



magazineluiza

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01

Message from the Board of **DIRECTORS**

Message from the Board of **DIRECTORS**

Despite a challenging macroeconomic scenario, in 2016, Magazine Luiza presented improvements at all levels, operational and financial. Our good performance, it is worth stressing, is a reflection of a strategy that has not only been traced over the years, but also improved and executed with mastery by the current executive board of the Company.

The Digital Transformation cycle, essential for good performance in the year and for business sustainability, was not suddenly established. Our work began a few years ago and was expanded now in 2016. More than developing applications and digital tools, we promoted a paradigm shift of the team before putting our strategy into practice as we believe that change occurs from the inside out.

Promoting this transformation would not be possible without structured governance, committed to the generation of value and the Company's perennality. With a transition of governance prepared in the last years and consolidated in 2015, we made an important leap in this aspect in 2016 at the right time. We further solidified our existing committees (i) Audit, Risk and Compliance and (ii) Finance and Consumer Credit, and created two other committees to support the Board of Directors - (iii) People and Organizational Culture and (iv) Strategy, Business And Digital Transformation - that reflect our positioning and the way in which we conduct business, through practical and objective proposals.

Another important point is the female representation on our Board of Directors, even before the approval of the Senate Bill 112/2010, which stipulates that at least 40% of the vacancies on the boards of public companies and Mixed economy are destined to women until 2018. Currently, three women have a seat in the highest governance body of the Company. For us, it is natural because we believe in equality between men and women and in the competencies evaluation, regardless of gender.



During the year, the Company's management also reinforced the values and Jeito Luiza de Ser (Luiza's way of being), both with the final customer and the team. We believe that a team not only wins in the final result, but on the way there. Therefore, in 2016, the Company's leadership began to be evaluated based on the values, so as to guarantee the alignment of all on the principles that guide our relations.

In this way, we emphasize that our results came from actions that began to be conducted back there. We believe in a structured long-term strategy, in the construction of consistent processes and in the effort of our team. In 2017, we intend to continue on the path of digital transformation, advancing in Multichannel projects, digitizing physical stores and building our Marketplace platform, with a transparent relationship with all our stakeholders, in order to continue delivering results And value generation for all our audiences.

Luiza Helena Trajano

Chairman of the Magazine Luiza Board



02

Message from the Executive
MANAGEMENT TEAM

Message from the Executive MANAGEMENT TEAM GRI G4-1



Magazine Luiza will celebrate its 60th anniversary in 2017.

We began small - a true startup - with a single store in

Franca, in São Paulo state. We have come a long way

thanks to the entrepreneurial spirit of our founders,

Luiza Trajano and Pelegrino Donato, the commitment

of our team, our willingness to take risks, the close

relationship we have with our customers and our

permanent sense of urgency to respond to

their demands.

Frederico Trajano

CEO

Now, after six decades of existence and constant growth, Magazine Luiza has taken upon itself one of the most challenging missions in the business world: to transition from a traditional company with a digital area into a digital company with physical stores and the human touch.

Maybe we have made the most difficult of choices. In the whole world, there is not a single case of a successful transition from an analogical to a truly digital model among business organizations. Many great companies have tried. So far, they have all failed. But we, at Magazine Luiza - with our feet firmly in the present and our head in the future -, believe we can come out winners in this process. We want to make history.

The success of our digital enterprise depends on belief, consistency and persistence, among several other factors. But we are certain that none of them is as critical as the ability to develop a digital corporate culture. This culture, part of the DNA of internet-age companies, requires speed for the necessary changes, courage to take risks and willingness to make mistakes, own them and rapidly correct them. It also involves the tranquility to always operate in beta and thus avoid the ghost of obsolescence. The ability to develop, inside the company, technologies that will be the backbone of the operation is fundamental. In a digital soul company, technology moves from the background to center stage - and is seen as the brain of the business.

This is usually scary for large companies. Hierarchical structures, paralyzed by excessive bureaucracy, the fear of change and attachment to past successes, usually strongly reject the digital culture. However, without its incorporation and the general and true belief in its importance, the process of change tends to waste resources and lead to frustration.

Startups do not need to go through this painful process. They carry this DNA. They are fast, lean and focused, and have very clear goals. Their leaders and teams are certain they can change the world with their ideas. And they are aware that, without this way of being and behaving, they are destined for an early death.

We have a lot of the digital culture in our genetic code. We believe in simplicity and innovation and we are obsessed about our customers. Our mission is to

put these characteristics at the service of this new cycle, which has already begun. In the process of change, we have some advantages that the valuable and flexible emerging companies lack: relevance and reach. We have 800 stores and millions active customers, and operate in regions that concentrate approximately 75% of Brazil's GDP. Our nine distribution centers and our consolidated logistics system help us reach the country's most remote homes. Our infrastructure promotes something vital for a connected society - access.

The combination of this power with a digital culture - that is ours and respects our core values and beliefs - will take us forward in the process of change. The dissemination of culture is one of the five strategic pillars, on which Magazine Luiza's new growth cycle is based. The other four are:

- **Multichannel approach** - We are the only retail company in Brazil to operate our channels in an integrated manner, with the use of the same infrastructure. For almost 20 years, Magazine Luiza has been defending this model. We have maintained this position despite the skepticism that dominated the sector for a long time. The market dynamics has shown that we have always been on the right path. One of the most recent examples of the multichannel approach is Click and Collect, which allows customers who buy through the digital platforms to pick up the purchased items at any of our physical stores. In recent months, customers have picked up more than 25,000 products/month at the stores, with faster delivery and savings for customers. We are confident in the great growth potential of this type of service.
- **Digital inclusion** - We have a clear goal: to turn Brazil into a digital country. Brazilians are among the most enthusiastic about new technologies. Half of our population is somehow inserted in the social media dynamics. Access to connected products, however, is still low, which is a problem - and an excellent opportunity for Magazine Luiza. Currently, around 50% of the products sold in our physical and digital channels are connected. We believe that we can help improve our customers' daily lives when we encourage them to get the most benefit from the current technology and that we will be able to do even more in the future.
- **Digitalization of physical stores** - They are vital for our strategy and are being transformed in order to make the shopping experience increasingly pleasant.

Currently, all our shop assistants use the “Mobile Sales” smartphone app, which significantly reduces service time and provides the salesforce with all product and customer information. In around 150 stores, it is already possible to pay using the Mobile Pinpad system, which eliminates the need to go to the cashier. Magazine Luiza’s physical stores already offer services including the sale of content and Lu Conects (installation of apps and configuration of smartphones acquired by customers). The introduction of free wi-fi and the new furniture facilitate and encourage product testing.

- **Digital platform** - In mid-2016, we launched our Marketplace operation and began selling products of around 50 partners, adding more than 80,000 SKUs to our portfolio. At the same time, we began using our infrastructure in a more efficient manner and are helping producers become sellers. Since its creation, Magazine Luiza’s Marketplace has attracted partners such as Multi-Ar, Whirlpool, Empório da Cerveja, Toymania, Multilaser and Polishop. As a result, we have introduced the sale of new categories, such as pet products, jewelry, books, food and beverages.

The disciplined execution of these strategies, our long-term vision and the belief that we can be a benchmark in digital transformation have produced results that make us proud. In 2016, Magazine Luiza was an exception in an economic scenario still dominated by the crisis. The improvement of our financial indicators - quarter after quarter, with no hiccups - shows the consistency of our strategy and management.

Although all the indicators are positive - with an increase in revenue, gross margin, EBITDA and net income and a significant reduction in debt -, the performance of our digital sales stands out. Sales through the mobile website and the app already represent a significant part of the Company’s total revenue. In the last quarter of 2016, the growth of digital sales exceeded 40%. This performance is substantially superior to the average of the Brazilian e-commerce. According to Ebit, the sector’s sales increased 7.4% in 2016 - while Magazine Luiza’s digital operations grew 32.2% in the period. Our sales app, launched in September 2015, has been embraced by customers, we have reached the mark of more than 5 million downloads. Our action also reflected this recognition: during 2016, profitability was 500% and ended the year quoted at R \$ 106.17.

These results would not have been possible if we did not firmly believe in the importance of in-house technology development. We are developing technology applied to the business - increasing efficiency, reducing costs and creating new possibilities - and designed to improve the customer experience. This is what 100 engineers and other specialists are working on every day at Luiza Labs, our innovation laboratory.

We are happy with our journey so far. But we know that this journey has no finish line. As all other companies, we will be constantly called to reinvent ourselves and to be faster, more efficient, more innovative and closer to the market. We are living at a time when change seems to be the only permanent thing.

This moment can be extremely positive - for Magazine Luiza and its partners - if we win the challenge of incorporating a digital culture, in which change is the rule. We will also be more successful if we are adamant about preserving our values, which is why we make a point of saying that, for Magazine Luiza, it is not enough to be a digital company with physical stores. Magazine Luiza does not and will not exist without the human touch. People and the relationships of trust established with them are still our main strength.

We have a lot to do in this special year of 2017 - our 60th anniversary. We are ready to scale up our Marketplace platform, attracting more partners and increasing the range of products we offer. We are working to be recognized as leaders of the best platform - for partners, who will share their customer base, technology structure, service and brand reputation with us, and for consumers. It is yet another change - one of the many in our history.

The only thing that has never changed in these 60 years is the fact that Magazine Luiza always changes. We have a startup soul with a body of more than 20,000 employees. This is a great privilege that makes us confident that the Company will continue young and relevant for many years to come.

Ready for the new year, we thank our customers, employees, shareholders, suppliers, partners and the community in general for their trust and partnership throughout 2016.

Frederico Trajano

CEO



03

STRATEGY

STRATEGY

Magazine Luiza is one of the largest retail companies in Brazil, with a gross income of R\$ 11.4 billion at the end of 2016, with a strong focus on the clients of the new middle class, which represents the biggest part of the Brazilian population.

Through a solid digital strategy, the Company has gone from being a traditional retail company with a digital area, to become a digital platform with physical points and human warmth. The success of this strategy is based both on its strengths listed below and on the strategic pillars that support the Company's digital transformation.

STRONG POINTS

- Strategic positioning for the growth of e-commerce in Brazil:** Magazine Luiza is one of the largest retailers in the country, with a digital platform developed to offer the best multichannel experience to consumers. The Company directly sells a wide assortment of products, with more than 50% of sales represented by connected and intelligent products, such as smartphones and smart TVs. In addition, through the marketplace, Magazine Luiza offers products from third parties, currently more than 98% complementary to its own assortment. The operations scale, both in physical and online stores, often allows to negotiate advantageous terms with suppliers and offering products of interest to customers at very competitive costs. The scale, relevance and capillarity of Magazine Luiza's operations allow us to capture the growth potential of e-commerce in Brazil with profitability. In all regions where the Company has physical stores, the e-commerce operation has a significantly higher market share and profitability.
- A unique and integrated platform for corporate and logistics services:** the Company's unique platform consists of more than 900 carriers, 800 physical, conventional, virtual and e-commerce stores, nine distribution centers strategically located in all regions, and one Single shared service center (backoffice). The distribution centers, in addition to serving all channels, have large scale and regional specialization, which provides a significant reduction in delivery terms and costs. Since carriers supply physical stores, the implementation of services related to e-commerce, such as the Retira Loja - modality that allows the purchase via e-commerce and the withdrawal in the physical stores - does not entail additional costs and generate convenience and practicality, as well as greater security and trust for customers. Through the unification of platforms, administrative, logistics and sales costs are diluted, and the sales and inventory process is optimized, contributing to the sustainable growth of operations.
- High-growth and profitable e-commerce operation:** Magazine Luiza's e-commerce segment has shown strong sales growth over the last few years. In 2016, sales increased by 32.2% compared to 2015 and to a growth of 7.4% in the market. The sales app, launched at the end of 2015, has already reached the mark of more than 5 million downloads. Sales through the app are the fastest growing in e-commerce, with sales by smartphones as a whole already accounting for 30% of total online channel sales. Additionally, besides the e-commerce growth, the Company increased its profitability and cash generation in 2016, as a result of a single integrated multichannel platform, which allows efficiency and scale gains through the dilution of operating costs.
- Commitment to profitability and cash generation:** with a focus on consistent growth, the Company aims the profitability of its operation and the maintenance of a solid and constant generation of cash, combined with financial discipline and control of business inherent risks. It has a strict expense control policy, which includes the preparation of annual budgets



according to the Zero Base Budget (ZBB) methodology and Matrix Expense Management (MEM), which evaluates all the main expenses per Business unit and expense package manager. It seeks to question and understand budget deviations, establish benchmarks and disseminate best practices.

- **Strong digital culture and innovation capacity:** Magazine Luiza's culture focuses on valuing employee entrepreneurship, simplicity, innovation and customers. Luizalabs, a department with more than 250 engineers and specialists created in 2014, develops technological solutions used as the basis for innovations in sales and logistics platforms, focusing on the best experience for consumers. For more than 20 years, the Company has been ranked among the best companies to work for in Brazil, according to the Great Place to Work Institute (GPTW) and customer appreciation is evidenced by high levels of satisfaction with E-bit awards. In 2017, with the Best Top5 Diamond Store award, and qualification stamp RA1000 in Reclame Aqui. Digital transformation is driven by the need and willingness to respond to new trends with the understanding that Brazilian consumers are increasingly connected to the digital world.
- **Experienced management, with a proven record of good results:** the Company sees the management team as fundamental to business growth. Thus, its management brings together a deep knowledge of the retail sector, both in the traditional segment and in digital segment, and a clear

business vision that favors an agile process of decision making. With over 20 years of experience in the retail industry, senior executives are subject to annual performance reviews and the management model provides for a panel of corporate and individual goals with short-term incentives tied to key corporate goals such as sales growth, net income, cash generation and organizational climate.

STRATEGIC PILLARS

- **Contribute to the consumers digital inclusion:** it is part of the Company's mission to bring access to many people, which is the privilege of a few now a days. For this, the Company aims to invite, assist and teach its customers to digitize themselves and take advantage from technology to make their lives easier. The employees, who are also being trained and digitized, should act as agents of this change, through guidelines for customers to make better use of their technological products, which still have low market penetration. For this, they count on the "Lu", a virtual character used in communication action, to help the clients to make the right purchase, to offer information of products and to clarify doubts on Internet and social media. In addition to the products, customers have access to digital services such as data plans for mobile phones, exchange of used devices for the purchase of new devices (buyback), offer of app installation services, among others.

- **Keep continuous improvement of multi-channel and integrated operations:** the Company aims to operate its channels in an increasingly integrated way, using a unique infrastructure and focuses on monitoring technological trends. With the Retira Loja, a system that allows the purchase through digital platforms and the withdrawal of the product in the physical store, the Company has increased the frequency of supply of the stores to allow withdrawal within a maximum period of 48 hours, without freight costs, and has seen growth in the modality in recent months.

In addition, it has invested in RFID technology for inventory counting of physical stores, which will provide real-time information, allowing the e-commerce customer to pick up the same day's product at the physical store of their choice or final delivery at home from the nearest physical store stock. Such initiatives should generate greater efficiency, lower costs and offer more options to customers, resulting in sales growth, loyalty and profitability.

- **Continuous development of the digital platform focused on the quality and experience of sellers and consumers:** The Marketplace platform should provide Magazine Luiza the entrance into new categories and the complementation of the current assortment of products with third-party merchandise, offering a bigger mix of products to customers. Since its introduction in 2016, the platform has attracted over 200 partners, including Multi-Ar, Whirlpool, Empório da Cerveja, Toymania, Multilser, Polishop and Samsung in Brazil, among others, which contributed to the introduction of previously non-existent categories such as pet products, jewelry, books, beverages and food.

The marketplace focuses on selecting suppliers who are small retailers, leaders of complementary categories to the Company's products and industries interested in obtaining direct sales channels to customers. In addition to diluting the overall platform costs, partners have features such as price, inventory and fare management. In 2017, they must have new options for gateway of payment and also anticipation of receivables.

Also as part of the multi-channel strategy, distribution centers and physical stores can serve as distribution points for products in the marketplace.

The goal is to become the platform recognized by both partners and consumers as the best platform in Brazil's marketplace, focusing on quality and safety and good experience for its users.

- **Keep the redesign and digitization of Physical Stores:** physical stores are vital to the digitization strategy and are being reformulated so that the shopping experience becomes more agile and pleasurable. With the digitization process, the stores will be centers of expertise, sale points of services and financing, as well as distribution points. Now a days, all vendors are using the Mobile Sales smartphone apps, which enables a significant reduction in customer service time and provides the sales force with product and customer information. In about 150 stores, it is already possible to make payments through the Mobile Pinpad system, which does not need to go to the cashiers.

The Company also invests in the automation of all store processes in order to reduce costs and generate greater efficiency. The physical stores also offer services such as the sale of content cards, Lu Conecta, and installation of apps and setting of smartphones purchased by customers. In addition, the introduction of free wi-fi in the stores and the exchange of furniture helps to stimulate and facilitate the experimentation of these products.

- **Strengthening of digital culture:** digital culture is already part of the business. However, the Company aims to develop and improve this culture, with the valorization of speed, innovation and people. Therefore, it invests in training and the expansion of new healthcare solutions, and encourages its employees to digitize and use social networks and applications to communicate with customers. It also invests in the development and implementation of new technologies, essential for a multi-channel retailer. In this way, customers are encouraged to constantly use digital methods to purchase products, solve doubts, send complaints or conduct product searches.

The insertion of the digital culture is focused on meeting the current and future needs of consumers and enabling growth, updating and innovation in the retail sector. To do so, it is part of the strategy to expand the team of the innovation department, Luizalabs, and expand its influence on the Company as a whole, in order to generate more speed in launching and implementing of new technologies and projects.

04

General Overview

MAGAZINE LUIZA

General Overview

MAGAZINE LUIZA

BUSINESS OVERVIEW

Founded 60 years ago, in Franca (SP), Magazine Luiza S.A. is one of the largest retail companies in Brazil and with a strong focus on the new middle class customers who represent the majority of Brazilian population. With more than 800 stores, 9 distribution centers and 3 offices spread across 16 Brazilian states, the Company serves customers throughout the country through a diversified and integrated multichannel platform comprised of (I) e-commerce, including the app, website (www.magazineluiza.com.br) and Marketplace, (II) Conventional physical stores (III) virtual stores, (IV) Magazine Você, (v) Telemarketing and (VI) Corporate Sales. |GRI G4-3, G4-4, G4-6, G4-7, G4-8|

Its main activity is the sale, in physical stores and e-commerce, of telephone equipment, appliance, electronics, furniture, computing and through the Marketplace platform, the Company has entered new categories as books, Beverages, food, jewelry, among others. Currently, approximately 40,000 SKUs are sold in physical stores and e-commerce (via its own stock), and approximately 400,000 SKUs are already sold by partners on the Marketplace platform. |GRI G4-4|

The company also has a department focused on producing innovation - Luizalabs - created in 2014. Comprised of more than 250 engineers and developers, its mission is to build, through technological innovations, a platform that offers to customers the best multi-channel experience and, to Marketplace partners, access to Magazine Luiza's retail ecosystem.

In addition, focusing on anticipating market trends, Magazine Luiza was the first retailer to partner with a bank to finance its customers (Luizacred) and an insurance company to offer extended warranty and other insurance products (Luizaseg), in addition to offering Consortia through the Luiza Consortium.

VISION, PURPOSE AND VALUES |GRI G4-56|

Purpose: Bring access to many what is the privilege of a few

Vision: To be the most innovative group of national retail, offering several product lines and services for the Brazilian family. Be present where, when and how the customer wants to buy, whether in physical stores, virtual or online. Always please the customer with the best retail team, differentiated service and competitive prices.

VALUES AND PRINCIPLES

- Respect, Development and Recognition - We put people first, because they are the strength and vitality of our organization;
- Ethics - Our actions and relationships are based on truth, integrity, honesty, transparency, justice and the common good;
- Simplicity and Freedom of Expression - Seek simplicity in our relations and processes, we respect the views of all and we are open to listen to them, regardless of their position in the Company;
- Innovation and Courage - cultivate entrepreneurship in the pursuit to make a difference, with innovative and bold initiatives;
- Golden Rule - Do unto others what you would have others do unto you.

STRATEGIC CYCLES

Magazine Luiza's 60-year history has been marked by cycles that have guided business over the years. The first was his foundation; the second was a period of growth; and the third, consolidation. The current cycle represents the digital transformation. The new era marks the positioning of Magazine Luiza as an increasingly digital company, focused on optimizing processes and providing better customer service.

STRATEGIC CYCLES



Dona Luiza Foundation



Luiza Helena Growth



Marcelo Silva Consolidation



Frederico Trajano Digital Transformation

1957



1st CYCLE

- **1957** Foundation of Magazine Luiza (Franca/SP) by D. Luiza and Pelegrino Donato
- **1966** New members: Maria Trajano Garcia and Wagner Garcia
- **1976** Acquisition of Lojas Mercantil network
- **1981** Implementation of the first computer system
- **1983** Expansion for the Triângulo Mineiro (Cities of Minas Gerais state)
- **1986** Opening of 1st Distribution Center (Ribeirão Preto/SP)
- **1990** Creation of Holding Company (LTD)

1991



2nd CYCLE

- **1992** Opening of Virtual Stores
- **1994** Creation of Liquidação Fantástica and Só Amanhã (marketing and commercial campaigns)
- **1996** Acquisition of Felipe network
- **2000** Launch of e-commerce
- **2001** Creation of Luizacred
- **2004** Acquisition of Lojas Arno Base Kilar and Madol
- **2003** Achievement of the Great Place to Work Award (GPTW)
- **2005** Creation of Luizaseg and Capital Group entry
- **2008** Opening of 50 stores in the city of São Paulo

2009



3rd CYCLE

- **2009** Creation of the Executive Board
- **2010** Expansion to the NE with the acquisition of Lojas Maia
- **2010** Opening of the Business Office in São Paulo
- **2011** Acquisition of the Baú da Felicidade Network
- **2011** Initial Public Offering (IPO)
- **2013** Acquisition of Época Cosméticos
- **2014** Creation of Luizalabs
- **2015** Strengthening of the Board of Management
- **2015** Preparation of Succession Process

2016



4th CYCLE

- **2016** Focus on the growth of e-commerce and Digital Transformation
- **2016** Implementation of Mobile Sales
- **2016** Launch of the new Magazine Luiza App
- **2016** Implementation of OBZ and GMD
- **2016** Launch of Retira Loja
- **2016** Launch of Marketplace plataforma
- **2017** Acquisition of technology startup (Integra Commerce)

HIGHLIGHTS OF THE YEAR | GRI G4-9 |



E-COMMERCE

- Growth of 32% in 2016
- 24% share of total gross revenue
- Purchases delivered in all cities of the country by 9 distribution centers
- New sales channels growth (Cosmetics Season, Você Magazine, Clube da Lu and Quero de Casamento)



MARKETPLACE

- Launch of the Marketplace platform
- Introduction of new categories with increased assortment of products and services
- About 400k SKUs available
- Approximately 200 partners
- Acquisition of Integra Commerce - Start up specialized in marketplace technology



PHYSICAL STORES

- 20 openings totaling 800 stores in 2016
- Market Share gain in the main regions and categories of products
- Implementation of Mobile Sales in all stores



ECONOMIC AND FINANCIAL PERFORMANCE

- Growth of 8% in gross revenue, reaching R\$ 11.4 billion
- R\$ 715 million EBITDA (+2.4 percentage points to 7.5% profit)
- R\$ 87 million of net income
- Improvement in operating cash generation to R\$ 657 million
- Net debt reduction of R\$ 353 million in the last 12 months



LUIZACRED

- + 3.3 million of Luiza cards
- Growth of 15% in the income of Cartão Luiza in 2016
- Financing approximately 25% of Magazine Luiza's sales
- Net income of R\$102 million with ROE of 19%



LUIZASEG

- Launch of new services: (i) protected home, (ii) theft and robbery protection, (iii) overprotected card and (iv) award-winning protection
- Net income of R\$ 24 million generating strong cash



CONSORTIUM LUIZA

- One of the largest consortium companies in Brazil
- Elected the 2nd Great Place to Work by GPTW (National Averages)
- 13% revenue growth in 2016



SOCIO-ENVIRONMENTAL INDICATORS

- 20,824 employees
- R\$ 688 thousand invested in external social projects
- 5% reduction of energy consumption

SALES CHANNELS

Magazine Luiza has several sales channels that operate independently, but complement, and considers the concept of multichannel as a competitive advantage in the sector. At the end of 2016, it had 501 thousand m2 in total sales area, distributed in the following store formats:

- **Conventional Stores**

Most of the Company's stores, a total of 85%, consist of street stores or malls, with an average sales area of 700 m2, which have assortments of products that are appropriate to their location and public. These stores have their own physical inventory and window display and are located in cities that are compatible with the required investment size.

- **Virtual Stores**

These are physical stores located in smaller cities or in certain neighborhoods of medium-sized cities, with sales area of about 150 m2. They have the peculiarity of operating without physical stocks or store displays (except by cell phones) and every demonstration of products to customers is done by sellers through Mobile Sales and multimedia features. In the end of 2016, the Company had 120 virtual stores.

- **E-commerce**

It consists of the electronic address www.magazineluiza.com.br through which customers have access to a much larger assortment of products compared to physical stores. With the concept of multichannel, customers who use the online channel can withdraw the products purchased in e-commerce through the physical stores, as well as maintain the after-sales relationship.

Marketplace

Launched in 2016, the Marketplace platform consists of the sale of partners' products and marks the expansion of the Company's offering capacity. New categories were introduced with the aim of multiplying the assortment of products and services to customers.

Época Cosméticos

Consists of the e-commerce specialized in perfumes and cosmetics, whose objective is to expand the assortment in an attractive segment that grows expressively in Brazil. In addition, it represents an opportunity to increase the number of products that can be sold in other channels, such as Magazine Você.

Magazine Você

This is a personalized website, where the network user build a page and can sell any product of Magazine Luiza and write tips that help your friends to make the best purchase. Innovation allows users to receive advice from trusted people, find products and buy them in only one place.

Telemarketing

It offers the same mix of e-commerce products and is used by customers who have questions about products or who are looking for additional negotiations on the terms of sale.

- **Luizacred**

Founded in 2001, Luizacred is a joint venture between Magazine Luiza and Itaú Unibanco, responsible for financing a significant portion of the Company's sales. In the partnership, Magazine Luiza's main role is employee management and customer service, while Itaú Unibanco is responsible for Luizacred's funding, drafting of credit and collection policies, and support activities such as accounting and treasury.

- **Luizaseg**

Founded in 2005, Luizaseg is the result of a 50/50 partnership with Cardif, a subsidiary of French financial group BNP Paribas. It is currently one of the leaders in the extended warranty insurance market in Brazil And also sells other insurance related products such as unemployment insurance, loss and theft, safe purchase, winning change, certain exchange, among other services.

- **Consórcio Luiza**

Founded in 1992, the Luiza Consortium was created to enable group clients to achieve their dreams for a better future. It operates in 4 main segments - household appliances,, vehicles, real estate and services - and has several credit options and deadlines. It is positioned as one of the largest consortium companies in the country and, in December 2016, it had more than 63 thousand active clients.

DISTRIBUTION CHANNELS

- **Logistics**

It is part of the Company's strategy to obtain a logistical process that supports agility proposed by digital transformation and multichannel. With a unique OPERATIONS platform and unique stock, it is possible to attend all the channels of Magazine Luiza, in an agile and efficient way.

- **Malha Luiza**

Malha Luiza is composed of 900 outsourced carriers that distribute the Company's products throughout the country, with a fast and competitive

delivery term. In 2016, a significant part of the e-commerce deliveries were made in this modality, with a significant saving in freight expenses. In addition, most logistical costs are variable, allowing on-demand procurement and better expenditure management.

In addition to the Malha Luiza, the Company has nine distribution centers and the physical stores' support. Throughout 2016, the Retira Loja delivery modality (a system that allows the purchase of products via digital platforms and the withdrawal at any of the physical stores) has been improved, with minimal additional costs, since the same carriers that perform the Supplying physical stores also carry the products purchased by e-commerce customers.

MULTICHANNEL OPERATION



SERVING VARIOUS CHANNELS



LOGISTICS HIGHLIGHTS

MOBILE DELIVERY AND MOBILE ASSEMBLY

Mobile Delivery: allows better tracking to deliveries, improving management for the carrier and ensuring greater customer satisfaction.

Mobile Assembly: allows mobile assembly routes to be faster and eliminates administrative activities in the assembly plants.



Simple to use by Micro Carrier



Order Tracking: online status update; control and reliability of delivery (GPS)



Contact rate reduction



More than 40 thousand successful deliveries

100%



Available for 100% of stores



20% reduction in the assembler displacement



50% productivity gains in assemblies



Online assembly monitoring

Freight Management

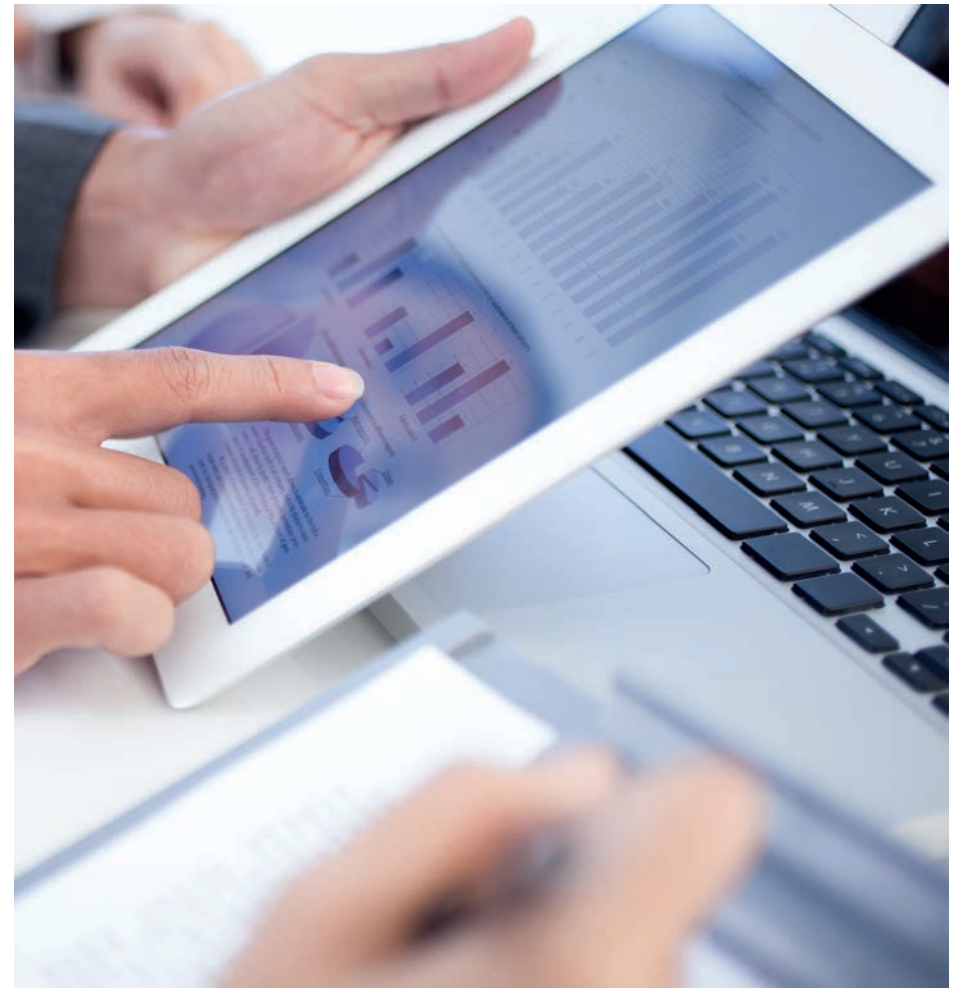
Throughout 2016, the Company has promoted improvements in its freight management, with emphasis on (i) better definition of routes for deliveries, (ii) better negotiation of tariffs with carriers and (iii) better management of vehicle occupancy (Cubing).

In Distribution Centers, the monitoring and control of products' addressing and separating activities have been improved, which guaranteed an increase of productivity and greater precision in the inventory management and reduction of losses. The implementation of the storage management system (WMS) in some distribution centers has also contributed to efficiency gains. Thus, even with sales growth, it was not necessary to increase the space for storing stocks.

Kaizen

In 2016, another great highlight of logistics was the application of the Kaizen philosophy. Lean thinking is based on the elimination of waste and the use of creative solutions fostered by employees, for the continuous improvement of customer-focused processes. In 2016, 11 Kaizen cycles were carried out in the distribution centers, with training of approximately 400 employees. These initiatives have resulted in significant productivity gains in the Company's logistics operation.

For the next years, the objective is to increasingly improve logistics productivity, in order to promote more agile delivery. For this, the Company should focus on actions for the finalization of the Mobile Delivery and Mobile Assembly apps, as well as actions for the reduction of the Retira Loja deadlines. In this way, the multi-channel and integrated logistics system will become an even greater competitive advantage, since it delivers significantly lower delivery terms and costs than the market average.



AWARDS AND RECOGNITIONS

E-awards Brazil 2016: Magazine Luiza was recognized as the best e-commerce app on mobile devices. Design, constant visual structure, readability and rationalization of content, ease of use, navigability, effective communication and direct information were evaluated.

E-bit Award Best E-commerce Stores: For the 13th time, the Company won the E-bit Best E-commerce Award, considered the online retail Oscar, and was among the top 5 in the Diamond category.

BR Week: Magazine Luiza was one of the winning companies of the BR Week 2016 Award, in the categories Electronics and Mobile and Multichannel Management. The award is promoted by Grupo Padrão, which recognizes the best performing retailers.

Sustainability: The Company was awarded the Best Annual and Sustainability Report 2015 - Small & Mid Cap by IR Magazine.

Quality Award APIMEC SP: the Company received the Best Annual Meeting with Investors Award - 2016, by APIMEC SP.

Great Place to Work Institute (GPTW): Magazine Luiza ranked 6th in the GPTW Institute ranking of the best companies to work for in Brazil, in the "Grandes" category (with more than 1,000 employees). In addition, the Luiza Consortium ranked 2nd in the Small and Medium National category (with 100 to 999 employees).

Great Place to Work Institute (GPTW) LATAM: Magazine Luiza is the 9th best company to work in Latin America, according to GPTW ranking.



VALUE GENERATION

The value generation for all its publics is based on the relations of Magazine Luiza, as follows:

CAPITAL

- **Natural Capital:** water and energy are the main resources used in the business development. Thus, the Company invests in the greater efficiency of the use of these resources and in the awareness of employees.
- **Human Capital:** employees are seen as a fundamental link for the sustainability of the Company's business. People come first.
- **Social Capital:** includes the relationship with communities and support to cultural, sports and social projects.
- **Financial Capital:** through its own resources and third parties, the Company invests in constant improvements to ensure a better operational and financial performance in the business.
- **Intellectual Capital:** through LuizaLabs, investments are made in innovation for the sales channels and in the improvement of customer service processes. In Brazil, the Company has become a reference in the management of intellectual capital for the digital path as a strategic definition.

ADDED VALUE

- **Relationship with partners and suppliers:** Magazine Luiza maintains a model of transparency that permeates its relationship with suppliers and aims at an increasingly productive purchasing process. Thus, it seeks to count on suppliers that work close to its distribution centers and, whenever possible, encourages partners to open local industries.
- **Operation:** with more than 800 stores, 9 distribution centers and 3 offices, spread across 16 Brazilian states, the Company serves customers throughout the country through a diversified and integrated multichannel platform comprised of (i) e-commerce, including the app, the website and the Marketplace, (ii) conventional physical stores, (iii) virtual stores, (iv) Magazine Você, (v) Telemarketing and (vi) Corporate Sales.

- **Customer satisfaction:** with the multi-channel strategy, the Company offers integration in the customer's purchasing process, focusing on the best service from purchase to delivery and assembly of products. To monitor customer satisfaction, Magazine Luiza uses the Net Promoter Score (NPS) methodology, which evaluates the percentage of buyers who would refer the company to relatives, friends or colleagues.
- **Relationship with society:** in addition to a volunteer program and investments in cultural and social projects in several communities, the Company aims to include the Brazilian middle class through the access to technological products in stores.

CREATED VALUE

- Gross revenue increased 8% to R\$ 11.4 billion
- E-commerce grew 32% representing 24% of sales
- Evolution of net income to R\$ 87 million
- Operating cash generation growth reaching R \$ 657 million
- Net debt reduction of R \$ 353 million in 12 months
- Total investment of R\$ 124 million, mainly in IT and logistics
- 20,824 employees
- 600 active contracts with suppliers
- 5% reduction of energy consumption
- Total investment of R\$ 688 thousand in projects for communities

SHARED VALUE



RELATIONSHIP WITH INTERESTED PARTIES |GRI G4-DMA, G4-24, G4-25, G4-26|

Magazine Luiza seeks to maintain a constant relationship with its public interest, such as customers, suppliers, sector forums, non-governmental organizations and government entities. The stakeholder identification and selection processes consider the extent of Magazine Luiza's positive and negative impacts on the different sectors of society and the potential impact of the public on the company. In addition to engaging in the construction of the sustainability

report, in day-to-day operations, the Company maintains channels for ongoing dialogue with employees, customers and shareholders.

PARTICIPATION IN ENTITIES |GRI G4-15, G4-16|

Magazine Luiza actively participates in discussion forums and search for sector improvements in the areas in which it operates. In 2016, he participated in the following organizations: Brazilian Institute of Corporate Hospitality (IBHE) and Institute for Retail Development (IDV).



05

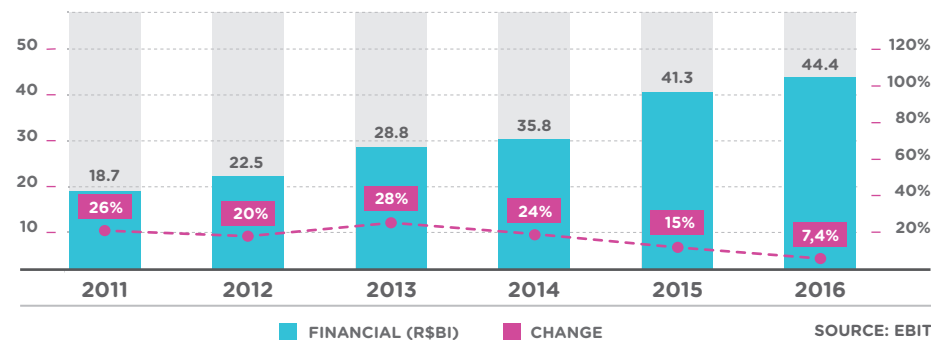
General Overview
SECTOR

General Overview

SECTOR

The Brazilian market represents a considerable opportunity because of its relevant size and its still low penetration of e-commerce channel in the national retail market, characteristics that give it high growth rates. Thus, Brazil should continue to be one of the fastest growing e-commerce markets in the world, driven by the following factors:

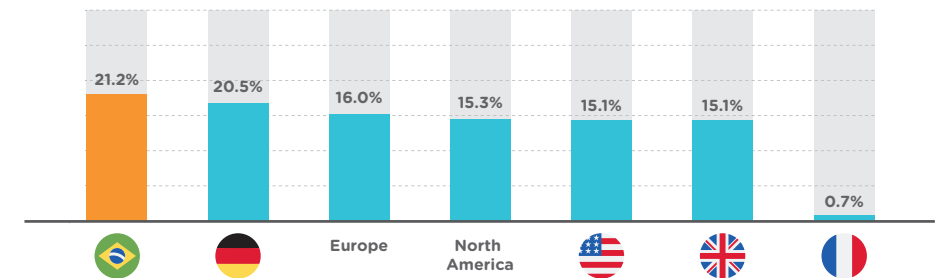
EVOLUTION OF INCOME IN E-COMMERCE



- Growth in Brazil:** According to E-bit, the Brazilian e-commerce market grew at a CAGR of 21.2% between 2010 and 2016, exceeding the growth rates of developed markets such as Germany (20.5%), The United States (15.1%) and the United Kingdom (15.1%).

ONE OF THE HIGHER GROWTH MARKETS...

e-commerce CAGR (2010-2016)

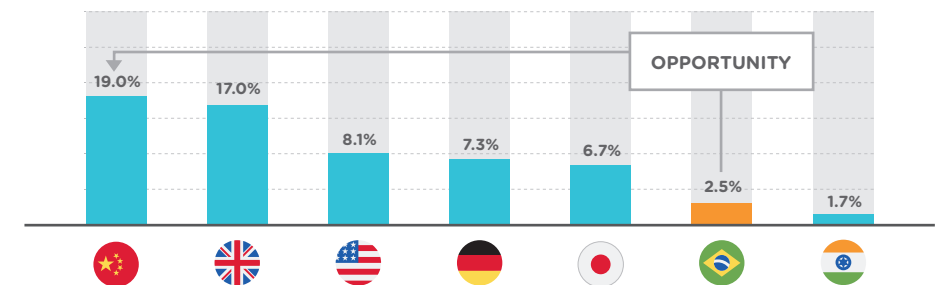


SOURCE: eMarketer and Statista

- Low penetration of e-commerce:** e-commerce is growing to become the main channel of retail sales. In 2016, its sales accounted for 9.1% of global retail sales. During the same period, Brazilian e-commerce reached 2.5% penetration, significantly below the levels of other economies, such as China (19.0%), the United Kingdom (17.0%), And South Korea (13.9%).

...GROWTH OPPORTUNITY

% of e-commerce in sales



SOURCE: eMarketer and Statista

- **Low but growing penetration of internet access:** Between 2010 and 2016, the penetration level increased from 40.7% to 67.5%, respectively. Despite the intense and constant increase in Internet access, Brazilian penetration levels remain below the levels of mature markets, such as Japan (94.0%), the United Kingdom (91.6%), and the United States (88.6% %), which demonstrates an opportunity for even more growth.
- **One of the largest online publics in the world:** With a total population of 206 million inhabitants, according to the Brazilian Institute of Geography and Statistics (IBGE), Brazil has one of the largest online markets with more than 119 million of internet users in 2016, according to eMarketer. In Brazil,

48 million consumers made at least one online purchase in 2016, representing an increase of 22% compared to 2015, according to the E-bit. In this way, Brazil positions itself as the 4th largest market in terms of online users, behind only the United States, China and India.

- **Large and young population with vocation for e-commerce** According to the IBGE, more than 115 million Brazilians are between 15 and 35 years old, representing 56% of the total Brazilian population. The continuous and fast increase in the penetration of Internet access in Brazil, together with a population still young, should contribute to further stimulate the growth of the e-commerce market in Brazil.



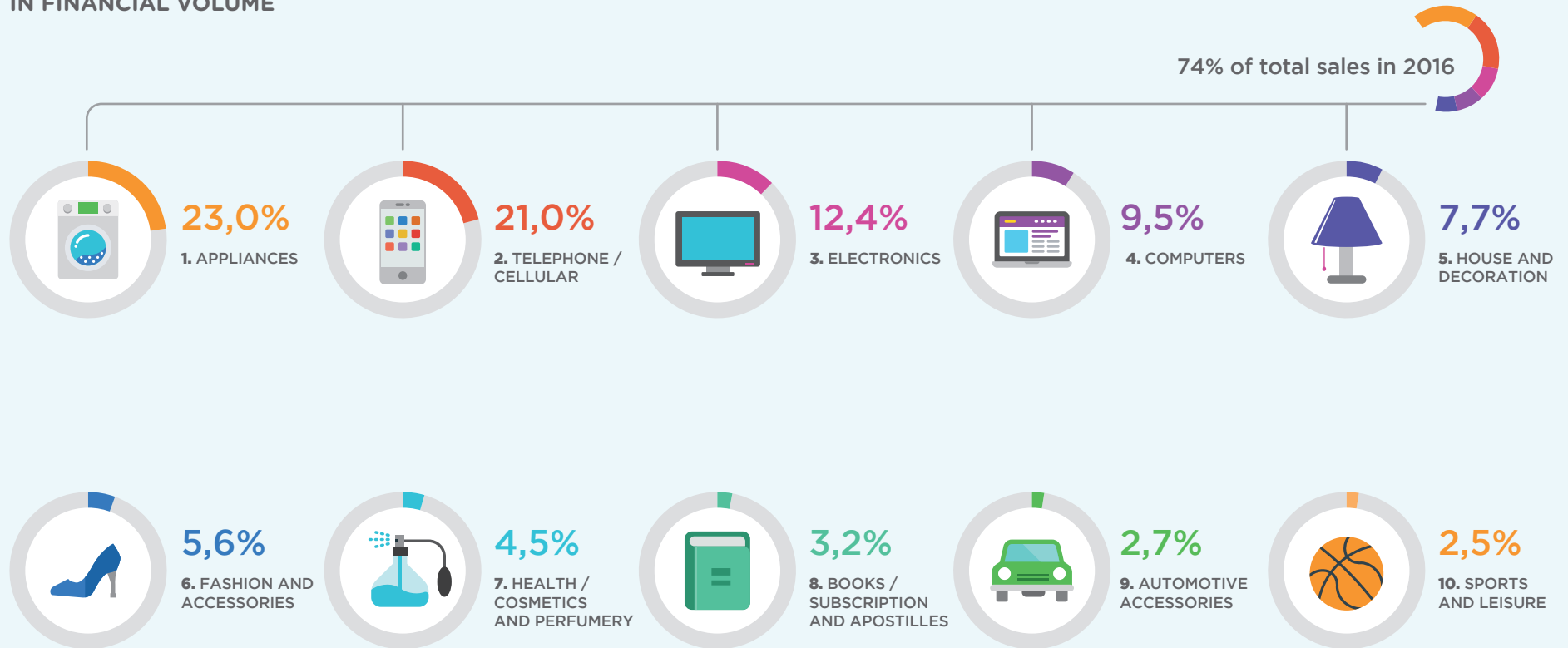
+200 million people

WE HAVE A GREAT AND YOUNG POPULATION...



- Increased access to mobile devices and increased participation in online shopping:** According to eMarketer, the number of smartphones in Brazil grew from 3.6 million in 2010 to 63.9 million in 2016, representing an additional CAGR of 61%. According to Teleco data, in December 2016 there were about 244 million active cell lines, more than the number of inhabitants of Brazil (206 million).
- Growth opportunity:** The segment of appliances and electronics represents a great opportunity to increase sales in e-commerce channels. According to E-Bit, e-commerce sales of appliances, telephones, electronics, computers and home and decoration were ranked as the most relevant in Brazil, accounting for 74% of total sales in 2016.

CATEGORY PARTICIPATION IN TOTAL E-COMMERCE SALES IN FINANCIAL VOLUME



SOURCE: EBIT INFORMATION



06

Corporate
GOVERNANCE

Corporate GOVERNANCE

With shares listed on the B3 Novo Mercado under the code MGLU3, Magazine Luiza follows the highest standards of corporate governance, focusing on transparency, fairness, accountability and responsibility. The Controllers own 74% of the Company's shares and the other 26% are represented by outstanding shares.

GOVERNANCE STRUCTURE |GRI G4-34|

Magazine Luiza's management is comprised of a Board of Directors and a Board of Executive Management team, governed by the Brazilian Corporation Law and by the Company's Bylaws. In order to support the Board of Directors, the existing (i) Audit, Risk and Compliance committees and (ii) Finance and Consumer Credit were solidified and two new committees were created in 2016, (iii) People and Organizational Culture and (iv) Strategy, Business and Digital Transformation. In addition, the Board of Directors is also advised by the Fiscal Council. |GRI G4-13|

ADMINISTRATIVE COUNCIL

It is responsible for establishing the business guidelines and electing the members of the Board of Management team, defining their attributions and supervising their performance. Its members are elected at the Shareholders' General Meeting for two-year terms, with re-election possible. Currently, it is composed of seven members, one being a president, one vice president, two effective advisers and three independent members. Of the total, three are women.

Members	Role
Luiza Helena Trajano Inácio Rodrigues	CEO
Marcelo José Ferreira e Silva	Vice President
Carlos Renato Donzelli	Counselor (Effective)
José Antônio Palamoni	Counselor (Effective)
Betânia Tanure de Barros	Independent Counselor
Inês Corrêa de Souza	Independent Counselor
José Paschoal Rossetti	Independent Counselor

AUDIT, RISK AND COMPLIANCE COMMITTEE

Its main responsibility is: (i) to evaluate the Financial Statements, Reference Form, Press Release and Management Report, (ii) to evaluate the qualification, performance and independence of the independent auditors, (iii) to monitor the suitability of Magazine Luiza to the requirements Laws and other regulations, and (iv) monitor the management activities of the main corporate risks formally delegated by the Board.

Members	Role
Carlos Renato Donzelli	Member of the Committee (Effective)
José Antônio Palamoni	Member of the Committee (Effective)
Marcelo José Ferreira e Silva	Member of the Committee (Effective)
Paulo Antônio Baraldi	Member of the Committee (Effective)

FINANCE AND CONSUMER CREDIT COMMITTEE

Its main responsibility is to advise on: (i) defining the Company's financial policy and planning, (ii) defining the appropriate policies and levels of indebtedness for the Company's activities, (iii) defining the financial investments policies (iv) monitoring the financial risks for Magazine Luiza and (iv) monitoring the activities of Luizacred and Luizaseg.

Members	Role
Carlos Renato Donzelli	Member of the Committee (Effective)
Inês Corrêa de Souza	Member of the Committee (Effective)
Marcelo José Ferreira e Silva	Member of the Committee (Effective)

PEOPLE AND ORGANIZATIONAL CULTURE COMMITTEE

Its main responsibility is to advise: (i) the planning and development of personnel management strategies; (ii) the establishment of remuneration and benefits policies for Company employees and managers; (iii) monitoring and evaluating the effectiveness of people management policies and (iv) preservation of the Organization's culture and values.

Members	Role
Luiza Helena Trajano Inácio Rodrigues	Member of the Committee (Effective)
Marcelo José Ferreira e Silva	Member of the Committee (Effective)
Emília Telma Nery Rodrigues Geron	Member of the Committee (Effective)

STRATEGY, BUSINESS AND DIGITAL TRANSFORMATION COMMITTEE

Its main responsibility is to advise on: (i) developing the Company's business strategies, (ii) defining and monitoring long-term planning, and (iii) developing strategies for digital transformation and innovation.

Members	Role
Luiza Helena Trajano Inácio Rodrigues	Member of the Committee (Effective)
Marcelo José Ferreira e Silva	Member of the Committee (Effective)
Sílvio Romero de Lemos Meira	Member of the Committee (Effective)

FISCAL COUNCIL

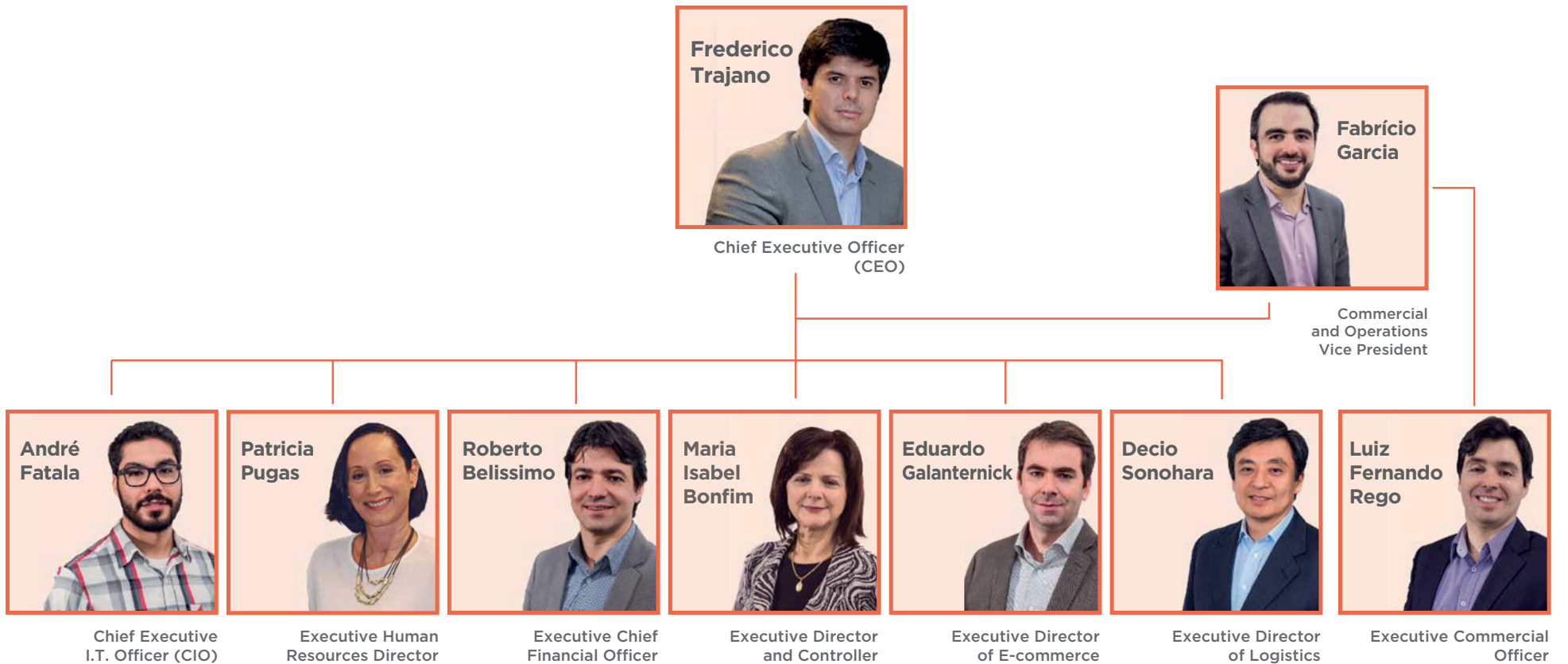
The Fiscal Council is a permanent corporate body that acts independently of the management and independent auditors. Installed at the Ordinary general Assembly, at the request of the shareholders, it supervises the activities of Management and the analysis of the financial statements. It is composed of six members, one president, two effective members and three alternates.

Members	Role
Inocência Teixeira Baptista Pinheiro	President FC - elected by controller
Fabício Gomes	FC (Effective) elected by controller
Thiago Costa Jacinto	FC (Effective) elected by minority ordinaries
Mauro Marangoni	FC (Alternate) elected by controller
Robinson Leonardo Nogueira	CF (Alternate) - elected by controller
Eduardo Christovam Galdi Mestieri	FC (Alternate) - elected by minority ordinaries

EXECUTIVE BOARD

The Board of Executive Officers is responsible for managing all of the Company's business and for carrying out the resolutions of the Board of Directors. It is the responsibility of the CEO to delegate the roles and responsibilities of each executive director.

EXECUTIVE BOARD



ETHICAL BEHAVIOR |GRI G4-DMA, G4-56|

CODE OF CONDUCT

As a guide to the behavior expected by employees, as well as the Company's decisions, Magazine Luiza has the Code of Conduct. Revised annually, the document provides clear guidelines, policies, and procedures to ensure fair and honest business conduct.

The Company also promotes the access of all employees to the Code of Conduct and maintains the constant dissemination and awareness of its values, principles and guidelines through the available channels of communication such as the weekly "Rite of Communion" and the weekly broadcasts by TV Luiza, which reach all employees, and the "Seminars of Strategic Planning" that reaches all the leaderships. The Code of Conduct is available on the Company's investor relations website www.magazineluiza.com.br/ir.

ANTI-CORRUPTION |GRI G4-DMA, G4-SO3, G4-SO4, G4-SO5|

Compliance in business conduct is one of the premises of Magazine Luiza. To mitigate cases of nonconformity, the São Paulo business office, which concentrates corporate activities, underwent a risk assessment related to corruption in 2016. In addition, 383 employees participated in training related to the topic.

Another highlight is the work carried out by the internal audit department, which continuously monitors the main operations carried out in the stores. The team is also responsible for verifying 100% of the complaints received in the complaint channel. In 2016, no cases of corruption were identified in the Company.

INTEREST CONFLICTS

Magazine Luiza adopts corporate governance practices recommended and required by law, including those set forth in the Novo Mercado Regulation. In interest conflict cases between the members of the deliberative bodies, under the terms of the legislation in force, the respective member must immediately manifest the case, absent themselves from the discussions on the subject and abstain from voting, being the decision applicable to the other members.

RISK MANAGEMENT |GRI G4-DMA, G4-2|

Magazine Luiza has a risk matrix that understands its main corporate risks, based on its probability of occurrence and the magnitude of its business impact, for which risk and performance indicators have been selected for monitoring. These indicators are periodically evaluated by the Audit, Risk and Compliance Committee and by the Finance and Consumer Credit Committee and are reported to the Administration Council, responsible for risk management guidelines whenever they present signs of a threat to the business strategy, assets and Company's image.

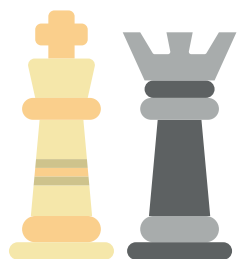
This risk matrix is reviewed annually based on circumstances and impact magnitude change. Risk management has the participation of all levels of the Company, from the Administration Council to the advisory committees, board of directors and other areas involved.

The Company also has a Corporate Risk Management Policy, which establishes a set of guidelines and principles and the structure to be considered in the Company's risk management process, as well as define, detail and formalize the responsibility of each agent of corporate governance involved in this process. It is applicable to all organizational levels that have the responsibility to manage the risks of the Company's business directly or indirectly.

RISK CLASSIFICATION

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

STRATEGIC RISKS



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

FINANCIAL RISKS



Risks that may lead to financial losses arising from unexpected effects on the economic scenario and market trends, reflected in the behavior of interest rates, exchange rates, inflation, employment, income, indebtedness, the choice of financial investments, share prices, among others

OPERATIONAL RISKS



Risks that may lead to financial losses and damage to reputation and image due to operational failures or deviations related to internal controls, processes, information systems, resource management, fraud, among others

COMPLIANCE RISKS



Risks related to legal or regulatory sanctions, which may lead to financial or reputational loss and image that the Company may suffer as a result of failure to comply with the laws application, rules, regulations and internal policies of ethics and conduct.

The Board of Directors is responsible for implementing the Company's strategies and guidelines approved by the Administrative Council and for monitoring the Performance Indicators (KPI) and Risk Indicators (KRI) established on the basis of the Risk Matrix, as well as performing the necessary corrective actions or measures when required.

The Board must also act to maintain an effective internal control and compliance environment. More information about the Corporate Risk Management Policy is available at www.magazineluiza.com.br/ir

eletroportateis

presentes

móveis

07

OUR EMPLOYEES

OUR EMPLOYEES

| GRI G4-DMA|

HUMAN CAPITAL

Magazine Luiza sees its employees as fundamental for the business development and it is part of its principles to put people first. Therefore, in addition to promoting clear and transparent communication, there is a meritocracy policy based on solid evaluations and invests in attracting, retaining and developing people.

As a result of its initiatives, in 2016, Magazine Luiza was elected by the Great Place to Work Institute (GPTW) the 6th best company to work in Brazil, in a group of 80 organizations that make up the “Grande Porte” category (more than thousand employees). This is the 19th year in which the company is among the best in the country. According to the Institute, the Company was considered the best in the practice of speaking with its employees due to its internal communication channels, such as TV Luiza, Rádio Luiza and the direct line to communicate with the entire Board of Directors of the Company.

Another highlight is the Organizational Climate Survey. Held in 2016 with the support of GPTW Institute, it obtained a grade 4 points above the previous year, reflecting a better perception of employees in relation to the environment in which they work.



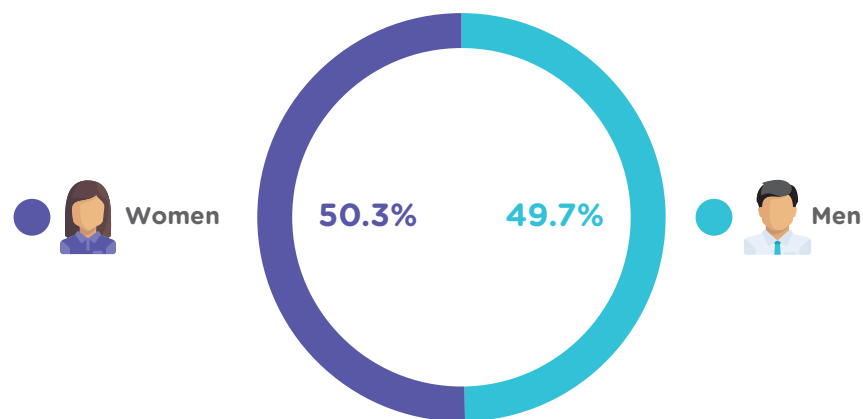
EMPLOYMENT | GRI G4-DMA|

The Company ended 2016 with 20,825 employees, a reduction of 4.2% compared to 2015. During the year, 6,602 employees were hired and 7,568 were dismissed, representing a turnover rate of 33.3%. |GRI G4-10, G4-LA1|

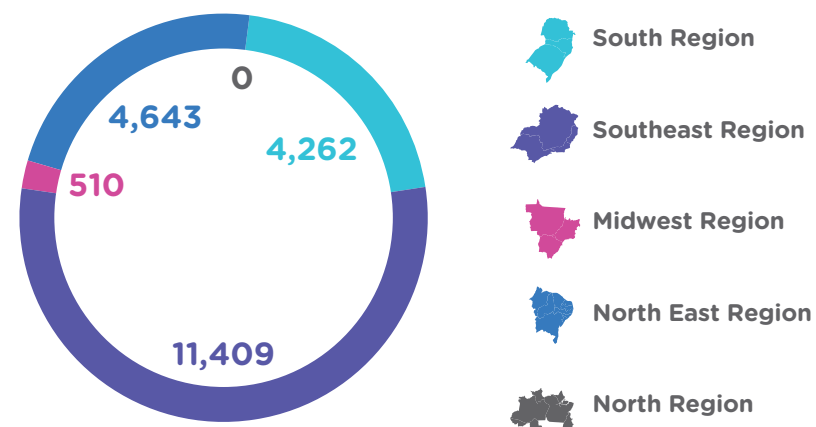
TOTAL OF EMPLOYEES | GRI G4-10|

Total of employees	2015		2016	
	Men	Women	Men	Women
By level				
Council	5	2	7	3
Board of Directors	21	6	22	4
Executive Management team	746	264	722	287
Head/Coordination	387	802	323	744
Technical/Supervision	250	96	230	87
Administrative	2,184	4,856	1,985	4,370
Operational	6,640	4,666	6,665	4,672
Trainees	7	10	-	-
Apprentices	427	360	379	309
Interns	7	9	7	9
TOTAL	10,674	11,071	10,340	10,485

EMPLOYEES BY GENDER



EMPLOYEES BY REGION | GRI G4-10|



TURNOVER | GRI G4-LA1|

	Contratados	Desligados	Taxa de rotatividade (%)
By gender			
Men	3,703	4,056	24.7%
Women	2,899	3,512	29.7%
By age group			
Less than 30 years	4,163	4,099	44.0%
From 30 to 50 years	2,341	3,196	25.9%
Over 50 years	98	273	10.3%
By region			
South region	1,590	1,783	38.8%
Southeast region	3,326	4,214	31.8%
Midwest region	195	194	38.3%
North East Region	1,491	1,377	30.6%
North region	-	-	-

BENEFITS | GRI G4-LA2|

The Company has a number of differentiated benefits for its employees, such as: food stamps, optional medical and dental insurance, and private pension. In addition, other benefits are also made available by Magazine Luiza:

**SPECIAL EDUCATION TICKET**

offered to employees who have children with special needs

**SCHOLARSHIP**

offered to the collaborators as support for the self-development plan, contributing to its career plan in the Company

**PAYROLL LOANS**

offered to employees credit with special interest rates

**CONSORTIUM FOR EMPLOYEES**

offered to employees with special conditions and exclusive rates

**MOTHER TICKET**

Offered to all employees who have children between the ages of one month up to 10 years and 11 months

**BEBÊ À VISTA PROGRAM**

Offered to pregnant women, includes gestational follow-up, exemption from consultations and examinations, online course and baby book

**RESTAURANT**

For the employees who work in the Distribution Centers, with symbolic discount in payroll

**GYM**

For employees who work in São Paulo business office with a nominal payroll discount

**RUNNING GROUP**

For the employees and dependents who work in central office of Franca/SP, with symbolic discount in payroll



DIVERSITY

With the support of a structured program of social inclusion, Magazine Luiza reached 91% of the quota required by the legislation for hiring people with disabilities in 2016. In addition, the program involves other initiatives such as adaptation of facilities for employees and customers, as well as training and development of all employees. In December 2016, the Company had 909 employees with disabilities.

MANAGEMENT IMPROVEMENTS |GRI G4-DMA|

In 2016, the People Management area introduced a new model of management by indicators, in which all the construction of goals and objectives for the leaderships began to be made in a clear and objective way based on the new Company strategic positioning. Corporate goals were defined, which encompass all employees, as well as individual goals, related to specific areas. Every month, meetings were held to follow up on all the goals. In 2017, the model will be replicated to the entire managerial level, including store managers.

PERFORMANCE ASSESSMENT |GRI G4-DMA|

The new goal-management model provided a more assertive assessment of the Company's leadership, with clearer metrics for the variable compensation process. All areas are evaluated at semi-annual meetings, based on delivery of results and 360o evaluation. After the evaluation, a campaign of feedback and construction of Individual Development Plans (IDPs) is carried out.

In addition, the goal-management model also served as an input to reinforce the Company's meritocracy policy, where salary promotions and revisions were based on these evaluations and deliberated in a collaborative way.

Performance assessment [GRI G4-LA11]	2015	2016
By level		
Board of Directors	-	-
Executive Management Team	27	25
Management	919	955
Coordinators/Leaders	924	1,017
Technical/Supervisors	112	275
Administrative	686	1,377
Operational	-	902
By gender		
Male	1,291	2,309
Female	1,377	2,242
Total	2,668	4,551

In 2016, a behavioral assessment review was performed to reinforce the accuracy of meritocratic policy. What before was a skills assessment became an assessment of values in line with the Company's principles. The goal is for employees not only to be concerned with delivering the results but how they are achieved. The leaderships were evaluated based on these values and the variable remuneration is also linked to these requirements.

TRAINING AND SUCCESSION [GRI G4-DMA, G4-LA9, G4-LA10]

With the goal of preparing new leaders to perpetuate the Company's culture, the Training and Development area has invested in training courses for leaders in both stores and logistics, as well as in the offices. The Training Managers Program, for example, trained 235 people in 10,340 training hours throughout the year. The new stores employees, inaugurated throughout 2016, also spent through 26,382 hours.





08

OUR CUSTOMERS

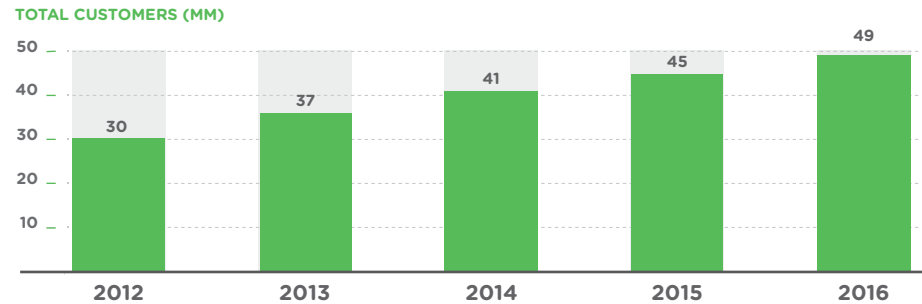
OUR CUSTOMERS [GRI G4-DMA]

SOCIAL CAPITAL

CUSTOMER PROFILE

Relationship with customers is one of the most precious assets for Magazine Luiza. Therefore, the Company adopts a conduct based on the principles of honesty, simplicity, sympathy and ethics. By the end of 2016, Magazine Luiza had a base of 49 million customers.

CUSTOMER BASIS EVOLUTION



The Company has Luiza Card, an important financial instrument offered by Luizacred to finance customer purchases. At the end of 2016, it had 3.2 million Luiza Cards, of which 1.1 million were classified as Gold Cards. It is worth mentioning that Gold Card customers are more loyal and have more purchases. In addition, they have a number of advantages, such as differentiated taxes, exclusive offers and special conditions in stores and e-commerce.

Type	Number of Cards (MM)	%
Preferential	2.1	65%
Gold	1.1	35%
Total	3.2	100%



The Company also has a strong presence in social media and consequently, a significant engagement of customers in these channels, mainly on Facebook, Google Plus, Youtube, Twitter, Lu's Blog and Instagram.



Another highlight of Magazine Luiza, which reflects its commitment to improving its relationship with customers, was the classification of e-commerce with the RA1000 label, according to data from Reclame Aqui. The RA1000 label highlights companies that have excellent service levels and stand out in the after-sales phase, increasing the confidence degree in the brand, products and services. In 2016, according to the Época Reclame 2016 Premium, the Company was still ranked among the three Best Companies for the Consumer, which demonstrates the customers' perception about commitment to excellence in service.



CUSTOMERS VALUE

Being the most innovative group of the national retail, offering several lines of products and services for Brazilian family, as well as being present where, when and how the customer wishes is part of Magazine Luiza's premise. Therefore, each year, the Company seeks ways to improve its customer services.

After Digital Transformation strategic cycle, several changes were made in order to optimize and improve service. These include Mobile Sales, Mobile Assembler, Mobile Stockist and the new Mobile Delivery and Mobile Selling Well. All of these apps provide a better customer experience and efficiency gains for Magazine Luiza.

In addition, the displays of connected products - Project Mobitech, has been reformed and changed in more than 100 stores, providing a better trial and boosting the sales. Lu Conecta, an application setup and smartphone setting service, has also been implemented, as well as Help Desk for telephone inquiries, access to thousands of points with free wi-fi, antivirus, among others.

Another highlight is the multi-channel. With Retira Loja, for example, the customer can buy on the Company's digital platforms and withdraw the product at the nearest store. In addition, multi-channel allows customers to shop online and exchange products through any channel. Thus, customers can buy when, where and how they wish.

GOLD CUSTOMER

The Gold Customer Program aims to recognize, value and retain loyal customers. The result is reflected in the consumption behavior of these customers, which, compared to the others, have a higher frequency of purchase.

Gold Customer Day is the main customer loyalty action and consists of opening the stores, on pre-defined weekends, with exclusive offers for the Gold Customer. Red carpet, breakfast and exclusive promotions are part of this special day schedule. In 2016, there were more than 2.2 million Gold Customers, who account for a significant portion of sales.

CUSTOMER SATISFACTION GRI |G4-DMA, G4-PR5|

To monitor customer satisfaction, Magazine Luiza uses the Net Promoter Score (NPS) methodology, which evaluates the percentage of clients who would indicate the company to relatives, friends or colleagues. In physical stores the research was based on an universe of 200 respondents per store throughout the year, contacted by telephone (electronically via Audible Response Unit - URA). In e-commerce, the research is carried out by Ebit. It is worth mentioning that, in 2016, Magazine Luiza presented an important evolution in recommendation indexes in all channels.

DIGITAL MISSION

In line with the pillar of digital inclusion, which aims to democratize the use of technology, Magazine Luiza held the Digital Mission promotion in 2016. Through the Globo Network's É de Casa program, the customers raffled in the promotion were visited by a technology specialist who identified the opportunities for connected products to help in their day-by-day lives. One of the highlights was the participation of a couple with visual impairment, who had access to technological solutions to improve their life quality. With smartphone apps support, they have been able to do activities such as counting money or identifying products in the supermarket.



COMMUNITIES

| GRI G4-DMA, G4-SO1 |

All projects are analyzed and evaluated based on the adherence to the investment focuses of Magazine Luiza and on the relationship of cost and socio-cultural impact with the Company's interests. Thus, the Company aims to contribute to the formation of people and institutions that can take successful actions, especially involving dance, music, cinema and other cultural and educational activities.

In 2016, through the incentive laws, Magazine Luiza supported a number of socio-cultural projects, such as the "Classics of Literature in Braille" project, including reading for children with visual impairment. In Recife-PE, Magazine Luiza sponsored the project "Ária Social Dance and Art area", with 150 girls from the ghettos. In the health area, Magazine Luiza sponsored the project "Clinical-Genetic and Molecular Diagnosis of Idiopathic Mental Deficiency", performed by the USP Hospital das Clínicas - Ribeirão Preto-SP, to investigate and study the genetic, non-genetic and Multifactorial disorders of intellectual disability.

Thus, the Company supported a total of 34 socio-cultural projects, 31 in the state of São Paulo, one in Minas Gerais and two in Pernambuco, which together served 29,380 people. The support, added to the engagement and development of these people, is carried out in 2% of the Company's operations.



VOLUNTEERING

The Rede do Bem project, created in 2010, encourages employees to engage in social actions that benefit low-income people and bring improvements to the city or neighborhood in which they live. In 2016, through these volunteer work, the program benefited about 1,000 people from 19 cities, with the involvement of more than 1,300 Magazine Luiza employees. During the year, the Company also donated products to about 250 social institutions in 109 Brazilian cities.

In Franca, where the administrative headquarters is located, the company supports the Franca Viva NGOs, especially the project to train children and teenagers in Informatics, in the digital inclusion project; the Secos e não Molhados, which distributes disposable diapers for elderly, and the Pro-Child Institute, whose cause is the fight against child labor in the footwear industries. The Company also supports the Cancer Hospital, carrying out constant mobilizations among its employees who voluntarily participate in the acquisition of raffles and T-shirts, whose funds are collected for the maintenance of the hospital.





9

OUR SUPPLIERS

OUR SUPPLIERS

| GRI G4-DMA |

SOCIAL CAPITAL

In 2016, Magazine Luiza counted on the partnership of more than 600 active suppliers for the commercialization of its products in the stores and e-commerce. There is no dependence of a single partner: more than 60% of the purchases are distributed among 10 manufacturers. The selection aims to meet the requirements of quality and price. Thus, aware of this public relevance for the business, the Company seeks to promote a relationship of value generation for both sides through a solid and transparent relationship. [GRI G4-12]

For more than 10 years, the Company has maintained a commitment that defines ethical and sustainable practices with its suppliers, as well as the preference for more efficient products in terms of consumption and quality. All Magazine Luiza suppliers must act in line with the Company's Code of Conduct, which sets the ethical standards for conducting business. The relationships are governed by the Contract of Supply of Goods, which includes a Term of Conduct detailing the responsibilities of those involved.

The contracting of partners involves an analysis of Commercial, Legal and Financial areas. In the case of furniture purchases, the process also involves annual inspections from Quality area. It is worth mentioning that, although it does not use socio-environmental criteria in the selection of suppliers, Magazine Luiza requires all partners to comply with environmental and labor legislation. [GRI G4-EN32, G4 LA14, G4-SO9]

Another stage of the relationship, planning with the suppliers is carried out every six months and, in some cases, quarterly. Periodic meetings are held in which decisions are taken jointly between suppliers and Company. At these meetings, in addition to planning, the points of improvement and the follow-up of the action plans are discussed.

Currently, approximately 40,000 SKUs are sold in physical stores and e-commerce (via its own stock), and approximately 400,000 SKUs are already sold by partners on the Marketplace platform. Many of SKUs sold by online channel are products belonging to the long-tail, that is, less demanded products and, therefore, require a different purchasing policy and replacement frequency.

To meet this particularity, there is a team of buyers specially directed to negotiate these products purchase. Other products sold in both channels, the best commercial conditions are sought by grouping orders from all sales channels, thus obtaining scale gains.

In order to offer more flexibility to services, reduce freight costs and minimize the environmental impacts of products transportation, Magazine Luiza search rely on suppliers that operate close to its distribution centers and, where possible, the company encourages the partners to foment local industries. In this way, it is possible to obtain more agility in services, to reduce costs with freight and minimize the environmental impacts of products transport. It is worth mentioning there are incentive regions for the production of certain products (such as the Manaus Free Zone) and in this case there is a concentration of production. In 2016, 43% of purchases (considering gross values) were made from suppliers located in the same region of the distribution center involved in the transaction.

eletrodomésticos

10

**Environmental
MANAGEMENT**

Environmental MANAGEMENT

| GRI G4-DMA |

NATURAL CAPITAL

Because of the business nature, one of the Company's main environmental impacts is the consumption of electricity. In 2016, in order to promote a more energy conscious consumption, the Company sought to understand the profile of each store and, from that, developed action plans that promoted the rational use of this resource.

Thus, monitoring indicators, internal communication plans and some improvement actions were created, such as:

- **Retrofit:** exchange of more than 50 thousand fluorescent bulbs per LED bulbs in 155 stores;
- **Electric Power Free Market:** purchase of electricity in the free market for 45 stores, with a cost 20% lower than the cost of the captive market;
- **Contracted Demand:** negotiation to adjust contracted electricity demand in stores, with a 15% reduction in cost.

With all the initiatives carried out throughout the year, the Company's electricity consumption decreased by 5%, totaling a consumption of 81,105,727kWh. |GRI G4-EN3, G4-EN7|

The Company also has an Electric Energy and Water Committee, with the objective of reducing costs and improving the way in which natural resources are used. In addition, the Company promotes, through internal communication channels, awareness for the rational consumption of water and energy.

In addition, selective garbage collection containers were installed in offices and distribution centers and actions were taken to consciously use paper. In addition, it was adopted the use of scanned booklets and recycled paper in training for new managers and leaders.



The Bandeirantes Distribution Center is an example of initiatives to preserve natural resources, as it is designed to take advantage of natural lighting, reducing energy consumption. There are also initiatives for the use of rainwater, contributing to treated water consumption. The CD also has environmental liability certification, issued by the Environmental Company of State of São Paulo (Cetesb), for complying with the necessary procedures for correct destination of waste tires, in accordance with the provisions of Resolution No. 416/2009 of the National Environment Council.



11

RESULTS

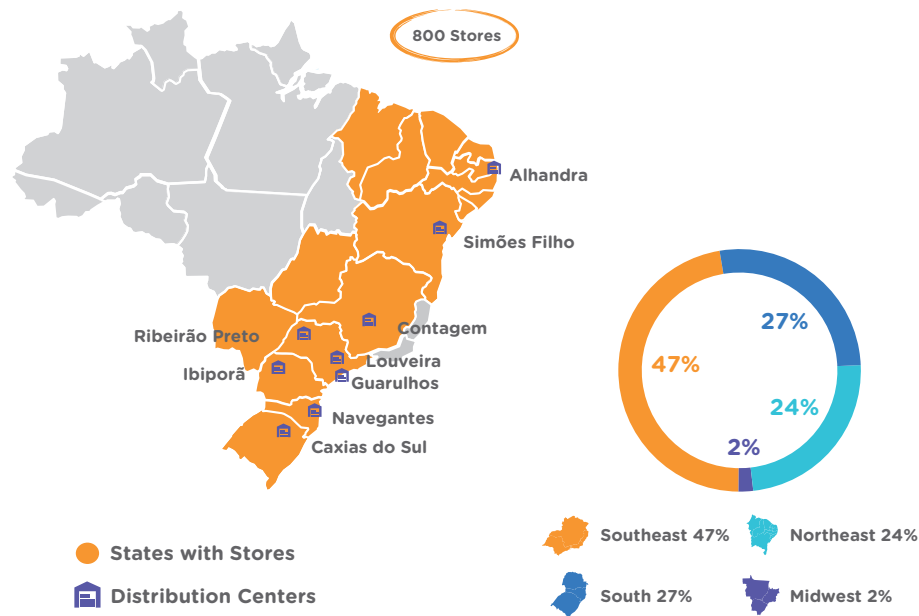
RESULTS

FINANCIAL CAPITAL

OPERATIONAL PERFORMANCE |GRI G4-DMA|

Even in a challenging scenario, the year was marked for Magazine Luiza by positive financial indicators and the gain of market share, the result of a strategy based on operational consistency and focus on the execution of all projects of digital transformation.

Magazine Luiza ended 2016 with 800 stores and nine distribution centers strategically located in 16 Brazilian states, whose economies correspond to 75% of the national GDP. In 2016, the Company had more than 20 thousand employees and a base of 49 million customers. Throughout the year, 20 new stores were opened and six were closed. |GRI G4-9|



MAIN HIGHLIGHTS

Consistent gain in market share: In 2016, Magazine Luiza gained market share across all channels and major product categories. According to data from IBGE (PMC), nominal sales of furniture and electronics decreased -7.5% in the year, compared to the accumulated Company growth of + 8.3%.

Growth in e-commerce: e-commerce sales reached a record 24.1% in the Company's total sales, a 32.2% increase in 2016, compared to the market growth of 7.4% in the same period, according to E-bit data. This market share gain resulted from: (i) growth in traffic and sales of mobile channels (mainly from the app), (ii) increased sales in the markets served by nine regional CDs, fully integrated since 2014, (iii) (iv) increase in the sale of new channels (Época Cosméticos, Magazine Você, Clube da Lu and Quero de Casamento).

Financial and operational information	2014	2015	2016
Growth of E-commerce	33.7%	9.8%	32.2%
E-commerce Share in Sales	16.4%	19.8%	24.1%
Growth Same Physical Stores	15.1%	-15.0%	0.3%
Growth Same Stores Total	17.8%	-10.9%	6.6%
Total Number of Stores	756	786	800
Total Sales Area (m ²)	481,726	498,570	501,319
Average Area per Store (m ²)	637	634	627

FINANCIAL PERFORMANCE | GRI G4-DMA|

The table below shows a summary of the Company's main financial indicators related to the fiscal years ended on December 31, 2015 and 2016. As a result of recent changes in the accounting of payroll taxes, to make the figures more

comparable, we opted to reclassify 2015 results as follows: expenses with payroll taxes, which were previously accounted for as a reduction in gross sales, were reclassified as part of selling expenses and G&A expenses.

Consolidated Income Statement (R\$ million)	2016	V.A.	2015	V.A.	% Chg
Gross Revenue	11,371.6	119.6%	10,498.3	115.8%	8.3%
Taxes and Deductions	(1,862.9)	-19.6%	(1,431.5)	-15.8%	30.1%
Net Revenue	9,508.7	100.0%	9,066.8	100.0%	4.9%
Total Costs	(6,586.1)	-69.3%	(6,399.6)	-70.6%	2.9%
Gross Income	2,922.6	30.7%	2,667.2	29.4%	9.6%
Selling Expenses	(1,776.3)	-18.7%	(1,784.6)	-19.7%	-0.5%
General and Administrative Expenses	(481.9)	-5.1%	(483.2)	-5.3%	-0.3%
Provisions for Loan Losses	(26.1)	-0.3%	(30.5)	-0.3%	-14.4%
Other Operating Revenues, Net	13.5	0.1%	20.2	0.2%	-33.3%
Equity in Subsidiaries	62.7	0.7%	75.6	0.8%	-17.1%
Total Operating Expenses	(2,208.1)	-23.2%	(2,202.4)	-24.3%	0.3%
EBITDA	714.6	7.5%	464.7	5.1%	53.8%
Depreciation and Amortization	(133.6)	-1.4%	(125.8)	-1.4%	6.2%
EBIT	580.9	6.1%	338.9	3.7%	71.4%
Financial Results	(503.8)	-5.3%	(486.1)	-5.4%	3.7%
Operating Income	77.1	0.8%	(147.1)	-1.6%	-
Income Tax and Social Contribution	9.5	0.1%	81.5	0.9%	-88.4%
Net Income	86.6	0.9%	(65.6)	-0.7%	-

MAIN HIGHLIGHTS

Gross Revenue: Total gross sales increased by 8.3% to R\$11.4 billion. SSS were 6.6% higher, as a result of an increase in e-commerce of 32.2% and as a result of brick and mortar that were stable in 0.3%. Additionally, the e-commerce sales reached 24.1% of total sales in 2016 (versus 19.8% in 2015).

Gross Income: Gross margin reached 30.7% (130bps higher than 2015) at R\$2.9 billion. Gross margin improvement was due to: (i) sales mix, (ii) charging for shipping and assembly in all stores, and (iii) increase in services revenue participation.

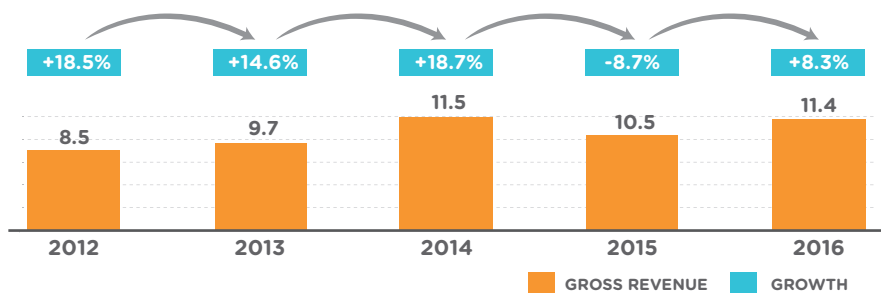
Operating Expenses: Selling expenses reached 18.7% of net revenues, 100 bps lower than 2015, while general and administrative expenses (G&A) participation

reached 5.1%, equivalent to a decrease of 20bps over 2015. As a result, SG&A represented 23.9% of net sales, 120bps lower than 2015. This dilution reflects the maturation of the strict control of expenses adopted by the Company, including the Zero Base Budget (ZBB) and Expenses Management Matrix (EMM).

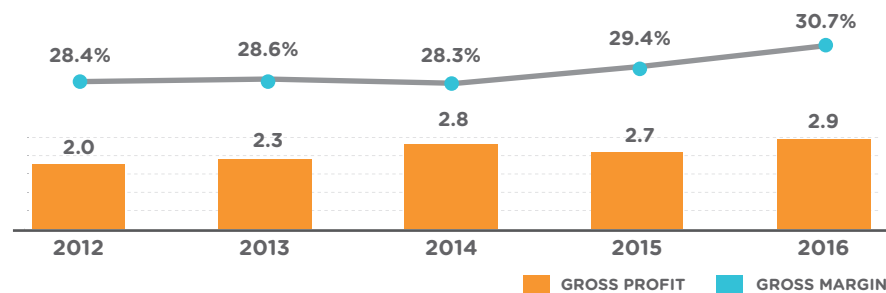
EBITDA: EBITDA reached R\$714.6 million, for 7.5% margin, 240 bps higher when compared with 2015. The growth of total sales, the increased gross margin, the dilution of the operating expenses and the positive contribution of e-commerce contributed to this improvement.

Net Income: In 2016, net income totaled R\$86.6 million with ROE of 13%.

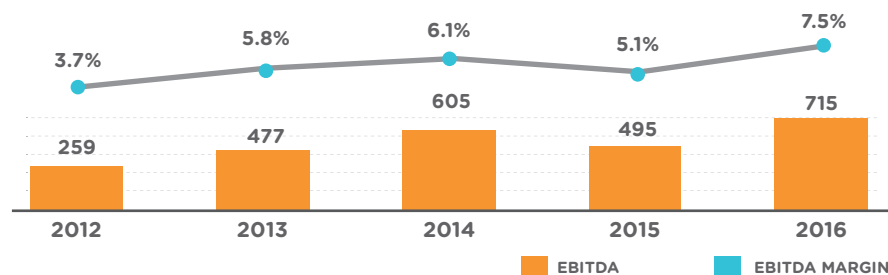
GROSS REVENUE (R\$ Billion)



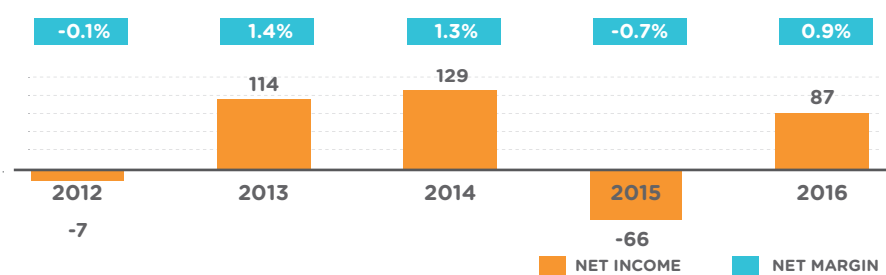
GROSS PROFIT (R\$ Billion)



EBITDA (R\$ Million)

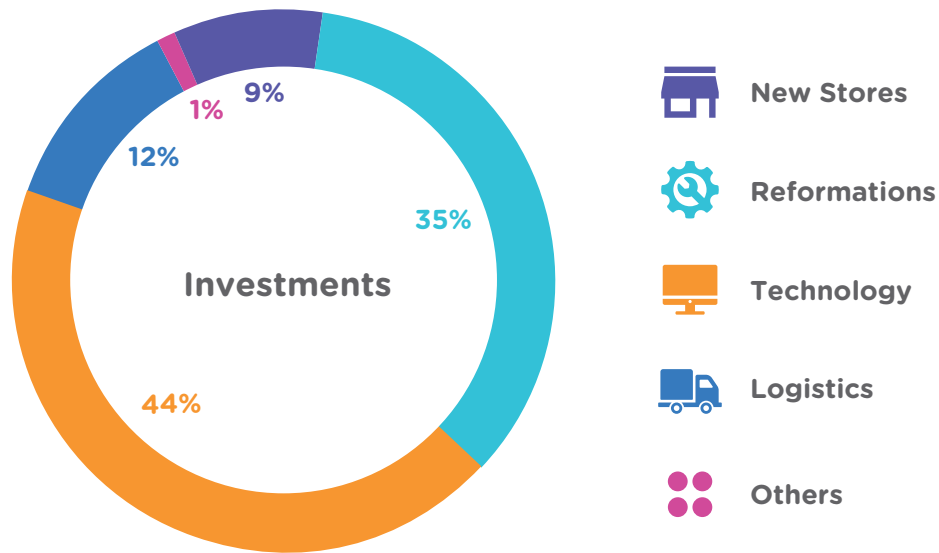


NET INCOME (R\$ Million)



INVESTMENTS

In 2016, investments totaled R\$ 124.3 million, with 56% of investments destined for technology and logistics projects as a result of the ongoing digital transformation strategy.



STATEMENT OF ADDED VALUE | GRI G4-EC1

	2015	2016	Var. %
Income	10.090.367	10.907.837	8,1%
Inputs acquired from third parties	-8.048.033	-8.169.559	1,5%
Gross added value	2.042.334	2.738.278	34,1%
Depreciation and amortization	-125.801	-133.612	6,2%
Net added value	1.916.533	2.604.666	35,9%
Added value received in transfer	205.902	179.357	-12,9%
Total added value to distribute	2.122.435	2.784.023	31,2%

DISTRIBUTION OF ADDED VALUE | GRI G4-EC1

	2015	2016	Var. %
Personnel and taxes	930.791	941.562	1,2%
Taxes, fees and contributions	355.883	827.700	132,6%
Third party capital remuneration	901.366	928.196	3,0%
Equity remuneration	-65.605	86.565	-
Total	2.122.435	2.784.023	31,2%

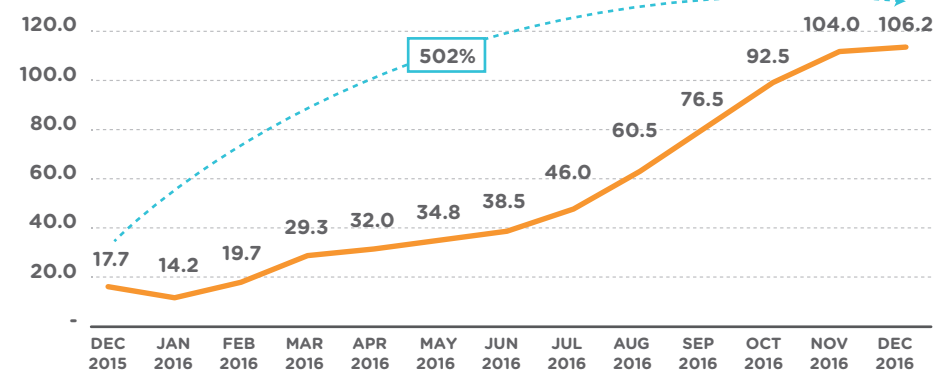
FINANCIAL STATEMENTS

Details of individual and consolidated financial statements of Magazine Luiza, which comprise the balance sheet as of December 31, 2016 and the related statements of income, can be found on the CVM website and on the Company's Investor Relations website: www.magazineluiza.com.br/ri

SHARE PERFORMANCE

Magazine Luiza's shares (MGLU3) increased 502% in the year, from R \$ 17.65 at the end of 2015 to R \$ 106.17 at the end of 2016. This performance was well above the return of Ibovespa, surpassing also all Publicly traded companies in the Brazilian stock market.

The performance of Magazine Luiza's shares reflects the gradual and consistent improvement in operating and financial results in 2016, as well as a better understanding and belief in digital transformation strategy, which has been implemented by the Company.

SHARE PRICE PERFORMANCE

tecnologia

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About the
REPORT

About the REPORT

Based on the Integrated Reporting Council (IIRC) Guidelines for Integrated Reporting and the Global Reporting Initiative (GRI) guidelines, Magazine Luiza presents its performance in the period from January 1 to December 31, 2016, including the challenges and the goals and objectives established by the company, As well as the way in which it manages the economic, financial, social and environmental aspects. [GRI G4-28]

All information refers to Magazine Luiza S.A. Financial and operating data are presented on a consolidated basis and in accordance with the accounting practices adopted in IFRS, and the financial statements are audited by Ernst & Young Auditores Independentes. The socio-environmental indicators were raised internally, according to Brazilian standards. [GRI G4-17, G4-33]

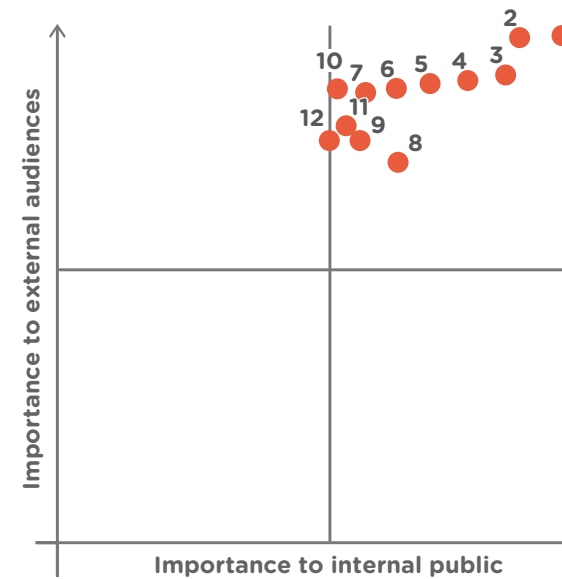
MATERIALITY AND LIMITS [GRI G4-18]

The materiality process was the basis of the report content, which contemplates the most relevant aspects pointed out in consultation with the different Company relationship groups. Held in 2015, with external consulting support, the process had two stages and also served as input for 2016 report:

Step 1: internal policies, vision and commitments assumed by Magazine Luiza, as well as reference documents on sustainability and the retail and financial services sector were analyzed. Next, an on-line consultation was held with the Company's main stakeholders - employees, suppliers, investors and market analysts - who listed the most relevant topics for the Company and its publics.

Step 2: the mentioned issues were validated by the Company's senior management, which considered the impact (probability and size) and ability to influence the Company on the subject. As a result, the materiality matrix was drawn.

MATERIALITY MATRIX [GRI G4-19; G4-27]



MATERIAL THEMES:

1. Relationship, dialogue and customer satisfaction;
2. Ability to maintain employees;
3. Logistic development in deliveries to customers;
4. Training, education and development of employees;
5. Reduction of the environmental impact at the end of useful life from products sold;
6. Combating corruption in negotiations and operations;
7. Encouraging socio-environmental best practices in the supply chain;
8. Stimulating and providing products with better environmental performance for customers;
9. Management of the economic impact through suppliers contracting;
10. Financial assistance received from the government;
11. Management of waste and effluents discarded by the operation;
12. Respect for free competition/fair competition.

MATERIAL THEMES LIMITS |GRI G4-27|

Material Theme	GRI Related aspects and Content GRI G4-19	Limits within the Company GRI G4-20	Limits outside the Company GRI G4-21
Energy consumption by the operation	Energy - EN3 and EN7	Company	
Ethical relationships with suppliers	Supply Practices - EC9	Company	Suppliers and Society
	Supplier evaluation on the impacts on society - SO9	Company	Suppliers and Society
Customer relations and satisfaction	Labeling of products and services - PR4 and PR5	Company	Customers and society
	Marketing Communications - PR7	Company	Customers and society
	Customer privacy - PR8	Company	Customers
	Conformity - PR9	Company	Customers and society
Education and financial inclusion	Labeling of products and services - PR3 and PR4	Company	Customers and society
Work conditions	Employment - LA1 e LA2	Company	
Training and professional development of the workforce	Training and education - LA9, LA10 and LA11	Company	
Responsibility in financial management	Economic performance - EC1	Company	Society
Adherence to good corporate governance parameters	Fighting corruption - SO3, SO4 and SO5	Company	Society
Risk management	There are no related aspects	Company	Society



13

GRI G4
SUMMARY

GRI G4 SUMMARY

ESSENTIAL AGREEMENT OPTION [GRI G4-32]

Aspect	Description	Page/Response
Strategy and analysis	G4-1 President's Message	Pag. 06
	G4-3 Organization name	Magazine Luiza S.A.
Organizational Profile	G4-4 Main brands, products and/or services	Business Overview - Pag 14
	G4-5 Organization's headquarters location	São Paulo
	G4-6 Countries where the main operating stores and distribution centers, offices and more relevant to aspects of sustainability report	Brazil
	G4-7 Type and legal nature of ownership	Business Overview
	G4-8 Markets in which the Company operates	Brazil
	G4-9 Size of Company	Highlights of the Year / Operational Performance - Pag. 16/52
	G4-10 Profile of employees	Employees > Total of employees
	G4-11 Percentage of employees covered by collective bargaining agreements	100% of employees
	G4-12 Description of the supply chain	Suppliers - Pag. 48
	G4-13 Significant changes regarding size, structure, ownership interest and supply chain	Governance Structure - Pag. 30
	G4-14 Description of how the Company adopts the approach or the precautionary principle	Magazine Luiza does not adopt the precautionary principle in its entirety, but seeks to act with caution and responsibility in conducting business and in identifying and minimizing the impact of its operations
	G4-15 Letters, principles or other externally developed initiatives	Stakeholder Relations > Participation in Entities - Pag. 24
	G4-16 Participation in associations and organizations	Stakeholder Relations > Participation in Entities - Pag. 24
	Identified material aspects and limits	G4-17 Entities included in the consolidated financial statements and entities not covered by the report
G4-18 Process for report content definition		About the Report > Materiality and Limits- Pag. 58
G4-19 List of material themes		About the Report > Materiality and Limits- Pag. 58/59
G4-20 Limit within the Company, every material respect		About the Report > Materiality and Limits- Pag. 59
G4-21 Limit, outside the Company, every material aspect		About the Report > Materiality and Limits - Pag. 59
G4-22 Reformulations of information provided in earlier reports		There were no reformulations in the period
G4-23 Significant changes in scope and limits of material aspects in relation to previous reports		There were no reformulations in the period

Aspect	Description	Page/Response
stakeholders engagement	G4-24 List of stakeholder groups engaged by the Company	Stakeholder Relationship - Pag. 24
	G4-25 Basis for identification and selection of stakeholders for engagement	Stakeholder Relationship - Pag. 24
	G4-26 Approach to engage stakeholders	Stakeholder Relationship - Pag. 24
	G4-27 Key topics and concerns raised during the engagement by stakeholder group	About the Report > Matrix of Materiality - Pag. 58/59
Report profile	G4-28 Period covered by the report	About the Report - Pág. 58
	G4-29 Date of the most recent report	2015
	G4-30 Reporting cycle	Annual
	G4-31 Contact for questions about the report or its contents	Corporate Information - Pag. 67
	G4-32 Option of applying the guidelines and location of the GRI chart	GRI Summary - Pag. 62
Governance	G4-33 Policy and current practice with regard to seeking external assurance for the report	This report has not been subject to external check
	G4-34 Governance structure of the Company	Governance Structure - Pág. 30
Ethics and integrity	G4-56 Values, principles, standards and organizational behavior standards	Vision, Purpose and Values/Ethical Behavior - Pag. 14/33

Economic category		
Aspect	Description	Page/Response
Financial Performance	DMA Management style	Financial Performance
	EC1 Direct economic value generated and distributed	Financial Performance> Statement of Added Value - Pag. 56/59
	EC4 Financial help received from the government	Not available
	EC9 Policies, practices and the proportion of expenses with local suppliers	Suppliers > Local Suppliers - Pag. 59
Environmental Category		
Aspect	Description	Page/Response
Energy	DMA Management style	Environmental Management - Pag. 50
	EN3 Energy consumption in the Company	Environmental Management - Pag. 50/59
	EN7 Reducing product energy needs and services	Environmental Management - Pag. 59/59
Environmental supplier evaluation	DMA Management style	Suppliers
	EN32 Percentage of new suppliers selected based on environmental criteria	Suppliers - Pag. 48/59
Social performance - Labor practices and decent work		
Aspect	Description	Page/Response
Employment	DMA Management style	Employees - Pag. 36/39/40
	LA1 Total number of new hires, rates and employee turnover	Employees > Employment/ Turnover - Pag. 36/37
	LA2 Comparison of Benefits provided to full-time/part-time employees or temporary	Employees > Benefits - Pag. 38/64
Training and education	DMA Management style	Employees > Training and Succession
	LA9 Average hours of training per year	Employees > Training and Succession - Pag. 40/59
	LA10 Programs for skills management and lifelong learning	Employees > Training and Succession - Pag. 40/59
	LA11 Percentage of employees receiving regular performance and career development reviews	Employees > Performance evaluation - Pag. 40/59
Evaluation of suppliers labor	DMA Management style	Suppliers - Pag. 48
	LA14 Percentage of new suppliers selected based on criteria relating to labor practices	Suppliers - Pag. 48/50

Social category - Society		
Aspect	Description	Page/Response
Fight against corruption	DMA Management style	Ethical Behavior > Anticorruption - Pag. 33
	SO3 Stores analyzed for risks related to corruption	Ethical Behavior > Anticorruption - Pag. 33/59
	SO4 Percentage of employees trained in organization's anti-corruption policies and procedures	Ethical Behavior > Anticorruption - Pag. 33/59
	SO5 Confirmed cases of corruption and measures taken	Ethical Behavior > Anticorruption - Pag. 33/59
Supplier evaluation on impacts on society	DMA Management style	Suppliers - Pag. 48
	SO9 Percentage of new suppliers selected with criteria of impact on society	Suppliers - Pag. 48/59

Social performance - Product responsibility		
Aspect	Description	Page/Response
Labeling of products and services	DMA Management style	(Customers> customer satisfaction) - Pag. 42/49
	PR3 Type of information on products and services required by labeling procedures	The products sold at retail, labeling is issued directly by the manufacturer or distributor. Magazine Luiza adopts procedures to ensure consumer information on product features and usage tips and provide a transparent information related to price, interest rates applied and exchange policy. The same transparency applies to financial products and services marketed by the Luiza Consortium Luizacred and Luizaseg. In addition to following the specific legal regulations, the Company is guided by its own Code of Ethics information to consumers.
	PR4 Non-conformities related to the labeling of products and services	In 2016, there was no disagreement on the labeling of Luizacred products and services
	PR5 Research results measuring customer satisfaction	Customers > customer satisfaction - Pag. 44/59
Marketing communications	DMA Management style	
	PR6 Sale of products banned or challenged	The Company does not sell prohibited products or services and values the quality of products offered, selecting suppliers that operate in accordance with the standards established by Brazilian law and the Company's Code of Conduct.
	PR7 Non compliance related to communication products and services	Magazine Luiza voluntarily follows the Brazilian Code of rules of Advertising Self-Regulation (Conar), and based on the Code, was instructed to change in 2015, the form of an ad campaign "This is My Condo". The adjustments were made as recommended, and the placement took place as usual.
Customer privacy	DMA Management style	
	PR8 Total proven complaints relating to violation of privacy and loss of customer data	Magazine Luiza adopts best market practices for customer data protection. There are policies, processes, procedures and technologies to identify, prevent, detect, mitigate and respond to possible information security incidents. In 2016, there were no complaints on this subject.
Compliance	DMA Management style	
	PR9 Fines for non-compliance concerning the provision and use of products and services	The company paid \$1.7 million in fines in 2016.

Corporate INFORMATION

INVESTOR RELATIONS

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

CEP 02051-000

(55 11) 3504-2727

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

ri@magazineluiza.com.br

CREDITS

OVERALL COORDINATION

Kenny Damázio

Relationship Analyst with Investors

kenny.damazio@magazineluiza.com.br

(55 11) 3504-2727

Rovilson Vieira Junior

Relationship Manager with Investors

rovilson.junior@magazineluiza.com.br

(55 11) 3504-2102

GRAPHIC DESIGN AND REVIEW

Luz Publicidade

GRI CONSULTANCY, COORDINATION AND WRITING

MBS Value Partners Brasil

PHOTOS

Stock Photo - Magazine Luiza