE REPORTS ABOUT THE SUPPLIER AND ITS MEMBERS, IF IT IS INCLUDED IN WATCH AND RESTRICTIVE LISTS, OR IF IT HAS ANY SANCTIONS

### DBJUS

DBJUS INVESTIGATES THE EXISTENCE OF LEGAL PROCEEDINGS

### CLIPAUDERING

INVESTIGATES WHETHER THE MEMBER OR THE COMPANY IS INVOLVED IN MONEY LAUNDERING CRIMES



Luiza Helena, at an event for sellers: mandatory formalization

## SELLERS, A NEW WORLD

GRI 102-2

“Magalu wants to digitize Brazil, but without a handheld goal!”

Before they are able to sell on the platform, Magalu's risk department does several analyses with the support of specialized fraud tools. At this stage, 20% of the applicants are eliminated from the selection. After the seller is validated, the information is sent to the Compliance, Integrity and PLD area, which enters the company and partners into the BatchNameCheck (BNC) system for continuous

monitoring. In addition, the area monitors sellers' transactions to prevent money laundering and terrorist financing. All non-typical operations are immediately reported to the Financial Operations Control Council (COAF) and, by determination of the agency itself, are not discontinued to ensure their track record and investigation.

In the year 2020, 6,017 sellers were removed from Magalu's marketplace for non-compliance with the company's policies.

**THE  
BEST IS  
YET TO  
COME**

GOVERNANCE

# REORGANIZE AND EXPAND THE MAGALU ECOSYSTEM

Even with the dramatic improvement of the digital operation, Magalu's leadership has always been adamantly stating that the company was agnostic about sales channels. This stance reflects the belief in multi-channel operations, which defines Magalu's strategy. The channels do not compete for sales with each other. On the contrary: they supplement and leverage each other. By the end of 2020, the company's organizational chart reflected this strategy and the divisions by channel ceased to exist.

In the new structure, three Vice Presidents will report to Frederico Trajano, the CEO. Fabrício Garcia, Operations Vice-President, is responsible for controlling operations and expansion of the company. Under his leadership are vital departments such as logistics and physical stores, which officially gain new functions. In addition to working as points of sale, they will become pickup, delivery, and shipping hubs of products from companies connected to the marketplace, and will perform a fundamental role in supporting and attracting new sellers all over Brazil.

The Business vice-presidency,

led by Eduardo Galanternick, the executive then responsible for e-commerce, will be in charge of the commercial and marketing areas of all Magalu's categories and brands, including sales channels - stores, e-commerce with own inventory (1P), and marketplace (3P). With the progress of the new categories, the executive management of these sectors was segmented: Durable Goods and Consumer Goods, under the responsibility of Luiz Rego; Sports, headed by Julio Trajano; and Beauty & Fashion, which includes Zattini and Époça Cosméticos, under Silvia Machado's management.

As a result of its crucial role in retail revolution, the technology department becomes more extensive, and is given the name of Platform. Vice-President André Fatala's main mission is to build the Brazilian retail operating system and to provide simple and modern tools for sellers and retailers with still analog operations.

In addition to the three vice-presidencies, five other executive boards report to the CEO: Marketplace, Customers and Integration, Finance and Investor Relations, People Management, and Management and Control.



THE STRUCTURE OF MAGALU BECOMES LINEAR. THE GOAL IS A FULLY INTEGRATED OPERATION

## BOARD OF DIRECTORS

MAGALU IS A REFERENCE IN FEMALE INVOLVEMENT



**LUIZA HELENA  
TRAJANO INÁCIO  
RODRIGUES**  
President



**MARCELO JOSÉ  
FERREIRA E SILVA**  
Vice-President



**CARLOS RENATO  
DONZELLI**  
Permanent Director



**BETÂNIA TANURE  
DE BARROS**  
Independent Director



**INÊS CORRÊA DE SOUZA**  
Independent Director



**JOSÉ PASCHOAL  
ROSSETTI**  
Independent Director



**SÍLVIO ROMERO  
DE LEMOS MEIRA**  
Independent Director

## EXECUTIVE BOARD

NEW SETUP MEETS THE REALITY OF THE BUSINESS

### CHIEF EXECUTIVE OFFICER



**FREDERICO TRAJANO  
INÁCIO RODRIGUES**

### VICE-PRESIDENTS



**FABRÍCIO  
BITTAR GARCIA**  
Operations



**EDUARDO  
GALANTERNICK**  
Businesses



**ANDRÉ  
FATALA**  
Platform

### EXECUTIVE OFFICERS



**ROBERTO  
BELLISSIMO  
RODRIGUES**  
Finance and  
Investor  
Relations



**MARIA ISABEL  
BONFIM DE  
OLIVEIRA**  
Management  
and Control



**PATRICIA  
PUGAS**  
People  
Management



**DECIO  
SONOHARA**  
Logistics



**LUIZ  
FERNANDO  
REGO**  
Durable Goods  
and Consumer  
Goods



**LEANDRO  
SOARES**  
Marketplace



**JULIO CESAR  
TRAJANO**  
Sports



**GRACIELA  
KUMRUIAN**  
Customers and  
Integration



**DOUGLAS  
MATRICARDI**  
Store  
Operations



**SILVIA  
MACHADO**  
Beauty &  
Fashion

## THE BOARD WITH THE HIGHEST FEMALE INVOLVEMENT AT B3

102-18

There is still a long road to gender equality in the market and in Brazilian organizations. But there are signs of a welcomed change. In August 2020, women accounted for 24.8% of B3's individuals - there were about 740,000 female investors. Compared to the beginning of the year, there was a 72% increase, but there is a lot of ground to cover. The journey is even longer when looking at the representation of women in the leadership of large companies: only 277 women are part of the Board of Directors of publicly-held corporations - 13.7% of the total number of directors in activity in the country.

In this respect, however, Magalu appears as a reference. It is the company with the highest equality index on the Board of Directors among publicly-held corporations, according to Teva Índices ESG Mulheres no Conselho report. In the company, 43% of the directors

are women. They are: Luiza Helena Trajano, Chairman of the Board of Directors, and independent directors Betânia Tanure de Barros and Inês Corrêa de Souza.

The company's Board is also composed of Marcelo José Ferreira e Silva, as Vice-President, Carlos Renato Donzelli, as Permanent Director, and Independents Directors José Paschoal Rossetti and Sílvio Romero de Lemos e Meira.

Luiza Helena Trajano, a law graduate, was Magalu's CEO for 24 years. She has a deep knowledge of the organization and has contributed decisively to the creation of the corporate culture. Throughout her career, she has been through all departments. In 1991, she became superintendent. It was during her tenure that Magalu became a major national retailer. Outside the company, she was a member of the National Council of Public Management, of the Higher Strategic Council

of the Federation of Industries of the State of São Paulo (FIESP), member of the Economic and Social Development Council (CDES), Chairman of the Retail Development Institute (IDV), and vice-president of the Board of Directors of Rio 2016 Olympic and Paralympic Games Organizing Committee. In addition, she is the chairman and one of the founders of the Women of Brazil Group, the largest women's group in the country, and is one of the leaders of the United for the Vaccine movement, which unites representatives of civil society to contribute to the mass vaccination of Brazilians against Covid-19. (GRI 102-12, 102-13)

Betânia Tanure is a psychologist and holds degrees from British universities Henley Management College and Brunel. She is the founding member of Betania Tanure Associados and one of Brazil's leading experts in management, corporate culture,

Luiza Helena Trajano, President of the Board of Directors: company with a feminine soul



**LARGELY RESPONSIBLE FOR MAGALU'S CULTURE, LUIZA HELENA WAS CEO FOR 24 YEARS**

and leadership. Inês Corrêa de Souza is the founding member at Latitude Gestão e Finanças. She majored in Business Administration at Fundação Getulio Vargas (FGV) and took an Executive MBA in Finance at the Instituto Brasileiro de Mercado de Capitais.

Marcelo Silva, Vice-President of the Board, has a degree in Economics from the Federal University of Pernambuco (UFPE) and a post-graduate degree in financial administration from the Higher Education of Pernambuco Foundation (FESP). Marcelo Silva is one of the most recognized executives in Brazilian retail. He was CEO of Bompreço Group, G Barbosa, Pernambucanas and Magalu, from 2009 to 2015. Carlos Renato Donzelli, José Paschoal Rossetti, and professor Silvio Romero de Lemos Meira complete the group. Donzelli, who is an Executive Officer of Magalu holding company, has been with the company for 25 years. Rossetti is one of the leading corporate governance scholars in the country. Meira, one of the founders of Porto Digital in Recife, is one of the most listened voices in technology and digital transformation.

The Board is supported by four committees: Auditing, Risks and Compliance, Finance and Consumer Credit, People and Organizational Culture, and Business and Digital Transformation.

With three members, auditing, risks and compliance committee sits alongside the Board of Directors on legal and regulatory compliance matters. Its members follow the financial statements,

María Inês,  
Director:  
reference



reference forms, releases, and the management report closely. In addition, they also monitor the independent auditors to ensure impartiality.

The group of three professionals responsible for finance and consumer credit is in charge of the company's financial policy, follows up on indebtedness, and monitors contracts and guarantees. A team of four is responsible for people and organizational culture. They enforce values, ethical and legal standards, articles of incorporation, bylaws, and rules among all employees, all the way up to the executive board. (GRI 102-16)

Finally, three members form the group that heads strategy, business, and digital transformation committee.

These professionals validate all operational and strategic directions of the company. They approve and advise on the entrance into new markets, acquisitions, incorporation, etc.

This entire organization of the Board of Directors and committees is crucial for Magalu to remain a reference in corporate governance, ensuring impartiality, information control, transparency to stakeholders and the necessary diversity of experiences, opinions and knowledge applied to the conduct of the company. Magalu is part of the Retail Development Institute (IDV), of the Federation of Commerce of Goods, Services and Tourism of the State of São Paulo (Fecomércio), and of the Brazilian Chamber of E-Commerce.



## MAGALU AND THE GENERAL PERSONAL DATA PROTECTION LAW (LGPD)

103-2, 103-3, 418-1

Magalu started its compliance plan prior to the enactment of the General Personal Data Protection Law (LGPD), and maintains a plan for governance and enhancement of its compliance program. Led by the Integrity, Compliance, and Money Laundering Prevention (PLD) area, and with support from the Legal Department and the Information Security department, the company continues to make investments to mature processes, implement technologies, and formalize all the required regulatory and legal instruments.

The LGPD requires efforts from all organizations to comply

with the principles of the law. In industries where there is intense interaction with consumers in general, this topic has even greater relevance, due to the volume of personal data collected and processed on a daily basis.

At Magalu, data security is backed up by partners specialized in the subject, with experience and knowledge of Brazilian legislation and international rules. The effort involves the spread of knowledge to the internal public and customers, by means of awareness actions through social networks. Lu is a strong ally of its customers, for example, with educational posts on how to safeguard their data and not

fall for scams. The company has a team dedicated in identifying new malpractices from hackers and quickly creating material to inform about how to protect yourself.

The Information Security department also contributes to the maintenance of adequate mechanisms for the security of the technological environment and the personal data processed by the company. These mechanisms include technologies for monitoring and preventing cyber-attacks, which have already proven to be adequate for the company's level of exposure. In 2020, no such incidents were known or reported at Magalu.

# ABOUT THE REPORT

**THE  
BEST IS  
YET TO  
COME**

# HOW WAS THE DEVELOPMENT PROCESS OF THIS REPORT

GRI 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-49, 102-50, 102-51, 102-52, 102-54

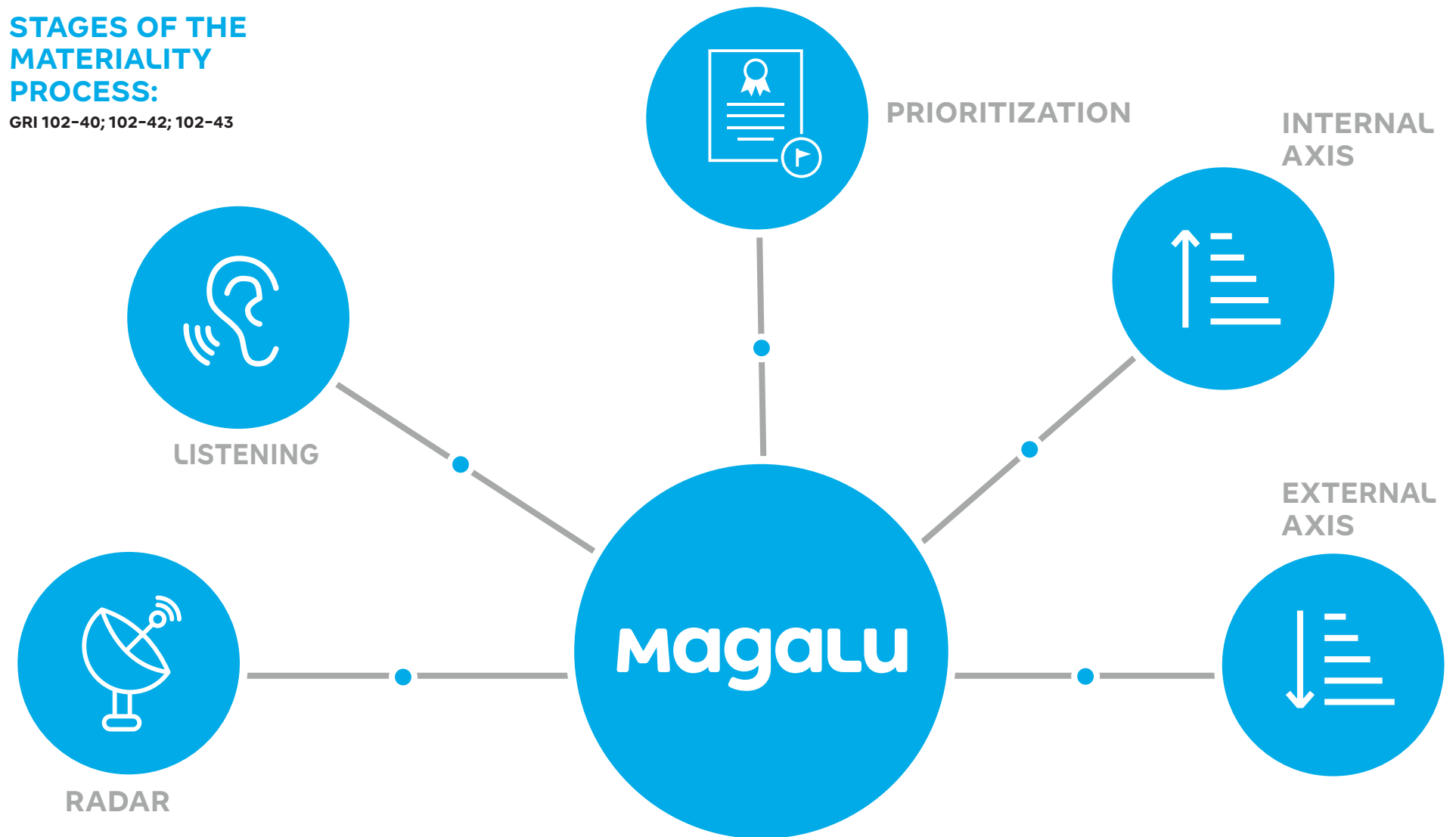
For the ninth year, Magalu is presenting its Annual Report, which addresses the company's performance in economic-financial, social, and environmental dimensions for the period from January 1 to December 31, 2020, and provides the outlook for the following year.

With annual frequency, the report was prepared based on the guidelines of the Global Reporting Initiative (GRI), in accordance with the following standards: Essential option.

The content of the report considers the 8 material topics defined in the process held in 2019 (read more on the opposite page). Also included in the publication are the objectives, goals, and challenges of the sustainability aspects and the way in which the company relates to its different stakeholders. This year, all of the information presented refers to Magazine Luiza S.A. Group (Magalu, Netshoes, Estante Virtual, Época Cosméticos, Luizacred). The financial and operational data are presented on a consolidated basis according to accounting practices adopted in the International Financial Reporting Standards (IFRS), and the financial statements are audited by KPMG Auditores Independentes. The socio-environmental indicators were collected internally, from

## STAGES OF THE MATERIALITY PROCESS:

GRI 102-40; 102-42; 102-43



**RADAR:** it consists of the previous survey of topics that are relevant not only to the sector, but that also configure trends and movements in society. At this stage, the current topics of Magazine Luiza's matrix, GRI sector studies, topics linked to the Sustainable Development Goals (SDG), of the Global Pact, and socio-environmental certifications were analyzed. In total, 24 potential wide-ranging topics were raised. Within this universe, 17 topics were selected as most relevant for the stakeholders' listening process.

**LISTENING:** This is the stage where the internal and external vision of the company's main stakeholders is captured, carried out in an online survey format, in order to ensure greater public representativeness. In the process, audiences were asked to rank sustainability topics based on their relevance to Magalu's development.

**PRIORITIZATION:** Through its pondering methodology, developed by consulting firm Gestão Samaúma, different weights were

assigned to the survey results. The result was a materiality matrix that, validated by top management, takes into account:

**INTERNAL AXIS:** The results of employees and directors' survey were considered, in addition to the topics in the current materiality matrix.

**EXTERNAL AXIS:** The results of the survey with customers, suppliers, partner sellers, investors, and opinion-makers, as well as the results of the sectorial and competition

surveys were considered, in addition to the topics connected to the SDGs and socio-environmental certifications.

With the new version of the materiality matrix, the company will advance its sustainability strategy by prioritizing material topics in its management and governance. They will also guide the definition of indicators, commitments, employee training, and leadership engagement, in addition to the communication of the results achieved.



MATERIAL TOPIC	RELATED GRI ASPECTS AND CONTENT	IMPACT WITHIN THE COMPANY	IMPACT OUTSIDE THE COMPANY
CUSTOMER RELATIONSHIP	MARKETING AND LABELING CUSTOMER PRIVACY GRI 417-1, 417-2, 417-3, 418-1	YES	CUSTOMER AND SOCIETY
LABOR RELATIONS	JOB TRAINING AND EDUCATION GRI 102-8, 102-41, 401-1, 401-2, 404-1, 404-3	YES	COMPANY, SUPPLIERS, SELLERS
DIVERSITY AND INCLUSION	DIVERSITY AND EQUAL OPPORTUNITIES NON-DISCRIMINATION GRI 405-1, 405-2, 406-1	YES	COMPANY, SUPPLIERS, SELLERS
SUPPLY CHAIN	PURCHASING PRACTICES ENVIRONMENTAL ASSESSMENT OF SUPPLIERS SOCIAL EVALUATION OF SUPPLIERS GRI 204-1, 308-1, 308-2, 414-1, 414-2	YES	SUPPLIERS, PARTNERS AND SELLERS
CLIMATE CHANGES	ECONOMIC PERFORMANCE EMISSIONS ENVIRONMENTAL COMPLIANCE GRI 201-2, 305-1, 305-2, 305-3, 307-1	YES	SOCIETY
SOLID WASTE	EFFLUENTS AND WASTE GRI 306-2	YES	SOCIETY
FIGHTING POVERTY	INDIRECT ECONOMIC IMPACTS OF MARKET PRESENCE GRI 202-1, 203-1, 203-2	YES	CUSTOMERS, SUPPLIERS, SELLERS, AND SOCIETY
DIGITAL INCLUSION	NO RELATED GRI INDICATOR	YES	CUSTOMERS AND SOCIETY



## STAKEHOLDERS' ENGAGEMENT

GRI 102-40; 102-42; 102-43

Magazine Luiza considers as its main stakeholders: customers, suppliers, community, sectoral forums, non-governmental organizations and governmental entities. The identification considers the extent of Magazine Luiza's positive and negative impacts on different sectors of society and the potential impact of the public on the company. Thus, the company seeks to

maintain a constant relationship with its stakeholders through permanent dialogue channels with employees, customers and shareholders, and periodically with its other public. The initiatives include the active involvement in discussion forums and organizations such as the Brazilian Institute of Corporate Hospitality (IBHE) and the Institute for Retail Development (IDV). GRI 102-13



## RELEVANCE MATRIX

GRI 102-48; 102-49; 103-1

In order to increasingly insert sustainability into its business strategy, Magalu has revised its materiality matrix, which defines the most relevant social and environmental topics, both for the organization and its stakeholders (the stages of the process are described in the previous page). Started in late 2018, the materiality review was conducted through an online query with more than 3,600 respondents, including employees, customers, suppliers, partners sellers, investors, directors and opinion makers

# DIVERSITY AT MAGALU

## DIVERSITY

GRI 405-1

	GENDER		AGE RANGE			PEOPLE WITH DISABILITIES
	MEN	WOMEN	UNDER 30	30 TO 50 YEARS	OVER 50 YEARS	
BOARD OF DIRECTORS	75.0%	25.0%	0.0%	16.7%	83.3%	0.0%
EMPLOYEES	-	-	-	-	-	-
CEO (1)	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
EXECUTIVE BOARD	74.1%	25.9%	0.0%	89.7%	10.3%	0.0%
MANAGEMENT	63.1%	36.9%	14.6%	78.7%	6.6%	1.7%
COORDINATION (2)	48.9%	51.1%	32.7%	63.9%	3.5%	3.3%
ADMINISTRATION (3)	58.7%	41.3%	40.2%	57.6%	2.2%	1.6%
OPERATIONAL (4)	50.0%	50.0%	46.1%	49.2%	4.6%	4.0%
TOTAL EMPLOYEES	51.2%	48.8%	43.0%	52.5%	4.5%	3.7%

### NOTAS

1 CEO and Vice-President.

2 Also includes the positions of foreman, supervisor, manager, and leader.

3 Also includes the positions of analyst, buyer, consultant, developer, specialist, and technician, as well as professional roles such as lawyer and pharmacist.

4 Also includes the positions of assistant, attendant, clerk, cashier, operator, doorman, salesperson, and security guard.

	GENDER		EMPLOYMENT TYPE			
	MEN	WOMEN	PERMANENT	TEMPORARY	TOTAL	
PERMANENT	19 452	18 497	MIDWEST	2308	15	2 323
TEMPORARY	310	355	NORTHEAST	8 506	67	8 573
TOTAL	19 762	18 852	NORTH	1 437	47	1 484
			SOUTHEAST	19 916	516	20 432
			SOUTH	5 771	31	5 802
			TOTAL	37 938	676	38 614

### NOTES

1 All employees work full time and are covered by collective bargaining agreements (102-41)

2 Reflects seasonal hiring of store salespersons, Luiza Resolve attendants, and operational functions in logistics

## PERFORMANCE ASSESSMENT

GRI 404-3

The score on behavioral assessment is used for decision-making in relation to staff movements (vertical or horizontal), dismissals and retentions. This analysis is designed based on four aspects: setting up the people base (nominations of partners for positions), 360° assessment, behavioral assessment, and feedback. The following data was collected from 34,681 employees, which represents 89.8% of the company's total (as per the chart) and 100% of those eligible for the process. Employees with at least 60 days of work in the year are deemed eligible, including those hired on a temporary basis.

		PERCENTAGE
GENDER	MEN	86.7%
	WOMEN	93.1%
FUNCTIONAL CATEGORY (1)	CEO	100.0%
	EXECUTIVE BOARD	103.4%
	MANAGEMENT	88.4%
	COORDINATION	104.2%
	ADMINISTRATION	118.5%
	OPERATIONAL	86.1%
<b>TOTAL</b>		<b>89.8%</b>

### NOTE

1 In some cases, the percentage adds up to more than 100% because of the turnover of personnel in the company.

## AVERAGE HOURS OF TRAINING

404-1

## PERFORMANCE ASSESSMENT BY BRAND

	PERCENTAGE
MAGALU	91.8%
NETSHOES	41.5%
LUIZACRED	100.0%
ESTANTE VIRTUAL	100.0%
ÉPOCA	94.0%

		HOURS/EMPLOYEE
GENDER	MEN	19.4
	WOMEN	17.0
CATEGORY FUNCTIONAL	CEO	0
	EXECUTIVE BOARD	46.3
	MANAGEMENT	62.0
	COORDINATION	72.3
	ADMINISTRATION	53.1
	OPERATIONAL	7.6
<b>TOTAL</b>		<b>18.2</b>

## HIRING AND TURNOVER GRI 401-1

The rapid expansion pace of Magalu's business required the hiring of several employees in 2020. This happened, above all, after the opening of a new Distribution Center in Duque de Caxias, Rio de Janeiro, and in the existing DCs, which had their demand multiplied with e-commerce sales. On the other hand, turnover in stores, which also saw expansion, was high, due to the adjustment of unproductive and underperforming salespersons. In

the offices, turnover was boosted by the heating up of the market, especially in the departments of technology, e-commerce, and marketplace. The highest rate at Netshoes, caused mainly by turnover, is in the Extrema DC, Minas Gerais, located in a region of high competitiveness in the logistics sector. In addition, the market for technology and marketing professionals is very hot, with aggressive salary practices to attract more seasoned professionals. Also, for

this reason, there was a stronger flow among Estante Virtual's employees, as practically half of its operation is made up of technology professionals.

Throughout 2020, the group's companies carried out surveys among employees about the attractiveness of the positions offered by the company. Based on this data, action plans were designed to retain professionals. The demand in digital sales made Época Cosméticos hire more people than dismiss employees.

		HIRED EMPLOYEES	HIRING RATE	TURNOVER RATE
GENDER	MEN	6,098	30.9%	52.1%
	WOMEN	5,538	29.4%	48.8%
REGION	MIDWEST	1,038	44.7%	72.7%
	NORTHEAST	1,746	20.4%	32.9%
	NORTH	210	14.2%	38.1%
	SOUTHEAST	6,810	33.3%	53.6%
	SOUTH	1,832	31.6%	59.6%
AGE RANGE	UNDER 30	7,221	43.6%	67.7%
	30 TO 50 YEARS	4,261	21.0%	39.0%
	OVER 50 YEARS	154	8.8%	19.9%
<b>TOTAL</b>		<b>11,636</b>	<b>30.1%</b>	<b>50.5%</b>

## REMUNERATION GRI 405-2

	GENDER	
	MEN	WOMEN
BOARD OF DIRECTORS	100%	234%
EMPLOYEES	-	-
EXECUTIVE BOARD	100%	97%
MANAGEMENT	100%	91%
COORDINATION	100%	104%
ADMINISTRATION	100%	74%
OPERATIONAL	100%	97%

### NOTES

1 Consolidated data from Magalu, Netshoes, Época Cosméticos, and Estante Virtual. The statistics do not include Luizacred joint-venture with Itaú.

2 Indicates the ratio of women's earnings to men's earnings in each functional group or category, without considering benefits and bonuses.

3 100% of the employees receive equal or above the minimum wage in effect. Luizacred's minimum compensation is defined by the Collective Bargaining Agreement for Workers in Financial Institutions (GRI 202-1).

## SOCIAL PROJECTS (SUPPORTED VIA INCENTIVE LAWS)

GRI 203-1

30 PROJECTS WERE SELECTED IN DECEMBER 2019, FOR EXECUTION IN 2020, RELATED TO: CULTURE, SPORTS, ONCOLOGY CARE, HEALTH CARE FOR PEOPLE WITH DISABILITIES, AND PROJECTS TO SUPPORT CHILDREN AND THE ELDERLY. THE TOTAL AMOUNT ALLOCATED BY THE GROUP IS R\$5.29 MILLION. THERE WAS TAX DEDUCTION.

## SOCIETY GRI 203-1

FROM THE 50 MILLION REAIS DONATED BY THE COMPANY AND CONTROLLING FAMILIES, R\$15,857,619.24 WERE USED IN 2020. REMAINING AMOUNT WILL CONTINUE TO BE USED IN 2021.

### TOTAL DONATED IN 2020 R\$15,857,619.24, AS FOLLOWS:

**R\$ 3,297,749.50** Amount taken from the total offered by Frederico Trajano

**R\$ 647,845.00** Amount taken from the total offered by Magalu

**R\$ 11,912,024.74** Amount taken from the total offered by the Trajano and Garcia families

**R\$ 34,142,380.76** Pending amount, considering the total made available

**DONATIONS RECORDED AS INDICATORS: 35,5870 PEOPLE IMPACTED FROM 34,514 FAMILIES - WE DO NOT COUNT HOSPITAL EQUIPMENT, WHICH IS CONSIDERED A LEGACY FOR EACH HOSPITAL/CITY.**

### DONATIONS FOR 20 BRAZILIAN STATES ARE LISTED BELOW:

**R\$ 5,264,751.96** in hospital equipment

**R\$ 2,880.000** in ventilators - essential for fighting Covid-19

**R\$ 2,654,762.51** in staple baskets for communities throughout the country - in total, 39,133 baskets

**R\$ 2,000,000.00** in vaccine support - Butantã Vaccine Factory

**R\$ 1,044,328.90** in PPE for hospitals

**R\$ 927,845.00** in funds for micro-entrepreneurs

**R\$ 798,387.15** in mattresses and pillows for field hospitals in several state

## EXTERNAL INITIATIVES

GRI 102-12

INITIATIVE	YEAR OF ADOPTION	BRIEF DESCRIPTION
<b>BUSINESS INITIATIVE – ZUMBI DOS PALMARES</b>	<b>2020</b>	A movement composed of companies and institutions committed to the promotion of racial inclusion and the suppression of racism, articulated by the Zumbi dos Palmares College.
<b>BRAZILIAN GHG PROTOCOL PROGRAM</b>	<b>2020</b>	The Brazilian GHG Protocol Program is responsible for adapting the GHG Protocol method to the Brazilian context and developing the calculation tools for estimating greenhouse gas (GHG) emissions. The company adopted the reporting platform and made its GHG inventory public, to provide transparency to its performance. The participation also keeps the company up to date with relevant discussions on the topic and trains professionals who deal with practical issues such as inventory production, verification, definition of GHG reduction action plans, and the equivalent.
<b>B MOVEMENT BUILDERS (BMB)</b>	<b>2020</b>	Led by B Movement, the initiative brings together multinational and publicly-held companies with more than US\$1 billion in revenue, which commit to strengthening the Bedisseminar business community based on the movement's principles. Currently, besides Magalu, companies Gerdau, Bonduelle and Givaudan are on the BMB. Professionals from Magalu's reputation and sustainability area attend the meetings of the initiative.
<b>ALLIANCE FOR INTEGRITY (AFIN)</b>	<b>2020</b>	A global initiative that brings together the private, public, and civil society sectors in a joint effort to develop and promote solutions to strengthen transparency and integrity in the economic system. It is led by the German Development Cooperation (GIZ, in the German acronym) and offers practical solutions to strengthen the compliance capabilities of companies and their supplier network. Magazine Luiza contributed to the development of the global campaign and the local agenda to fight corruption in this atypical moment when we face the crisis caused by the Covid-19 pandemic. This because it is understood that, in these moments, it is necessary for the private sector to maintain and reinforce the promotion of integrity in its supplier networks to further improve transparency measures and dissemination of best anti-corruption practices.

## COMMUNICATION AND MARKETING

103-2, 103-3, 417-1, 417-2, 417-3

Magalu Group is attentive to the consumer legislation and complies with it in the provision of its services with a transparent performance, which ensures the rights of consumers throughout the operation, from the exercise of the right of withdrawal, to replacements, cancellations and other guarantees. All information and policies are available on the websites and sales apps of the group's brands. Products and/or services sold directly by partner stores are properly identified on the product page. Sales, prices, and delivery conditions for these products and/or services are defined directly by the partner store and presented on the product page, before the order is concluded. Despite the sellers' liability in these aspects, Magalu Group is promptly acting to solve any problems arising from marketplace transactions, to ensure rapid resolution and customer satisfaction. Magazine

Luiza voluntarily follows the rules of the Brazilian Advertising Self-regulation Code (Conar). No case of non-compliance with the code was recorded in 2020.

### LUIZACRED

Aiming to raise customers' awareness in favor of sustainability, the digital invoice option is available for contracting in stores and sales apps. All channels for contracting the product (website, app, or store) have information about fees and rates. The manuals for card distribution, for example, emphasize the importance and care required with the password and the customer's safety.

### NETSHOES

The company's card, the N card, has a unique landing page that offers information about the financial product to everyone, not just the customers. There is information about fees, rates, benefits, and a link to the contract.

## MAGALU CONSORTIUM

Consortium services are regulated and audited by the Central Bank of Brazil. Consumers can still file complaints to the Central Bank (BACEN) service and to the Citizen Support Department (DEATI). In 2020, the strategy of Magalu Consortium was redirected and began to offer fully digital auto-service channels, through app and WhatsApp.

Financial resources control of consortium members not contemplated with the goods is carried out separately from the administrator's own funds. At present, the Central Bank (BACEN) determines that there must be two accounts, one for the administrator and another for the consortium groups, to offer more transparency to the customers.

## WASTE MANAGEMENT

MAGALU	GRI 306-3, 306-4 E 306-5 (1)	
	HAZARDOUS	NON HAZARDOUS
WASTE GENERATED	5,981.5	5,425,201.5
WASTE NOT INTENDED FOR FINAL DISPOSAL	4,147.7	3,953,901.8
RECYCLING	4,147.7	3,953,901.8
WASTE FOR FINAL DISPOSAL	1,833.8	1,471,299.7
INCINERATION (NO ENERGY RECOVERY)	1,461.8	254,3
LANDFILL CONTAINMENT	372,0	1,471,045.4

### WASTE DISPOSAL

RECYCLING	73%
FINAL DISCHARGE:	27%
TOTAL (T):	5,431,183.0

#### NOTA

1 Partial data from Magazine Luiza (retail), Netshoes, and Época Cosméticos operation. All disposal is performed externally, by specialized contracted companies.

## SUPPLIERS

Magalu concentrates approximately 90% of the purchasing volume from direct suppliers, a segment that involves a wide range of categories, both durable and consumer goods. From the total manufacturers, 40% are in the state of São Paulo, 28% in Amazonas, and 10% in Santa Catarina. At Netshoes, the recreational categories (training, casual, soccer), clothing, and children's categories have an average of 69% of suppliers in the Southeast region. Half of footwear manufacturers are in the South region. Estante Virtual is 100% marketplace, with its main direct suppliers (78% of the total) being services provided to technology and digital marketing area. At Época Cosméticos, the most relevant suppliers are the resale material suppliers, mainly from the Southeast (86%), South (8%) and Midwest (5%).

### SUPPLY CHAIN GRI 102-9 (1) (2)

TOTAL SUPPLIERS OF THE ORGANIZATION 1,500

REPORT THE ORGANIZATION'S TOTAL PURCHASING VOLUME R\$ 27 BI

#### NOTAS

1 Amounts spent with direct suppliers.  
1 Luizacred not considered.

## EMISSÕES GEE

GRI 305-1, 305-2, 305-3

MAGALU	2019	2020
SCOPE/CATEGORY	TCO2E	TCO2E
STATIONARY COMBUSTION	51.65	178.29
MOBILE COMBUSTION	3,178.33	3,297.20
FUGITIVE EMISSIONS (AIR CONDITIONING + FIRE EXTINGUISHERS)	2,001.48	6,109.34
<b>SCOPE 1</b>	<b>5,231.46</b>	<b>9,584.83</b>
<b>SCOPE 1 - BIOGENIC EMISSIONS</b>	<b>803.24</b>	<b>530.43</b>
<b>SCOPE 2 - ACQUISITION OF ELECTRIC ENERGY (LOCATION)</b>	<b>7,241.72</b>	<b>5,065.24</b>
<b>SCOPE 2 - ACQUISITION OF ELECTRIC ENERGY (PURCHASE CHOICE)</b>	<b>6,840.23</b>	<b>3,784.49</b>
EMPLOYEE COMMUTING	5,463.16	6,181.09
PURCHASED GOODS AND SERVICES (PAPER)	1,073.77	1,511.94
PURCHASED GOODS AND SERVICES (PLASTIC)	920.45	609.42
GENERATED SOLID WASTE	498.16	7,905.31
TRANSPORTATION AND DISTRIBUTION (DOWNSTREAM)	27,179.91	57,914.16
BUSINESS TRAVELS	1,119.07	693.27
<b>SCOPE 3</b>	<b>36,254.52</b>	<b>74,815.18</b>
<b>SCOPE 3 - BIOGENIC EMISSIONS</b>	<b>8,649.69</b>	<b>10,621.29</b>

#### NOTA

Magalu group's emissions are recorded only as from 2020. The list of affiliated companies includes: Aiqfome, Betta, Canaltech, ComSchool, Época Cosméticos, Estante Virtual, GFL, Hubsales, Logbee, Luiza Consórcio, Magazine Luiza, Netshoes, Softbox, and Stoq.

## GRI 101: FUNDAMENTALS 2016 GRI 102: GENERAL CONTENT 2016

CONTENT	PAGE/ANSWER
<b>102-1</b> NORGANIZATION NAME	MAGAZINE LUIZA S.A..
<b>102-2</b> ACTIVITIES, BRANDS, PRODUCTS AND SERVICES	OTHE MARKETED PRODUCTS AND SERVICES ARE NOT SUBJECT TO PROHIBITION IN THE COMPANY'S MARKETS NOR DISPUTE BY ITS STRATEGIC PUBLIC. FOR MORE INFORMATION ABOUT ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES, SEE PAGES 18, 19, AND 65.
<b>102-3</b> LOCATION OF THE ORGANIZATION'S HEADQUARTERS	SÃO PAULO 36
<b>102-4</b> OPERATIONS SITE	
<b>102-5</b> NATURE OF OWNERSHIP AND LEGAL FORM	PUBLICLY-HELD CORPORATION
<b>102-6</b> SERVED MARKETS	36
<b>102-7</b> ORGANIZATION SIZE	36
<b>102-8</b> INFORMATION ABOUT EMPLOYEES AND OTHER PERSONNEL	57
<b>102-9</b> SUPPLY CHAIN	88
<b>102-10</b> SUBSTANTIAL SHIFTS IN THE ORGANIZATION AND ITS SUPPLY CHAIN	THIS REPORT STARTED TO CONSIDER MAGAZINE LUIZA GROUP IN THE SCOPE OF THE INDICATORS: MAGALU (RETAIL), NETSHOES, ESTANTE VIRTUAL, ÉPOCA NEGÓCIOS, AND LUIZACRED.
<b>102-11</b> PRECAUTIONARY PRINCIPLE OR APPROACH	MAGAZINE LUIZA DOES NOT ENTIRELY ADOPT THE PRECAUTIONARY PRINCIPLE, BUT AIMS TO ACT WITH CAUTION AND RESPONSIBILITY WHEN CONDUCTING BUSINESS AND IN THE IDENTIFICATION, REDUCTION AND MANAGEMENT OF ITS IMPACTS.
<b>102-12</b> EXTERNAL INITIATIVES	72, 86
<b>102-13</b> PARTICIPATION IN ASSOCIATIONS	72, 81
<b>102-14</b> STATEMENT FROM THE CHIEF EXECUTIVE	6
<b>102-16</b> VALUES, PRINCIPLES, STANDARDS AND CODES OF BEHAVIOR	74

CONTENT	PAGE/ANSWER
<b>102-18</b> GOVERNANCE STRUCTURE	68-74
<b>102-40</b> LIST OF STAKEHOLDER GROUPS	78
<b>102-41</b> COLLECTIVE BARGAINING AGREEMENTS	82
<b>102-42</b> STAKEHOLDER IDENTIFICATION AND SELECTION	78
<b>102-43</b> APPROACH TO STAKEHOLDER ENGAGEMENT	SPECIFIC APPROACH TO DEFINE MATERIALITY IS DESCRIBED ON PAGE 11. EVERYDAY MANAGEMENT OF RELATIONSHIPS WITH STAKEHOLDERS CAN BE FOUND ON EMPLOYEES (54-57), CUSTOMERS (9), SUPPLIERS (64-65), AND COMMUNITIES (58-59) PAGES.
<b>102-44</b> MAIN CONCERNS AND TOPICS RAISED	76
<b>102-45</b> ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS	THE REPORT COVERS ALL ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS.
<b>102-46</b> DEFINITION OF REPORT CONTENT AND BOUNDARIES OF RELEVANT TOPICS	78
<b>102-47</b> LIST OF RELEVANT TOPICS	78
<b>102-48</b> INFORMATION REDRAFTING	NONE.
<b>102-49</b> CHANGES IN REPORTING	THE SCOPE OF THE REPORT HAS BEEN EXPANDED TO COVER ALL SUBSIDIARIES.
<b>102-50</b> REPORTING PERIOD	FROM JANUARY 1 TO DECEMBER 31, 2020.
<b>102-51</b> MOST RECENT REPORT DATE	AUGUST 2020
<b>102-53</b> REPORTING CYCLE	ANNUAL
<b>102-53</b> CONTACT FOR QUESTIONS ABOUT THE REPORT	RI@MAGAZINELUIZA.COM.BR
<b>102-54</b> REPORTING STATEMENTS IN ACCORDANCE WITH GRI STANDARDS	THIS REPORT WAS PREPARED IN ACCORDANCE WITH GRI STANDARDS: ESSENTIAL OPTION.
<b>102-55</b> GRI CONTENT SUMMARY	90
<b>102-56</b> EXTERNAL VERIFICATION	THE EXTERNAL VERIFICATION WAS LIMITED TO DATA OBTAINED FROM THE FINANCIAL STATEMENTS.

## RELEVANT TOPICS

### CUSTOMER RELATIONSHIP

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAIN IMPACTS RELATED TO THE TOPIC ARE CAUSED BY THE COMPANY AND HAPPEN AMONG CUSTOMERS, BUT THEY ALSO GENERATE IMPACTS ON THE COMPANY ITSELF AND ON SOCIETY.	-	-
	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	36, 75, 87	1,8	1,5,8,16
	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	36, 75, 87	-	-
<b>GRI 417: MARKETING AND LABELING</b>	<b>417-1</b> REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELING	87	12,16	7,8,9
	<b>417-2</b> CASES OF NON-COMPLIANCE REGARDING PRODUCT AND SERVICE INFORMATION AND LABELING	87	16	7,8,9
	<b>417-3</b> CASES OF NON-COMPLIANCE REGARDING MARKETING COMMUNICATION	87	-	-
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	<b>418-1</b> PROVEN CLAIMS CONCERNING BREACHES OF PRIVACY AND LOSS OF CUSTOMERS DATA	75	16	-

### LABOR RELATIONS

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAIN IMPACTS RELATED TO THE TOPIC ARE CAUSED BY THE COMPANY AND HAPPEN AMONG CUSTOMERS, BUT THEY ALSO GENERATE IMPACTS ON THE COMPANY ITSELF AND ON SOCIETY.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS COMPONENTS	54	-	-
	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	54	-	-
<b>GRI 401: EMPREGO 2016</b>	<b>401-1</b> NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER	84	5, 8	-
	<b>401-2</b> BENEFITS PROVIDED TO FULL-TIME EMPLOYEES NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES	54	8	-
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	<b>404-1</b> AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE	83	4, 5, 2008	-

## LABOR RELATIONS

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>404-2</b> PROGRAMS FOR EMPLOYEE COMPETENCE ENHANCEMENT AND CAREER TRANSITION ASSISTANCE	54	4, 5, 8	-
	<b>404-3</b> PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT EVALUATIONS	83	5, 8	-

## DIVERSITY AND INCLUSION

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAJOR IMPACTS RELATED TO THE TOPIC ARE CAUSED BY THE COMPANY AND ARE CONCENTRATED INTERNALLY ON THE EMPLOYEES, BUT ALSO INVOLVE CUSTOMERS AND GENERATE IMPACTS ON SOCIETY.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS COMPONENTS	54	-	-
	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	54	-	-

## DIVERSITY AND INCLUSION

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	<b>405-1</b> DIVERSITY IN GOVERNANCE BODIES AND EMPLOYEES	54, 82	5, 8	-
	<b>405-2</b> RATIO BETWEEN BASE SALARY AND REMUNERATION RECEIVED BY WOMEN AND MEN	54, 85	5, 8, 10	-
<b>GRI 406: NÃO DISCRIMINAÇÃO 2016</b>	<b>406-1</b> CASES OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN	56	-	6

## SUPPLY CHAIN

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAJOR IMPACTS RELATED TO THE TOPIC ARE CAUSED BY THE COMPANY AND FOCUS ON SUPPLIERS, BUT THE TOPIC ALSO GENERATES IMPACTS ON SOCIETY AND THE COMPANY ITSELF.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS COMPONENTS	64	-	1, 2, 4, 5
	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	64	-	1, 2, 4, 5



SUPPLY CHAIN

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 308: ENVIRONMENTAL ASSESSMENT OF SUPPLIERS 2016</b>	<b>308-1</b> NEW SUPPLIERS SELECTED BASED ON ENVIRONMENTAL CRITERIA	64	-	-
	<b>308-2</b> NEGATIVE ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN AND MEASURES TAKEN	64	-	7, 8, 9
<b>GRI 414: SOCIAL EVALUATION OF SUPPLIERS 2016</b>	<b>414-1</b> NEW SUPPLIERS THAT WERE SELECTED USING SOCIAL CRITERIA	64	-	-
	<b>414-2</b> NEGATIVE SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN	64	5, 8, 16	-

CLIMATE CHANGES

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAJOR IMPACTS RELATED TO THE TOPIC ARE CAUSED BY ACTIVITIES OF PRODUCT DISTRIBUTION AND GENERATION OF SOLID WASTE BY THE COMPANY, WITH IMPACTS MAINLY ON SOCIETY.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS CLIMATE CHANGE COMPONENTS	41, 61	1, 5, 8, 16	-

CLIMATE CHANGES

GRI STANDARD	CONTENT	PAGE/ANSWER	OBJETIVOS DE DESENVOLVIMENTO SUSTENTÁVEL (ODS)	PRINCÍPIOS DO PACTO GLOBAL
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	-	-	-
			13	7, 8, 9
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	<b>201-2</b> FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES ARISING FROM CLIMATE CHANGE	-		
<b>GRI 305: EMISSIONS 2016</b>	<b>305-1</b> GREENHOUSE GAS (GHG) DIRECT EMISSIONS (SCOPE 1)	-	3, 12, 13, 14, 15	7, 8, 9
	<b>305-2</b> GREENHOUSE GAS (GHG) INDIRECT EMISSIONS (SCOPE 2) FROM ACQUISITION OF ENERGY	-	3, 12, 13, 14, 15	7, 8, 9
	<b>305-3</b> OTHER GREENHOUSE GAS (GHGS) INDIRECT EMISSIONS (SCOPE 3)	-	3, 12, 13, 14, 15	7, 8, 9

SOLID WASTE

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: FORMA DE GESTÃO 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAJOR IMPACTS RELATED TO THE TOPIC ARE CAUSED BY THE COMPANY, WITH IMPACTS MAINLY ON SOCIETY.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS COMPONENTS	41		
	<b>103-2</b> ASSESSMENT OF SOLID WASTE MANAGEMENT	43	-	-

SOLID WASTE

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 306: WASTE 2020</b>	<b>306-3</b> WASTE GENERATED	88	-	-
	<b>306-4</b> WASTE NOT FOR FINAL DISPOSAL	88	3, 6, 12	7, 8, 9
	<b>306-5</b> WASTE FOR FINAL DISPOSAL	88	3, 6, 12	7, 8, 9

FIGHTING POVERTY

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: FORMA DE GESTÃO 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE MAIN IMPACTS RELATED TO THE TOPIC ARE CAUSED IN A DIFFUSE WAY IN SOCIETY AND AFFECT THE BUSINESS CONTEXT, BUT THE COMPANY'S ACTIONS ALSO CAUSE SPECIFIC IMPACTS THAT FOCUS ON EMPLOYEES, SUPPLIERS, SELLERS, AND SOCIETY.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS COMPONENTS	58		
	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	58	1, 5, 8, 16	-
<b>GRI 202: MARKET PRESENCE 2016</b>	<b>202-1</b> RATIO BETWEEN THE LOWEST SALARY AND THE LOCAL MINIMUM SALARY, BROKEN DOWN BY GENDER	85	-	-

FIGHTING POVERTY

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	<b>203-1</b> INVESTMENTS IN INFRASTRUCTURE AND SUPPORT SERVICES	58, 85	2, 5, 7, 8, 11	1, 7, 8, 9
	<b>203-2</b> SUBSTANTIAL INDIRECT ECONOMIC IMPACTS	58	1, 2, 3, 8, 10, 17	-

DIGITAL INCLUSION

GRI STANDARD	CONTENT	PAGE/ANSWER	SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PRINCIPLES OF THE GLOBAL PACT
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	<b>103-1</b> EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	THE COMPANY IS, AT THE SAME TIME, A GENERATOR OF IMPACTS RELATED TO THE THEME WITH REGARD TO CUSTOMERS AND SOCIETY, BUT ITS BUSINESS MODEL IS ALSO THE TARGET OF IMPACTS GENERATED IN THE EXTERNAL CONTEXT.	-	-
	<b>103-2</b> MANAGEMENT APPROACH AND ITS COMPONENTS	36, 46	-	-
	<b>103-3</b> EVALUATION OF MANAGEMENT APPROACH	36, 46	-	-
	SOLUTIONS IN SERVICES AND OFFERS FOR CONSUMERS AND SELLERS ARE DESCRIBED BETWEEN	36, 51		

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