

ANNUAL &
SUSTAINABILITY
REPORT 2019





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About this report

Our reporting process is constantly evolving. This Annual & Sustainability Report describes our practices, results and challenges in fiscal 2019, from January 1 to December 31, 2019. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, and has drawn guidance from other reference frameworks including the International Integrated Reporting Framework, the Global Compact, and the Agenda 2030 and its Sustainable Developing Goals (SDGs). A materiality exercise conducted in 2016 informed the content and disclosures included in the report. The accuracy of reported data and information has been independently assured by KPMG. **102-50**

In this edition, some environment and employee information has been reported for 4Bio. The financial information includes our 4Bio operations on a consolidated basis. **102-49**

For additional information about the contents of this report, please write to: sustentabilidade@rd.com.br. **102-53**





COVID-19 – CLARIFICATION AND OUR RESPONSE

Our business is to take care of people at each stage in life, especially by supporting them with their health and treatment needs.

The COVID-19 outbreak toward the end of 2019 led us to take a number of preventive measures and precautions as the first confirmed cases were reported globally and predictions indicated the epidemic would rapidly spread to Brazil.

For our stakeholders' information, we have included in our 2019 Annual & Sustainability Report a description of the key initiatives we have taken to combat the spread of the pandemic. We recognize that our operations can play an important role in supporting people's well-being by enabling them to continue their treatments and providing access to the medicines and products needed for the COVID-19 response.

During the coronavirus pandemic, RD has strengthened internal communications, encouraged employees to work from home, set up an Einstein Clinic at our headquarters and Telemedicine service for employees across Brazil

PEOPLE

Following guidance from government health agencies, the WHO and health experts, in early March 2020 we initiated an extensive internal communications effort to provide employees with instructions on prevention and safety. In the second week of the month, employees at our headquarters in São Paulo were instructed to work from home. We drastically reduced the number of in-person meetings, canceled all travel, and prioritized the use of digital communications. We also postponed our People of the Year culture event, which annually recognizes the outstanding performance of our workforce of more than 3,000 employees country-wide.

We set up an Einstein Clinic at our headquarters and Einstein Telemedicine service for employees across Brazil and their fam-

ilies. We also introduced six-day-per-week medical service at our distribution centers in Guarulhos and Embu, and allocated physicians to provide guidance at other distribution centers. We performed temperature checks on employees at distribution centers, stores and our headquarters who were unable to work from home.

We also prioritized distance and on-the-job training, intensified training on in-store flu vaccination, and set up 240 micro-distribution centers to fulfill Click & Collect orders. We hired 1,438 employees to work in-store and 853 people to work at distribution centers. In addition, we adapted our catering service and procedures, and rented a fleet of vehicles to transport key people to our stores, distribution centers and headquarters.

SUPPLY CHAIN

With the anticipated increase in product demand within the first days after local authorities issued shelter-in-place orders, we invested heavily in expanding our inventories, especially nonprescription medicines. After detecting an abrupt increase in demand for hydroxychloroquine, causing shortages at pharmacies,



Throughout the stay-at-home period, we have continued to fulfill our mission of taking care of people and have remained fully operational as we continue to supply consumers with the products they need

we decided to donate supplies of the drug to the government of São Paulo and to other states with an identified need for the drug.

STORES

We issued masks to all employees and provided alcohol-based hand sanitizer for use by both employees and customers. We established minimum distancing of 1 meter in checkout lines and at the pharmacy counter. We restricted the number of people on the sales floor and reserved the first two hours of the day for people aged 60 and over. We adapted our working hours to

reflect the levels of demand in-store during the quarantine, and reduced some night shifts where demand had decreased.

On March 26, we announced that RD would not be passing on to customers the annual price increase that would ordinarily have been implemented on April 1, and we created a social media and in-store campaign with the hashtag [#AbrilSemAumento](#) (“No April Increase”)

We accelerated our in-store flu vaccination campaign, providing tetravalent influenza vaccines at 34 locations in São Paulo City. We

also partnered with the National Healthcare System (SUS) in São Paulo to administer tetravalent influenza vaccines at 11 stores beginning on April 13. SUS also established a partnership with five stores in Pará and four in Campo Grande (MS) to operate as local vaccination points over a period of 40 days.

In another initiative, stores in São Paulo State sold alcohol-based hand sanitizer at cost.

OMNICHANNEL

Digital channel sales rose considerably following the shelter-in-place orders. App downloads to date increased from 1.4 MM at December to ~ 2.2 MM at end of March. To expand our service capacity, we discontinued “turbo”, 1-hour delivery and adjusted other delivery times. Click & Collect deliveries increased to 2 hours, and regular deliveries from 4 hours to 6 hours, allowing us to fulfill a large number of orders. We expanded the number of stores offering neighborhood delivery, and implemented a store-based phone or message order service in which our staff deliver orders within a 500 m radius of each store.

BUSINESS

We are on the front line of the coronavirus response, and believe the increase in sales during the first days of the pandemic is related to increased demand for medicines and products used in connection with the COVID-19 pandemic. Based on other countries’ social distancing trends, we are preparing to maintain our operations at full capacity to avoid any shortage of supply to our customers. The effects on our stock price have been similar to those experienced by other players globally. We have followed developments closely and provided support to investors through our Investor Relations department, in a transparency- and trust-based relationship that we have built throughout our history as a Company.



Message from the Board Of Directors 102-14

RD has continued to pursue its ambitious expansion, which is now supported by the Board's Digital and Sustainability committees

Brazil and the world are undergoing a major cultural and economic transformation that will directly affect people's daily lives. An aging population; a rapidly changing digital landscape; epidemics; demand for increasingly high-quality health promotion, prevention and treatment services; and a new awareness of the need to develop business models that positively impact society, create not only a sense of responsibility but also the opportunity to ren-

ovate our strategies. Our century-old purpose of taking close care of people's health and well-being at each stage in life is more relevant now than ever and remains a core guiding principle in managing the business.





We remain focuses on the customer and on the future of the business. Our purpose is to collaborate toward a more health-strong and balanced society and to be an agent of change in Brazil's healthcare system

In 2019 we set out on an ambitious digital transformation journey that will make us more connected to people's evolving health-care needs.

We have shifted our focus to health promotion and wellness, and have worked to develop services and products that encourage healthy habits and support people in their treatments. These include adherence programs, medication and refill reminders, loyalty programs that encourage changes in habits, an expanded in-store vaccination offering, and other services.

As part of this journey, we will develop meaningful solutions that facilitate consumption of health and wellness products and services, such as by enabling people to efficiently and seamlessly purchase products at any time and any place, whether in-store, through Click & Collect or through fast store-based neighborhood deliveries.

We have worked to strengthen our governance practices to ensure we are able to deliver both our core strategies (store expansion and monetization) and new ones

(building customer loyalty through an omnichannel health journey), in a global and business landscape of greater complexity and increasing societal demands. We created two advisory committees to the Board of Directors—Digital and Sustainability—as well as counterpart departments in 2019.

In the challenging future of healthcare, and in a country with the geographic, regulatory and income complexities that Brazil has, it is essential that we redefine the role of pharmacies as an agent for building a more balanced, health-strong society. At RD, year 2019 marked the beginning of this journey.





Message from Management 102-14



Fiscal 2019 was a strong year for RD. Higher growth rates driven by pricing investments in 2018 and a less competitive environment supported mature stores growth significantly ahead of inflation. We successfully met our annual expansion target in the year. With 240 store openings, an additional 42 Onofre stores, and 34 store closures, we ended the year with a total of 2,073 stores. We extended our national footprint and entered the state of Amazonas. We built new Distribution Centers (DCs) in Fortaleza (CE) and Guarulhos (SP), and relocated the Barra Mansa DC to Duque de Caxias (RJ).

We ended 2019 with revenues of R\$ 18.4 billion, an increase of 18.5% on the previous year. Our market share expanded to 13.7% in the fourth quarter of the year.

Adjusted EBITDA was R\$ 1,343.6 million, an improvement of 12.4%, while our EBITDA margin of 7.3% was a loss of 0.4 percentage points driven by our investments in pricing. Adjusted net income was R\$ 587.3 million, an increase of 7.0%. We generated R\$ 1.5 million in free cash flows, with investments of R\$ 656.5 million more than funded by our cash flows from operations. We accrued R\$ 211.5 million in interest on equity, a payout of 39.0%, in addition to a share appreciation of 97.5% in the year.

We have embarked on a digital transformation journey which will allow us to shift our focus from disease-caring to the promotion of health and wellness. In this first year of our journey, digital sales (e-commerce and Click & Collect) accounted for 2.3% of total revenues in the fourth quarter, with a total growth of 163% and an organic growth, not





In 2019 we created a Sustainability committee and department to manage sustainability matters within our business and operations

including Onofre, of 61% in the quarter. We ended 2019 with 1.2 million app downloads and seven agile teams deployed to improve our digital execution, including fully dedicated data scientists and design experts that help us in understanding and improving the customer journey.

Our omnichannel strategy will add a new dimension to our value proposition. RD's national footprint, combined with an agile technology platform, will put us in a position to expand our geographies while virtually eliminating acquisition costs and significantly reducing the lead time of our ship-from store deliveries. As we continue to

improve our apps, we will incrementally increase their use and share of omnichannel customer interactions, which will translate in increased loyalty, higher share of wallet and overall spending, as well as higher mature-store sales growth, operating leverage and a leap in value creation.

In 2019 we also made important strides on Sustainability. While the journey is only beginning, we have already accomplished important milestones, such as measuring our carbon footprint and auditing our supply chain with a focus on private-label manufacturers. We believe that a strategic approach to sustainability is key to mitigate risks, foster innovation and to create long-term value for our stakeholders, thus ensuring our longevity as a business. Also in 2019, we joined the Global Compact Network Brazil, formalizing our support for the Sustainable Development Goals (SDGs)

within the United Nations (UN) Global Compact. We launched *RD +Diversa*, a program that reinforces our goal of having a positive impact on society by promoting equal opportunity, inclusion and the development of our entire workforce.

In closing, we reiterate our commitment to creating long-term value for our shareholders and broader society, providing opportunities for internal development, and promoting health and well-being for our employees, customers and communities.





About Raia Drogasil S.A.



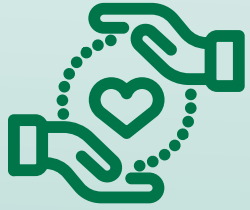
2,073

stores across Brazil

23

Brazilian states have RD stores





BELIEF

People taking care of people.



PURPOSE

Take close care of people's health and well-being at each stage in life.



VALUES 102-16

Ethics: Doing the right thing, openly and honestly, whatever the situation.

Efficiency: Getting things done well to deliver outstanding results.

Innovation: Innovating today to be better tomorrow.

Trust-Based Relations: Taking a genuine interest in people, building relations based on trust.

Long-Term Vision: Acting today to create future value for us and broader society.



2019 at a Glance¹⁰²⁻⁷

This has been a year of significant milestones and operational development for RD, with several newly created departments, such as Sustainability

NETWORK EXPANSION



Opened **240** new stores, expanding to **2,073** stores in **23** Brazilian states

Acquisition and rebranding of **42** Onofre stores to Drogasil and Raia

Entered the state of **Amazonas**
Opened new distribution centers in the **Southeast and Northeast**

PEOPLE MANAGEMENT



Created **RD University**

1,400,000 hours of training



40,054 employees

Generation of more than **4,900** jobs

GOVERNANCE



Created **new Sustainability and Digital Strategy committees**

SUSTAINABILITY

Created a **Sustainability Committee and Department**



Joined the UN Global Compact Network Brazil

Healthy Planet



64 metric tons

of medicines and packaging collected by our reverse logistics program—Medescarte

Healthy People:

Cuidar+

Program

R\$ 3.5 mn

donated to charities from sales of the *Sorría* and *Todos* magazines, published by Editora MOL



New in-store health services, including vaccines and rapid tests



Launched **Vegan by Needs,** a private label range of personal care and beauty products

Healthy Business:



Launched our **RD + Diversa** program

Invested in **PwD training** in partnership with APAE

Raia Drogasil S.A., referred in this report as RD, was created in 2011 through a merger of Droga Raia and Drogasil, two of Brazil's leading pharmacy retail brands. **102-1 102-5**

RD is the largest drugstore chain in Brazil by number of stores and by revenue, and the largest retailer across the board by number of own stores. In 2019 we generated revenues of R\$ 18.4 billion and ended the year with 2,073 stores throughout Brazil.

RD has a scale-based business model and an integrated portfolio of health and wellness assets including RD Pharmacies (Droga Raia, Drogasil), RD Private Labels (Needs, Triss, CareTech Le Pop, B-Well and Nutrigo) and RD Health (4Bio Specialty Medicines and Univers). **102-2 102-4 102-6 102-45**

With head offices in the district of Butantã on the West Side of São Paulo City, RD is a publicly-held company listed on the *Novo Mercado* listing segment of B3. **102-3**



A robust portfolio of health-related assets enhances the value proposition of the broader network.

4BIO

4Bio is currently the market leader in retail of specialty drugs, defined as high-cost products for high complexity diseases typically requiring clinical follow-up. In 2019 4Bio grew its sales of specialty drugs by 24% and had a market share of 45% in this segment.

4Bio supplies products across multiple specialties, including Fertility Treatment, Rheumatology, Dermatology, Orthopedics, Infectious Diseases and Gynecology, with a particular focus on Oncology.

Drugs are delivered with temperature control, personalized service and patient services, including interaction with health insurance carriers and testing laboratories, in partnership with physicians. The company's primary distribution channels are health insurance carriers, which cover the costs for some specialties.

4Bio operates through three branches in São Paulo, Campinas and Palmas, delivering products directly to customers' homes.

4Bio's business model is based on excellence in patient service, efficient logistics and a supporting staff of nurses, pharmacists and technicians—who receive regular training and skills building—to monitor patients and their treatment. In 2019, this supported an

adherence rate of approximately 90%.

UNIVERS

Univers manages drug benefits programs for corporations, associations and health insurance carriers, providing a cost-effective and efficient way to ensure patient access and adherence to treatments. Partner beneficiaries can purchase drugs at attractive discounts, and corporate client beneficiaries can deduct their purchases from payroll. This allows beneficiaries to access and initiate treatment before receiving their pay or benefits.



Our private-label portfolio offers products with comparable quality to market-leading brands, but at more competitive prices and with higher margins. We currently have six private-label brands:

Needs – an extensive range of personal care, beauty and wellness products. A highlight this year was the launch of a Vegan range of 26 products incorporating Brazilian biodiversity and with sustainable formulations and biodegradable packaging that supports a circular economy. In 2019 we also redesigned the visual identity of the Needs line.

Nutri Good – A range of functional, health-enhancing food and beverage products and ingredients that are free of added sugar, gluten, lactose and preservatives, and low in added sodium. The product range is currently being refor-

mulated under the oversight of nutritionist Desirée Coelho to make the product line even more natural, with no artificial ingredients or preservatives.

Triss – a complete range of beauty accessories.

Caretech – a range of prevention and health monitoring accessories, such as thermometers, blood pressure monitors and inhalers.

Le Pop – a popular range of personal care and beauty products.

Raia/Drogasil – a complete range of vitamins and supplements.

Some of our private-label brands—like Needs—are aligned with causes such as diversity, inclusion and sustainability. The Needs portfolio has also been expanded to include an increasing assortment of sustainable items such as bamboo toothbrush and cotton swabs that create minimal environmental impact, while our Vegan range inherently supports sustainability and is free from animal testing. Our plans are to extend this sustainability orientation to other brands, such as the

Nutrigood portfolio, which is being reformulated with more natural, sustainable and healthy ingredients.



Private-label brands in the personal care, food, beverage, accessories and supplements segments deliver quality at competitive prices



RD Pharmacies operates our newly acquired Onofre brand



RD operates in the pharmacy retail segment under the Droga Raia and Drogasil brands—two of the most traditional brands in Brazilian retail.

Founded in 1905, Droga Raia offers a superior customer experience and integrated health and personal care solutions as its core differentiators. Drogasil, founded in 1935, is primarily focused on pharmacy retail.

Droga Raia and Drogasil operate an omnichannel model that combines in-store sales with the convenience of digital retail. This allows customers to shop via our website, apps, call centers or social media, and select between home delivery and in-store pickup.

Our Onofre brand, acquired in 2019, is a pure e-commerce business.

STORE FOOTPRINT 102-4 102-6 102-7

RD ended 2019 with a total of 2,073 stores in 356 municipalities, in 23 states (240 organic openings, 42 Onofre stores and 34 closures).

NEW DCs 102-4 102-6 102-7

Our network is supplied from 11 distribution centers in eight states. Goods are typically purchased directly from manufacturers and delivered to our DCs, where they are stored, picked and then shipped to stores. Goods are delivered to our stores by a combination of our own fleet for short-distance deliveries and a third-party fleet for longer distance deliveries.

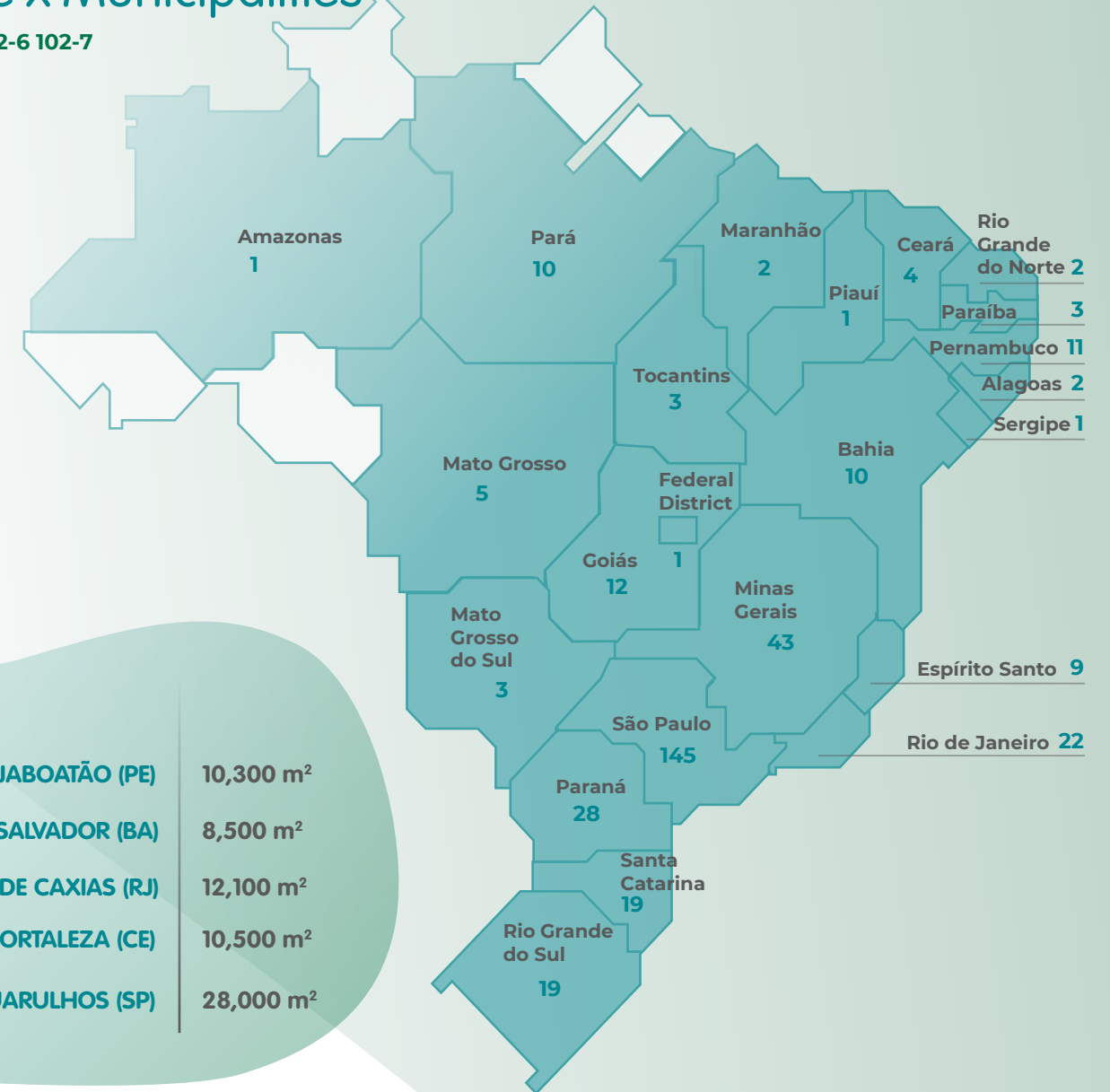
Of our total stores, 80% receive daily deliveries, ensuring stocks are promptly replenished and are highly responsive to fluctuating demand.

We opened two new Distribution Centers (DCs) in the year—in Fortaleza (CE) and in Guarulhos (SP)—and relocated the one in Rio de Janeiro to its metropolitan region.

The new DCs have reduced daily delivery mileage and consequently greenhouse gas (GHG) emissions.

State x Municipalities

102-4 102-6 102-7



SÃO PAULO (SP)	18,000 m²	JABOATÃO (PE)	10,300 m²
EMBU (SP)	22,700 m²	SALVADOR (BA)	8,500 m²
RIBEIRÃO PRETO (SP)	18,500 m²	DUQUE DE CAXIAS (RJ)	12,100 m²
APARECIDA (GO)	15,000 m²	FORTALEZA (CE)	10,500 m²
CONTAGEM (MG)	8,500 m²	GUARULHOS (SP)	28,000 m²
S.J. DOS PINHAIS (PR)	12,900 m²		

Strategy & Performance

In 2019 we implemented key guidelines set out in our new strategic plan, Norte II. Developed in 2018, the plan has two primary areas of focus: taking close care of people's health and well-being at each stage in life, and improving the customer experience and maximizing value for the customer. Our strategy rests on four core levers: putting the customer at the center of the business, digital transformation, developing leaders and talents, and driving business sustainability.

6
sustainability-related targets linked to the compensation of 13 executives for the 2019 cycle

STRATEGY

ACTION



Putting the customer at the center of the business

- ▶ Efforts to understand and monitor the customer journey in order to design products and services suited to customers' needs.
- ▶ Developed solutions that maximize health, savings or time depending on each customer's needs.
- ▶ Implemented new initiatives to take care of the all-round health of our customers.



Digital transformation

- ▶ Implemented an omnichannel experience integrating all customer contact points.
- ▶ Digitized shopping processes to improve the customer experience.
- ▶ Developed new initiatives to design products and services meeting customers' needs.
- ▶ Leveraged technology and agile methods to catalyze innovation, efficiency and performance.



Leadership training

- ▶ Created RD University.
- ▶ More than 1.4 million hours of employee training.



Enhancing Sustainability

- ▶ Created a Sustainability Department and Committee under the Board of Directors.
- ▶ Developed sustainability criteria linked to the variable compensation paid to vice presidents and executives, effective for the 2020 cycle.
- ▶ Established sustainability-related targets linked to the compensation of 13 executives for the 2019 cycle (transparency in social investment, waste management, supplier management, reducing sedentarism, and a donation culture).
- ▶ Included sustainability criteria in supplier risk assessments.

Financial performance GRI 103/201

We generated R\$ 18.4 billion in revenues in 2019, an increase of 18.5%. Adjusted EBITDA was R\$ 1,343.6 million, an improvement of 12.4%, and adjusted net income was R\$ 587.3 million, an increase of 7.0% on 2018. As the Brazilian market leader, our market share reached 13.7% in the period.

After a store opening peak over the two previous years, competition waned in 2019. Competitor store openings declined steeply and store closures accelerated, with our sales performance improving significantly as a result.

We posted mature store growth of 5.2% for the average of the year. Generics experienced especially strong growth of 19.9% driven by significant pricing investment in 2018 and 2019.

We achieved good organic growth with 240 store openings in the year as well as strong mature-store sales growth. Gross margin decreased due to our aggressive pricing strategy. RD's acquisition of 42 Onofre stores (one in Belo Horizonte, two in Rio de Janeiro and 47 in São Paulo) generated R\$ 500 million in projected value for the company.

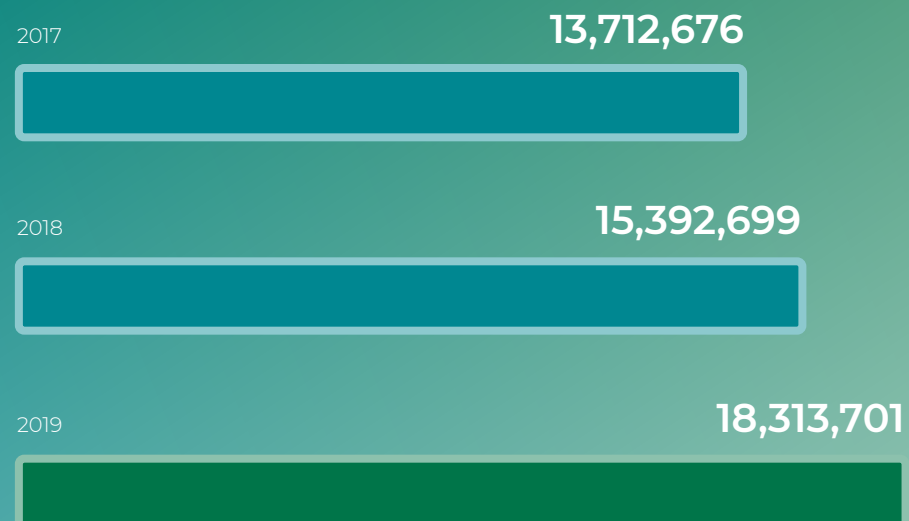
We measure our financial results on a monthly basis and disclose them publicly on a quarterly basis.

Fiscal 2019 was a strong year for RD, with net income of R\$ 543 million

Economic value

GRI 201-1

Direct economic value generated (revenue in R\$) 201-1



DISTRIBUTED 201-1

2019

Operating expenses	12,358,680.00
Employee salaries and benefits	1,847,845.00
Payments to providers of capital	1,305,927.00
Payments to government	2,226,327.00
TOTAL	17,738,779.00

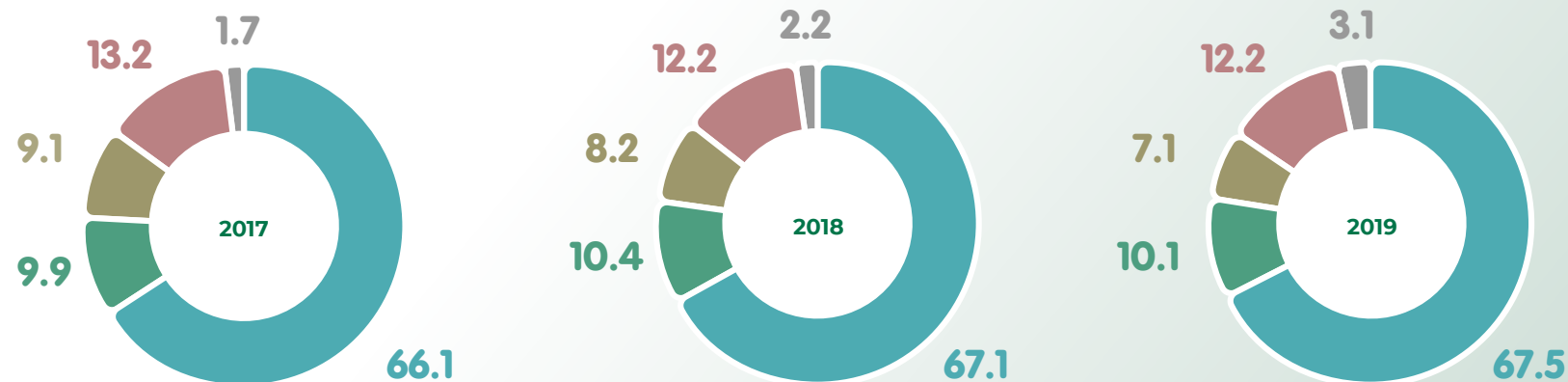
RETAINED 201-1

2019

“Direct economic value generated” less “Economic value distributed”	574,922.00
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Economic value distributed (%) 201-1

- Operating costs
- Employee salaries and benefits
- Payments to providers of capital
- Payments to government
- Retained



Operating Expense = inputs purchased from third parties, employee salaries and benefits.

Total personnel expense/Payments to providers of capital = interest on third-party capital and interest on equity.

Payments to government = taxes, charges and payroll charges.

Note: our Statement of Added Value can be found in our standard financial statements at <https://www.rd.com.br/listresultados.aspx?idCanal=2nIFyATh-vxbpyfXPHKc5zw==>



Digitization in retail

We have continued to invest in digital transformation, fueled by our belief that digital is the way forward in taking care of people’s health.

Our transformation is both ambitious and crucial for a network of 2,073 stores across 23 states, and aligns with our purpose as a Company to “Take close care of people’s health and well-being at each stage in life.” This means combining technology to identify customers’ needs, with people to take care of them.

Our digital culture will help us to promote healthy habits and prevention, for example, through adherence programs and medication and refill reminders. RD’s goal is to empower customers to shop for medicines and beauty products whenever and wherever convenient, in an agile and efficient customer journey—whether in-store or online, using Click & Collect or fast store-based delivery.

1.2 mn

apps were downloaded in late 2019

This business-wide transformation has already yielded important results for the Company. In 2019, overall revenues from digital customers amounted to 5.6% of our total sales, of which 2.3% were digital purchases (e-commerce and Click & Collect), and 3.3% were in-store purchases. We ended the year with 1.2 million app downloads.

The importance of digital goes far beyond the sales that are made through this channel, since its adoption boosts customer lifetime value across all channels, including the stores.



For our customers who have already gone digital, their improved experience has resulted in a 40% increase in their overall spending, with 26% higher purchasing frequency and a 12% higher average ticket.

To support this growth, 27 cities now offer delivery within 4 hours, and 131 stores operate as mini-distribution centers.

In 2020 our goal is for omnichannel customers to account for an increasingly higher percentage of total sales as we increase app usage and reduce the lead time of our ship-from-store deliveries. The overarching objectives of our retail digitization program are increased loyalty and customer engagement, which will drive higher operating leverage and value creation for the company, suppliers, employees and, especially, customers.

BUSINESS MODEL

To measure value creation objectively, we focus on our inputs, core activities and results (*outputs*), and impacts (*outcomes*), as shown in the chart on the following page.

We apply the International Integrated Reporting (<IR>) Framework in demonstrating the resources we use to create value for society. This includes the inputs we use, such as our capitals (financial, manufactured, human, intellectual, social and relationship, and natural), interaction between the capitals, our impacts and how we create value.

Digital milestones

Significant digital transformation milestones in the year included:



- ▶ New data lake up-and-running



- ▶ Converted systems into microservices and migrated them to the cloud



- ▶ Deployed seven agile teams to improve digital execution, including fully dedicated data scientists and design experts that help us in improving the customer journey



- ▶ Integrated Onofre's digital brand into our operations, allowing its demand to be serviced at a lower cost through our store network

"taking close care of people's health and well-being at each stage in life"

INPUTS

- Shareholder capital; customer revenues and financing
- Stores, DCs and inventories; IT infrastructure; Own and third-party fleet; Headquarters and RPCCs (Regional People and Culture Centers)
- Employees, especially pharmacists, and third-party workers
- Brand assets; customer insights (data and research); expert advisory and studies
- Proximity to shareholders; strong relations with customers; suppliers and strategic partners
- Electric power; paper and water

CORE BUSINESS ACTIVITIES

PEOPLE DEVELOPMENT

Deliver fast-paced training and skills building
Develop leadership, competencies and behaviors
Develop soft skills

EFFICIENT DELIVERY

Zero loss storage and distribution
Expand strategically
Buy and sell intelligently

CUSTOMER CARE

Provide an omnichannel experience
Deliver high-quality service
Build trust and loyalty

RD

VALUE CREATION

High-quality products and services that help people care for their health and well-being

IMPACTS

- SHAREHOLDERS**
Dividends and share appreciation
- EMPLOYEES**
Employment and income, especially first-job opportunities
Social inclusion and PwD outreach
Transforming people through professional, personal and financial development (employment and income)
- CUSTOMERS**
Access to health and wellness
Capillarity
Comfort and Convenience
- SOCIETY**
Strengthened local economies/retail
Support for social projects
Reverse logistics

OUTPUT

Waste and emissions

Pollution and climate change



Corporate Governance



9

directors approve the Company's guidelines

Committees

Sustainability and Digital strategy committees were newly created in 2019



Governance structure ¹⁰²⁻¹⁸

In 2011, two of Brazil's largest pharmacy retail companies—Droga Raia and Drogasil—merged together to form RD. Control of the newly formed company is shared by a group of shareholders including members of the two founding families, under a long-term vision and commitment.

RD's current governance structure consists of three governance bodies: The General Stockholders' Meeting, the Board of Directors and the Executive Board. Up to 2018, our governance structure had four Advisory Committees reporting to the Board of Directors (Finance, Strategic, People and Expansion). In 2019 the Board of Directors created two new committees—Digital Strategies and Sustainability—reflecting our new organizational direction.

General Stockholders' Meeting

Shareholders decide by a majority vote on the most important corporate matters: election of members of the Board of Directors, allocation of net income, approval of the Company's accounts and remuneration limits for directors. **102-38**

Under our shareholders' agreement, the controlling group has agreed to a lock-up on 30% of our total share capital up to November 2021. Controlling shareholders vote as a block in General Stockholders' Meetings, representing their entire shareholdings. Their vote, however, is decided in a prior meeting in proportion to each shareholder's restricted shares.

Audit Board

The Audit Board is a non-permanent body with duties and powers established by law. It is instituted on an annual basis by the General Meeting or otherwise at the request of shareholders in those cases prescribed by law.

SHARES IN NUMBERS

Free float

64.4%

Controlling group

35.4%



0.2%

Treasury shares

Share capital

330,386,000

common shares



Directors have the qualifications and expertise required to guide the company's strategy.

Board of Directors

The Board of Directors is composed of nine members, including three independent members, under the chairmanship of Antonio Carlos Pipponzi, who has 43 years' experience of the Brazilian drugstore market. The Board is advised by the Financial, Strategy, Expansion, People, Digital Strategies and Sustainability committees.

Board members have the qualifications and expertise to direct company strategy, exercise general oversight of the business and serve the long-term interests of both controlling and minority shareholders.

RD is committed to good corporate governance that supports the long-term interests of shareholders, strengthens Board and management accountability, and helps to build public trust in the Company.

Executive Board

RD's Executive Board is composed of the CEO and six statutory executives with extensive pharmacy retail expertise. They adhere to our governance principles and help to ensure we increasingly support the Agenda 2020/2030.

Board Advisory Committees

We have committees advising the Board of Directors which discuss strategic matters that are material to the Company. These six committees help to strengthen good practices governance and management.



SUSTAINABILITY COMMITTEE

The Sustainability Committee's duties include: developing and providing recommendations to the Board of Directors on guidelines and commitments relating to the sustainable development of the Company and our subsidiaries—taking account of risks and opportunities—to create value for society; discussing and

overseeing the development and implementation of short, medium and long-term social and environmental programs and initiatives, and monitoring impacts; and developing and providing recommendations to the Board on sustainability targets linked to executives' variable compensation. **102-11**



EXPANSION COMMITTEE

The Expansion Committee advises the Board in planning the company's growth; assesses and recommends mergers and acquisitions; and supports management in appraising and acquiring new points of sale.



STRATEGY COMMITTEE

The Strategy Committee develops and provides recommendations to the Board on enterprise strategy and operational improvement; makes recommendations to the Board on and monitors implementation of policies, strategies and initiatives to make the Company more competitive; and monitors and reports to the Board on the execution of approved Strategic Guidance.



DIGITAL STRATEGIES COMMITTEE

The Digital Strategies Committee develops and provides recommendations to the Board of Directors on strategies for the digital transformation of a customer-oriented company; oversees the implementation of our operational model across technology, data analytics, agile methodology and customer insight (CX, CI); monitors our Governance model and transformation management, including our processes, people and innovation culture; and develops and recommends success indicators to track our new strategy.



PEOPLE COMMITTEE

The People Committee aligns our people-related projects and processes with our strategic vision; discusses and proposes remuneration and incentive policies for employees and executives; recommends performance and competencies assessment criteria for employees and executives;

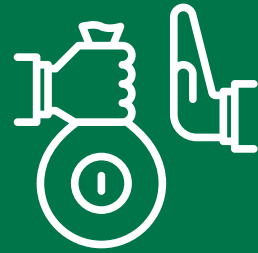
formulates and tracks performance, productivity and management indicators; and oversees execution of our succession plan.

102-38



FINANCE AND RISK COMMITTEE 102-11

The Finance and Risk Committee oversees budget execution and results; assists the Board in analyzing the local and global economic context and potential implications on the Company's financial position; reviews, discusses and makes recommendations to the Board on financial policy proposed by the Executive Board; recommends operational procedures for risk management and aligns financial policy with our strategic guidance and risk profile; assesses related party transactions and submits them to the Board of Directors for approval; assesses the performance and approves the annual engagement of independent auditors; reviews the financial statements and other information disclosed to the market; and oversees all aspects of internal controls and corporate governance systems on behalf of the Board of Directors.



Anti-corruption

RD has an Integrity Program designed to ensure excellence in our activities and to promote an ethical and transparent corporate environment. The Program aims to prevent, detect and address violations of our Anticorruption Policy and internal policies and procedures.

An important component of the Program is the Ethics Hotline, a channel where employees and third parties can report potential violations of our ethics and compliance guidelines and submit questions, suggestions and other concerns. Members of management investigate and ensure each case is handled confidentially, anonymously and without any retaliation against or punishment of whistleblowers.

Ethics and transparency

RD's Code of Ethics outlines the business conduct and behavior expected of our employees toward customers, suppliers, competitors and the general public.

Our relations with the financial market are based on transparent and secure disclosure of information, and a commitment to equitable and ethical treatment of shareholders and investors. RD is listed on B3's *Novo Mercado*, a listing segment requiring enhanced corporate governance standards.

15

Private-label suppliers are audited by the RD team

Supplier management ¹⁰²⁻⁹

In March 2019 we created a Supplier Governance department and developed a strategic supplier classification matrix and assessment criteria for screening depending on the type of supplier (materials or services).

Suppliers are screened primarily against the following criteria:



FINANCIAL

RD assesses suppliers' economic and financial health through a structured assessment by a specialized firm. The assessment covers a range of financial information including share capital, payment behavior, financial restrictions, legal claims and protests.

LEGAL AND TAX

We assess each supplier's legal, tax and labor compliance status by compiling relevant clearance and registration certificates (federal taxes and liabilities, FGTS contributions, labor obligations, state and municipal registration, operating permits, and other information).

TECHNICAL CAPABILITIES

We assess suppliers' technical capabilities based on performance and by validating, where applicable, the professional certificates and other documents required for the relevant business activity.

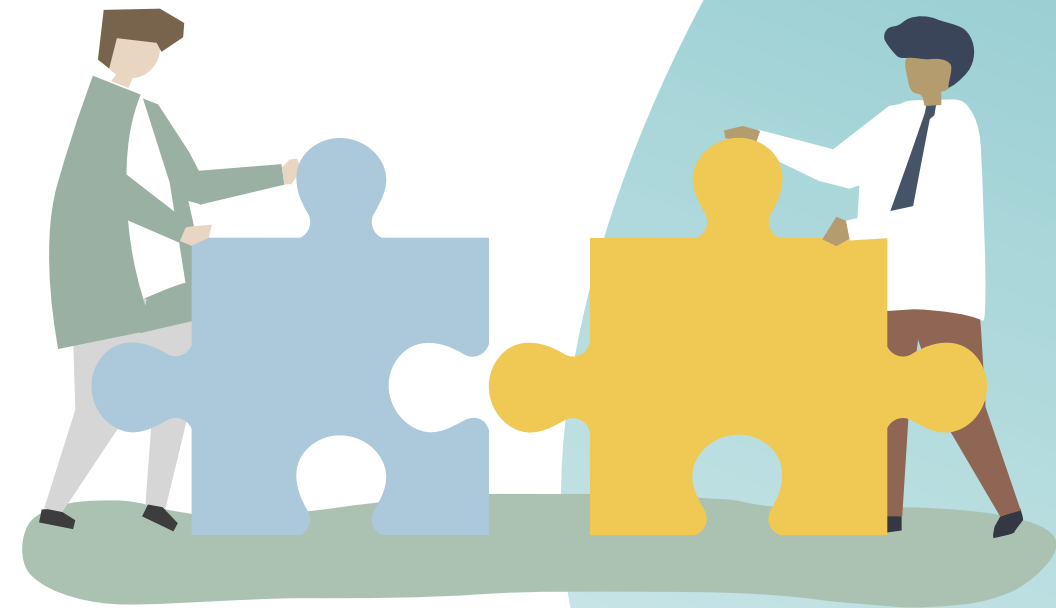
COMPLIANCE

Suppliers are assessed by a specialized firm to identify potential compliance risks (fraud, corruption, data privacy, money laundering, conflicts of interest, related parties and other compliance-related matters).

In 2019 we screened a total of 176 suppliers, including 47 private-label suppliers, of which 15 were selected for on-site audits.

In 2020 we will implement a Supplier Engagement program to increase adherence to our supplier requirements based on ESG (Environmental, Social and Governance) criteria. With support from specialized firms, we work to continually improve our approach to screening suppliers for financial, regulatory/tax, business continuity, concentration, services, reputational and ESG risks.

176 suppliers were screened in 2019





Sustainability Guidelines

RD's continued expansion, the increasing integration of ESG (environmental, social and governance) issues into global agendas, investor demand for accountability around these issues and, above all, our belief that our longevity depends on the extent to which we embed sustainability into strategic decisions, have led us to firmly incorporate sustainability into our Board and executive agendas.

We developed early sustainability guidelines in 2016 based on our first materiality matrix, which was organized into a set of nine major topics across three pillars aligned with our Strategic Plan 2014 (Norte I). A 10th guideline—related to data privacy and information security—was incorporated in 2018. Each department was responsible for its own sustainability issues, meaning there was then no long-term vision or a dedicated sustainability

department to ensure an organization-wide understanding, strategic alignment and rapid implementation of sustainability initiatives.

In 2019, as part of efforts to strengthen our sustainability governance, we created a Sustainability Committee under the Board of Directors, and a dedicated sustainability department under the Executive Board. This provided the sustainability leadership needed to design a new sustainability culture, implement initiatives, enhance our approach to each guideline, understand business risks and opportunities, and create a long-term vision. The new structure has also supported our internal leadership, building on previous efforts and strengthening their connection to the business and impacts on people, society and our planet.

In another important step in 2019, we engaged independent consultants to assist us in revisiting our sustainability management objectives and reorganizing our priorities for the following 10 years. The materiality exercise applied the principles of sustainable development in identifying sustainability challenges for the business and built a Roadmap 2030 to guide the Company in pursuing the newly set goals.

Implementation will begin in 2020. In 2019 our sustainability agenda has retained its structure of three sustainability axes and ten guidelines:



Strategic pillars



TAKING CARE OF PEOPLE

- ▶ **Guideline #1** – Promote employee quality of life and provide a work environment that fosters equality and respects differences.
- ▶ **Guideline #2** – Promote customer health and well-being by encouraging healthy habits, providing access to products and services, and taking close care of customers' health.
- ▶ **Guideline #3** – Engage with communities by fostering a culture of donation and volunteering.



TAKING CARE OF THE BUSINESS

- ▶ **Guideline #4** – Encourage dialog and create long-term value for our stakeholders.
- ▶ **Guideline #5** – Protect our customer data.
- ▶ **Guideline #6** – Do business with suppliers and service providers that are aligned with our values.
- ▶ **Guideline #7** – Support the professional and personal development of our employees, building a strong leadership pipeline.



TAKING CARE OF THE PLANET

- ▶ **Guideline #8** – Work to reduce and ensure compliant disposal of waste materials from our operations.
- ▶ **Guideline #9** – Minimize natural resource usage and impacts from store, DC and office construction projects.
- ▶ **Guideline #10** – Work to reduce the social and environmental impacts from our distribution operations.

GUIDELINE 102-46 102-47

GRI STANDARDS

SDG

CAPITAL

STAKEHOLDER 102-46

TAKING CARE OF PEOPLE:

Guideline #1 – We promote employee quality of life and provide a work environment that fosters equality and respects differences.

GRI 102-8, GRI 102-38, GRI 102-39, GRI 401-1, GRI 401-2, GRI 401-3, GRI 405-1

3 8

Human

Employees

Guideline #2 – We promote customer health and well-being by encouraging healthy habits, providing access to products and services, and taking close care of customers' health.

GRI 203-1

3

Human Social Relationship

Customers

Guideline #3 – We engage with communities by fostering a culture of giving and volunteering.

-

8 10

Social Relationship

Communities

TAKING CARE OF THE BUSINESS:

Guideline #4 – We encourage dialog and create long-term value for our stakeholders.

GRI 102-43, 44

8

Financial Social Relationship

Employees, suppliers, government, customers, communities, financial institutions, shareholders and the media

Guideline #5 – We protect our customer data.

GRI 418-1

—

Intellectual

Customers

Guideline #6 – We do business with suppliers and service providers that are aligned with our values.

GRI 414-1, GRI 414-2

7 8 10 11 12

Social Relationship

Suppliers

Guideline #7 – We support the professional and personal development of our employees, building a strong leadership pipeline.

GRI 404-1, GRI 404-2, GRI 404-3

8

Intellectual Social Relationship

Employees

TAKING CARE OF THE PLANET:

Guideline #8 – We work to reduce and ensure compliant disposal of waste materials from our operations.

GRI 301-3, GRI 306-2

11 12

Natural

Customers, suppliers and communities

Guideline #9 – We minimize natural resource usage and impacts from store, DC and office construction projects.

GRI 302-1, GRI 302-4, GRI 301-1, GRI 301-2

11 12

Natural Manufactured

Customers, suppliers and communities

Guideline #10 – We work to reduce the social and environmental impacts from our distribution operations.

GRI 302-1, GRI 302-2, GRI 302-4, GRI 305-1, GRI 305-2, GRI 305-3

7 11 12

Natural Manufactured

Customers, suppliers and communities

Mapping environmental impact

In 2019 we conducted an assessment of the historical impacts from our operations as an important step in structuring sustainability governance. The data were compiled into five major indicators, and for each of these, externalities were mapped and impact reduction targets were set.



WASTE

In 2019 we developed an Integrated Waste Management Plan with support from specialist consultants. Under the plan, we will implement best practices in our operations to strengthen environmental compliance, create and track a set of performance indicators related to waste generation, management and compliant disposal, and reduce operating costs.



WATER

Significant progress was made in the year in managing country-wide water consumption in-store, and we are now preparing to extend best practices to our distribution centers. Our goal is to improve controls to inform targets, projects and initiatives for increasing water efficiency through new waste-reduction technologies.



ENERGY

Currently, 6% of our stores are served by distributed generation plants, which provides both cost savings and, more importantly, environmental benefits. We have a goal of migrating our energy mix to a cleaner model covering 90% of our stores by 2021. The new model will be based on distributed generation from small hydro plants, solar farms, windfarms and biomass plants in 17 states, with a total capacity of 122,224 MW/h.



REVERSE LOGISTICS

In 2019 we further strengthened our Medes-carte program, through which we collect expired or unused medicines delivered by our customers in-store and send them for compliant disposal. The program currently covers 552 stores across 99 cities in 15 states. We have set a target of reaching 1,700 collection points by 2020, and 100% coverage by 2021. Our customer battery disposal program has also continued to grow, with 64

metric tons of batteries collected for recycling and compliant disposal in 2019.



CO₂ EMISSIONS

Despite the 240 store openings in the year, our newly opened distribution centers helped to shorten delivery routes in the year. In 2019, the average delivery distance to our stores decreased from 72 km to 64 km, reducing CO₂ emissions and the environmental impact from our store operations. We also developed a CO₂ emissions inventory during the year to identify the most critical sources. In 2020 we will work to increase the quality of our inventory data for scopes 1, 2 and 3, set new emissions reduction/offset targets, and undertake a public commitment to support action on climate change.

Agenda 2030

Within the next 10 years, we aspire to be among the leading companies supporting access to healthier lifestyles, working across three fronts: healthier people, a healthier planet, and a healthier business. To achieve this, we have mapped the Sustainable Development Goals (SDGs) to our sustainability strategy and in 2020 will set major goals to support the Agenda 2030.

In 2019 we joined the UN Global Compact and connected our sustainability strategy to the SDGs



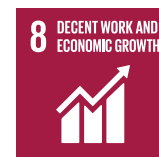
SDG 3

- ▶ 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
- ▶ 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. Reduce the number of people living a sedentary lifestyle by 10% by 2025, and by 15% by 2030.



SDG 7

- ▶ 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.



SDG 8

- ▶ 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.



SDG 11

- ▶ 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



SDG 12

- ▶ 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- ▶ 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



SDG 10

- ▶ 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Social Investment

GRI 103-2/203 e GRI 203-1

In 2019 we introduced a volunteering program at RD. We set an initial goal of engaging 5% of employees in the program; by year-end 2019, 6.9% had joined the initiative. To support the participation of employees across our footprint of 2,073 stores in 23 states, we created an online platform where employees can indicate which volunteering projects they would like to participate in or are already participating in. In 2019, 2,762 employees participated in 445 projects, dedicating a total of 38,681 hours to volunteer work linked to the Company.

We also mediated more than R\$ 10 million in tax-deducted donations to 21 projects throughout Brazil, including:



AACD

A hospital famous for its high-quality orthopedic treatment for people with disabilities

- ▶ Funds donated by Drogasil in 2019 supported 800,000 episodes of care in the year and the delivery of more than 55,895 orthopedic products



AMÉRICAS AMIGAS

A breast cancer prevention NGO in Brazil. Funding donated by Raia supported the following initiatives country-wide in 2019:

- ▶ Over 6,000 mammograms, ultrasounds and biopsies
- ▶ Donation of mammography devices and related equipment
- ▶ Awareness campaigns
- ▶ Approximately 350 National Health-care System professionals trained



APAE:

Minas Gerais

Specialized care for people with intellectual and multiple disabilities

- ▶ **Project:** Provided therapy using the PediaSuit intensive rehabilitation method



ASSOCIAÇÃO ABRAÇO A MICROCEFALIA:

Bahia

A charity that provides personalized care for children and adolescents with microcephaly

- ▶ **Project:** expanded services by 50% and implemented management software improvements



CASA DO MENINO JESUS DE PRAGA:

A shelter home for people with brain damage

- ▶ **Project:** purchased nursing equipment



ASSOCIAÇÃO PETER PAN:

Ceará

Pediatric hospital for treating children with cancer

- ▶ **Project:** Set up a fixed outpatient clinic and trained professionals for early detection of cancer in children

**CREN:**
São Paulo

- ▶ **Nutritional recovery** (malnutrition and obesity)
- ▶ **Project:** Increased the number of outpatient visits (at the Vila Jacuí and Vila Mariana units)

**EXPEDICIONÁRIOS DA SAÚDE:**
Amazon

- Medical and surgical care** for remote communities
- ▶ **Project:** Funding for 2 to 3 expeditions within the *Operando na Amazônia* ("Operating in the Amazon") program

**FUNDAÇÃO CRISTIANO VARELLA:**
Minas Gerais

- A cancer hospital in Muriaé** with 164 beds and 58 chemotherapy beds. The hospital receives 238 new cases per month
- ▶ **Project:** Funded 15 prostate biopsies per month, benefiting 360 patients over a period of two years

**FUNDAÇÃO DORINA NOWILL PARA CEGOS:**
São Paulo

- An organization providing special education, clinical rehabilitation and employment support for people with visual impairment**
- ▶ **Project:** Reduced waiting lines by 30%

**GRAACC:**
São Paulo

- One of Brazil's leading children's cancer hospitals**, especially for high complexity cases.
- ▶ **Project:** RD's support helps to maintain the hospital, which serves more than 3,500 patients per year

**HORAS DA VIDA:**
São Paulo and Curitiba
An NGO providing free healthcare

- ▶ **Project:** Improved the technology platform to build scale in medical care

**HOSPITAL PEQUENO PRÍNCIPE:**
Paraná

- A hospital providing care for patients with Myelomeningocele**
- ▶ **Project:** Created a play-based, sensory environment for occupational therapy

**INSTITUTO DO CÂNCER INFANTIL DO AGRESTE (ICIA):**
Pernambuco

- A hospital that provides treatment for children with cancer and support for patients and their families**
- ▶ **Project:** Built a surgical ward, ICU and Sterile Processing Department (SPD) at the hospital

**OBRA DO BERÇO:**
São Paulo

An NGO that provides basic social protection to children, adolescents, young adults, adults and families from highly impoverished communities in the South Side of São Paulo.

- **Project:** Our support helps to maintain the hospital and its component projects

**PEQUENO COTOLENGO:**
Paraná

A shelter home for treating individuals with neurological disorders: cerebral palsy

- **Project:** Purchased a complete PediaSuit “cage”

**RENAL VIDA:**
Santa Catarina
Hemodialysis and peritoneal dialysis

- **Project:** purchased new hemodialysis machines

**SAÚDE CRIANÇA:**
Rio de Janeiro
Support for families and children with chronic diseases (clarification about diagnosis, prognosis, assistance in making appointments, consultations and nutritional assessments)

- **Project:** Expanded service capacity

**SAÚDE E ALEGRIA:**
Pará
Support for integrated and sustainable community development

- **Project:** Provided funding to deliver health diagnostics services in low-income communities, implement good healthcare practices, and adapt family health programs to river-borne units

**SORRI BAURU:**
São Paulo
Rehabilitation for people with physical, intellectual, hearing and multiple disabilities, with an on-site prosthetics shop.

- **Project:** Purchased 182 items (wheelchairs, shower chairs, crutches, walkers) for 100 people

**TURMA DO BEM:**
1500 Brazilian municipalities
An NGO offering free dentistry services to children and young adults at volunteers' dental offices.

- **Project:** Our support helps to maintain and expand the program, now the largest volunteer network of specialist dentists in the world.

21

non-government organizations supported by RD



6.9%

of employees have joined our volunteering platform



More than

80,000

items donated

2,762

employees participated in our volunteering program

More than

8,000

people benefited

A culture of donation is part of our essence, and is expressed through our volunteering program, magazine sold in pharmacies and *troco solidário* program

RD is committed to taking care of the health and well-being of our employees, suppliers and especially our customers. This purpose also extends to our communities, where we generate positive social impact.

Our goal is to contribute to increased health access in Brazil. As part of this goal, we support non-government, not-for-profit organizations providing free healthcare all around Brazil, generating direct positive impacts on diagnostics, treatment and rehabilitation.

SORRIA AND TODOS MAGAZINES

In 2019 we donated R\$ 3.5 million in proceeds from the sale of the *Sorria* and *Todos* magazines—at respectively Droga Raia and Drogasil—to 19 NGOs throughout Brazil. The magazines are produced by Editora MOL, a certified B Corporation that has been a partner of RD for more than 10 years. Part of the proceeds from the sale of its products are reversed in donations.

The choice of NGOs are selected through a public call for proposals, making the process transparent and neutral. While the call for proposals is organized by RD and Editora MOL, the final selection is made by a panel of health, social investment and culture-of-donation experts. Successful applicants receive funding for a period of two years, which will be extended to three years from 2020.



Sorria, created in 2008, is a two-monthly publication produced in partnership with Editora MOL, which features inspiring true stories as well as tips on how to live better in a simpler way. The magazine is sold at Droga Raia stores and 50% of the resources are donated to GRAACC, a child cancer hospital. The remaining 50% are apportioned among 10 NGOs selected through a call for proposals organized by Editora MOL.

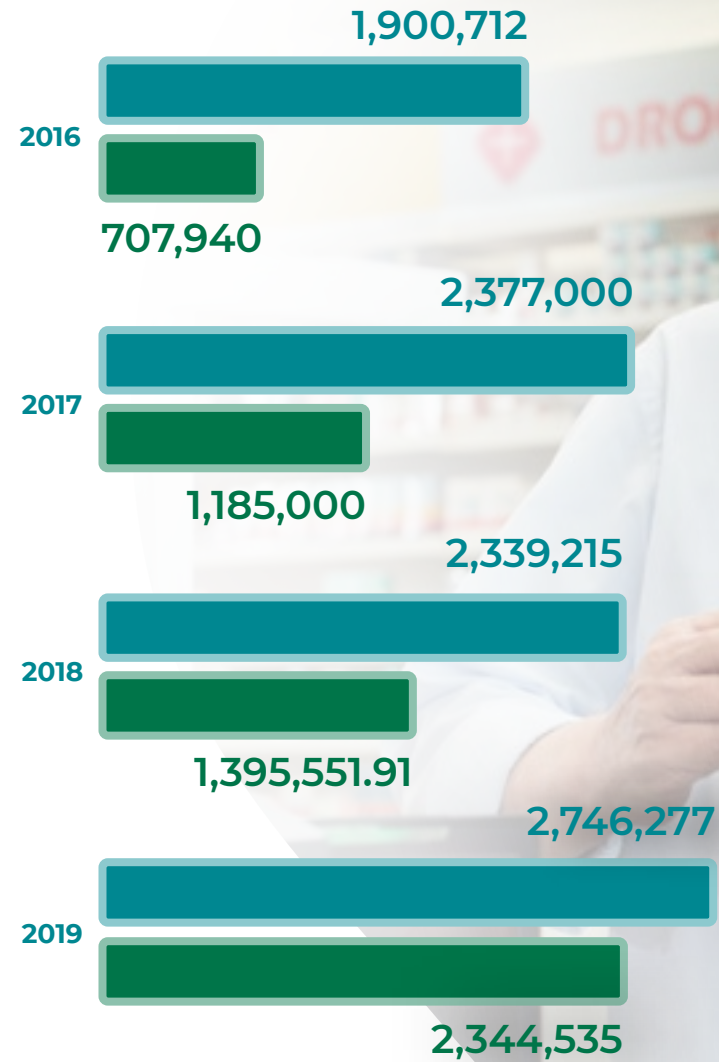
Todos magazine presents stories of overcoming and how to enjoy the best of life. RD donates 25% of the resources to NGO Obra do Berço, which provides comprehensive care for children and teenagers. Another 25% are donated to NGO Turma do Bem, which provides free dental care to at-risk children and adolescents aged 11 to 17, as well as women who have been victims of violence. The other 50% are apportioned among six other NGOs selected through a call for proposals.

R\$ 3.5 mn

were donated to 19 NGOs across Brazil

Sorria and Todos Donations (R\$)

● SORRIA (Raia) ● TODOS (Drogasil)





Arrecadação de Troco program

RD collects donations for charities at our stores through our *Arrecadação de Troco* program.

The program offers customers the possibility of rounding up their purchases to the nearest real and donating the change to an NGO. In 2019, donations collected at Drogasil stores were donated to AACD, a hospital famous for its high-quality orthopedic treatment for people with disabilities. Change donations collected at Droga Raia stores were donated to Américas Amigas, a breast cancer prevention NGO.

Due to the rupture of the ore tailings dam at the Córrego do Feijão mine in Brumadinho (MG), which claimed the lives of hundreds of people and is considered one of the largest mining disasters in the world, for 30 days our stores in Minas Gerais donated the change they collected through the program to the Brazilian Red Cross. RD matched donations dollar for dollar. More

than R\$ 100,000 were donated to the Red Cross to help in the disaster response.

On December 3, 2019, to mark Giving Tuesday, RD matched the proceeds from sales of *Todos* and *Sorria* magazines, calendars and gift bags throughout December. A total of R\$ 1,383,222 was donated to NGOs supported by Editora MOL, enhancing the positive impact on patients served and the sustainability of recipient charities.





Taking care of people



40,000

employees benefited by training and first employment initiatives





Employee care GRI 401-2



Our purpose of taking close care of people's health and well-being at each stage in life has served as a guiding principle in our decisions and the way we do business at RD. Our Employee Care program helps and encourages employees to take better care of themselves by developing healthier habits using a broader and balanced approach to health that includes the physical, mental, spiritual, social and environmental dimensions.

We believe that employee health is a journey in which we can play a role by providing guidance and tools for self-care. Building on a program initiated in 2018, in which we prioritized employees' physical health, in 2019 we conducted studies to develop a more comprehensive approach to employee health promotion and prevention, in a collaboration with some of the most prominent names in psychiatry, physical educa-

tion and nutrition, and with major hospitals in São Paulo. The resulting initiatives will be implemented in 2020.

In 2019, the Employee Care program featured a different health-related topic each month, providing health and wellness information to employees. Some of our most important health-related initiatives include annual executive checkups, influenza (H1N1) and measles vaccination campaigns, and awareness campaigns about diabetes, high blood pressure and cholesterol, smoking and drug abuse, breast-feeding, and women's and men's health.

In 2019 we launched a campaign to encourage employees to express their individuality by providing greater freedom in their choice of dress. As part of this initiative, we also implemented flexible working hours for all corporate employees, including "Short Fridays".

Other initiatives—such as a partnership with Gympass which offers monthly plans giving employees access to fitness facilities across Brazil, with 13% of employees subscribing in 2019; walking and running events (*Junta&Vai*); a new bicycle parking facility at our headquarters and DC in Butantã; and shuttle buses between the subway station and our headquarters—are helping employees live healthier lives.



Promoting health and well-being

RD is a company of people taking care of other people, and we have a strategic goal of building leadership in services that deliver health and wellness to customers. As part of this strategy we have expanded our portfolio of pharmacy services to include products that support disease prevention and healthy lifestyles, alongside a portfolio of medical treatments.

PHARMACEUTICAL SERVICES OFFERED AT 44 STORES

- ▶ Administration of injections
- ▶ Blood pressure measurement
- ▶ Blood sugar measurement
- ▶ Ear piercing
- ▶ Glucose sensor placement

VACCINES OFFERED AT 38 STORES

- ▶ Influenza
- ▶ HPV
- ▶ Shingles
- ▶ Hepatitis A and B
- ▶ Yellow Fever
- ▶ Trivalent (measles, mumps rubella) vaccine
- ▶ Pneumonia

RAPID LABORATORY TESTS IN 10 STORES

- ▶ Beta HCG (pregnancy)
- ▶ Glycated hemoglobin
- ▶ Syphilis
- ▶ HIV
- ▶ Hepatitis B and C
- ▶ Hepatitis B serologic testing
- ▶ Dengue and serologic testing
- ▶ Zika
- ▶ Influenza



VEGAN PRODUCTS

In 2019 RD launched a range of vegan products branded *Vegan by Needs*, with a total of 22 SKUs offering three different fragrances of shampoo, conditioner, body and hand moisturizer, body and hand soap, soap scrub, micellar water and cleansing gel.

All products are clean label and sustainable. Product packaging is made of biodegradable plastic, and tubes are made of renewable materials. The supplier has People for the Ethical Treatment of Animals (PETA) certification for not using animal testing. As another sustainability differentiator, 1% of the revenue from product sales goes to the communities from which raw materials are extracted.

43

stores offer rapid laboratory tests



Taking care of the planet

8 km

average reduction in store delivery distances

Air conditioning systems at

200+

stores retrofitted with inverter technology



Our approach to managing our operations is connected to the environmental, social and governance (ESG) agenda.

Under our sustainability management strategy, we work to improve our management of business and operational risks through measures to prevent and mitigate impacts—including emissions, energy consumption and waste—that are inherent to our operations, especially in our current period of business expansion and growth.

Our goal is to reduce energy consumption in stores and DCs and to use more clean energy

117

stores have access to solar energy and from small hydroelectric power plants



1,700

target for stores with renewable energy by 2020

Energy efficiency

GRI 103-302

In 2014 we launched a strategy to reduce electricity consumption at our stores and Distribution Centers and maximize the use of renewable energy sources. In 2016, we created pilot projects using photovoltaic panels at 11 stores in Minas Gerais. In 2015, ANEEL issued Resolution 687/2015 creating a framework for distributed generation of electricity.

In 2019 our strategy gained further traction as we launched three tenders to build distributed generation plants, and signed contracts for project development. At year-end, 117 stores had access to electricity supplied by solar farms and small hydro plants—by 2020 we expect this figure to reach 1,700 stores.

Our distributed generation roadmap includes small hydroelectric power plants

with minimal impact compared to large-scale hydro, as well as solar farms and biomass plants, all of which are considered sources of clean energy.

At Distribution Centers, our strategy has been to migrate to the free market, where we purchase electricity in advance and at lower costs. Electricity in the free market is derived from renewable sources, including small hydroelectric power plants, organic biomass, solar and wind.

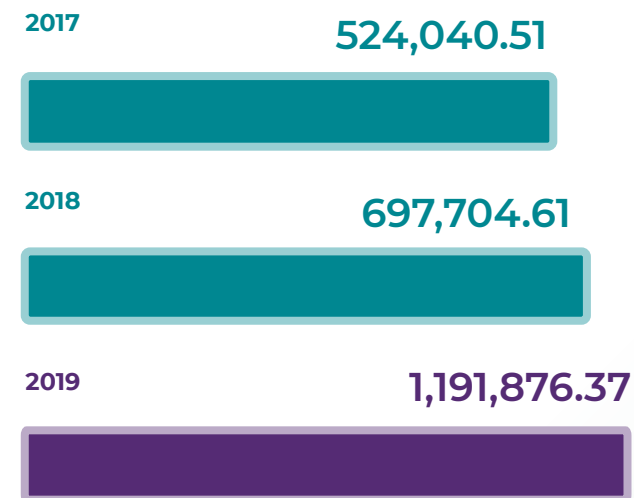
RD's Energy Efficiency Committee—which comprises the CEO, directors and managers—monitors and manages energy efficiency initiatives and promotes discussion around the agenda to develop solutions supporting energy savings and the use of cleaner energy.

In 2019, RD initiated implementation of three energy savings initiatives:

- ▶ Fluorescent to LED lighting retrofit—this project is being implemented at all stores (to be completed by the end of 2021) and at all DCs that are newly built or renovated during that period. In total, 1,178 stores and 7 DCs will have LED lighting.
- ▶ Air conditioning retrofit with inverter technology—1,090 RD stores now mostly use inverter-driven air conditioning systems.
- ▶ Key performance indicators for unit electricity consumption—this led to the creation of our first unit electricity consumption target (kWh/m² for the sales department).

However, electricity consumption increased compared to previous years due to the company's growth and expansion, as well as enhanced data collection. Total electricity consumption in 2019 was 180,843,485.17 kWh. In 2019 we opened 240 new stores, incorporated 42 stores from the Onofre acquisition, and opened two new distribution centers. This increased overall electricity consumption by 71%.

TOTAL ENERGY CONSUMPTION (GJ)



By 2021, approximately 77% of our store network will be served by distributed generation plants, all producing renewable source electricity

TARGETS AND BONUSES

Three years ago RD implemented a set of energy efficiency targets linked to senior-management bonuses. In 2020 we will implement a broader energy efficiency program comprising the following initiatives:

- ▶ LED lighting retrofits at 720 stores and 1 DC
- ▶ Air conditioning retrofits with inverter technology in at least 200 stores
- ▶ Continued migration to distributed generation
- ▶ Migration of two DCs to the free market by December 31

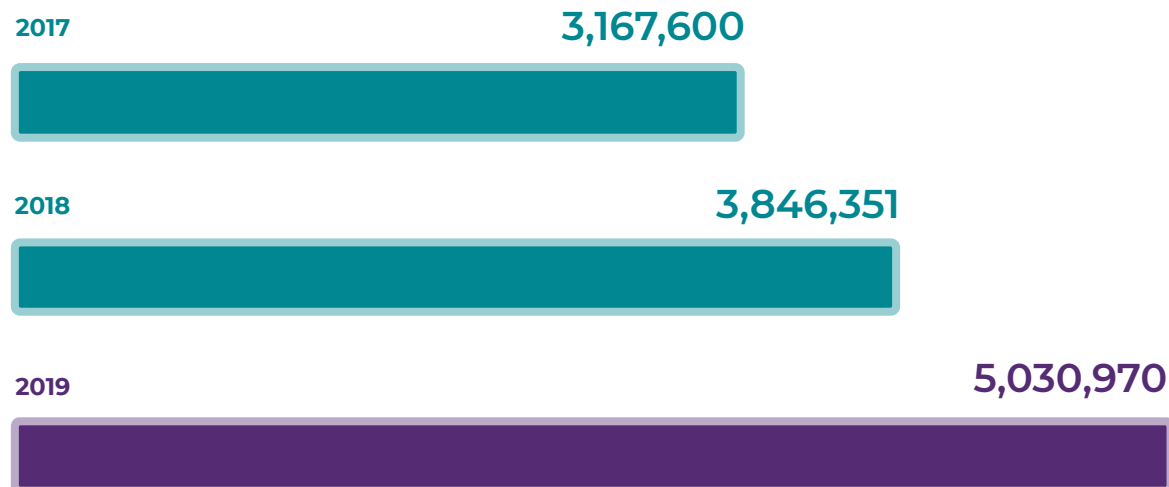
Our overall target for 2021 will be to reduce unit store consumption from 50kWh/m²/month to 48 kWh/m²/month.



In 2019 we disposed a total of 5,030.97 metric tons of waste, of which 76% was recycled

Waste management GRI 103/306

TOTAL DISPOSAL (KG)



One of RD's core waste management initiatives is a reverse logistics program for products that are spoiled or damaged in-store. These products are collected at our stores and distribution centers for proper disposal. A small portion of these products is returned to the manufacturer, and the remainder is sent for co-processing or incineration. In 2020 we will implement a new process that will enable most spoiled products to be recycled. We will also recycle virtually 100% of the cardboard scrap generated in our DC operations.

To manage construction waste, we engage third-party companies to compliantly dispose of all waste materials including plasterboard, wood, lamps and other items.

In 2019 we developed an Integrated Waste Management Program through which we mapped out the solid waste materials generated in each activity (business and human) and the relevant waste streams.

The Program has generated a set of new environmental indicators that we will track following implementation, as well as recommendations for new processes, partnerships and controls to reduce waste, find better uses for waste materials as resources, reduce the amount of waste going to landfills and increase the related positive social impact.

We selected 13 sampling points in our operations, categorized into 5 types—offices, distribution centers, warehouses, stores and construction sites—for an assessment of waste generation and disposal.

Identified waste materials were then cataloged based on 37 applicable laws and regulations.

The Integrated Waste Management Program will be implemented in 2020, and results will be reported in our next Annual Report.

GHG Emissions GRI 103/305

In 2019 we opened two new distribution centers in Fortaleza and Guarulhos in a strategy to reduce the environmental impacts from network expansion while improving our logistics operations.

The DCs have been sited to shorten distances from the stores they serve, which will decrease greenhouse gas (GHG) emissions as a result.

Average store delivery distances traveled per day have decreased from 72 km to 64 km. Stores in Fortaleza, for example, are now supplied from a regional DC rather than from Pernambuco as was previously the case.

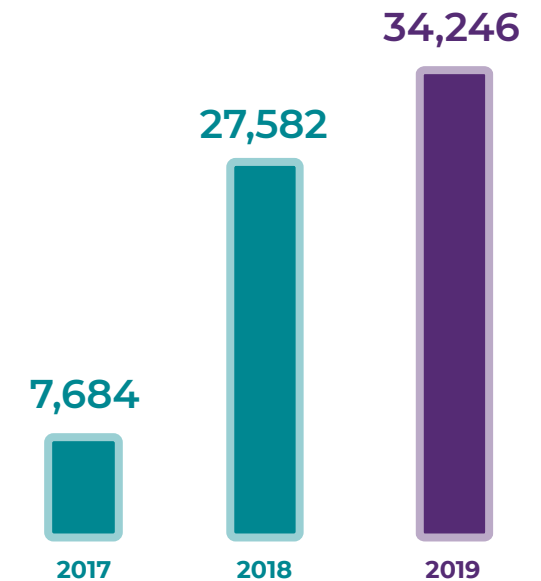
RD uses a fleet of 461 trucks for product distribution to our stores throughout Brazil, including 160 RD-owned and 301 third-party vehicles. The truck fleet is regularly reno-

vated with more modern and less polluting models to increase operating efficiency and minimize environmental impacts. Diesel vehicles are compliant with Euro 5 emission standards, which require fueling with low-sulfur diesel.

One of our commitments as a company is to be increasingly active in addressing climate change. In 2018 we completed our first GHG emissions inventory using the GHG Protocol methodology. In 2019 we engaged a specialized firm to assist us in identifying all emission sources within the Company, further improving our inventory. The inventory was also independently assured for the first time. In 2019 we generated 34,246.05 tCO₂e in emissions, an increase of 24% compared to the previous year, primarily reflecting enhanced data collection and expansion of our store and DC footprint. We also set our first relative target of reducing scope 2 emissions by 4% by 2021.

We plan to test electric vehicles in our distribution centers in 2020, and autonomous forklifts in 2021

GHG EMISSIONS (tCO₂e)





LED lighting retrofits will be implemented at 720 stores and 1 DC in 2020

GOOD PRACTICES

All new stores have LED lighting and inverter-driven air conditioning systems. At the Guarulhos Distribution Center, recycled water is used for toilet flushing and washing.

We are still in the process of assessing what strategies are needed to build a sustainable store model, including the materials used and more efficient solutions.

Water savings

GRI 103/303

Water stewardship is also essential to our business and we are working to improve sector-specific consumption measurement and water efficiency. RD has initiated an important process to accurately and efficiently collect water usage data as an input to develop actions and targets to minimize environmental impacts.

We are currently implementing a system that will unify all water data and indicators, and have created our first performance targets for water management. Initiatives are already in place to address waste at our stores, such as periodic “leak hunts” by our maintenance crews and optimizing water usage prior to water tank cleaning at our stores. **GRI 303-3**

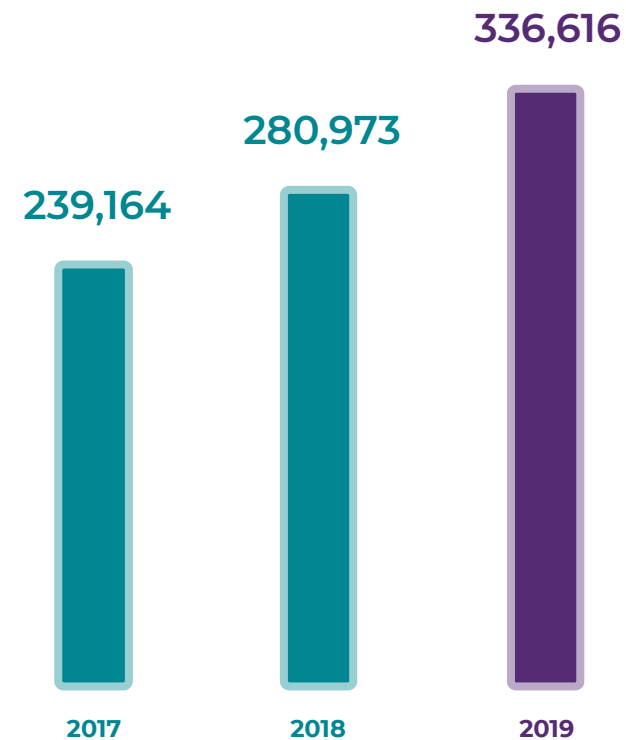
Utility-supplied water was a total of 336,616 m³ in the year, as measured based on our

utility bills. No water is used for processing, but only for human consumption and personal hygiene.

The absence of water consumption information for some distribution centers (especially those within gated facilities where water metering is centralized) will be addressed in 2020 by installing individual water meters. We have decided not to approximate consumption amounts as the volume and nature of water consumption at a distribution center is not comparable to that of a store.

As with electricity, the expansion of our operations has naturally increased our water consumption.

WATER CONSUMPTION (m³) GRI 303-3



CONSUMPTION TARGETS

The following qualitative targets have been set for 2020 to improve water efficiency:

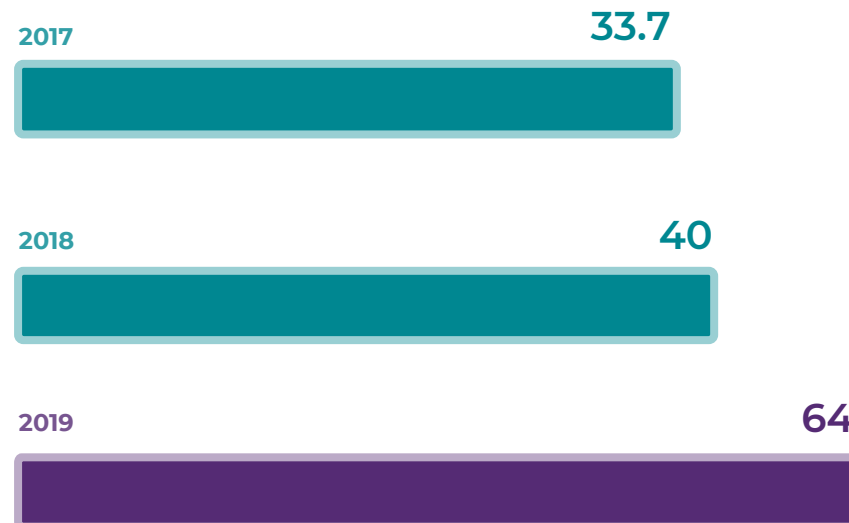
1. Install individual water meters and implement daily measurement routines at all distribution centers, which are large consumers.
2. Assess potential projects to reduce sanitary consumption and improve efficiency. We will conduct at least 10 in-store pilots in which consumption will be monitored and equipment will be retrofitted with more efficient and economical models. We will then conduct a detailed assessment of these initiatives.

Medescarte GRI 301-3

RD has a program, called Medescarte, for compliant collection and disposal of expired or unused medicines in accordance with Federal Act 12305/10 and Decree 7404/10. Customers deliver the medicines to in-store collection points and the materials are then sent for proper disposal. The program aims to engage consumers in properly disposing of not only household waste, but also medicines in order to prevent soil and water pollution.

The program was launched in 2010 at our Droga Raia stores, and currently covers 552 stores across 98 municipalities. All medicines are incinerated as required by environmental and health authorities. We have set a target of reaching 1,700 collection points by 2020, and 100% coverage by 2021.

EXPIRED OR UNUSED MEDICINES (METRIC TONS)





Taking care of the business

4.5 mn

customers reached by our electronic newsletter

952,700

Facebook interactions





1.4 mn

hours of training provided to RD employees

More than just a retailer of medicines and personal care products, we want to be recognized as an important player in providing health services. In 2019 we delivered further on our purpose as a company of people who take care of other people. And this purpose extends not only to our customers, but to the 40,054 employees across our network. **GRI 102-8**

Professional development and career advancement are a part of our people man-

agement practices at RD. We have an employee training program providing online, classroom-based and on-the-job training on both subject matter-specific as well as general subjects.

We also have a benefit policy that extends health, wellness and quality-of-life benefits beyond the workplace. Our people management practices aim to create a virtuous cycle that begins with first-job opportunities for young people with little experience, and continues with training and professional development and on to promotion, helping to build a value chain that creates positive impact by delivering quality of life to employees and supporting social inclusion through employment. **GRI 103/401 401-1**

RD University

In 2019 we reached an important milestone in Corporate Education with the launch of RD University with a mission of transforming people, the company and society through education. **GRI 404 103-404**

The University has implemented a learning framework and model that supports development not only in employees' field of expertise, but also in their personal life and in their impact on society. University programs have clearly articulated goals, cover all areas of the organization and are directly linked to our purpose, values and strategy. The University program was unveiled in December 2019 during a "Transformational Learning Week" event, in which employees

were introduced to the learning content across six development pathways:

- ▶ Sustainability;
- ▶ Diversity;
- ▶ Customer Experience;
- ▶ Leadership;
- ▶ Culture;
- ▶ Digital Transformation.

Investing in people's development is one of our primary missions at RD



Connected content



ME – Personal development training for all employees:

Taking care of myself – Building awareness of how we think and behave and exercising self-care:

- ▶ Training on physical and emotional health, nutrition and quality of life.

Connecting – Building awareness of other people's points of view:

- ▶ Training on conflict management, communication and expression, and exposure to different life stories and world views at the “Empathy Museum”.

Developing – Encouraging individuals to advance their professional development:

- ▶ Classroom-based and online courses about time management, personal finances, career planning, project management, Portuguese and digital tools.



ME + RD – A business training program to empower employees to drive results now and in the future:

The RD way – Training about RD's history, current position and future vision, in which employees:

- ▶ Share experience and connect with peers;
- ▶ Participate in experiences such as the People Museum and the Heritage Center;
- ▶ Attend courses on digital mindset and culture, planning and collaborative methods.

Our way of doing business – This program introduces participants to RD's business model; supports leaders in their management roles and challenges, explains about tools and methodologies to increase operating efficiency, and equips employees to perform their current roles and take the next steps in their careers. The program includes:

- ▶ Courses about our supply chain and services, ethics, compliance, data analytics and design thinking;
- ▶ A leader and report forum;
- ▶ Leadership coaching and mentoring.

Our care approach – This program explores the concept of health for well-being and quality of life, and placing customers at the heart of the business:

- ▶ Courses about customer care, class C customer behavior, the “RD way of wowing customers”, and holistic experiences.



ME + RD + WORLD – Stimulates broader discussion about subjects such as diversity, sustainability, inclusion and innovation:

Courses cover our social, economic, cultural and environmental role, across the following topics.

Society:

- ▶ Building awareness about the importance of each employee's actions for the sustainability of the business and the planet;
- ▶ Approaching diversity as a source of learning and a differentiator for the organization (participants are encouraged to participate in related forums);
- ▶ Encouraging employees to participate in social outreach and volunteering;
- ▶ Sustainability and diversity awareness courses.

World view:

- ▶ Broadens participants' repertoire about issues that are relevant to the business;
- ▶ Explores key trends and innovation;
- ▶ Includes courses about retail, pharmacy retail and the collaborative economy.

RD University courses are administered in a classroom setting, through on-the-job training and via a distance-learning platform, and are currently available to employees only. The distance learning platform features more than 350 courses and, in the future, content will also be available for employees' families.

In 2019 we expanded, revisited and reorganized the distance learning platform content. As a result, we have now exceeded 3 million course completions, and online training hours are now nearly double the number of classroom hours. **GRI-103 404**

Our goal for 2020 is to further expand and

RD University has a mission of transforming people, the Company and society through education

diversify our training initiatives and methods to prepare and support employees in their important mission of "taking close care of people's health and well-being at each stage in life." Through RD University, we have expanded our programs in line with our strategic plan and future trends (technological, economic and social), with a focus on subjects such as sustainability, digital transformation, health in its broader and more comprehensive sense, and pharmacy services. We have also implemented new training indicators and governance.

GRI-103 404

SKILLS BUILDING AND FIRST EMPLOYMENT

RD has training and skills building programs covering 100% of our operations, including stores, distribution centers and corporate departments. In 2019 our training initiatives engaged 40,000 employees, providing more than 1.4 million hours of training, an increase of 65% on the previous year.

We also continued important training initiatives within the *Trilhar* program for operations employees, helping them to improve their performance and develop and implement career plans.

This is a formal training program that includes distance-learning, classroom training and on-the-job training that employees can complete individually or with an instructor. Training within the program is provided to all newly hired employees (who are mostly young people just starting their careers). These employees embark on a journey that can lead them to a store manager position within five years depending on performance.



TRAINING

The RD Training Center at our headquarters hosted more than 20,000 employees in training in 2019. We also have regional training centers in Brazil's major cities.

CRESCER GRI 103/404

Crescer is a Performance/Competencies Management Program that supports employee development through feedback and individual development planning. The program assesses individual behaviors, based on RD core competencies.

The *Crescer* program does not include performance targets, although the Planning department has a robust system of targets in place. Status reports are prepared at each stage in the Performance Assessment cycle, which uses the Success Factors (SAP) platform.

GRI 103/404

The typical employee journey at an RD store



In 2019, employees received more than R\$ 1 million in education grant funding, including 450 undergraduate grants and 10 graduate grants. We established a partnership with Laurearte, an international network of higher education institutions with more than 490 campuses in Brazil, to provide campus-based and online undergraduate programs with tuition discounts for our employees (in 2020).

LEADERSHIP DEVELOPMENT

GRI 103-404

In 2019 our leadership development initiatives included more than 500 training sessions for managers as part of our *Liderar* (“Lead”) program (for people in leadership positions at our headquarters, stores and distribution centers) and the *O Nosso Jeito de Encantar* (“Our Way of Wowing Customers”) program, which trains store managers to engage staff in “wowing” customers.

RD’s ELOS (Essential Leadership Skills for Organizational Strategy) program provides executive training to directors at our headquarters, stores and distribution centers. The program comprises six strategic modules and uses a multidisciplinary approach to drive organizational transformation

and develop a sense of ownership among our leaders. With participation from our VPs and CEO, the program has helped to strengthen staff interaction and the development of leadership skills. **GRI 103-4**

100% of store managers receive training

We have a policy at RD of developing our own store manager staff. Currently more than 2,000 employees are in manager positions and all have built their career from the bottom within the Company. Every year, RD has a pipeline of managers in training for new stores as part of our expansion strategy.

Investing in manager careers supports the professional development of our staff and positively impacts their families. The end result is increased employee engagement and managers who are 100% focused on our business strategy. In 2019, 9,312 employees received promotions.

Rodrigo Marangoni
joined RD as a pharmacy assistant and is now regional manager in São Paulo



Age: 39
Time with RD: 18 years
Position: Regional Manager (SP, West Side)

“In 2001, at age 20, I joined Drogasil in Presidente Prudente, São Paulo, as a pharmacy assistant. I was then promoted to Trainee Clerk, Pharmacy Clerk and Administrative Assistant (now Store Supervisor).

I went to business school and was trained within RD’s internal manager development program. After five years, in 2006 I was invited to a position as manager in Tatuí.

I have since worked in several other cities as well. In 2019 I became

regional manager for the West Side and assisted in the Onofre/Drogasil transition.

Everything I have learned professionally has been learnt at RD, especially the importance of taking care of people. In my current position, I do my best to give back through my role in people management. Everything I have achieved in my personal life has been through RD: an undergraduate degree, MBA, and being able to provide a comfortable life, health and education to my wife and children.”

Marlene Vieira da S. Oliveira began her career at a distribution center and has been with RD for 24 years



Age: 41
Time with RD: 24 years
Position: Regional Manager

“At age 17, I regularly went to the distribution center in Taboão da Serra, São Paulo, to deliver my resume. After receiving so many resumes, the exasperated gatehouse attendant one day asked me to come in and do an interview.

One week later I started working as a picking assistant. Three years later I went to work at a store as a junior assistant. I followed my career development plan and seized every opportunity available toward gaining a leadership position. I held several other positions before my current role as Regional Manager.

I believe the training we receive at RD is extremely important in our development, not only in our role at the company but also in our personal life. It also makes all the difference for our customers.

When I joined RD, my parents couldn't afford many of the things we wanted. My sisters and I had to help toward paying the bills. "I am now married with three children, I have a home, a car and security. And for this I am very grateful".

Daniela Vilela de Araújo joined RD when she was 17 years old to gain experience. She is now a regional manager in Santa Catarina



Age: 42
Time with RD: 25 years
Position: Regional manager in Santa Catarina

“I started my career at Drogasil in Bauru (SP). I was 17 and was hired as a store assistant. It was my first job and I saw it as an opportunity to gain experience.

I originally planned to spend only one year with the company, but ended up gaining much more than just experience. I identified with the company's values and realized there were opportunities to learn and to grow. After working in sever-

al different positions and cities, I am now back in Santa Catarina, where I previously played a role in an expansion program.

RD had a very positive impact on my life. Through my job I was able to buy a house, a car, visit Disney World, and provide better quality of life for my mother, who has suffered from Alzheimer's for the last eight years.”

Diversity

GRI 103/405; 103/406

We have a diversity manifesto that publicly expresses our commitment to equal opportunity, and a code of ethics with rules on nondiscrimination.

Women represent 63% of our workforce. They are also a majority in store leadership positions, although men remain a majority in regional manager positions, at 58% of the total. In executive leadership positions, we have seven women executives and one female vice president.

In 2019 we launched a program, called *RD + Diversa* (“A More Diverse RD”), to improve diversity and inclusion within the Company. Employee activities were organized to discuss the subject and its importance for the business and to develop civic engagement, with employees receiving a *Diversity Guide* e-book.

RD also organized a Diversity Day event featuring discussions and training about

how unconscious bias can affect recruiting processes and interrelations within the company. Our first initiatives within the *RD + Diversa* program have addressed issues related to gender equity and inclusion of people with disabilities.

In 2019 we also sponsored, created content for and made a major presence in the Brazilian Conference on Women in Leadership (CONALIFE), which aims to promote the gender equity agenda and practices that support the development of women leaders.

In 2020 we will develop additional programs in support of gender equity within the company and solutions for employees and their professional and personal journeys. One of our goals is to develop a policy to support pregnant women at the workplace and reintegrate them into the workplace post-maternity leave. In 2019, RD had 1,200 pregnant employees.

RD is a member of the *Mulher 360* movement, which brings companies together to support the development of women leaders

We are also a member of the Business Network for Social Inclusion, a group of more than 100 organizations engaged around the inclusion of people with disabilities (PwDs). In 2019, PwDs represented 5% of our workforce, or a total of 2,085 people, of which 89% work in the store network and 49% are people with intellectual disabilities. Our goal over the coming years is to further increase our workforce of PwDs at our headquarters and distribution centers. **GRI 405-1**



63%

of our employees are women

As part of a continuing effort to ensure the sustainability of our constantly growing network of 2,073 stores in 23 states, in 2019 we invested across a number of areas including stakeholder engagement, data protection, compliance with the Brazilian General Data Protection Act, sharing best practices with our suppliers, revisiting our digital strategies (see *Digitization in Retail*) and creating new Distribution Centers (see *Strategy and Performance*).



56,000

LinkedIn interactions

Stakeholder Engagement

GRI 102-40 102-42 102-43 102-44 e 103-416



CUSTOMERS

Customers are at the heart of our business and of our new Pharmacy of the Future strategy, which is shifting our focus from retail sales to health care. Our plan is to increasingly support customers' health and wellness by providing services such as vaccines, blood glucose testing and consultations.

Through our communications channels, we provide customers with relevant information about health and wellness. Content is published on our Facebook page, which in 2019 generated 952,709 interactions, while our LinkedIn page recorded 56,000 interactions. Articles about health and quality of

life are also featured in monthly catalogs—a total of 5.2 million copies in 2019—and email newsletters that reached an average of 4.5 million customers in the year

Complaints received by customer service are investigated at the supplier to inform improvements to both the production and the logistics process. In 2019 we created a dedicated customer service channel—previously customer service was provided by each manufacturer. **GRI 102-43, GRI 102-44**



INDUSTRY ASSOCIATIONS GRI 102-12 102-13

RD actively participates in discussions about the development of the pharmacy industry as a member of industry associations that are relevant to our business, such as: the Brazilian Association of Chain Drugstores (ABRAFARMA), the Institute for Retail Development (IDV), the Brazilian Association of Listed Companies (ABRASCA), the Brazilian Institute for Corporate Governance (IBGC) and the Brazilian Human Resources Association (ABRH).



EMPLOYEES

At RD we take care of people both outside and within the company. As such, we have made career development, inclusion and diversity a centerpiece of our People and Culture strategy. **GRI 102-43/44**



SUPPLIERS **GRI 103 414 102-9 416-1**

We seek to do business with suppliers and service providers that are aligned with our values. Since 2017, we have assessed supplier development across the following dimensions:

- ▶ Economic/financial;
- ▶ Legal and tax (Eligibility to contract)
- ▶ Integrity, compliance and flexibility (compliance with regulations and industry codes of best practice).

In 2019 the assessment methodology was revised to include sustainability attributes such as environmental certifications and noise emissions, and to reformulate our ABC analysis. In the year, 50% of A and B suppliers were audited on-site by RD staff. In 2020 we plan to audit 100% of AB suppliers through an independent firm, and create a Supplier Relations and Engagement program to enhance supplier governance, synergies and transparency.

To safeguard consumer health and safety, in 2019 we established a policy requiring quality audits on all new RD Private Labels suppliers. Quality audits consists of an on-site assessment against manufacturing best practices established by ANVISA. Some new suppliers are audited on impacts on customer health and safety regardless of the product; in 2019, 0.58% of active suppliers were audited. Action plans resulting from quality audits are monitored and, if necessary, a second site visit is made. **GRI 102-9**

Site visits address aspects such as quality, production, traceability, adherence to procedures, and mandatory documentation.



SHAREHOLDERS

Our shareholder relations agenda includes meetings, participation in events, conference calls and an annual RD Day event. RD attended 74 national and international conferences and meetings during the year, including 59 in Brazil and 15 in other countries. We also held earnings calls in Portuguese and English with market analysts and institutional and individual investors. In our RD Day event for analysts and investors, executives presented the Company's ongoing projects and plans, and then opened the floor for questions from the audience. Financial statements are published on a quarterly basis in Portuguese and English, and are available to investors and market analysts. **GRI 102-43/44**



PHARMACY MUSEUM

MUFA ("Pharmacy Museum") is a virtual Museum launched in September 2018 that has received more than 91,000 visitors to date. MUFA offers a wealth of information about the pharmaceutical industry, including the history and philosophy of pharmacy, the pharmacist profession, the history of the pharmaceutical industry, drug making research and technology, and public-health policies. The museum uses a fully dynamic and innovative format and plain language, and has an ample collection of, often one-of-a-kind, documents. With its broad ranging, modern and dynamic program, MUFA has been designed as a source of reference to attract researchers, while also broadening laypeople's understanding of aspects related to health, healing and wellness. Fashioned as a voyage through the Universe, museum content is organized into different sections—Timeline, Videos, Collections, Molecules of Nature and Exhibits—to make browsing more intuitive.

<https://museudouniversodafarmacia.com.br/>

Data Protection GRI 103-418

RD has a long-standing commitment to protecting and securing the data of our 36 million active customers; we respect their privacy and ensure all customer data is kept confidential. In 2019 there were no investigations or complaints involving privacy breaches.

Data privacy has proven to be both a relevant and a complex issue as we transition to achieve compliance with the Brazilian General Data Protection Act (LGPD). Modeled after European regulations, LGPD passed through Congress in 2018 and will be enacted into law in May 2021.

In 2019 we began preparing for compliance with the new law by structuring all our operations to store information securely. We created a methodology that covers IT systems and information controls, information security, and process-wide audits. Concurrently, we are developing a policy on the use of customer data.

Toward year-end we initiated the customer opt-in and opt-out process. When customers opt in, they consent to our storage and use of their personal data. When a customer opts out, RD commits to transfer to them or destroy all data stored in our systems, if so requested.

As of year-end 2019, the government had not yet instituted a regulatory body or published clear information on LGPD enforcement. Despite the uncertainties, in 2020 our transition program—which involves all areas of the company, and especially IT—will continue to advance. **GRI 418-1**





GRI Appendix

Employees and other workers GRI 102-8.

WORKFORCE BY GENDER

2017			2018			2019		
Men	Women	Total	Men	Women	Total	Men	Women	Total
11,407	19,734	31,141	13,016	22,288	35,304	14,935	25,119	40,054

*At RD all employee contracts are for an indefinite term and all employees are full-time.

WORKFORCE BY AGE GROUP

AGE	2017	2018	2019
< 30	21,241	24,114	27,244
30 to 50	9,267	10,438	11,925
> 50	633	752	885
TOTAL	31,141	35,304	40,054

WORKFORCE BY REGION

REGION	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
NW	16	31	47	185	296	481	292	415	707
NE	1,124	1,609	2,733	1,600	2,251	3,851	2,114	2,843	4,957
MW	1,088	1,916	3,004	1,194	2,117	3,311	1,299	2,237	3,536
SE	8,185	14,455	22,640	8,974	15,605	24,579	10,032	17,320	27,352
S	994	1,723	2,717	1,063	2,019	3,082	1,198	2,304	3,502
TOTAL	11,407	19,734	31,141	13,016	22,288	35,304	14,935	25,119	40,054

WORKFORCE BY EMPLOYEE CATEGORY

POSITIONS	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executive Board	29	7	36	32	9	41	37	8	45
Managers	96	52	148	95	57	152	110	80	190
Leaders/coordinators	62	59	121	66	72	138	87	85	172
Technical/supervisor	602	1,081	1,683	662	1,260	1,922	722	1,484	2,206
Administrative	412	481	893	454	490	944	536	590	1,126
Operational	10,206	18,054	28,260	11,707	20,400	32,107	13,443	22,872	36,315
TOTAL	11,407	19,734	31,141	13,016	22,288	35,304	14,935	25,119	40,054

Note: data for 2017 and 2018 have been restated following an audit in 2019. **102-48**

4Bio

WORKFORCE BY EMPLOYMENT CONTRACT AND GENDER – 4BIO

CONTRACT TYPE	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Definite term	6	0	6	3	0	3	7	2	9
Indefinite term	85	122	207	107	147	254	125	181	306
TOTAL	91	122	213	110	147	257	132	183	315

WORKFORCE BY EMPLOYMENT CONTRACT AND REGION – 4BIO

REGION	2017			2018			2019		
	Definite term	Indefinite term	Total	Definite term	Indefinite term	Total	Definite term	Indefinite term	Total
NW	1	17	18	1	20	21	2	20	22
NE	0	0	0	0	0	0	0	3	3
SE	5	190	195	2	234	236	7	283	290
TOTAL	6	207	213	3	254	257	9	306	315

* 4Bio has no employees in the Midwest and South.

WORKFORCE BY EMPLOYMENT TYPE – 4BIO

TYPE OF EMPLOYMENT	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full time	83	101	184	103	126	229	124	164	288
Part time	8	21	29	7	21	28	8	19	27
TOTAL	91	122	213	110	147	257	132	183	315

WORKFORCE BY AGE GROUP – 4BIO

	2017	2018	2019
< 30	91	118	128
30 to 50	116	133	179
> 50	6	6	8
TOTAL	213	257	315

WORKFORCE BY EMPLOYEE CATEGORY – 4BIO

	2017	2018	2019
Executive Board	1	1	1
Managers	8	10	12
Leaders/coordinators	26	36	33
Technical/supervisor	5	6	13
Administrative	45	48	65
Operational	128	156	191
TOTAL	213	257	315

MEMBERS OF GOVERNANCE BODIES – RAI A DROGASIL

	2017	2018	2019
Board of Directors	11	11	9

MEMBERS OF GOVERNANCE BODIES – 4BIO

	2017	2018	2019
Board of Directors	1	1	1

Raia Drogasil had a workforce of 40,054 employees in 2019. Our 4BIO team had a total of 315 employees.

Materials used

GRI 103/301

WEIGHT OR VOLUME GRI 301-1

In 2019 we developed a project to quantify the packaging used for RD Private Label products. This will increase visibility of the types of primary and secondary packaging materials used, as an input for initiatives to redesign packaging for reduced environmental impact.

Packaging information was not monitored prior to 2019. The project, which was initiated toward the end of 2019, will provide a basis for this assessment in 2020.

RECYCLED MATERIALS GRI 301-2

In 2019 we launched our Vegan by Needs brand, which uses biodegradable PET containers and tubes made of material derived from sugarcane. This was a pilot initiative and, given the positive results, we have identified new opportunities for packaging improvements following an assessment of the packaging used for RD Private Label products. For the Vegan by Needs line, we monitor the material certificates issued by packaging suppliers.

Energy consumption within the organization GRI 302-1

FUEL COMBUSTION – NONRENEWABLE (IN GJ*)

	2017	2018	2019
Diesel fuel	34,468.84	158,882.34	478,347.95
LPG	-	1,682.71	140.35
Gasoline	-	4,921.63	1,176.97
Jet fuel	-	7,512.23	8,658.15
TOTAL	34,468.84	172,998.91	488,323.42

1. Diesel volumes (l) were translated into energy (GJ) units based on: Balanço Energético Nacional (BEN) 2013 - p. 218 - Ministry of Mines and Energy

2. Percentage of grid-supplied electricity that is renewable source electricity: CCEE (attached)

FUEL COMBUSTION – RENEWABLE (GJ)

	2017	2018	2019
Biodiesel	3,575.27	21,375.25	49,616.48
Ethanol	-	2,717.57	2,782.74
TOTAL	3,575.27	24,092.82	52,399.22

ELECTRICITY CONSUMED (GJ)

	2017	2018	2019
Electricity from renewable sources	427,676.83	441,041.68	582,652.44
Electricity from nonrenewable sources*	58,319.57	59,571.19	74,879.28
TOTAL	485,996.40	500,612.88	657,531.72

ELECTRICITY SOLD (GJ)

	2017	2018	2019
Electricity			6,377.99

Note: data on electricity sold are for July to December 2019.

TOTAL ENERGY CONSUMPTION (GJ)

	2017	2018	2019
Nonrenewable fuels	34,468.84	172,998.91	488,323.42
Renewable fuels	3,575.27	24,092.82	52,399.22
Energy consumed from renewable sources	427,676.83	441,041.68	582,652.44
Energy consumed from non-renewable sources	58,319.57	59,571.19	74,879.28
(-) Electricity sold	-	-	6,377.99
TOTAL	524,040.51	697,704.61	1,191,876.37

Some information was unavailable for 2017. However, the quality of the data is being improved for the following reporting periods.

Reduction of energy consumption GRI 302-4

REDUCTIONS IN ENERGY CONSUMPTION ACHIEVED AS A DIRECT RESULT OF CONSERVATION AND EFFICIENCY INITIATIVES (GJ)

	2019
LED lamps	651,951.00
Inverter-driven air conditioners	1,345.37
TOTAL	653,296.37

*The baseline year for calculating reductions in 2019 was 2018. Electricity consumption was compared between 2018 and 2019 for operations that implemented reduction initiatives, to assess whether consumption was effectively reduced in 2019 from a 2018 baseline.

Disclosure 305: Emissions

GRI 305-1. Direct greenhouse gas emissions (Scope 1)

GRI 305-2. Indirect GHG emissions (Scope 2)

GRI 305-3. Other indirect (Scope 3) GHG emissions

GREENHOUSE GAS EMISSIONS – RD (tCO₂e)

	2017	2018	2019
Scope 1	1,528	16,380.07	18,115.20
Scope 2	-	10,286.21	13,375.78
Scope 3	6,156	2,675.46	2,755.06
TOTAL	7,684	27,582.41	34,246.05

BIOGENIC EMISSIONS (tCO₂e)

	2017	2018	2019
Scope 1	-	-	1,794.05
Scope 3	-	-	622.29
TOTAL	-	-	2,416.34

GREENHOUSE GAS EMISSIONS – 4BIO (tCO₂e)

	2019
Scope 1	66.86
Scope 2	36.75
TOTAL	103.61

BIOGENIC EMISSIONS – 4BIO (tCO₂e)

	2019
Scope 1	0.43
TOTAL	0.43

WASTE BY TYPE AND DISPOSAL METHOD GRI 306-2

Hazardous waste disposal (t)	Type of waste	2017	2018	2019
Recycling	Batteries	5.66	3.18	4.42
Incineration (mass burn)	Medicines, healthcare waste and expired/spoiled products	75.16	65.22	109.23
TOTAL		80.83	68.40	113.64

Nonhazardous waste disposal (t)	Type of waste	2017	2018	2019
Recycling	Paper, cardboard, plastic, ferrous metals, wood and glass	2,177.60	2,213.16	3,812.20
Landfilling	Organic	290.08	662.04	238.29
Co-processing	Spoiled goods	603.45	907.40	866.77
TOTAL		3,071.13	3,782.59	4,917.25

Type of recycled waste (t)	2017	2018	2019
Cardboard	2,137.73	2,159.57	3,561.57
Plastic	39.53	46.10	211.93
Ferrous metals	0.00	0.00	0.00
Wood	0.35	0.29	28.09
TOTAL	2,177.60	2,205.97	3,801.59

All waste is collected by third-party companies. RD does not directly transport or dispose of waste materials.

Disclosure 401: Employment

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER GRI 401-1

Employee hires by age group	2017		2018		2019	
	No. of new hires	Rate	No. of new hires	Rate	No. of new hires	Rate
< 30	10,109	0.48	11,217	0.47	12,617	0.46
30 to 50	2,590	0.28	2,594	0.25	3,125	0.26
> 50	209	0.33	201	0.27	213	0.24
TOTAL	12,908	0.41	14,012	0.40	15,955	0.40

The rate is the result of dividing the number of new hires by the total number of employees in the relevant age group

Employee hires by gender	2017		2018		2019	
	No. of new hires	Rate	No. of new hires	Rate	No. of new hires	Rate
Men	5,492	0.48	5,635	0.43	6,367	0.43
Women	7,416	0.38	8,377	0.38	9,588	0.38
TOTAL	12,908	0.41	14,012	0.40	15,955	0.40

The rate is the result of dividing the number of new hires by the total number of employees by gender

Employee hires by region	2017		2018		2019	
	No. of new hires	Rate	No. of new hires	Rate	No. of new hires	Rate
NW	39	0.83	367	0.76	441	0.62
NE	1,537	0.56	1,815	0.47	1,976	0.40
MW	1,284	0.43	1,137	0.34	1,223	0.35
SE	8,645	0.38	9,177	0.37	10,635	0.39
S	1,403	0.52	1,516	0.49	1,680	0.48
TOTAL	12,908	0.41	14,012	0.40	15,955	0.40

The rate is the result of dividing the number of new hires by the total number of employees by region

Turnover by age group	2017		2018		2019	
	No. of employees who left the company	Rate	No. of employees who left the company	Rate	No. of employees who left the company	Rate
< 30	6,931	0.33	6,928	0.29	8,489	0.31
30 to 50	2,766	0.3	2,799	0.27	3,692	0.31
> 50	185	0.29	149	0.2	202	0.23
TOTAL	9,882	0.32	9,876	0.28	12,383	0.31

Note: data for 2017 and 2018 have been restated following an audit in 2019. [102-48](#)
The rate is the result of dividing the number of employees who left the company by the total number of employees in the relevant age group

Employee turnover, by gender	2017		2018		2019	
	No. of employees who left the company	Rate	No. of employees who left the company	Rate	No. of employees who left the company	Rate
Men	4,011	0.35	4,001	0.26	4,865	0.33
Women	5,871	0.3	5,875	0.31	7,518	0.3
TOTAL	9,882	0.32	9,876	0.28	12,383	0.31

Note: data for 2017 and 2018 have been restated following an audit in 2019. [102-48](#)
The rate is the result of dividing the number of employees who left the company by the total number of employees by gender

Turnover by region	2017		2018		2019	
	No. of employees who left the company	Rate	No. of employees who left the company	Rate	No. of employees who left the company	Rate
NW	9	0.19	38	0.08	158	0.22
NE	631	0.23	741	0.19	968	0.20
MW	914	0.30	803	0.24	974	0.28
SE	7,313	0.32	7,112	0.29	8,986	0.33
S	1,015	0.37	1,182	0.38	1,297	0.37
TOTAL	9,882	0.32	9,876	0.28	12,383	0.31

Note: data for 2017 and 2018 have been restated following an audit in 2019. [102-48](#)
The rate is the result of dividing the number of employees who left the company by the total number of employees by region

4BIO

Employee hires by age group	2017		2018		2019	
	No. of new hires	Rate	No. of new hires	Rate	No. of new hires	Rate
< 30	30	0.35	56	0.49	47	0.39
30 to 50	28	0.24	22	0.17	44	0.25
> 50	1	0.17	0	0.00	2	0.25
TOTAL	59	0.29	78	0.31	93	0.30

The rate is the result of dividing the number of new hires by the total number of employees in the relevant age group

PARENTAL LEAVE GRI 401-3

Parental leave	2019	
Employees entitled to parental leave	men	333
	women	1202
Employees who took parental leave	men	333
	women	1,202
Employees who returned to work during the reporting period after parental leave ended	men	333
	women	1,163
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work	men	278
	women	85
Return rate	men	-
	women	0.69
Retention rate	men	-
	women	0.51

Hours of training GRI 404-1

Average hours of training per year per employee by gender	2017	2018	2019
Men	23.1	25.3	32.83
Women	26.8	29.5	36.70
TOTAL	25.0	27.4	35.26

Average hours of training per year per employee by employee category	2019
Executive Board	71.83
Managers	9.15
Leaders/coordinators	12.73
Technical/supervisor	45.44
Administrative	10.22
Operational	35.74
TOTAL	35.26

In previous years a different procedure was used for classifying employees by employee category. As a result, the following average hours of training were reported for 2018: Executive management – 6.6; Middle-management – 29.5; Administrative and operational – 28.4. And the following were reported for 2017: Executive management – 2.1; Middle-management – 26.8; Administrative and operational – 25.9. Using the same procedure as in previous years, the figures for 2019 would be: Executive management – 71.61; Middle management – 25.11; Administrative and operational – 79.94.

Performance and career development reviews

GRI 404-3

Percentage of employees receiving regular performance and career development reviews (%)	2019		
	Men	Women	Total
Executive Board	76.67	100	81.08
Managers	80.79	86.32	84.38
Coordinators/Specialists	85.59	85.98	85.98
Supervisors	2.26	0.84	1.38
Operational	13.71	17.99	16.4
TOTAL	16.47	20.07	18.73

Diversity in governance and in the workforce

GRI 405-1

	Individuals within the organization's governance bodies, by gender (%)		Board of Directors
	Men	Women	
2017	Men		88.89%
	Women		11.11%
	TOTAL		100.00%
2018	Men		88.89%
	Women		11.11%
	TOTAL		100.00%
2019	Men		88.89%
	Women		11.11%
	TOTAL		100.00%

Note: data for 2017 and 2018 have been restated following an audit in 2019. [102-48](#)

Individuals within the organization's governance bodies, by age group (%)		Board of Directors
2017	< 30	0.00%
	30 to 50	27.27%
	> 50	72.73%
	TOTAL	100.00%
2018	< 30	0.00%
	30 to 50	27.27%
	> 50	72.73%
	TOTAL	100.00%
2019	< 30	0.00%
	30 to 50	22.22%
	> 50	77.78%
	TOTAL	100.00%

Workforce by employee category and gender (%)	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Administrative	44.90%	55.10%	46.28%	53.72%	46.22%	53.78%
Specialist	48.89%	51.11%	49.52%	50.48%	57.89%	42.11%
Executive Management	80.56%	19.44%	78.05%	21.95%	82.22%	17.78%
Middle Management	58.80%	41.20%	55.52%	44.48%	54.42%	45.58%
Operational Management	35.72%	64.28%	34.56%	65.44%	32.76%	67.24%
Operational	36.16%	63.84%	36.52%	63.48%	37.02%	62.98%

Note: data for 2017 and 2018 have been restated following an audit in 2019.

Workforce by employee category and age group (%)	2017			2018			2019		
	< 30	30 to 50	> 50	< 30	30 to 50	> 50	< 30	30 to 50	> 50
Administrative	53.80%	43.46%	2.75%	51.54%	45.26%	3.21%	50.86%	46.42%	2.72%
Specialist	24.44%	71.11%	4.44%	20.95%	72.38%	6.67%	27.07%	67.67%	5.26%
Executive Management	0.00%	72.22%	27.78%	0.00%	78.05%	21.95%	0.00%	82.22%	17.78%
Middle Management	10.11%	79.40%	10.49%	10.69%	77.93%	11.38%	9.67%	80.39%	9.94%
Operational Management	38.85%	59.96%	1.18%	36.17%	62.85%	0.98%	32.58%	66.56%	0.86%
Operational	71.13%	26.93%	1.94%	71.40%	26.55%	2.05%	72.30%	25.59%	2.11%

Number of PwDs ¹ by employee category and gender (%)	2017	2018	2019
Administrative	1%	1.15%	1.51%
Specialist	1.11%	0.95%	0.75%
Executive Management	0%	0%	0%
Middle Management	0%	0%	0%
Operational Management	0.89%	0.88%	0.81%
Operational	4.68%	4.84%	5.64%

¹People with disabilities

Cases of discrimination GRI 406-1

Cases of discrimination	2019
Incident reviewed by the organization	35
Remediation plans being implemented	5
Incident no longer subject to action (solved or closed)	30
TOTAL	35

*35 cases were reported as Discrimination, broken down as follows: Corporate (01), Raia (14), Drogasil (13), Farmasil (01) and DC (06).

Suppliers screened using social criteria GRI 414-1

Percentage of new suppliers that were screened using social criteria	2019
Active suppliers 2019	6187
Total suppliers that were screened using social criteria	175
Percentage of suppliers that were screened using social criteria (%)	2.83

NEGATIVE SOCIAL IMPACTS ON THE VALUE CHAIN GRI 414-2

Suppliers having significant actual and potential negative social impacts	2019
No. of suppliers assessed for social impacts	116
No. of suppliers identified as having significant actual and potential negative social impacts	8
No. of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	7
% of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	87.5
No. of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	3
% of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment.	37.5

PUBLIC POLICY GRI 103 415

Each department is responsible for instructing its employees on our policy of not making monetary contributions to political parties, candidates or government agencies.

POLITICAL CONTRIBUTIONS GRI 415-1

RD does not make monetary contributions to political parties, candidates or government agencies, in accordance with applicable Brazilian legislation and our Anticorruption and Fraud Policy (Revision 2; 27-Jul-2018) and Donations, Contributions and Facilitation Payments Policy (Revision 1; 1-Aug-2018).

NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA GRI 419-1

Labor contingencies

Labor claims typically involve proceedings brought by former employees claiming overtime pay and health hazard premi-

um. We also have legacy claims from Raia S.A. and Drogaria Onofre Ltda, brought by former outsourced employees claiming to have had an employment relationship directly with the Group, or claiming joint liability of the Group to pay employee entitlements. Proceedings have also been brought by labor unions claiming union contributions in connection with a dispute over the legitimacy of the territorial basis.

Tax contingencies

Tax contingencies refer to administrative fines, tax rate differences on interstate transfers and tax enforcement proceedings.

Civil contingencies

The Group is a party to proceedings relating matters that are part of the ordinary course of business in our industry, especially claims for material and pain-and-suffering damages under consumer law.

Contingency related to:	2017 (*)	2018 (*)	2019 (*)
Civil Claims	R\$ 8.80	R\$ 9.90	R\$ 9.90
Labor Claims	R\$ 211.90	R\$ 77.00	R\$ 103.68
Tax Claims	R\$ 120.00	R\$ 346.20	R\$ 383.50

(*) Source: Reference Form, Section 4.6 – CVM. Amounts in R\$ MM

(**) In 2017 and 2018 we improved our provision criteria to increase accuracy in the risk classification of labor claims. As a result, some contingencies have been restated from one period to the other.

Provisions	2017 (*)	2018 (*)	2019 (*)
Civil Claims	R\$ 0.627	R\$ 0.700	R\$ 1.818
Labor and Social Security Claims	R\$ 24.105	R\$ 73.146	R\$ 94.101
Tax Claims	R\$ 0.586	R\$ 0.642	R\$ 15.380

(*) Source: Reference Form, Section 4.6 – CVM. Amounts in R\$ MM



GRI Content Index 102-55

General disclosures

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
Organizational profile				
GRI 102: General disclosures 2016	102-1 Name of the organization	13		
	102-2 Activities, brands, products, and services	13, 14, 15		
	102-3 Location of headquarters	13		
	102-4 Location of operations	13 and 16		
	102-5 Ownership and legal form	13		
	102-6 Markets served	13 and 16		
	102-7 Scale of the organization	12 and 16		
	102-8 Information on employees and other workers	31, 52 and 62		8
	102-9 Supply chain	27 and 60		
	102-10 Significant changes to the organization and its supply chain	There were no significant changes in the year.		
	102-11 Precautionary principle or approach	26		
	102-12 External initiatives	59		
	102-13 Membership of associations	59		





GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
Strategy				
GRI 102: General disclosures 2016	102-14 Statement from senior decision-maker	6 and 8		
Ethics and integrity				
GRI 102: General disclosures 2016	102-16 Values, principles, standards, and norms of behavior	11		16
Governance				
GRI 102: General disclosures 2016	102-18 Governance structure	24		
	102-38 Annual total compensation ratio	24, 26 and 31		
	102-39 Percentage increase in annual total compensation ratio	31		
Stakeholder engagement				
GRI 102: General disclosures 2016	102-40 List of stakeholder groups	59		
	102-41 Collective bargaining agreements	All employees are covered by collective bargaining agreements in accordance with applicable legislation.		8
	102-42 Identifying and selecting stakeholders	59		
	102-43 Approach to stakeholder engagement	31, 59 and 60		
	102-44 Key topics and concerns raised	31, 59 and 60		
Reporting practices				
GRI 102: General disclosures 2016	102-45 Entities included in the consolidated financial statements	13		
	102-46 Defining report content and topic Boundaries	31		
	102-47 List of material topics	31		
	102-48 Restatements of information	63, 69 and 71		





GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
GRI 102: General disclosures 2016	102-49 Changes in reporting	3		
	102-50 Reporting period	3		
	102-51 Date of most recent report	Sustainability Report 2018, published in 2019.		
	102-52 Reporting cycle	Annual		
	102-53 Contact point for questions regarding the report	3		
	102-54 Claims of reporting in accordance with the GRI Standards	Core option		
	102-55 GRI content index	75		
	102-56 External assurance	The Report was independently audited. The assurance letter can be found on page 84		





Material topics

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
Economic performance				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	18		
	103-2 The management approach and its components	18		1, 5, 8, 16
	103-3 Evaluation of the management approach	18		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	18 and 19		2, 5, 7, 8, 9
Indirect economic impacts				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 34		
	103-2 The management approach and its components	34		
	103-3 Evaluation of the management approach	34		
GRI 203: Indirect economic impacts 2016	203-1 Development and impact of infrastructure investments and services supported	34		2, 5, 7, 9, 11
Materials				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 66		
	103-2 The management approach and its components	66		
	103-3 Evaluation of the management approach	66		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	66		8, 12
	301-2 Materials used that are recycled input materials	66		8, 12
	301-3 Reclaimed products and their packaging materials	50		8, 12
Energy				





GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 44		
	103-2 The management approach and its components	44		
	103-3 Evaluation of the management approach	44		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	66		7, 8, 12, 13
	302-4 Reduction of energy consumption	67		7, 8, 12, 13
Water				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	49		
	103-2 The management approach and its components	49		
	103-3 Evaluation of the management approach	49		
	303-3 (2018) Water withdrawal	49		6, 8, 12
Emissions				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 47		
	103-2 The management approach and its components	47		
	103-3 Evaluation of the management approach	47		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	67		3, 12, 13, 14, 15
	305-2 Indirect (Scope 2) GHG emissions	67		3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	67		3, 12, 13, 14, 15
Effluents and waste				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 46		
	103-2 The management approach and its components	46		





GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-3 Evaluation of the management approach	46		
	306-2 Waste by type and disposal method	68		3, 6, 12
Employment				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 52		
	103-2 The management approach and its components	52		
	103-3 Evaluation of the management approach	52		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	68		5, 8
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	41		8
	401-3 Parental leave	70		5, 8
Training and education				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31, 52, 54, 55, and 56		
	103-2 The management approach and its components	52, 54, 55 and 56		
	103-3 Evaluation of the management approach	52, 54, 55 and 56		
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	70		4, 5, 8
	404-2 Programs for upgrading employee skills and transition assistance programs	RD has no specific transition assistance or retirement programs.		8
	404-3 Percentage of employees receiving regular performance and career development reviews	71		5, 8
Diversity and equal opportunity				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31, 58		
	103-2 The management approach and its components	58		





GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
GRI 103: Management approach 2016	103-3 Evaluation of the management approach	58		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	58 and 71		5, 8
Nondiscrimination				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	58		
	103-2 The management approach and its components	58		
	103-3 Evaluation of the management approach	58		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	73		5, 8, 16
Supplier social assessment				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 60		
	103-2 The management approach and its components	60		
	103-3 Evaluation of the management approach	60		
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	73		
	414-2 Negative social impacts in the supply chain and actions taken	73		5, 8, 16
Public policy				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	74		
	103-2 The management approach and its components	74		
	103-3 Evaluation of the management approach	74		
GRI 415: Public policy 2016	415-1 Political contributions	74		16





GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
Consumer health and safety				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	59		
	103-2 The management approach and its components	59		
	103-3 Evaluation of the management approach	59		
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	60		
Customer privacy				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	31 and 61		
	103-2 The management approach and its components	61		
	103-3 Evaluation of the management approach	61		
GRI 418: Customer privacy 2016	418-1 Substantiated complaints regarding breaches of customer privacy and losses of customer data	61		16
Social and economic compliance				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			
	103-2 The management approach and its components			
	103-3 Evaluation of the management approach			
GRI 419: Social and economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	74		16





Sustainable Development Goals

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals



Assurance letter



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Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders
Raia Drogasil S.A.
São Paulo - SP

Introduction

We have been engaged by Raia Drogasil S.A. ("Raia Drogasil" or "Company") to apply limited assurance procedures on the sustainability information disclosed in 2019's Sustainability Report, related to the year ended December 31st, 2019.

Responsibilities of Raia Drogasil's Management

The Management of Raia Drogasil is responsible for adequately preparing and presenting the sustainability information in the Sustainability Report 2019 in accordance with the Standards for Sustainability Report of Global Reporting Initiative – GRI (GRI-Standards), as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Sustainability Report 2019 based on a limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the methodology developed globally by KPMG for assurance of social and environmental information disclosed in sustainability reports denominated KPMG Sustainability Assurance Manual - KSAM, applicable to historical non-financial information.

These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Raia Drogasil's Sustainability Report 2019, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the KPMG Sustainability Assurance Manual - KSAM consists mainly of questions and interviews with the Management of Raia Drogasil and other professionals of the Company involved in the preparation of the information disclosed in the Sustainability Report 2019 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor

acknowledges issues which may lead them to believe that the information disclosed in the Sustainability Report 2019 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Sustainability Report 2019, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) engagement planning, considering the material aspects for Raia Drogasil's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Raia Drogasil's Sustainability Report 2019. This analysis defined the indicators to be checked in details;
- (b) understanding and analysis of disclosed information related to material aspects management;
- (c) analysis of preparation processes of the Sustainability Report 2019 and its structure and content, based on the Principles of Content and Quality of the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards);
- (d) evaluation of non financial indicators selected:
 - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Sustainability Report 2019;
 - analysis of evidence supporting the disclosed information;
- (e) analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Sustainability Report 2019.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in the 2019 Sustainability Report of Raia Drogasil is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards), as well as its source records and files.

São Paulo, May 11th, 2020

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