

Environmental and Social Review Summary (ESRS) Magalu Project – 15157-01

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1. General Project Information and Overview of Scope of IDB Invest's Review

Magazine Luiza ("Magalu", "the Company" or "the Client") is a multichannel retailer with online sales platforms and physical stores, and a leader in Brazil in its segment. As part of its expansion plans, the Client requests financing for: (i) modernizing Magazine Luiza's online platform; and (ii) scaling the digital infrastructure of "Magalu Cloud," which is designed to facilitate Brazilian companies' digital journey ("the Project"). The investments will consolidate cloud digital services, which will be made available to a vast network of micro and small enterprises that serve as product and service providers in the Client's marketplace.

The Project's Environmental and Social Due Diligence ("ESDD") was performed through: i) virtual and in-person meetings; ii) a visit to a Distribution Center ("DC") that is representative of the Client's operations; and iii) verification of the Company's environmental, social, and health, safety, and security documents.

2. Environmental and Social Classification and Rationale

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the Project was classified under Category B as it may generate the following impacts and risks, among others: i) solid waste generation, including hazardous materials; ii) emission of sanitary effluents; iii) localized disruptions in vehicle traffic; iv) work and third-party accidents; and v) fires. These impacts and risks are estimated to be of medium to medium-low intensity.

The Performance Standards ("PS") triggered by the project are: i) PS1: Environmental and Social Risk and Impact Assessment and Management; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; and iv) PS4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General Characteristics of the Project Site

The Client is a large company in the retail industry and has three basic types of infrastructure: stores, DCs, and Cross-Docking Stations (CDSs).¹ It currently has 1,246 stores, 21 DCs, and 165 CDSs. This infrastructure is spread throughout most of the Brazilian territory, covering 21 states and 3,800 cities. The Client's facilities are located in urban or peri-urban areas.

¹ Cross-Docking Stations are distribution centers where merchandise is received, separated, and quickly forwarded to their destinations, with no need for prolonged storage. The purpose of this system is to optimize the flow of products, reducing storage time and operating costs.

DCs include larger facilities (requiring large areas for product storage and distribution) and are generally located in industrial or commercial districts on the outskirts of major cities. Stores are located on streets and shopping centers, as well as CDSs.

3.2 Contextual Risks

The main contextual risks identified refer to security risks and damages to facilities caused by climate events. Stores, DCs, and CDSs store commercially valuable products and may attract criminal actions. These may also occur as products are transported. In order to avoid the excessive use of force, the Client will develop a Security Staff Management Manual and will train security staff on the United Nations Voluntary Principles on Security and Human Rights.

As to climate, the main risks include vulnerability to floods, severe storms, and heat waves. The Client is already planning some actions to control the risks of heat waves and floods and will develop a Climate Change Risk and Impact Management Plan to identify and address vulnerabilities at its facilities.

4. Environmental Risks and Impacts and Proposed Mitigation and Offset Measures

4.1 Environmental Risk and Impact Assessment and Management

In general, the Company's activities do not require Environmental and Social Impact Assessments ("ESIA"). The Client is in compliance with Brazilian requirements under the environmental and social licensing system, as it obtains and maintains environmental licenses for facilities, operations, water use, among others.

4.1.a Environmental and Social Assessment and Management System

The Client will develop and implement an Environmental and Social Management System ("ESMS") to effectively manage the Project's environmental and social risks and impacts.

4.1.b Policy

The Client has a Sustainability Policy that is regularly updated. This is structured around the following items: i) goal; ii) terms and definitions; iii) roles and responsibilities; iv) sustainability guidelines; v) general provisions; and vi) references. Magalu will revise and align this policy with the ESMS goals.

4.1.c Identification of Risks and Impacts

In compliance with its Corporate Occupational Health, Safety, and Security and Environmental Policy and specific industry regulations (Regulatory Standards from the Ministry of Labor in Brazil), the Client has occupational health and safety risk identification and management procedures.

As part of the ESMS, the identification of risks and impacts will be expanded to consider environmental and social risks and impacts. The Client will also develop an environmental and social risk and impact procedure and matrices for DCs. Based on these matrices, Magalu will develop actions and programs to control and manage environmental and social impacts and will implement appropriate measures. A matrix of legal requirements will also be developed.

4.1.c.i Direct and Indirect Impacts and Risks

During DC construction and operation activities, the main direct risks and impacts foreseen include, among others: i) traffic disruption; ii) noise; iii) localized changes in air quality; iv) fuel spill risks; v) increase in accidents involving Company, subcontractor and third-party personnel; vi) o increased possibility of fires; vii) potential conflicts with criminals; viii) job creation; and ix) stimulation of economic activity around the facilities.

Indirect impacts include: i) integration of networks of micro and small enterprises into formal commerce; ii) more financial capacity for small and medium-sized cities through increased tax revenues; and iii) creation of indirect jobs through the development of logistics chains, micro and small enterprises and construction companies.

4.1.c.ii Alternative Location Analysis

The Client's facilities are usually located in urban or peri-urban areas, in districts previously designated and approved under Municipal Master Plans ("MMP")² for commercial and industrial activities: stores of various sizes are located in commercial areas in cities; DCs are located in organized industrial or commercial condominiums near large-capacity highways in order to facilitate the flow of deliveries; and CDSs, which are logistics connection areas and do not have large product storage capacity, are normally located in urban areas in order to optimize product deliveries. For this reason, the construction of the Client's infrastructure does not require alternative location studies.

4.1.c.iii Cumulative Impact Analysis

Current Brazilian environmental laws do not require a cumulative impact assessment to be conducted for this type of Project. However, a quick analysis showed that incremental impacts created by other projects in the past, present, and future will be immaterial.

4.1.c.iv Gender Risks

In Brazil, gender equality was consolidated under the 1988 Constitution, which established that men and women are equal in their rights and obligations and prohibited differences in salary, role, and hiring based on sex, marital status, age, and color. However, there still remain challenges to achieve equity. In 2024 Brazil was placed in the 64th position in a study³ that measured gender equality in

² Municipal Master Plans ("MMP") are fundamental legal instruments to manage a city's territory, establishing a territorial development strategy, defining land-use policies and planning, and urbanism. The MMP guides urban occupation and development, considering collective interests such as environmental preservation, historical memory, and residents' needs.

³ 2024 Gender Index. <https://equalmeasures2030.org/country-profiles/#latin-america-and-the-caribbean>.

139 countries, which showed that there is still a lot to do to achieve gender equality in the country. In this respect, the Client stands out and is a benchmark for its actions toward gender equality and for combating gender-based violence.

In August 2020, as a milestone in combating gender-based violence, the Company established the Magalu Fund for Combating Violence Against Women to support entities dedicated to the cause. To date, R\$4.8 million have been provided to projects under the 2020 and 2023 requests for proposals. The fund works in conjunction with other initiatives to strengthen the support system for victims of gender-based violence, with financing for selected organizations to ensure continuous impact through their projects. In 2023, the fund provided R\$2.2 million for this purpose.

In 2021, Magalu enhanced its work in combating violence against women with the inclusion of a button for complaints in its sales application. The cases captured by the application are forwarded to the Justiceiras Project, a program that provides support to victims within 24 hours. The support network is multidisciplinary, with voluntary women professionals from various areas, such as law, psychology, social services, and medicine.

In addition to combating gender-based violence, Magalu is committed to increasing women's representation in high leadership positions. To this end, it offers training and professional development programs for women. These include Luiza Code,⁴ scholarships for women's development in information technology and career advancement for women. Currently the ratio of women in leadership positions is 40.6% and the target for 2024 is 41.5%.

In addition to these actions, the Client has a Code of Ethics and Conduct that prohibits discrimination of any nature.

4.1.c.v Climate Change Exposure

Climate change will likely increase the risk and severity of water scarcity and drought in most of Brazil, except in the Central-South regions, from São Paulo to the South, where increased rains are expected. As intense rain events become more frequent, the risks of river and flash floods will increase. Exposure to these risks will depend on the specific location of assets.

Higher temperatures and more frequent heat waves may lead to overheating and increased energy consumption by information technology ("IT") hardware. On the other hand, floods and other extreme events may cause physical damage and loss of data. In addition, when the external network infrastructure is affected, there is risk of blackouts and connectivity issues that may interrupt normal e-commerce system operations.

Since 2021, Magalu has adopted an agenda dedicated to climate risks, in line with the recommendations made by the Task Force on Climate-Related Financial Disclosures ("TCFD"). The Company monitors all risks arising due to climate change in its operations and is continuously

⁴ Luiza Code is a technology education program established by Magalu exclusively for women. Since its inception, it has provided around 450 scholarships in several editions. The program includes accelerated training in programming languages such as Python, mentoring sessions with the Luizalabs team, and training for selection processes.

preparing itself to face these challenges while seeking to identify and exploit business opportunities that may come up in this new context.

The Client sees higher average temperatures as the risk with greatest impact. In order not to harm the health and wellbeing of employees and consumers, the Company plans to increase investments in air-conditioning systems. To address flood risks, the Client has worked on renovating and repairing roofs and gutters and building gates to contain water. With respect to flood risk management to protect IT infrastructure, the Client established that its Data Centers must comply with Level III Requirements from the Uptime Institute,⁵ which establishes global standards for the design, construction, and operation of these facilities. Level III is a level of certification determining that Data Centers comply with high resilience and high availability requirements.

Based on an analysis conducted in accordance with the IDB Group's Paris Alignment Implementation Approach (Document GN-3142-1), the proposed transaction is considered to be aligned with the Paris Agreement.

4.1.d Management Programs

Based on its environmental and social risk and impact identification matrices, the Client will develop programs, procedures, and instructions to manage them, which will be incorporated into the ESMS.

4.1.e Organizational Capacity and Competency

The Client has a sustainability team under the Executive Director for People Management. The team consists of a Director of Reputation and Sustainability who leads: i) a sustainability expert; ii) a sustainability coordinator focused on the social area; iii) a sustainability coordinator focused on the environmental area; iv) a press relations coordinator; v) three sustainability analysts; vi) an intern; and vii) a young apprentice.

In order to strengthen the organizational capacity required to implement and operationalize the ESMS, the Client will add people to the team in coming years.

4.1.f Emergency Preparedness and Response

The Client has Emergency Action Plans ("EAP") to prepare for and respond to fires. DCs have civil and voluntary firefighters who are able to activate firefighting systems. The facilities have fire detection and suppression systems, which are inspected and approved by the Fire Department with the issuance of certificates called Fire Department Inspection Reports ("AVCB," in Portuguese). The Client periodically conducts evacuation drills, documents the performance, and evaluates the procedures' efficiency.

In order to expand the coverage of EAPs, the Client will revise existing plans to include scenarios such as personnel accidents, hazardous material spills, inclement weather impacts, response to

⁵ <https://uptimeinstitute.com/>.

floods, and accidents involving vehicles. It will also develop EAPs for new facilities that are not covered under these plans.

4.1.g Monitoring and Review

Periodic ESMS audits will be scheduled and conducted to verify the effectiveness of the environmental and social risk and impact management procedures. The Client will develop a specific procedure to guide these audits.

4.1.h Stakeholder Engagement

4.1.h.i Stakeholder Analysis and Engagement Plan

The Client performs stakeholder mapping and reports on complaint channel results in the Company's Annual Sustainability Reports and in the Reference Form ("FRE," in Portuguese).⁶ In order to enhance the stakeholder engagement process and improve communication with communities near its infrastructure, Magalu will develop a Stakeholder Engagement Plan.

4.1.i External Communication and Grievance Mechanisms

Magalu has three direct lines to report complaints, all confidential and available 24 hours a day, all year: Disque Luiza (Dial Luiza), the Complaints Channel, and the Women's Channel. The source of the complaint may remain anonymous or identify themselves, with an assurance of confidentiality. The complaint is investigated in secrecy, whenever possible, and no type of retaliation against whistleblowers is tolerated.

Through the Complaints Channel site, the internal and external public may report behaviors that violate the Company's Code of Ethics and Conduct. Restructured in 2023, the Complaint Channel started to refer the source of the report according to the type of complaint: violations of the Code of Ethics and Conduct, laws and policies, and company procedures, and complaints regarding products and deliveries, fake websites, and violence against women.

Managed by an independent third-party company, which keeps information confidential, the Complaint Channel received 781 calls in 2023, of which 446 were considered to be legitimate. The channel undergoes an audit by an outside organization every three months and analyzes complaints within an average of 10 days. Among the reports received in 2023, 31 involved discrimination based on race, color, gender, religion, political opinions, national origin, or social background. Of these, 18 were considered to be legitimate. In the previous year, there were 14 cases. The increase may be ascribed to communication efforts regarding the Channel. Reparation measures are based on Policy of Consequences established in Magalu's Manual of Integrity.

Another available channel for all stakeholders to report complaints, of any type, by telephone or email, is Disque Luiza (Dial Luiza), which received 441 complaints in 2023, of which 202 were found to be legitimate.

⁶ The Reference Form ("FRE," in Portuguese) is a mandatory electronic document for listed companies in Brazil, as determined by the Brazilian Securities and Exchange Commission ("CVM," in Portuguese). It must be submitted periodically and contains detailed information on the company.

The Women's Channel was created in 2017 specifically to serve female employees who are victims of domestic violence. Anyone may anonymously report situations of risk that someone may be experiencing, enabling the victim to receive assistance from the company after the facts are ascertained. Reports are received by a third-party company, which forwards them to the Company's Integrity area. The channel has an internal committee, which discusses and oversees all cases until the victim is able to escape the cycle of violence or until the aggressor is brought to Justice. During the process, public tools are used, such as Special Victim Unit and city networks that support women. Magalu also provides resources to women who need to move to a new home, the possibility of job relocation to help the victim to distance herself from the aggressor, as well as meal assistance.

The Women's Channel is publicized among all employees in training sessions, and, in 2023, it received 172 reports, which is close to the 170 reports received in 2022. All cases were addressed and referred. When necessary, the victims received psychological assistance and legal counseling. In 2021, the Women's Channel was made available to the external public through a button on the application.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Managing the Relationship with Workers

The Client has a total of 36,463 employees, of whom: i) 19,904 (54.6%) work in stores; ii) 8,842 (24.3%) work in logistics activities; iii) 2,431 (6.7%) work at corporate headquarters; iv) 1,515 (4.1%) work in customer assistance; v) 1,367 (3.7%) work in the technology area; and vi) 2,404 (6.6%) work in other business units. Of these 18,616 (51.5%) are men and 18,351 (48.5%) are women.

4.2.a.i Human Resource Policies and Procedures

Magalu has several policies regarding human resources, including: i) the Magazine Luiza Code of Ethics and Conduct; ii) a Human Rights Policy; and iii) a Diversity and Inclusion Policy. In order to integrate all the aspects of human resource management, the Client will develop and implement a Corporate Human Resource Policy.

4.2.a.ii Work and Employment Conditions

The Company complies with Brazilian labor legislation⁷ and offers: compensation compatible with positions, vacation, bonus salary, and benefit package (meal and transportation vouchers, and health insurance). Work hours vary according to the types of facilities, but typical hours are: i) 10:00 a.m. to 10:00 p.m. at stores in shopping centers; ii) 8:00 a.m. to 6 p.m. at stores on streets;⁸ iii) 8:00 a.m. to 6 p.m. at virtual stores; and iv) three sequential 8-hour shifts at DCs.⁹

⁷ Consolidated Labor Laws ("CLT," in Portuguese). Decree-Law No. 5,452 of May 1, 1943.

⁸ There are some variations in store hours but always in compliance with the limit of 8 hours of work per day.

⁹ At DCs, the administrative staff works from 8:00 a.m. to 6:00 p.m., Monday through Friday, and 8:00 a.m. to 12:00 p.m. on Saturdays. Work shifts are used by personnel in the operational area.

4.2.a.iii Labor Unions

As established under Brazilian law,¹⁰ Magalu employees are free to join unions that represent specific groups of workers. Groups are covered by different unions and collective agreements, which are duly respected for the wellbeing of workers.

Magalu has relationships with more than 477 unions throughout the country, which defend the interests of workers in the areas of commerce, cargo transportation, and information technology, among others. Each union has Collective Bargaining Agreements (“ACT,” in Portuguese) that establish compensation, work hours, benefits, salary adjustments, and other conditions. The Client complies with the terms of ACTs entered into with the various unions with which workers are affiliated. In Brazil, joining unions is an option that workers are free to exercise. Currently, the Company has 1,397 unionized employees. Magalu does not have a history of strikes, work stoppages, or protests related to labor issues.

4.2.a.iv Nondiscrimination and Equal Opportunities

The Company has a framework of actions toward promoting diversity and inclusion. Magalu’s provisions in this include: i) Code of Ethics and Conduct; ii) specific training to raise awareness regarding issues of gender, race, and ethnic origin, LGBTQIA+,¹¹ persons with disabilities, unconscious biases, and inclusive recruiting; and iii) specific programs for professional inclusion of gender, LGBTQIA+, afrodescendants, persons with disabilities, and persons older than 50 years of age.

Magalu’s team of around 37,000 employees is one of the most diversified in Brazil. It includes 47.8% women, 45.7% black, and 5.9% who are part of the LGBTQIA+ community. In leadership, 39.5% are women, 34.9% black, and 0.4% LGBTQIA+. There are also initiatives for inclusion of professionals older than 50 years of age. There is also an inclusion program for PWDs, who represent 3.5% of staff.

4.2.a.v Staff Reduction

The Project has no plans for mass layoffs. However, in terminating employees, the Client follows Brazilian legislation guidelines, which include, among other measures:¹² i) 30-day notice prior to termination, during which the employee has time allocated to seek a new job opportunity; ii) payment of a 40% penalty on the balance of the Unemployment Fund (“FGTS”); iii) employee’s right to withdraw the balance of the FGTS; iv) pro-rata payment of vacation time; v) pro-rata payment of bonus salary; vi) right to unemployment insurance payments for a specific period of time; vii) letter of recommendation; and viii) reemployment guidance, among other benefits.

¹⁰ Brazil’s Federal Constitution. Article 8. 1988.

¹¹ The LGBTQIA+ abbreviation is used to include all persons who do not identify themselves as heterosexual or cisgender (lesbian, gay, bisexual, transgender, queer or questioning, intersexual identities, etc.).

¹² In case of termination without cause.

4.2.a.vi Grievance Mechanism

The Complaints Channel, managed by an independent third-party company, which keeps information confidential, may be accessed through a free telephone line¹³ or the Internet.¹⁴ The internal and external public may report complaints regarding behaviors that violate the Company's Code of Ethics and Conduct. Restructured in 2023, the Complaint Channel started to refer the source of the report according to the type of complaint: violations of the Code of Ethics and Conduct, laws and policies, and company procedures, and complaints regarding products and deliveries, fake websites, and violence against women.

Among the reports received through the channel in 2023, 31 involved discriminations based on race, color, gender, religion, political opinions, national origin, or social background. Of these, 18 were considered to be legitimate and resolved on a timely basis.

4.2.b Protecting the Workforce

In Brazil, subjecting persons to work conditions analogous to slavery is considered a crime.¹⁵ In compliance with the country's laws, the Company does not tolerate the hiring of workers under conditions analogous to slavery or of persons under the age of 16, except as apprentices, as defined under specific legislation.¹⁶ In addition, the Company's Code of Ethics and Conduct and Vendors' Codes of Ethics do not allow contracting with vendors that use slave or child labor.

4.2.c Occupational Health, Safety, and Security

In compliance with Brazilian regulations¹⁷ for the area of health, safety, and security, the Client has procedures and systems to detect, verify, and handle health, safety, and security risks, as well as to protect workers and subcontractors exposed to these risks.

The health, safety, and security area is coordinated by a health, safety, and security manager, who works with two health, safety, and security coordinators and a sanitary safety coordinator. The coordinators are responsible for teams of occupational safety technicians, occupational nursing technicians, occupational doctors, and safety engineers who are spread out at the Company's various facilities.

Considering the universe of more than 36,000 workers and more than 174 million hours workers during the period between 2022 and 2024, there was a fatality of one employee on their way to work and two third-party fatalities in the workplace. Data from 2024 indicate: i) a total of 129

¹³ 0800 792 1007.

¹⁴ <https://canalconfidencial.com.br/magazineluiza/>.

¹⁵ Brazilian Penal Code. Decree-Law No. 2,848 of December 7, 1940. Art. 149.

¹⁶ Law No. 10,097 of December 19, 2000.

¹⁷ Employers' compliance with the 37 Regulatory Standards ("NRs," in Portuguese) from Brazil's Ministry of Labor and Employment ("MTE") is mandatory. NRs cover areas such as: i) occupational risk management; ii) Internal Accident Prevention Commission ("IAPC"); iii) personal protection equipment ("PPE"); iv) Medical Control and Occupational Health Program; v) safety in electrical facilities and services; vi) transportation, storage, movement, and handling of materials; vii) ergonomics; viii) elevated work; and ix) work in confined spaces, among others.

reportable work-related injuries; ii) 118 injuries with loss of time; and iii) 4 accidents involving vehicles.

In order to improve health, safety, and security management, the Company will incorporate existing procedures into a Health, Safety, and Security Manual.

4.2.d Provisions for persons with disabilities

Magalu undertakes specific actions to create opportunities for persons with disabilities in order to promote their full inclusion, ensuring the availability of the resources required for them to effectively perform their roles. This involves the allocation of accessibility resources in different areas, including architectural features, tools, communications, and methodologies, to provide an inclusive and accessible environment.

In addition, Magalu provides exclusive benefits to employees with some type of disability, such as covering the costs of a health plan, subsidy for the Gympass¹⁸ benefit, and scholarships. In addition, Magalu invests in literacy for leadership and teams in order to raise awareness and train managers and coworkers to promote diversity and inclusion in the workplace, an initiative that has a positive impact in organizational culture. In 2023, the inclusion program reached 651 employees. Participation of Persons with Disabilities ("PWDs") is 3.5% of total Company employees.

4.2.e Third-Party Workers

Magalu's principles and values also apply to the chain of vendors, partners, and other third parties. In order to have a relationship with the Company, they must formally commit to respecting the integrity and transparency guidelines established by the corporation.

Magalu, and its affiliated companies, invested R\$33.2 billion in the acquisition of products and services in 2023. This is an operation that requires scrutiny in selecting and monitoring partners. There are approximately 4,700 vendors and 100% of them undergo an integrity assessment. The analysis process includes the collection of data and information on the vendor, its partners, and related parties, through research conducted in public databases or by specialized companies. The goal is to assess the engagement's risk level.

In 2023, Magalu launched a training agenda for vendors in order to promote understanding and adoption of the Code of Ethics. When establishing or renewing commercial partnerships, vendors must sign a document accepting the Code of Conduct for Vendors, which is a set of the Company's overarching values and minimum expectations with respect to its partners, which also serve to guide actions and behaviors for all ecosystem participants. The document outlines the Magalu's commitments and guidelines, from support for Brazilian legislation, human rights, labor relations, and respect for the environment to relevant issues such as combating piracy, fair competition, protecting intellectual property, managing conflicts of interests, policies for gifts and hospitality, protecting confidential information, money laundering, and financing of terrorism.

¹⁸ Gympass is a corporate wellbeing platform that provides access to a wide network of gyms and physical activity centers throughout the world.

In order to improve vendor management, the Client will develop a procedure for random vendor inspections to verify compliance with health, safety, security, environment, and social requirements.

4.2.f Supply Chain

The Company has a Human Rights Policy that is in line with the fundamental guarantees provided under Brazil's Federal Constitution and the principles of the United Nations ("UN") Universal Declaration of Human Rights. This policy includes documents that guide all employees and partners that provide services to Magalu. Whenever a vendor or partner begins or renews a relationship with the Company, it is required to accept a document that establishes a commitment to the integrity and environmental and social responsibility requirements.

The fashion segment is one of the categories of vendors with the highest potential for the risk of human rights violations, particularly those related to child labor. Therefore, Magalu adopts measures such as; i) requiring a certification from the Brazilian Association of Textile Retailers ("ABVTEX," in Portuguese), which monitors all vendors and subcontractors with respect to occupational safety and legal, environmental, and social compliance, with annual audits conducted by independent companies; ii) sending communications to raise awareness with respect to this topic; iii) requiring acceptance of the Company's Code of Ethics and Conduct; and iv) including social and labor responsibility clauses in contracts.

The Magalu Marketplace¹⁹ attracts a diversified range of companies, including micro and small enterprises, which do not have a direct vendor relationship with the Client. On this platform, Magalu operates as an intermediary in transactions and provides delivery of products offered in the Marketplace.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

In 2023, electricity consumption at Magalu reached 476,248.28 Gigajoules²⁰ ("GJ"). The Company maintained its commitment to have 100% of its units powered with renewable energy and expanded its network of solar farms to 20 units in the distributed generation model, representing a 25% increase as compared to 2022.

In order to power the units that cannot participate in distributed generation projects, Magalu purchased wind energy from the unregulated energy contracting market and acquired I-REC (International Renewable Energy Certificate) certificates. These attest that the electricity consumed comes from renewable sources.

In coming years, Magalu will expand its renewable energy projects even further. The goal is to increase the number of units linked to solar power plants, whether they are dedicated to Magalu or to shared generation, through consortia. Despite the expanded use of renewable energy, Magalu's

¹⁹ <https://universo.magalu.com/>.

²⁰ Approximately 132.3 MWh.

total consumption of electricity presented a slight 3% increase as compared to 2022, due to higher temperatures caused by the effects of heat waves in some regions. Thus, the Company used cooling equipment for longer periods and with higher power. In addition, the energy intensity indicator – which measures energy consumption in relation to Magalu’s net operating revenues (“NOR”) – climbed to 3.720 MWh/R\$ million in 2023, in comparison to 3.547 MWh/R\$ million in the previous year. This average considers total electric power (Scope 2) for the entire ecosystem, which includes Magalu and affiliated companies.

4.3.a.i Greenhouse Gases

The Company has conducted inventories of greenhouse gas (“GHG”) emissions for the past five years. In 2023, the Company's GHG emissions were: i) 13,133.22 tCO₂e for Scope 1; ii) 5,219.37 tCO₂e for Scope 2; and iii) 168,057.20 tCO₂e for Scope 3. Magalu has joined the Brazilian GHG Protocol Program and, since then, its GHG emissions – in the three scopes – are published.²¹

In the case of Magalu, the impact from GHG emissions is concentrated in product logistics (Scope 3), representing 90.1% of total emissions. Most of Magalu’s emissions are associated with transportation and distribution of products sold, which reflects the complexity and extent of the Company's logistics chain. Direct emissions (Scope 1) represent 7.1% and, though lower, they indicate the need for an efficient management of operating resources and control of emission sources from within its facilities and its fleet. In 2023, Magalu showed slightly higher Scope 1 emissions due to increased emissions related to gas used in cooling equipment. Indirect emissions (Scope 2), related to energy purchases, represent 2.8% of total emissions.

The Client has implemented several decarbonization actions in its activities, including the increased use of electric vehicles for product deliveries, a focus on the use of solar energy to power its operations, and circular economy initiatives, such as reuse and efforts to reduce the consumption of raw materials.

4.3.a.ii Water Consumption

In 2023, water consumption at the Company totaled 578,000 m³. The Client monitors water consumption at DCs and in 73% of its stores, and there are initiatives to increase the coverage of consumption measuring. In order to improve the management and efficiency of water resource use, the Client will: i) include efficient water use systems in the design of new facilities; ii) monitor water consumption at all operating units; and iii) implement water consumption efficiency measures at operating units.

²¹ <https://registropublicodeemissoes.fgv.br/participantes/3190>.

4.3.b Pollution Prevention

4.3.b.i Waste

The Company manages solid waste based on Solid Waste Management Plans ("SWMP"). Waste is segregated, temporarily stored in appropriate areas and containers, transported by licensed companies, and disposed of at sites approved for receiving and providing a final destination for waste. The entire system is documented, including the transportation, through Waste Transportation Manifests ("MTR," in Portuguese) as final destination, based on Waste Final Destination Certificates ("CDF," in Portuguese).

In 2023, the Client generated 15,608.4 t of solid waste, of which 15,509.7 t were non-hazardous, and 98.8 t were hazardous. The Company's control and management systems were able to avoid the disposal of 11,757.7 t of this waste (75.3%) by directing it for reuse, recycling, or co-processing, rerefining, and decontamination. Therefore, the volume of waste sent for final disposal²² was 3,850.7 t, of which only 9.47 t were hazardous waste.

Magalu also develops circularity strategies, transforming 14,274 disposable uniforms into 4,172 blankets that are donated to social service institutions. Electrical and electronic equipment used in the Company's operations are sent to a company that specializes in repurposing IT materials. The Company is also concerned with the sustainability of packaging. In 2022 and 2023, the volume of recyclable plastics used in packaging increased from 4% to 19%. In addition, 79% of raw materials for packaging come from renewable or recycled sources, such as paper, bioplastic, and recycled plastic. There was a 995 t reduction in the use of virgin paper and cardboard and a 280 t reduction in the use of virgin plastic.

The Client operates Sewage Treatment Plants ("STP") at 5 DCs. At the other facilities (other DCs, stores, and CDSs) sewage systems are connected to the public system, which collects and sends effluents for treatment. Magalu will verify the efficiency of removing biochemical oxygen demand ("BOD") and will submit analysis reports on the quality of final effluents.

4.3.b.ii Hazardous Material Management

DCs have segregated areas, with venting, cover, and controlled access, for the storage of aerosols.

The main types of hazardous waste generated in the Client's operations include: i) battery water; ii) water and oil separator waste; iii) effluents from mechanical shops; iv) contaminated rags, cloths, and paper; v) light bulbs; vi) lubricants; vii) damaged and returned products; viii) waste from clinics; ix) batteries; and x) personal protection equipment ("PPE") and contaminated uniforms. Hazardous waste is segregated in protected areas and containers, transported, and disposed of by licensed companies. In 2023, 98,8 t of hazardous waste were generated.

²² Landfill or incineration.

Part of the Company's air-conditioning systems still use R22 cooling gas. This gas, also known as Freon-22, is a hydrochlorofluorocarbon ("HCFC") used in cooling systems and is banned under the Montreal Protocol.²³ The Client will develop a Plan to gradually replace R22 in cooling systems.

4.3.b.iii Use and Management of Pesticides

The Client does not sell pesticides. However, pest and vector control activities at the Company's facilities may include the use of banned products. In order to eliminate this risk, the Client will develop a procedure to verify products used in pest control activities and will prohibit the use of World Health Organization ("WHO") Class IA and IB pesticides.

4.4 Community Health, Safety, and Security

4.4.a Community Health, Safety, and Security

4.4.a.i Infrastructure and Equipment Preparation and Safety

The main risks associated with the Company's physical facilities are fires. These are managed by installing fire detection and suppression systems, hiring permanent teams of civil firefighters, and organizing teams of volunteer firefighters. The fire systems are inspected and approved by the Fire Department. However, in order to enhance its capacity to respond to these events and prevent impacts on surrounding communities, the Client will conduct an analysis of the fire detection and suppression systems' vulnerability at DCs based on international standards and will implement the required improvements.

Infrastructure expansion work, such as the construction of DCs and stores may create some temporary nuisances for neighbors, but this is considered to be a minor risk, as infrastructure is concentrated in commercial or industrial areas, where there are no homes.

Logistics activities involving the transportation and delivery of products to stores, DCs, CDSs, and clients are subject to risks inherently found in traffic in major cities and roads of various sizes and types. In addition to its own fleet with more than 8,000 vehicles, Magalu works with approximately 11,000 freelance drivers who do deliveries. Therefore, an important aspect of the process of managing the Project's environmental and social risks and impacts is managing the risks of vehicular accidents, which may involve: i) direct employee drivers; ii) freelance drivers; iii) third-party vehicles; and iv) pedestrians. In order to manage these risks, the Client will develop a Traffic Management System based on ISO Standard 39001-2012.²⁴

²³ The Montreal Protocol is an international treaty signed in 1987, and its goal is to protect the Earth's ozone layer. It regulates the production and consumption of substances that destroy ozone, known as ozone depleting substances ("ODS"). These substances are commonly used in products such as refrigerators, air conditioners, fire extinguishers, and aerosols. The treaty is considered one of the most successful global environmental agreements as all United Nations member countries joined.

²⁴ ISO Standard 39001 is an international standard that establishes the requirements for a road safety management system. Its goal is to help organizations to reduce deaths and severe injuries resulting from traffic accidents.

4.4.a.ii Management and safety of Hazardous Materials

The Client has appropriate systems to store, transport, and properly dispose of hazardous materials and waste. Therefore, any risks of exposing community members to hazardous materials and waste are considered to be immaterial.

4.4.a.iii Ecosystem Services

Magalu's activities, which are carried out in urban and peri-urban environments, do not affect ecosystem services, except for water collection in artesian wells for use at units. In order to optimize water demand, the Client will implement a series of measures, including: i) measuring water consumption at units; ii) including consumption reduction measures in the design of new units; and iii) implementing measures to reduce water consumption in existing infrastructure.

4.4.a.iv Community Exposure to Diseases

The Client's activities do not present major risks of introducing illnesses into neighboring communities.

4.4.a.v Emergency Preparedness and Response

As part of the Stakeholder Engagement Plan, the Client will establish contacts with surrounding communities and communications regarding measures planned to avoid risks and impacts, including the EAP. At units where the EAP scenarios may indicate some risk for these communities, community representatives will be involved in emergency drills.

4.4.b Security Staff

The Client's infrastructure stores a number of economically valuable products, which may attract the attention of criminals and potentially cause confrontations with security staff, particularly at DCs. In order to control the risks of excessive use of force, the Client will develop and implement a Security Staff Management Manual and will train security staff on the United Nations Voluntary Principles on Security and Human Rights.

4.5 Acquisition of Land and Involuntary Resettlement

The Project does not involve activities that may cause the involuntary physical or economic displacement of the population.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project is fully carried out in urban and peri-urban areas and does not affect conservation units, critical habitats, or other biodiversity assets.

4.7 Indigenous Peoples

The Project is fully carried out in urban and peri-urban areas and does not affect indigenous, quilombola, or vulnerable communities.

4.8 Cultural Heritage

4.8.a Protection of cultural heritage in designing and executing the project

Some of the Client's stores are located in buildings that are protected as Historical Heritage. At these properties, any and all modifications are previously submitted to the government entity responsible for managing the Historical and Cultural Heritage, which evaluates the information and authorizes the construction work. The Client is committed to carry out only approved construction work and will submit documentation and permits for construction work in these buildings.

4.8.a.i Procedures for unexpected finds

Given the characteristics of the Client's infrastructure, which is located in consolidated urban areas or industrial or commercial districts, the possibility of random archaeological finds is considered to be remote.

5. Local Access to Project Documentation

Documentation related to the project may be found at the following link: <https://ri.magazineluiza.com.br/>.