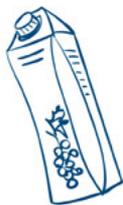


ANNUAL AND  
SUSTAINABILITY REPORT

2016



GPA





Pão de Açúcar

Pão de Açúcar

Pão de Açúcar



# Index

- 4 MESSAGE FROM THE BOARD OF DIRECTORS
- 6 MESSAGE FROM THE EXECUTIVE BOARD
- 8 GPA IN 2016
- 12 OUR PERFORMANCE
- 14 ABOUT THE REPORT
- 16 STRUCTURED GOVERNANCE

## *Sustainability in Practice*

- 22 SUSTAINABILITY AT GPA
- 24 VALUING OUR PEOPLE
- 40 CONSCIOUS CONSUMPTION AND SUPPLY
- 48 TRANSFORMATION IN THE VALUE CHAIN
- 54 ENVIRONMENTAL IMPACT MANAGEMENT
- 62 ENGAGEMENT WITH SOCIETY

## *69 Indicators*



## Message from the Board of Directors

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In another year where commitment, innovation, and drive were determining factors for the implementation of GPA's strategic plan, I am pleased to introduce the main guidelines that conducted our work in 2016, which ensured business growth and the beginning of the recovery of the Group's results.

Supported by the strategy of continuously focusing on the food segment and optimizing the store portfolio, we prioritized efforts and investments with the greatest potential for growth and return that meet the needs of increasingly demanding and selective consumers.

Assaí, a profitable model that yields excellent return, has, month by month, been gaining market share and consolidating its position in the Brazilian market. In addition to accelerated organic growth - 11 new stores in the year - we launched the plan for converting Extra Hiper stores into Assaí, and inaugurated two units in 2016. In all, the Assaí brand ended the year with 13 inaugurations and 107 units, present in 16 Brazilian states.

We continue to develop more promising formats, with the expansion of Minuto Pão de Açúcar, and this year we introduced the innovative concept called *Aliados CompreBem*. This business model, in partnership with small retailers in the Brazilian market, ended the year with 102 stores in operation. Pão de Açúcar continues to show resilience in its premium position, with gains in market share for over two years.

Among the highlights of the year is the recovery of Extra, especially the hypermarket format. Thanks to the new commercial initiatives implemented throughout 2016, the store presented growth in customer flow and recovery of volume, with gains in market share for nine consecutive months.

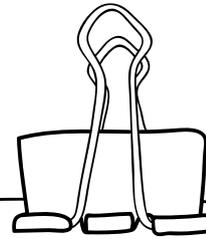
Throughout the year, we also advanced in disseminating the concept of sustainable development among the Group's main stakeholders, which is a strategic pillar for GPA from an economic, social, and environmental standpoint. And, guided by the Group's purpose represented by the motto, *Pelo Poder de Escolher (For the Power of Choice)*,

the Company strengthened its commitment to satisfying customers in all touch points through simple processes, continuous improvements, and real impact on the lives of millions of Brazilians.

In 2017, we will remain confident in the recovery of the Brazilian economy and reiterate our strategic vision and long-term commitment to the country, basing our businesses on excellent service, offering a varied range of products and services that can efficiently meet the needs and desires of our consumers.

With the trust and long-term vision that has always guided the Casino Group's commitment to Brazil, supported by the Board of Directors, the Executive Board of GPA, along with all employees, will firmly continue with the measures taken in 2016, in the best interest of customers, society, and all of our stakeholders.

*Jean-Charles Naouri*  
**Chairman of the Board of Directors**



## Message from the Executive Board

The year 2016, like 2015, was characterized as a challenging period in which the macroeconomic scenario remained recessive, with more selective consumers, after what had been a decade of accelerated expansion of the Brazilian retail market.

GPA's response to this change in market conditions began with a thorough review of the basics of the retail segment, such as store assortment, how we manage the product mix, and our ability to make the best purchases and offer customers the most attractive deals and conditions.

One of our guidelines was to do the basics more efficiently, valuing agility and simplicity. This effort reached GPA's corporate structure, and extended to corporate governance practices: we simplified our internal structures and made the relationship between our executive committees and the Board of Directors more robust and effective.

Regarding our business, we have advanced a strategic analysis of our portfolio that will allow for more balanced growth, especially in formats with higher return. Thus, we prioritized opening new stores in models that were more in line with their location - Assaí self-service wholesale, our Convenience stores, Minuto Pão de Açúcar, and Pão de Açúcar - as well as closing unprofitable units.

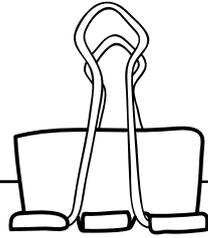
We also began a process of changing the brands of existing assets, converting two units of Extra Hiper into Assaí units, whose initial results have exceeded our expectations. In 2017, we will accelerate this schedule by inaugurating

approximately 15 units converted to Assaí. In addition to new stores opening, from 6 to 8 units, the conversions will have the effect of accelerating the expansion of GPA's "wholesale-retail" brand to more Brazilian cities and states.

Our 2016 results reveal that we are on the right track. The GPA food segment recorded 11.4% growth in net revenue over the previous year - which is even more remarkable when taking the recessive scenario into account. In the overall result, the figures for the Assaí brand stand out, with a 38.6% increase in sales for the year. This evolution reflects the assertiveness of the expansion carried out in 2016, with 13 new stores, and demonstrates that our positioning is in line with the current economic outlook.

In the Convenience segment, we had the joy of seeing our Minuto Pão de Açúcar stores chosen by the Canadian website Canadian Grocer as one of the 25 grocery stores that should be known worldwide. In addition, we launched the project called *Aliados CompreBem* - a partnership format between GPA and small- and medium-sized retailers - reaching 102 stores in operation.

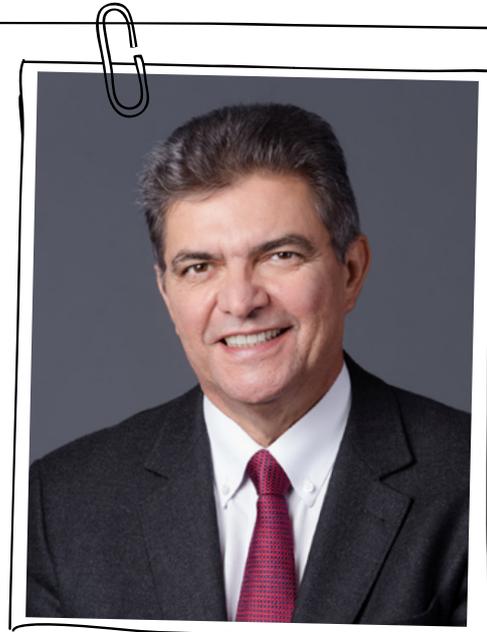
At Multivarejo, we changed the sales dynamics and operation of the Extra brand to be in tune with customer consumption trends, since customers are increasingly more sensitive to promotions with the desire to maintain their purchasing power. The new dynamics, launched in 2016, is beginning to show results, with an increase in sales volume and a consistent trend of gaining market share.



We made an important strategic decision in 2016: to focus GPA on the food segment - our core business -, which led us to announce the beginning of the process of selling Via Varejo at the end of the year. The resources to be raised through the operation, which is expected to take place in 2017, will be invested in actions to consolidate and expand GPA's market share in the food segment, considering opportunities for future investments and prospects for growth and return of consumption in food retail over the next few years.

Regarding sustainability, we also took important steps in 2016: we included diversity and energy efficiency indicators when calculating variable remuneration. In addition, we placed greater emphasis on promoting diversity, focusing on strategic audiences for the Company. We have also made progress in reducing the social and environmental impact of our activities. The Group's new policy for purchasing beef, launched this year, allows us to control 98% of the beef we sell, ensuring the social and environmental compliance of the direct origin of the products. All projects developed are in line with the principles of the United Nations Global Compact.

We began 2017 still facing an economic scenario as challenging as the one we experienced in 2016, but we now have a more prepared and structured company. We remain cautious, but confident that this scenario will evolve positively throughout the year and that we will reach the second half of the year with a more encouraging outlook.



We will continue with the same rigor and discipline in our actions and investments in order to ensure the interests of our shareholders and the Company's sustainable growth, while working toward the mission we have set for ourselves - to grow sustainably, focused on customers, simplifying the operation by using the best management practices in all our activities.

*Ronaldo Iabrudi*  
CEO

# GPA in 2016

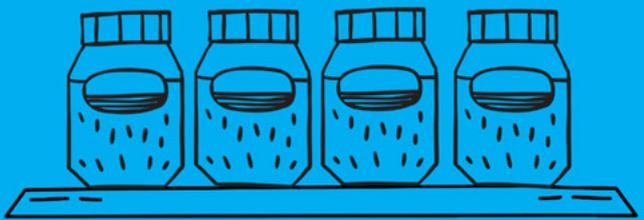
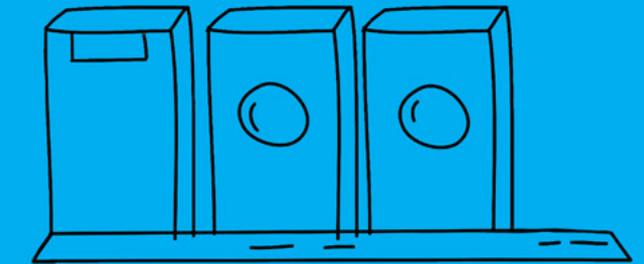
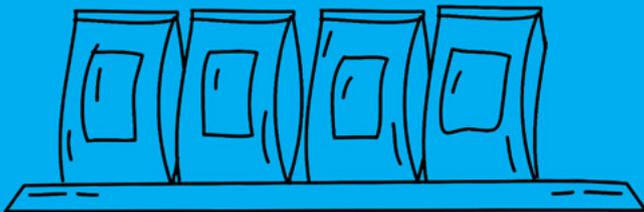


THE CHALLENGING YEAR OF 2016 WAS A PERIOD WHERE WE STRIVED TO DO MORE, MORE EFFICIENTLY, FOCUSED ON AGILITY AND SIMPLICITY. THE NEXT PAGES CONTAIN GPA'S MAIN FIGURES.\*



**1,135** POINTS OF SALE

**23** DISTRIBUTION CENTERS AND WAREHOUSES



**30 new stores**  
opened, of which:

- 13** > Assaí  
(two converted from Extra Hiper stores)
- 14** > Minuto Pão de Açúcar  
(one converted from Extra Minimarket)
- 2** > Pão de Açúcar
- 1** > Extra Minimarket

\*Data on 12/31/2016.

# GPA in 2016\*



The GPA brand designed to meet the customer's needs on various occasions, in hypermarket, **supermarket, drugstore, and fuel station** formats. Offers food, electronics, clothes, and products for the home and car.

328 stores\*\*



GPA's *premium* supermarket chain offers everything from basic products to services such as wine consulting and specialized cheese service. It is a **benchmark in innovation** in retail and in promoting concepts of healthy living and sustainability.

185 stores



**Self-service wholesale** (cash and carry) for micro and small business customers and end consumers seeking bulk purchases at competitive prices. Offers over 7,000 grocery, food, perishables, beverages, bazaar, packaging, hygiene, and cleaning, items.

107 stores



Premium Convenience brand, whose neighborhood stores, of an average of 300 sqm, offer a diverse assortment in a practical and welcoming environment. **Prioritizes customer convenience**, with personalized service and sustainability initiatives.

77 stores



Convenience brand focused on daily necessities, especially fresh basic perishables, in stores about 300 sqm in size. Its advantages are the **competitive prices and the proximity to the neighborhood consumers.**

207 stores



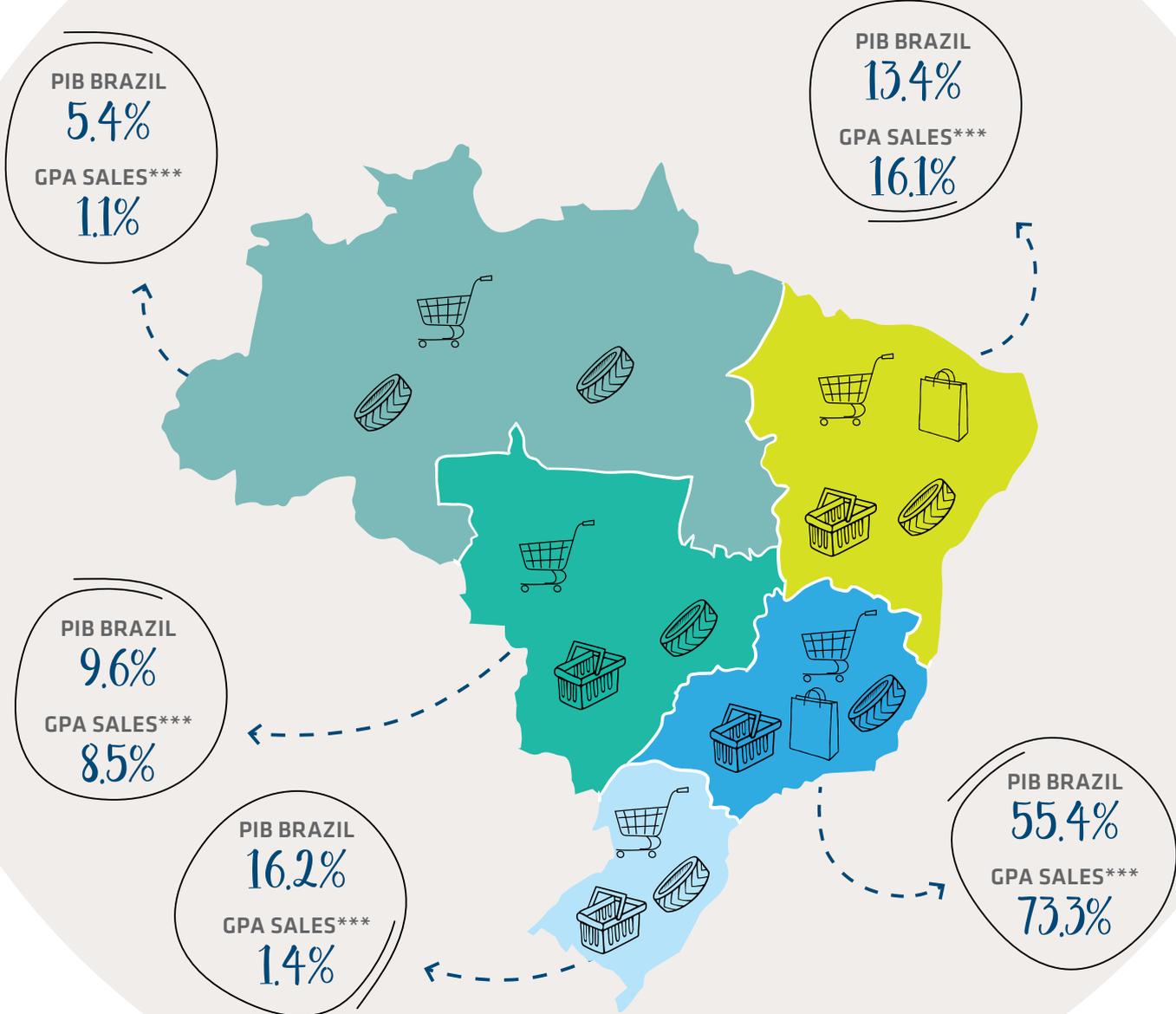
GPA works **with small and medium businesses located in the neighborhoods** where the Company's brands are located. Small independent grocery stores participate in the initiative.

102 partners

SHAREHOLDERS	COMMON SHARES	PREFERRED SHARES	TOTAL	%
Éxito Group	49,8	0,0	49,8	18,7%
Casino Group	49,8	10,9	60,7	22,8%
Executives and Directors	-	0,2	0,2	0,1%
Shares in Treasury	-	0,2	0,2	0,1%
Free-float	0,1	155,1	155,1	58,3%
<b>TOTAL</b>	<b>99,7</b>	<b>166,4</b>	<b>266,1</b>	<b>100,0%</b>

\*At the end of 2016.

\*\*Does not include 76 gas stations and 155 pharmacies.



Region	Super	Hyper	Self-service wholesale	Convenience	Total
North	-	1	2	-	3
Northeast	36	19	26	7	88
Midwest	16	15	11	-	42
Southeast	323	97	66	277	763
South	4	2	2	-	8

\*\*\*GPA's gross sales share in 4Q16.





## Our performance\*

### Food

- ▶ GPA's food segment sold BRL **45 billion** in 2016, representing an increase of **11.7%** over the previous year.
- ▶ Adjusted EBITDA<sup>1</sup> reached **BRL 2.2 billion** in 2016, even in an adverse economic scenario for consumption.
- ▶ For the Multivarejo Business Unit (Pão de Açúcar, Extra, Convenience, and GPA Malls), adjusted EBITDA<sup>1</sup> was BRL 1.5 billion, with a margin of **5.6%**.
- ▶ For the Assaí brand, adjusted EBITDA<sup>1</sup> increased by **54.5%**; the margin reached 4.7%, expanding 0.5 percentage points.
- ▶ Reduced leverage: net debt ratio<sup>2</sup>/ EBITDA of 0.3x and improvement in net debt<sup>2</sup> of BRL 357 million.
- ▶ Investments totaled BRL 1.2 billion in 2016.

### Extra

- ▶ **BRL 18.3 billion** in sales
- ▶ Implementation of the new commercial strategy to reinforce the competitive price image, offering savings in the **customer's entire purchase** using the following dynamics: "1,2,3 Passos da Economia", "Hiper-Feira" and "O Mais Barato."
- ▶ Sequential acceleration of the brand's sales throughout the year, highlighting the recovery of **Hypermarket sales**, which was the format most impacted by channel migration in the economic downturn.
- ▶ **Extra Hiper:**
  - Gain in market share in volume in the last ten measurements of 2016, according to Nilsen.
  - Volume recovery by about 9 percentage points since 1Q16.
  - Customer flow improved by 7.5 percentage points since beginning the new commercial dynamics.

(1) EBITDA adjusted by the item "Other operating expenses and income," thus eliminating extraordinary income and expenses.

(2) Includes BRL 241 million of credit card receivables not discounted in 4Q16 and BRL 136 million in 4Q15.

## Pão de Açúcar

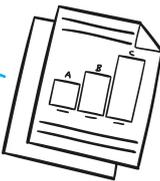
- **BRL 7.3 billion** in sales.
- The GPA premium brand ended the year 2016 with a **high level of profitability**, the highest among the GPA Food brands.
- The focus on monitoring, improving service level, differentiated service, and assortment allowed the brand to maintain its market share for over two years.
- Mais program customers account for **over 70%** of the brand's sales.

## Convenience

- **BRL 1.2 billion** sales and sustainable growth of same-store sales, above inflation and with gains in market share.
- In 2016, the profitability of the business was **2.5 percentage** points higher than 2015, due to the improving processes and increasing scale.
- The more selective growth plan prioritizes Minuto Pão de Açúcar, which **demonstrates a more consistent return**.
- The *Aliados Compre Bem* project reached **102 stores** in operation.

## Assaí

- The brand's sales reached **BRL 15.7 billion** in 2016; improvement over the previous year was **39.2%**.
- Sales increased **18.6%** in the concept (same-store); customer flow posted a **double-digit** growth.
- In 2016, Assaí accounted for **35% of the sales** in the food segment, compared to 28% in 2015.
- The self-service wholesale market share gain was about **4 percentage points** in the year, in a strong growth sector.
- Expansion assertiveness: **13 new stores** in the last 12 months, 2 were conversions. Entered **3 new states** in 2016 and present in all regions of the country.



STORES  
CONVERTED  
FROM EXTRA TO  
ASSAÍ EXCEEDED  
EXPECTATIONS WITH  
SALES GROWTH  
**MORE THAN 2.5  
TIMES** HIGHER  
AND IMPROVED  
PROFITABILITY.

*\*GPA's Board of Directors, continuing the process of evaluating strategic alternatives involving the Company's investment in Via Varejo, authorized the Executive Board to initiate the process of disposing its interest in Via Varejo, which was made public by means of relevant fact, disclosed in November 2016. As a consequence of this process, Via Varejo's activities were handled by the Company in a single item in the income statement as "discontinued operations," and also in a single item in assets and liabilities as held for sale, according to IFRS 5, which is why the data related to Via Varejo activities are not included in this report. For access to information about Via Varejo's Annual and Sustainability Report, click here.*

## About the Report \*

The 2016 GPA Annual and Sustainability Report contains information and accomplishments for the period between January 10 and December 31, 2016.

The report follows the methodology for sustainability indicators used internationally by the Casino Group, considering the period from October 10, 2015 to September 30, 2016. The aspects and topics prioritized in this report are in accordance with a materiality study carried out in 2014 for GPA operations in Brazil, a set of sustainability commitments aligned with the policies globally adopted by the Casino Group. They are:

- › Conscious consumption and supply
- › Valuing our people
- › Transforming the value chain
- › Managing environmental impact
- › Engaging society

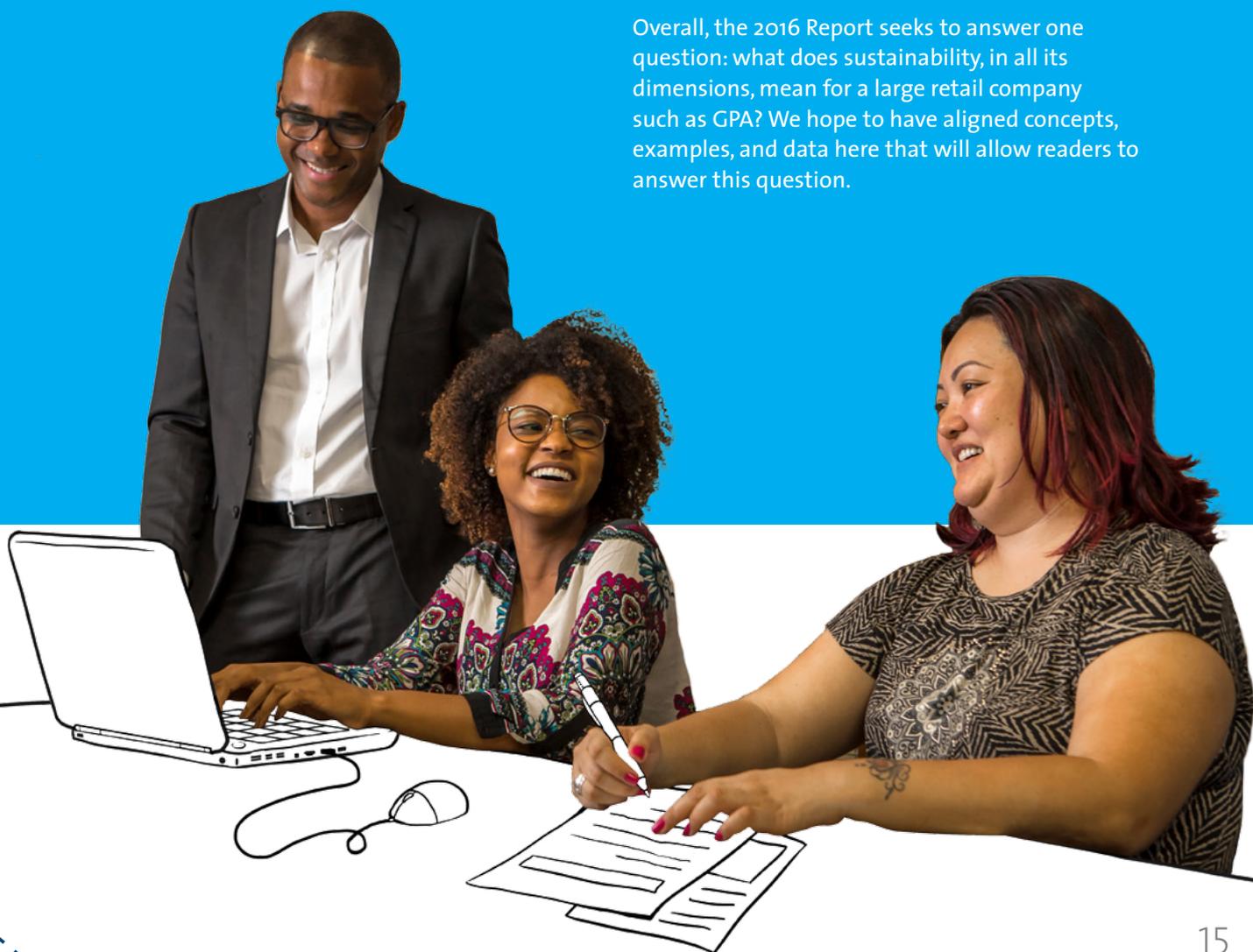
These five pillars form the core section of the Report (part 2), which concisely outlines the main policies and actions undertaken by GPA in 2016. For each commitment, at least one case is presented illustrating the application and results of the initiatives reported, as well as an evaluation of the achievement of the goals established for 2016 and a description of those set for 2017.

*\*GPA's Board of Directors, continuing the process of evaluating strategic alternatives involving the Company's investment in Via Varejo, authorized the Executive Board to initiate the process of disposing its interest in Via Varejo, which was made public by means of relevant fact, disclosed in November 2016. As a consequence of this process, Via Varejo's activities were handled by the Company in a single item in the income statement as "discontinued operations," and also in a single item in assets and liabilities as held for sale, according to IFRS 5, which is why the data related to Via Varejo activities are not included in this report. For access to information about Via Varejo's Annual and Sustainability Report, [click here](#).*

The introduction (part 1) - which includes this section - gathers the texts introducing the Report, including messages from the Board of Directors and the Executive Board, and the section entitled GPA in 2016, which summarizes relevant figures and facts portraying the Company during the year in question. Also included in this part is a section that reports developments in the Group's corporate governance and compliance practices.

Following the core section, a set of attachments (part 3) contains the economic and financial performance statements and other sustainability indicators. These are consultation materials for readers who wish to learn in more detail about the data and facts narrated in the Report. In some of the texts, from any of the three major portions, links and references to other GPA publications are also suggested, in which readers may find more detailed information on the aspects covered.

Overall, the 2016 Report seeks to answer one question: what does sustainability, in all its dimensions, mean for a large retail company such as GPA? We hope to have aligned concepts, examples, and data here that will allow readers to answer this question.



# Structured governance

In 2016, GPA sought to simplify its business structures and further improve its management and governance standards, continuing to follow the guidelines and policies initiated in previous years (see more in the messages from the Board of Directors and the Executive Board, and in the section GPA in 2016, in this part of the Report). We have in place a structured system of corporate governance, supported by the quality of management bodies, working committees, and policies, and backed by the presence of independent members on the Board of Directors.

Our management model encompasses all businesses, observing the characteristics and positioning of each brand. The practices, processes, and controls encouraged and adopted by the Company ensure the achievement of its objectives and contribute to building sustainable, transparent relationships, providing reliable and timely information, and the equal treatment of all stakeholders.

GPA's governance system is led by the Board of Directors and the Executive Board - the latter is responsible for managing the business in accordance

with the strategic guidelines established by the Board of Directors. Composed of 11 members, with a 2-year term, the Board of Directors convenes at least six times a year to deliberate on the Group's business and governance. Among the responsibilities of the body is electing the Executive Officers and supervising senior management.

Four of the 11 members of the Board of Directors are independent; an example of a governance practice that exceeds the standards established by the markets in which we operate - GPA is part of BM&FBOVESPA Level 1 governance in Brazil and Level III ADRs in the New York Stock Exchange (NYSE) in the United States.

## Committees

The Board of Directors has five advisory committees, composed of three to five members each. They are:

1. Audit
2. Sustainable Development
3. Finance
4. Corporate Governance
5. Human Resources and Remuneration

## Executive Board

NAME	POSITION
Ronaldo Iabrudi	Chief Executive Officer
Christophe José Hidalgo	Vice President of Finance
Antonio Salvador	Vice President of Human Resources and Management
Belmiro Gomes	Director of Wholesale Business
Luis Emilio Moreno Sanchez	Vice President of Multivarejo Business
Luiz Henrique Costa	Director of GPA Malls Business
Peter Estermann	Chief Executive Officer of Via Varejo



The dynamics of the relationship between the committees and the Board seeks to balance strategic guidelines and operational considerations, ensuring that all aspects are broadly and thoroughly discussed before making a final decision.

In 2016, the Board and its advisory committees held 71 meetings to discuss issues relevant to GPA. These meetings discussed, among other aspects, 2017-2019 strategic planning; compliance and culture programs; transactions between related parties; and the Group's new Code of Ethics.

In 2016, the Board also approved the complete integration of Cnova's e-commerce business into the Via Varejo unit. This initiative demonstrated the Company's high governance standards.

GPA waived its right to vote at the Via Varejo assembly that deliberated on merging the two Companies, approved by the minority shareholders with a 94% adhesion rate. At the end of the year, the Board also decided to begin the process of divesting the Company's stake in Via Varejo, due to its strategic guidelines for consolidating its position in food retail (*see more in the section About the Report, on page 14*).



## BEST PRACTICES

GPA continually improves its corporate governance. Among the practices adopted by the Company, the following stand out:

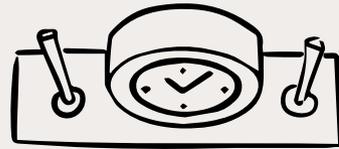
- Periodic self-assessment of the Board of Directors and the advisory committees (in 2016, we started a new self-assessment cycle; the recommendations and changes resulting from this process will be implemented in 2017)
- Succession plan analyzed by the Human Resources Committee and the Board of Directors (*see more in the section Valuing Our People, page 24*)
- Audit Committee established under the terms of ICVM 509
- Solid policy for Related Party Transactions
- Ethics Committee and Disclosure Committee composed of the Company's Executive Officers
- Compliance program (*see more in the following section*)

## ETHICS AND COMPLIANCE



The motto titling this page could be seen through all GPA businesses in 2016, in training materials and in an internal campaign to publicize the Group's Compliance Program. The phrase **Do the Right Thing the Right Way** summarizes GPA's senior management efforts to disseminate our commitment to respecting the law and the integrity of operations under all circumstances.

GPA's ethics and compliance management programs and activities were restructured 2016. A corporate team dedicated to these aspects was formed, reporting directly to the Audit Department.



### COMPLIANCE PROGRAM

In development since 2015, this program gained momentum over the past year, with the purpose of disseminating and implementing the corporate integrity parameters established through Decree No. 8,420, which provides on the Anti-Corruption Law, in force since 2014.

The implementation of this comprehensive set of structured initiatives also has the effect of demonstrating, internally and to society, the unequivocal commitment of GPA's senior management - including the Board of Directors, the Executive Board, and the advisory committees - to the policies and controls established in the Compliance Program. Issues related to ethics and compliance were an integral part of the agendas of the Group's management bodies throughout 2016.





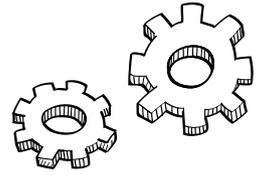
### *The main initiatives carried out in the year:*

- ▶ Revision and update of GPA's Code of Ethics, caring for language and layout, aiming to become more meaningful to all employees; the Code was officially released at the Executive Forum and will be the subject of a communication campaign in 2017 at the headquarters and all GPA stores
- ▶ Communication campaign internally disclosing company policies, in particular anti-corruption, donation, and sponsorship standards, and those relating to conflicts of interest
- ▶ Structuring and dissemination of Ombudsman channels to receive employee questions and complaints, confidentially, for each business unit
- ▶ Creation of Ethics and Compliance committees at all business units, which deal with aspects regarding the Code of Ethics and receive periodic reports from the Ombudsman's Office on complaints received through that channel
- ▶ Inclusion of the aspect Ethics and Compliance in the agenda of executive committees and the Board of Directors; in the same way, presentation about the Compliance Program at the corporate and operational forums attended by Officers, Managers, and employees
- ▶ Ethics and compliance pages created on the institutional website and GPA's investor relations websites, in which the Group's Code of Ethics and the anti-corruption standard are available to external audiences
- ▶ Conduction of risk assessment regarding the Anti-Corruption Law for each business unit, in order to direct and prioritize the actions of the Compliance Program
- ▶ Adherence to the Corporate Pact for Integrity and against Corruption, sponsored by the Ethos Institute
- ▶ Updating of contractual clauses and implementation of third-party risk assessment, which helps GPA's administration to identify possible risks regarding the Anti-Corruption Law concerning its business partners
- ▶ Participation in work forums with companies from different sectors, in which best compliance practices were discussed, which helped us to improve the Program, our policies, and internal controls
- ▶ Distribution to Directors and Managers of a box containing material on GPA's ethics and compliance policies, presenting practical examples of finding solutions to questions and procedures (*see more in the table on page 20*)

## A KIT FOR EVERY DAY

At their workplace, GPA Directors and Managers have a box available with printed material that explains concepts, answers questions, and defines procedures regarding the Compliance Program. The following aspects are covered in the material:

- › The Anti-Corruption Law
- › The Ombudsman's Office (restructured as a channel for detecting fraud and corruption, GPA's Ombudsman's Office received over 13,000 reports in 2016, and 100% of the cases were processed and handled)
- › Policy for receiving presents, gifts, travel, and entertainment
- › Policy for donations, contributions, and sponsorships (donations to political parties and election campaigns are prohibited)
- › Policy for avoiding or resolving conflicts of interest
- › Procedures for relationships and agreements with government and supervisory agents
- › Risk analysis procedure for contractors, service providers in particular

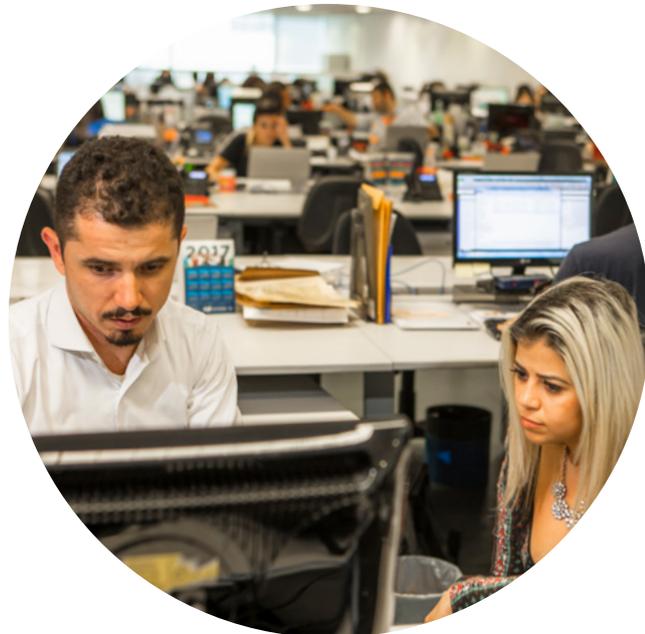


AN ON-SITE TRAINING AND E-LEARNING PROGRAM ON THE CODE OF ETHICS AND THE ANTI-CORRUPTION LAW WAS DEVELOPED AND HAD THE PARTICIPATION OF OVER 600 MANAGERS AND EMPLOYEES IN 2016. THE TRAINING SESSIONS REACHED ALL JOB LEVELS, FROM THE EXECUTIVE BOARD TO NEW GPA EMPLOYEES, AS WELL AS CURRENT AND FUTURE STORE MANAGERS.

## Risk management

GPA'S Risk Management structure was reviewed in 2016, in parallel with the expansion of Ethics and Compliance activities. The two teams were placed side by side within the scope of the Audit Department - an institutional model that enables coordinated and permanent action in these two related areas, either to identify and analyze the existing risks, or to work with the operational and management teams responsible for eliminating or mitigating them.

**IN 2017, GPA'S RISK MATRIX WILL BE UPDATED; THE ORIGINAL MATRIX, FROM 2015, CONTAINS 285 DISTINCT RISKS TO ALL COMPANY BUSINESSES.**



Since 2015, the Company has had in place a matrix listing 285 different risks, of which 85 were selected as priority in 2016. The risk matrix will be updated and simplified in 2017, taking into account GPA's restructuring into three large business units supported by cross-sectional areas.

Risk Management covers all types of corporate risk, in a scope that goes beyond the traditional perceived financial risks. One aspect, for example, is the management of the Company's own business continuity, by assessing risks in key processes along GPA's value chain.

In 2016, a hired consulting firm evaluated, through over 70 interviews, which of GPA's main processes are subject to this type of risk. For those processes, business risks

and impacts were identified, and based on this analysis, business recovery plans will be developed: detailed roadmaps with the actions to be adopted to address crisis, accidents, or natural disasters, particularly in the areas of logistics and technology, in order to guarantee that critical processes continue operating, minimizing impacts on the business.

# Sustainability in Practice

## 1 Sustainability at GPA

Sustainability is one of GPA's strategic pillars. Our group operates in 22 states and in the Federal District, through an extensive network of points of sale, distribution centers, and administrative offices. This condition makes the Company a powerhouse in Brazilian retail and outlines a clear course for our performance in terms of sustainable growth.

Three years ago, GPA defined a sustainability mission that takes into account a broad social and environmental context. We seek to be an agent of change in society by adopting best practices in our activities and in our business. And for us, this means maintaining a strong social commitment concerning the impact we may have on the lives of the people and the communities where we operate - alongside the ongoing concern with environmental issues.

This approach led us to bring together, within the organizational model, the area responsible for developing sustainable practices and the teams that care for our people. For this reason, the Corporate Sustainability area is part of the Human Resources and Management Vice Presidency, in order to facilitate well-tuned team performance in all matters relevant to the environment and society.

This proximity makes it possible to fluidly disseminate throughout the Company the core importance of this aspect to our day-to-day activities. To this end, we relied on GPA's various

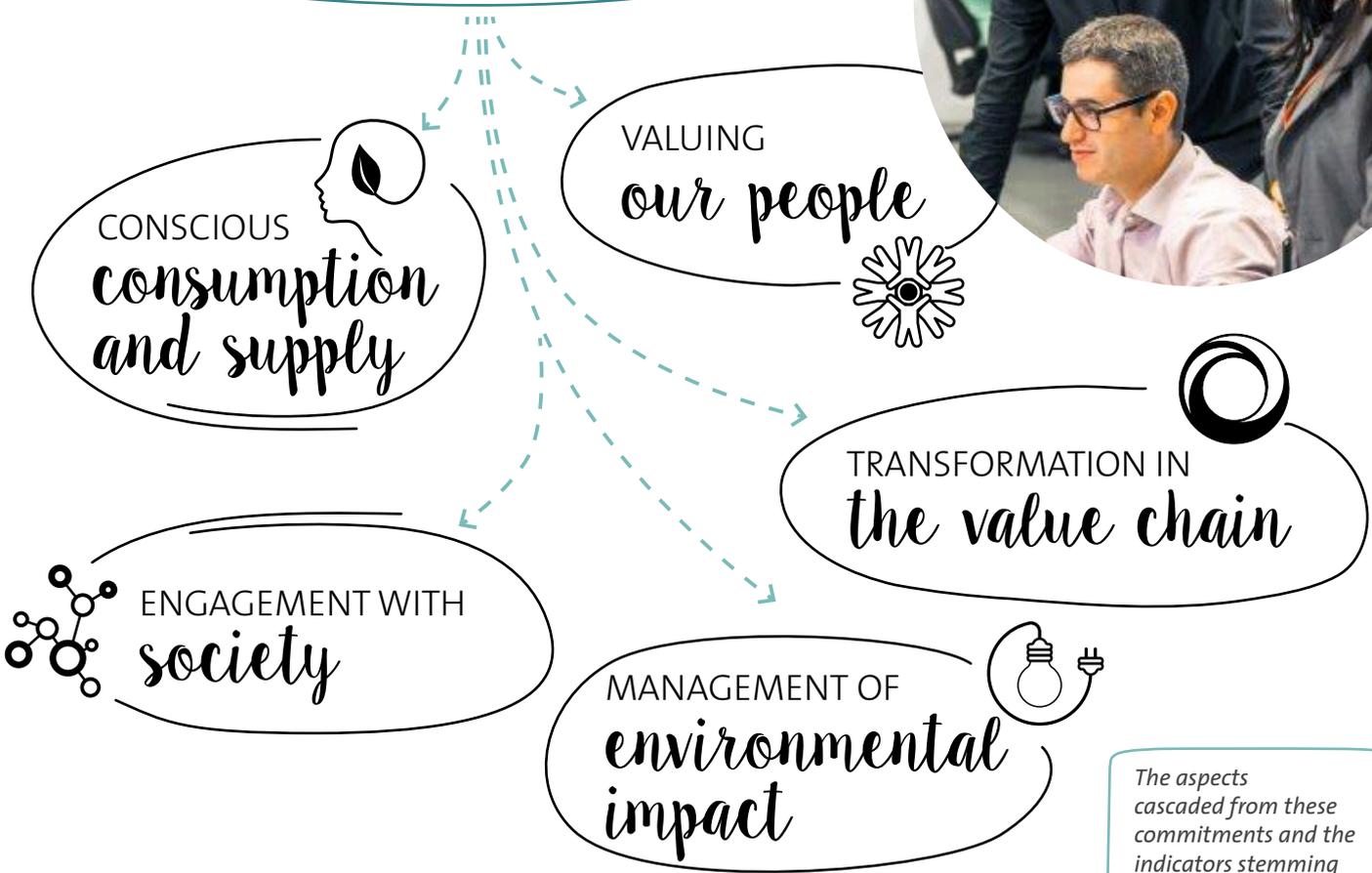


training and communication tools. Our purpose is to continue to integrate sustainability into the business, so that we no longer discuss one particular priority with one area or another. In 2016, for example, sustainability indicators were included in the goals to be achieved by employees who receive variable compensation bonuses (*read more in the table on page 23*).

In order to strengthen sustainability as a strategic business pillar, we are in line with the guidelines of the Casino Group. GPA's Sustainability Policy is based on five commitments that correspond to the guidelines globally adopted by Casino. These commitments were chosen as relevant to the Group in Brazil through a materiality process carried out in 2014 (*see table on the next page*).



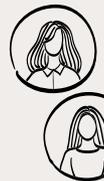
GPA'S SUSTAINABILITY COMMITMENTS



*The aspects cascaded from these commitments and the indicators stemming from them are reported in the final portion of this publication.*

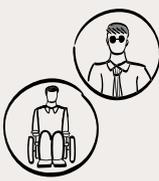
**Sustainability in variable remuneration**

In 2016, a portion of the bonuses received by employees entitled to variable remuneration (VR) was tied to a group of three sustainability indicators called the Sustainability & Diversity Index. They are:



**the percentage of women in leadership positions**

(management and above)



**the percentage of employees with disabilities**



**energy consumption per sqm in sales areas**

The indexes were cascaded by business area, and GPA was the first subsidiary of the Casino Group to adopt this type of criteria in its variable compensation programs. Learn about GPA's main highlights in each of the sustainability pillars on the following pages.

# 2

## Valuing our people



For a company driven by people, organizational culture is always an aspect of great strategic importance, as it guarantees the continuity of large ventures in the medium and long term.

For this reason, in 2016, GPA revised its purpose and redefined its corporate values, giving greater meaning to the Group's existence. These values reflect the day-to-day practices of our employees, which perpetuate the success of each business unit, summarizing GPA's power to create multiple opportunities.

With this work, we make it clearer - to our employees, suppliers, customers, and investors - what our *raison d'être* is and in what we believe, in order to continue treading this successful path.

### THE PURPOSE:

#### For the power of choice

We choose to evolve and innovate, creating trends, improving business formats, and building, for every consumption need, a new world of opportunities. We choose to offer food, bazaar products, appliances, electronics, and cleaning and personal care products. We serve families and entrepreneurs from the north to the south of the country, both in stores and on the Internet.

We know that the act of buying is an expression of freedom of choice, so we provide our stakeholders with multiple formats, channels, and assortment.

GPA is one of the largest and best distribution groups in Brazil because it believes that being able to choose is always the best choice.





THE VALUES:

POWER OF *simplification*

We simplify our discussions, processes, and plans, being pragmatic to ensure that our actions are taken efficiently, quickly and correctly.

POWER TO *impact people*

We value our ability to positively impact the lives of thousands of people, building a better, diverse society.

CUSTOMER *power of choice*

Everything we do, we do to always be our customers' first choice.

POWER TO *perform every day*

Our people are driven by the ability to perform, to work together, to proudly lead market changes, and thus, to grow with our business, building the future every day.



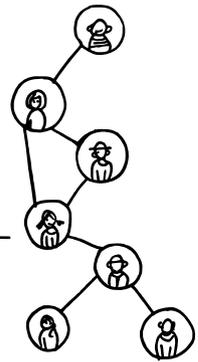


## People and Sustainability

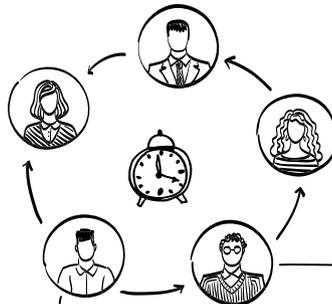
While working on translating our beliefs into business success, uniting the efforts of the various areas and businesses toward a single purpose, we have invested in a number of people management initiatives that have yielded important results to the People and Sustainability area. The following are the most relevant:

### Productivity in people management

In 2016, productivity was the word of the year in people management. We continued to implement goals, indicators, action plans, and training - a management model that provided gains in management discipline and allowed us to better understand the challenges we face. Our goal is to do more with less, always attentive to the trade-off between the cost and the quality of the service we provide to internal and external customers. With this mindset, we highlight the following initiatives and achievements in 2016:



**> Replacement of the Human Resources (HR) Technology platform** with a new system in compliance with eSocial, a federal government platform that unifies the sending of employee information to employers. The change required a thorough review of HR processes - including adding a new tool for managing processes in the digital environment - and employee training.



**> Reduction in the time between admission of new hires and the time they effectively begin to work**, through specific onboarding programs. In 2017, GPA will begin operating a new recruitment and selection model that allows new employees to complete all stages of the admission process in up to three days (*read more about Integra RH in the table on page 27*).

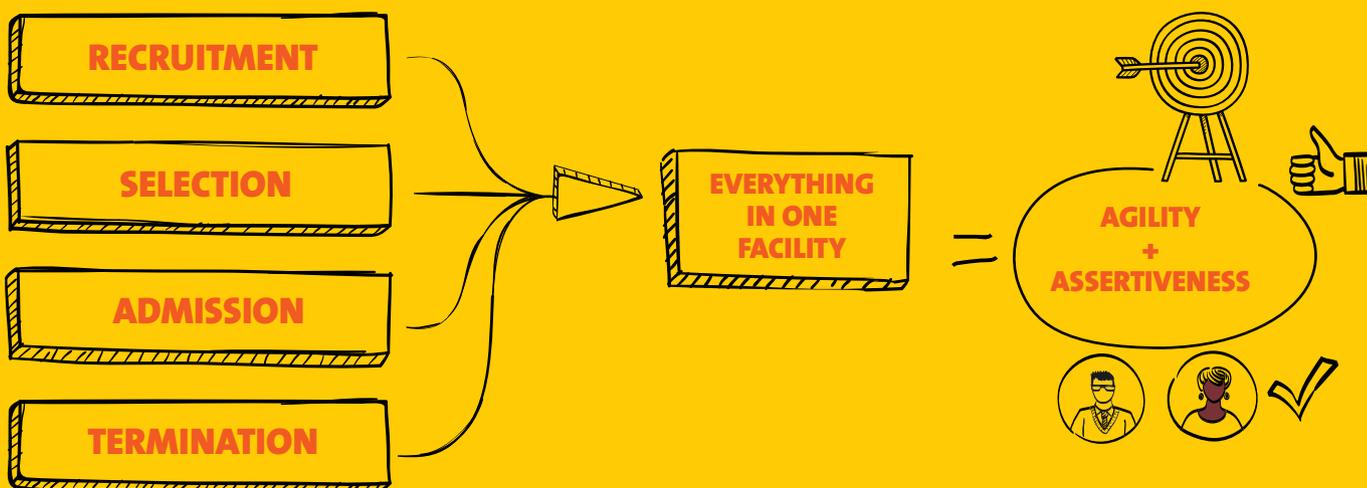


## Everything integrated in HR

Four floors, in São Paulo's city center, where the applicants for positions at GPA go through all stages of recruitment, selection, interviews, and medical examinations up until the signing of the contract: this is how *Integra RH* can be described, an initiative that will be implemented on a pilot scale in 2017.

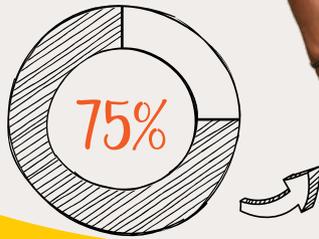
*Integra RH* concentrates, in a few hours and a single location, processes that previously needed to be done in different places and could take days or weeks to be finalized. In full operation, the admission of a new employee may be completed within one to three days.

This is a win-win solution for both sides - applicants, who spend less on transportation and do not waste hours commuting and waiting, and the Company, which will have new employees ready to start working in less time. *Integra RH* may also simplify the termination process for employees, with the possibility of offering former employees training and other job opportunities.



## On the right path

The result of the engagement survey conducted in the second half of 2016 with Assaf's employees - the GPA self-service wholesale brand - shows that the changes we are making regarding people management are having positive effects. We achieved a high participation rate: 94%. Among participants, close to **75% stated that they were satisfied with the workplace climate**, a rate well above the average of 51% for the retail sector.



## Reduced turnover

GPA closed 2016 with a turnover rate of 28%. Among leaders, this percentage was less than 5%. This is an important achievement, especially when considering that this rate is traditionally high in retail.

What leads to this low rate? Some GPA initiatives were important to improving retention of professionals and executives at all Company levels. See on the side.

### > Clear goals and discipline in management -

Today, nearly 800 GPA managers have defined and synchronized individual goals for which they must develop action plans shared with their teams. This discipline enables a closer monitoring of results and the adoption, when necessary, of corrective measures at the right time.

### > Transparent communication -

We seek greater involvement with trade unions in order to maintain open communication and provide a fair and transparent process between the company and the associations.

### > Practicing the "simple" -

Adopt measures that indicate the Company's willingness to practice the values of simplicity and meritocracy.





## In-house talent

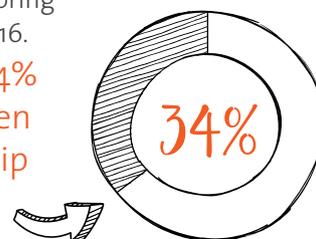
Three years ago, 80% of the people hired by GPA for job openings in the 400 executive positions came from outside the Company, and only 20% were promoted internally. Today, this ratio is reversed: in the same 400 highest positions, only 10% of replacements come from outside, while 90% are filled by internal promotion. Likewise, when considering a smaller portion - the 150 highest positions - today, 80% of the executives have an internal successor mapped or ready to assume the position in case the employee leaves (or, more likely, receives a promotion). Three years ago, this planned succession in executive positions barely reached 20%.

Since then, GPA has radically changed its way of seeking candidates for the job openings arising in these positions. The company stopped using the services of headhunters as a first option, and developed an internal model for identifying and preparing successors, giving preference to in-house talent.

## Mentoring

50 top executives were selected and participated in GPA's internal mentoring program in 2016.

Of these, 34% were women in leadership positions.



## Main points of the new model:

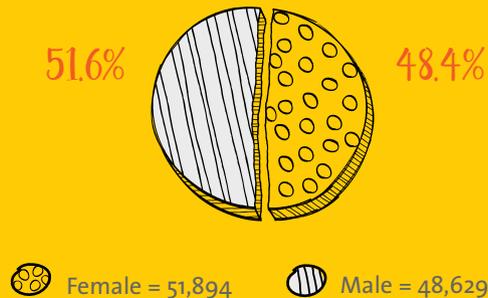
- The 150 most important executive positions were defined and the desired characteristics for the professionals holding each of these positions were listed
- In periodic meetings, talents available within GPA to fill these positions in the short, medium, and long term are mapped
- In areas where insufficient succession coverage is identified, employees are called upon to develop action plans to fill in the gaps
- Potential leaders may receive training and mentoring in preparation for a new position, or in the first few months at the new job. In 2016, a total of 34% of the leaders who received mentoring were women in Management positions and higher
- A senior HR leadership role was created - Talent Management - to manage the entire model and act as an internal headhunter
- A concept that preparing a substitute is the unavoidable responsibility of every leader was disseminated: no executive may be promoted if he or she has not trained his or her successor
- The model is valid for the highest executive positions, up to the levels of Directors, Vice Presidents, and President; and has the support of the Board of Directors and the Human Resources and Remuneration Executive Committee, which participated in its development.

Is it in GPA's plans to make 100% of its executive's successions through internal promotion? The answer is no; for the Company, in an area like retail, which advances through innovative practices, it is necessary to keep the doors open, to inspire leadership with new viewpoints and perspectives.

Recognizing such need, the new succession model has paved the way for more and more talented people - who relate to GPA's culture, values, and practices - to reach the highest executive positions.

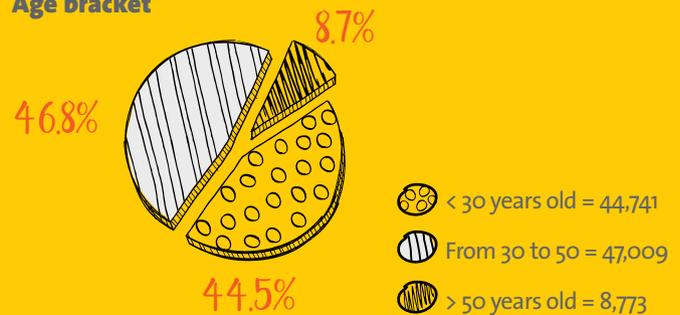
### Total headcount - men and women

#### Gender



### Total headcount - age bracket

#### Age bracket



## Health and quality of life



In order to counter the health cost spiral - inflation of these costs grows twice as high as the country's general inflation rate and pressures the finances of companies that employ large numbers of people - we work to create a virtuous cycle among the employees, with a better relationship between health and costs.



**> Prevention is better than treatment** - our purpose is for people to be knowledgeable about their own health and about the resources available to avoid getting sick. Therefore, we mapped the epidemiological profile of our employees, using a sample group, in order to identify critical points regarding life habits, such as eating, sleeping, physical activity, and stress level, and the presence or aggravation of illness, such as chronic illness, interruption of treatment, or lack of medical follow-up. Based on this action, health promotion and prevention initiatives were developed for GPA as a whole.



**> Health for everyone** - more people need to adopt healthy lifestyle habits. In this sense, it is better to encourage a large number of employees to take regular walks than to "encourage a few to practice a high performance sport." We are aware that it is up to the company to inform its employees and encourage healthy habits; the choice to follow the advice, however, will always be up to each person.



An initiative that follows this concept is the Health Program - Valuing a Healthy Life, held in 2016 for the employees of the units who have access to the GPA Gym in São Paulo, Rio de Janeiro, Fortaleza, and Brasília. The objective was to combat obesity and overweight, make participants more aware of the importance of maintaining healthy habits, and publicize the services available in the units.

## Diversity as a value

We believe that GPA should be as diverse as Brazilian society and the consumers who choose us. This belief is the foundation of our initiatives to respect, welcome, and promote diversity in the Company, combating all forms of discrimination.

For GPA and the Casino Group, diversity is a lever of performance and economic and social innovation. Respect for uniqueness and positive

coexistence between different people can be a source of employee motivation and attracting new talent.

In 2016, we disseminated and applied throughout the Company the guidelines established in the Charter of Commitments to Diversity, launched in 2015. See below the priority groups of people for GPA who receive specific programs and projects.

**Women:** We sought to eliminate unjustified differences in recognition between the genders by increasing the number of women in leadership positions and on GPA executive committees and boards.

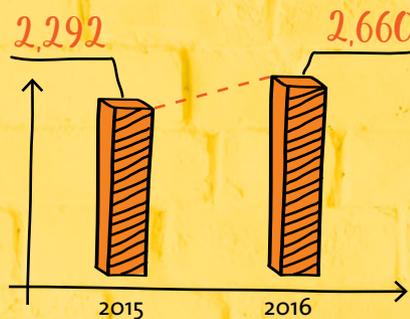
**LGBT:** Our purpose is to educate about sexual orientation and gender identity, to ensure equal treatment of employees, and to ensure equal rights for same sex partners.

**People with disabilities:** We want to improve the accessibility and inclusion of people with disabilities, increase the number of disabled employees, and ensure equal access to career opportunities.

**Youth:** We want to train managers to lead teams of people from different generations, facilitate the professional integration of young adults without qualification, and develop apprenticeship programs.

**Blacks:** We seek to educate in order to encourage interracial relationships, discourage discriminatory attitudes, and increase the number of blacks in leadership positions and on GPA executive committees and boards.

Total number of employees with disabilities



{ THE MAIN INITIATIVES AND THE RESULTS ACHIEVED BY GPA CONCERNING DIVERSITY IN 2016 ARE HIGHLIGHTED BELOW. }

► The Assaí brand filled the quota for hiring people with disabilities in 2016.

► Launch of a corporate diversity campaign focusing on the inclusion of people with disabilities (*read more about people with disabilities in the table on page 38*).

► The Company distributed the Diversity Handbook to managers, which seeks to guide GPA leaders on how to work and coexist appreciating diversity (see here); and launched the Diversity Moment, a cartoon sent to managers and employees via email as a tool to stimulate discussion of diversity issues with the teams they lead.

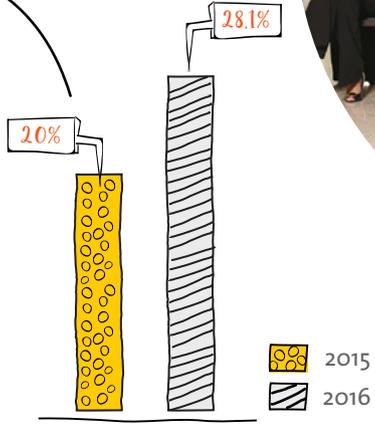
► In the initiatives toward training Young Apprentices, it is worth mentioning the programs focused on the distribution center, whose advantages are the search for young adults with a profile suitable for operations, training managers and HR to receive young adults, and the Young Apprentice's job rotation in several areas, aiming to offer complete training of the young adult in the entire operation of the distribution center. In 2016, a total of 53 Young Apprentices in São Paulo and 43 in Rio de Janeiro were hired.



## WOMEN GAIN SPACE

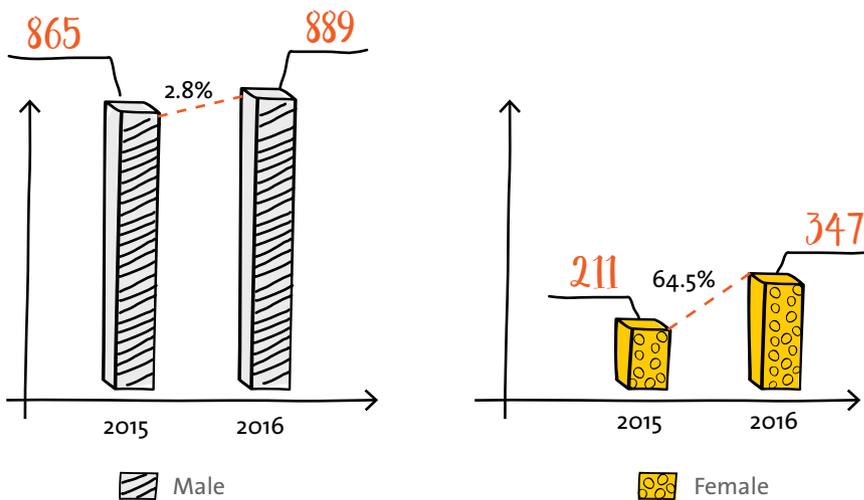


Nearly 80% of GPA's total customers are women, as well as 48% of the Company's workforce. It is reason for celebration, therefore, that in 2016 we reached the percentage of 28.1% of Management positions and above occupied by women.



The increase in the participation of women's in GPA's management is the result of initiatives taken in recent years, such as the creation of the Gender Equity Executive Committee, which is composed of employees from different businesses to take part in discussions on this topic.

### Female and male in Management positions and above



## Gender equality



*We are working to achieve gender equality in leadership positions. Currently our main indicator for this is female presence in Management and Board positions.*

*At the Company's base, the number of men and women is similar, as in the Brazilian population. When it comes to leadership, there is a large difference. We understand that the first target to be achieved is to improve this number on all fronts: either by recruitment and selection, by looking at the issue of gestation, or by mentoring and networking.*

*We need to break taboos involving female leadership. Many women think that being a Director, for example, means not having time to see their children or take care of the family. The role of mentoring is to demystify some of these issues.*

*All of the studies show that, when the question is raised now, full equality will only take place 80 years from now. We do not claim that we will achieve equality quickly, but any percentage that increases year on year because of these initiatives shows that we are on the right track.*

*The Sustainability & Diversity index that became part of the variable remuneration formula in 2016, which includes female participation in management positions and above at GPA, was the idea of the Gender Equity Committee. The Sustainability and Diversity area brought this to the Executive Board, which embraced the idea.*

*The benefits of equality between men and women are numerous. Among them is the promotion of a better work environment, with more collaboration and team spirit. All studies indicate that an egalitarian environment is more creative, more innovative, enhances engagement and motivation, and ultimately results in better financial performance.”*



**Paula Bonanno is GPA's Legal and Tax Manager. Eight years in the Group, in 2016 she joined the Gender Equity Committee, created to develop policies that promote gender equality among employees, particularly in leadership.**

Below, see other highlights on promoting gender equality in GPA in 2016.

### > Strategic balance

After a year under initial assessment, in 2016, GPA leadership decided that GPA Gender Equality - program aimed at accelerating the gender balance in leadership positions - should be implemented throughout the Company's business. The Women's Executive Committee, responsible for coordinating and monitoring the action plan, has a strategic scope.



### > Award for equality

In 2016, GPA received the WEP's Brazil - Companies Empowering Women, awarded to companies that promote gender equality and empower women. The recognition is an initiative of Itaipu Binacional, supported by the United Nations (UN) through the Global Compact, UN Women, and their representations in Brazil.

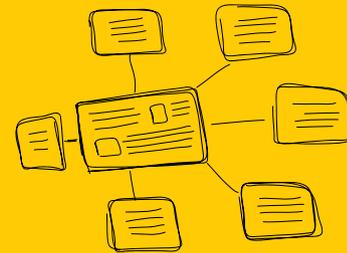


### > Gender Equity Forum

Two editions of the Gender Equity Forum were held, where issues concerning gender equity in the job market were discussed. One of these forums was attended by Rachel Maia, CEO of Pandora in Brazil - the first black woman to run the subsidiary of a global company in Brazil.

### > Equal opportunity

In the Diversity Handbook, GPA's managers were advised to always include female candidates in recruitment and selection processes, both in cases of internal promotion and in situations where it is necessary to seek professionals from outside the Company.



### > News Channel

The monthly women's newsletter of the Executive Committee for Gender Equity began circulating in February.



## Sustainability criteria in variable remuneration



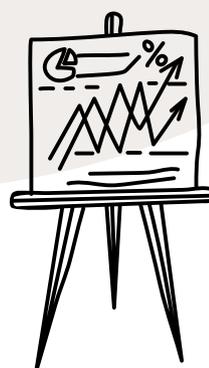
*My point of view is one of a manager subject to who has received the adoption of sustainability criteria in variable remuneration (VR) as company directive; something really important within the strategy.*

*Transformations like this, of awareness, do not happen in a company of this size unless all leaders participate. VR goals are important to bringing to the everyday routine of leaders the transformation awareness and the attitude of the change we are proposing.*

*I believe in the model of shared goals - everyone's responsibility, everyone building his or her own part. In the natural process that the Directors and the managers carry out - one of occupying Executive and Management positions - there is now a much more attentive look at the issue of diversity. Throughout the year, we participated in announcements for positions such as these to be occupied by women - many of them from GPA itself, which is nice, because you're bringing diversity to fruition through internal recognition.*

*So, sustainability goals in VR give all leaders a closer look at the objective of seeking the balanced participation of men and women, in order to achieve the best result for the Group. And we are already beginning to see some of this in our selection processes."*

Lucas Zanon  
is Director of  
Shared Services  
at GPA.



## Equal is being different like everyone else



By the end of 2016, a total of 2,660 people with disabilities (PwDs) worked for GPA. Throughout the year, the PwD audience was one focus of our Diversity work. At the Executive Forum in August, a panel was held with the participation of internal and external guests, where GPA leaders could obtain information about and discuss the importance of including people with disabilities.

As a result of the discussions, a committee was created to handle the aspect and discuss best practices with volunteer Directors as sponsors. Also, in the second half of the year, an internal communication campaign - with the slogan "Equal is being different like everyone else" - sought to inform and bring awareness to all areas of the Company about the presence of these people and the importance of valuing diversity among employees.

Crislaine de Araújo Lopes works in the Human Resources and Assets area of the Extra Aeroporto store in São Paulo. Employee for seven years, with a physical disability in her leg, Crislaine was recruited when she got her special transportation card and entered GPA as a cashier. Since then, she has developed her career in the Company, having worked in different areas.



Crislaine de Araújo Lopes Works in the Human Resources and Assets area of the Extra Aeroporto store in São Paulo.

*"The work has shown me that I can go far, that I can raise my child and fight for the best for both of us. GPA made me realize that I am competent, and gave me opportunities. I believe that when a company hires a disabled person, it is encouraging them to have confidence in themselves. And that's what GPA does: It takes the idea of disability out of our minds. Here I am treated the same way as the others. I do not feel that I have a disability."*

GPA also maintains an agreement with the Association of Parents and Friends of Exceptional People (APAE) in order to integrate apprentices with intellectual disability in their stores, with the assistance of the Association.

Over 450 young adults have already participated in the program. In 2016, 107 professionals were included in partnership with APAE, of which 104 were hired as Apprentices and 3 were hired under CLT (FTE) contract regime.



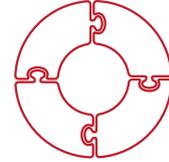
## Summary of sustainability goals and action plan



**Achieved**



**Partially achieved**



**Not achieved**

## Valuing our people

2016 Goals	Status	Comments
Consolidate the management model		<p>The evolution of the management model had a positive impact on GPA, bringing a more results-oriented work dynamic. Among the main deliveries in 2016, we can highlight that:</p> <ul style="list-style-type: none"> <li>• the implementation of a Management Model Cycle is in progress and the routine to monitor results has been reinforced in the business units</li> <li>• a new variable remuneration panel was proposed and cascaded for the Company's approximately 700 executives (up to the level of Corporate Manager)</li> <li>• over 400 leaders were trained in concepts and methodology for Results Management and Routine Management.</li> </ul>
Launch the program called Executive Academy, with the purpose of promoting the training and development of the Group's executives.		<p>Executive Academy was launched and is being disseminated to the target audience at events and meetings. Throughout 2016, the Academy's strategy was revised in line with the implementation of the new culture values, and this will be applied to the new training in 2017.</p>
Multiply initiatives promoting diversity in all businesses and develop handbooks for managers on the subject.		<p>The corporate communication campaign promoting diversity for all businesses was implemented, publicizing GPA commitments to this aspect. The Diversity Handbook was distributed to managers and contains tips on how to cope with the priority diversity groups – people with disabilities, women, youth, blacks, and LGBT - as well as a video showing GPA's belief regarding this aspect.</p>
Maintain the Gender Equity Forum and meetings of the Gender Executive Committee, and hold internal and external networking sessions, reinforcing the integration of women in Company leadership positions, and improve dissemination and awareness-raising actions on empowerment of women.		<p>Two editions of the Gender Equity Forum were organized to raise awareness of managers on the aspect. GPA strengthened its participation in external events and in sharing best practices with other companies. The number of women in leadership positions was a goal for all Group businesses in 2016, and increased from 18.3% in 2015 to 28.1% in 2016.</p>



3

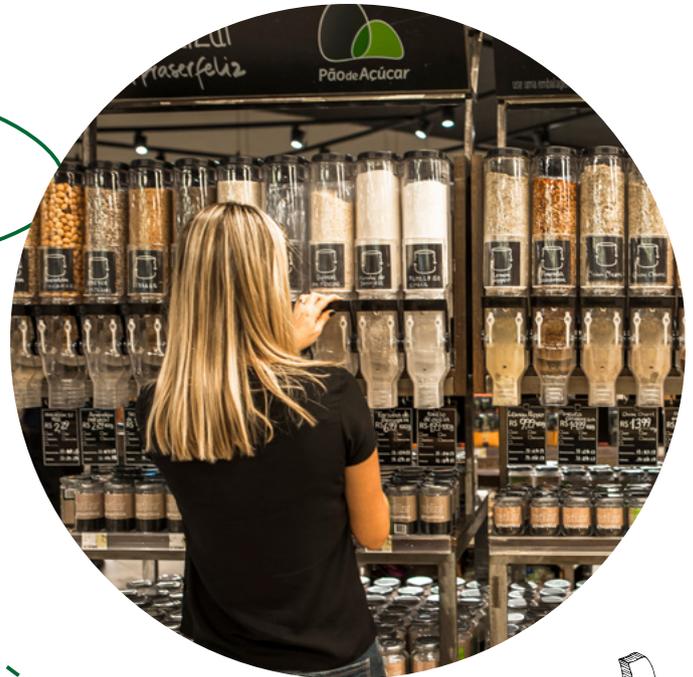
## Conscious consumption and supply



As the largest retailers in Brazil, we are very serious about the responsibility of always offering the best choices to our customers, so that they are encouraged to adopt healthier and more sustainable consumption habits, respecting the environment and other people. Thus, for three years, we have been building a bridge between the purpose driving GPA's corporate values - "For the power of choice" - and the mission of sustainability that we embrace: to be an agent of change in society, by promoting more conscious consumer solutions.



In order to encourage our customers to develop a sustainable attitude, we work to have [and offer them]:



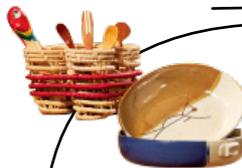
Healthier  
PRODUCTS



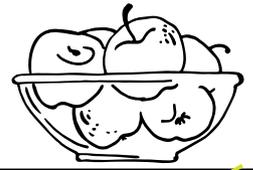
PRODUCTS WITH *less*  
environmental  
impact



PRODUCTS WITH  
*positive*  
social impact



These three pillars are taken into account not only in choosing suppliers, but also in the products in GPA's exclusive brand (*read more about GPA's brands here*). Here are some of our key initiatives in this regard.



Healthy foods, such as those produced using organic techniques, contribute to preserving the environment and the health of consumers, as well as representing an important source of income for family farmers.

to the environmental, social, and health dimensions. The Company was a pioneer, among large retail chains, by bringing the supply of organic products into its stores. And we continue to work to develop this market, valuing producers so they may occupy a significant space for healthy food to our consumers.

GPA has supported the development of organic agriculture in Brazil for almost 20 years, recognizing the benefits it brings

We highlight the following initiatives as representative of GPA's commitment to organics:





► We maintain spaces dedicated to organic products in Pão de Açúcar stores. They can also be found in the e-commerce store and the Neighborhood brand stores (Minuto Pão de Açúcar)



► In 2016, we trained the heads of the Fruits, Vegetables, and Grocery section of the stores in São Paulo so that they could explain to customers the benefits provided by these foods



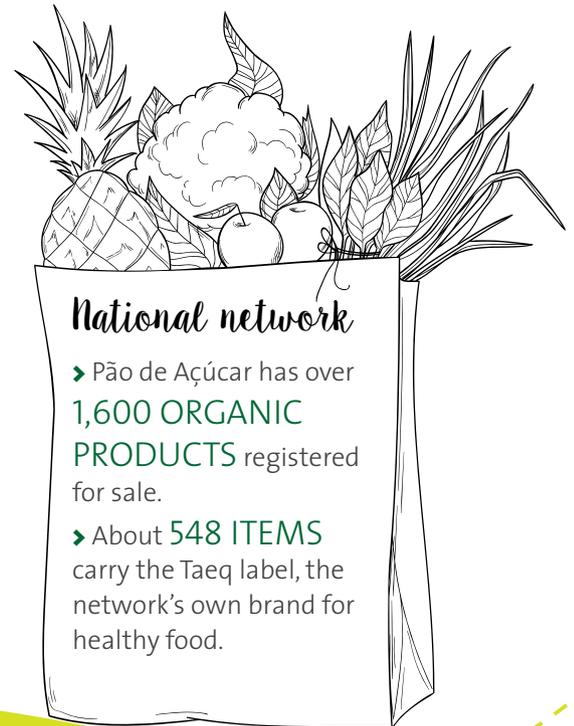
► We hold Organic Thursday, a promotion that offers up to 20% discount for this category of products on this day of the week in all Pão de Açúcar stores



► Also in 2016, we launched new products with our own brands, in partnership with the brand Korin, with sustainable origin, such as chicken drumsticks, thighs, breast fillets, and wings



► Through the brand's communication channel, inform customers about the benefits of organic products, in order to motivate consumers.



### National network

- Pão de Açúcar has over **1,600 ORGANIC PRODUCTS** registered for sale.
- About **548 ITEMS** carry the Taeq label, the network's own brand for healthy food.

## Food truck at organic farmer's market

Pão de Açúcar took its sustainable food truck to the Bio Brazil Fair | Bio Fach Latin America 2016, the largest trade fair for organic products in Latin America, held in June last year. Two renowned chefs - Ana Luiza Trajano, from the restaurant Brasil a Gosto, and Fábio Vieira, from Micaela - shared recipes prepared from Brazilian products with the audience at the event.

The Pão de Açúcar food truck was designed according to principles of sustainability: running on biodiesel, the vehicle generates energy from solar panels and harvests rainwater for reuse. In addition, it uses certified furniture and recycles all used packaging.

## Recycling and reverse logistics

How to dispose of packaging correctly? GPA provides customers with programs to help them adopt sustainable habits. An example of this is recycling packaging at the Recycling Stations installed at Pão de Açúcar, Extra, and Assaí stores.

Stations receive paper, cardboard, glass, metal, plastics, and spent cooking oil – and donate them to recycling cooperatives that market these materials and generate income for their community.

Other specific recycle containers also receive batteries, cell phones, and accessories. Some Extra and Pão de Açúcar Drug Stores may also discard overdue and/or unused medications (see figures from this program in 2016 in the highlights shown on this page).

Stations at Assaí stores are also partners with local energy distributors - AES Eletropaulo (SP), Energisa (SE) and Enel (RJ and CE), - that offer discounts on the electricity bill to customers donating recyclable material. Extra stations are partners of Procter & Gamble and those at Pão de Açúcar have a partnership with Unilever.



### Recycling highlights 2016:

- > **three new recycling stations** were inaugurated in Assaí stores, totaling 11 stations
- > at the end of the year, **211\*\* stations** like these were offered to customers at GPA stores across the country
- > **over 13,000 tons of packaging** were sent for recycling in the year
- > **two Extra stores** in São Paulo initiated, in October 2016, a **pilot pickup project at households at small and large electronic stores, for recycling.** The project is an expansion of the partnership with the Japan International Cooperation Agency (JICA), launched in April.

\*\* *Click here to see where to find Recycling Stations in GPA stores.*



## Coffee, please!

A project initiated in October 2016 aims to facilitate the environmentally friendly disposal of a type of waste that is increasingly more common in Brazilian households: capsules used in domestic coffee machines.

Five Pão de Açúcar stores - three in São Paulo, one in Rio de Janeiro and one in Curitiba\*\*\* - began to offer, in partnership with Nescafé® Dolce Gusto®, special recycle containers for spent coffee capsules. The capsules brought by customers are sent for recycling, in a process that transforms the material into new products, such as capsule holders. Over 400 kilos of material have already been collected. Pão de Açúcar was the first Brazilian retailer to implement this service.



\*\*\*Pão de Açúcar Jardim Paulista, Ricardo Jafet, and Vila Clementino (in São Paulo), Leblon (in Rio de Janeiro), and Batel (in Curitiba).



## Virtuous cycle

Through the program called **Novo de Novo** (New Again), 16% of the paperboard packages from our own **Qualitá** and **Taeq** brands are now made from materials collected from the Recycling Stations at Pão de Açúcar and Extra stores.

This is a good example of GPA's role in promoting the concept of a circular economy.

The program works like this: some recycling cooperatives in the State of São Paulo sort papers in general and cartons collected at the Stations. These packages are purchased by a GPA partner and paper industry, which extracts its pulp content - about 75% of the material's composition - and turns it back into carton used to make the packaging.

In this way, in 2016, a total of 1,562 tons of discarded materials gained a new cycle of use and returned to our stores after being reprocessed, in the form of 3.7 million packages of GPA branded products.





## More actions toward conscious consumption

Learn about other initiatives launched by GPA in 2016 that, in partnership with clients, seek to stimulate the conscious consumption and reuse of resources, as well as fight wastefulness.

### ► Bulk Sale (Reutilizar project)

This initiative offers consumers the opportunity to take their own reusable containers to the store so that they do not have to discard extra packaging. In addition, the project allows consumers to buy the quantity of products required for consumption. At participating stores, nearly 40 food products – such as grains, seeds, peanuts, cereals, chocolate, teas, peppers, dehydrated fruits, and Himalayan salt - are sold in bulk and may be brought home in pots, cans, or carton packages brought in by customers. The gain in price, since it does not include the cost of packaging, contributes to reducing packaging, by reusing a container that the client already had at home, and also promotes conscious consumption, since customers can buy the quantity to be consumed. The program, initially launched in two Pão de Açúcar stores, is being tested for possible expansion.

### ► The right size

Designed to cater to small families, couples, or individual consumers, this anti-waste initiative features miscellaneous products in smaller portions than those standardized by the industry. They are offered in Pão de Açúcar stores, in their own gondolas with specific signage.

► **We can also mention:** The offer and motivation to use reusable bags in Pão de Açúcar, Extra, and Assaí stores; and the publication, in the Assaí store magazine, of healthier culinary recipes.



# 2016 Goals

## Summary of sustainability goals and action plan

**Achieved**

**Partially achieved**

**Not achieved**

### Conscious consumption and supply

2016 Goals	Status	Comments
Reach the volume of 100,000 tons of recyclable material collected in the Pão de Açúcar Unilever Recycling Station program (Pão de Açúcar).		Over 12,000 tons of recyclable material were collected in 2016, reaching a volume of over 104,000 tons at the Pão de Açúcar Unilever Recycling Stations.
Increase sales of organic products through the Pão de Açúcar brand.		The Pão de Açúcar brand had an increase in sales of organic products and continues to motivate consumers to adopt these products in their daily lives.
Relaunch the Program <i>Caras do Brasil</i> within the new scope (Pão de Açúcar).		The relaunch of the <i>Caras do Brasil</i> Program was postponed to May 2017.
Increase the visibility and volumes of material included in the <i>Novo de Novo</i> (Multivarejo) Program.		In 2016, the exclusive brand areas developed studies of packaging made using plastic resin recycled from material collected from the Recycling Stations. The launch is scheduled for early 2017.

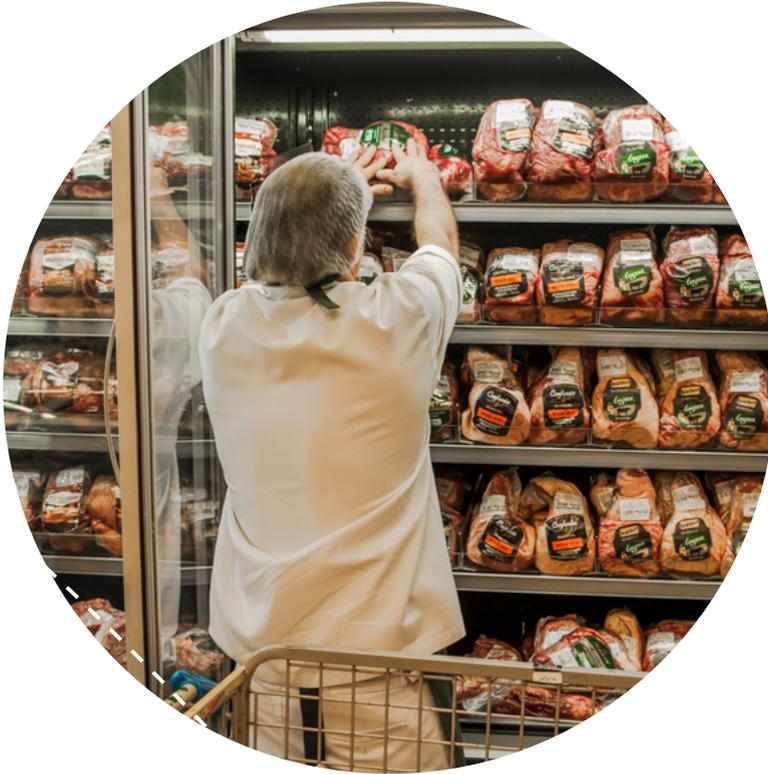
## 4 Transformation in the value chain



GPA occupies a unique position in the supply and distribution chain: as a large retailer, at the same time it directly interacts with millions of consumers and the confluence of thousands of production chains formed by its direct and indirect suppliers. Therefore, the Company assumes a shared responsibility for the practices and operating conditions along these chains, since, for consumers, it is the most visible point.

From the point of view of our sustainability mission - that of acting as agents of change in society - this position presents a double opportunity: we have the ability to influence both the consumers and our direct suppliers, as well as the entire value chain that extends behind each of these business partners. In other words, this is one of the sources of a fundamental value recognized and valued by GPA: the “Power to Impact People” in a positive way, in order to build a more diverse and better society.





## *Sustainability in the production chain*

When contracting its suppliers and service providers, GPA establishes eligibility criteria that take into account respect for human rights and reducing environmental impact, aside from quality and cost considerations. The two following issues stand out in this context, given their social sensitivity and urgency.

› **Human rights** and **working conditions** in factories and production facilities, especially problems concerning child labor or bonded labor, remuneration, and health and safety issues.



› **Deforestation**, particularly in biomes such as the Amazon, and its impact on climate change.

When addressing, from this angle, the great number of products offered in its stores - each with its own value chain, which may be domestic or global - GPA adopts a methodology based on monitoring emerging issues, based on literature and consultations with civil society to obtain a risk matrix that enables the Company to identify the most critical items from a sustainability standpoint. In 2016, the following actions and initiatives were an important part of promoting change in the value chains associated with the Company:

## RESPONSIBLE LIVESTOCK

### Beef Purchasing Policy

With strategic support from The Forest Trust, GPA published its Social and Environmental Beef Purchasing Policy. The objective is to ensure that the production chain responsible for supplying the Company's stores throughout the country does not contribute to any type of deforestation, does not originate in farms that were identified as using bonded or degrading work, or come from farms involved in land conflicts - due to invasion of conservation areas or confrontation with Indigenous communities, Quilombolas, or other traditional communities. At the end of the year, 98% of all meat sold in stores had been monitored by a tracking system that informs the Company of the last farm before slaughter.

How to design a responsible beef purchase policy for a retail network spread across a country with the size, diversity, and complexity of Brazil? At the beginning of 2016, GPA brought together its most diverse meat suppliers and discussed the commitments adopted by the Company. The talks resulted in a document released in late March, developed in partnership with the NGO The Forest Trust, a specialist in social and environmental risk management regarding company supply chains.

The company Safetrace implemented a system to monitor, track, critically analyze, and report social and environmental compliance data regarding the origin of beef. All active suppliers who entered the program were visited on site to assess the level of traceability of their production and to check their Federal Inspection Service Seal (SIF).

In addition, GPA partnered with the NGO Aliança da Terra and the company BovControl to create and promote the app called *Produzindo Certo* ([click here](#) for download). The app allows rural producers to understand, measure, and monitor their social and environmental progress, thus improving their production performance.

For us, the Social and Environmental Beef Purchasing Policy is part of a process that is continuously improving and evolving with the advances of the sector. After its implementation at the end of 2016, it was possible to report that 98% of GPA's annual volume of beef purchases was monitored in some way.



To learn more about the policy and its updated results, [click here](#)



## Safe, Quality Perishables

In 2016, the Program called *Qualidade desde a Origem* (Quality from Origin - QDO) carried out 43 field and packaging audits of suppliers of perishable products for Multivarejo stores. The QDO seeks to encourage suppliers to adopt best practices in food quality and safety, traceability, and sustainability, based on compliance with

current regulations and the Company's requirements. In the third quarter of the year, QDO initiated new actions to control the quality of fruits and vegetables: to this end, it collected and analyzed samples at distribution centers in São Paulo and Rio de Janeiro to detect traces of pesticide residue contamination. The Program will be maintained in 2017.



### > Collaboration with suppliers of responsible palm oil

In line with the Casino Group's global policy, GPA, with the participation of the NGO The Forest Trust, invited its ten largest suppliers of products with their own brand that uses palm oil, to raise their awareness of production of this input from traceable and responsible sources. Palm oil is an ingredient of vegetable origin used in the cosmetic/cleaning industry and in industrial cooking that has negative social and environmental impacts in its chain, including deforestation in the production regions. We encourage our suppliers to monitor the origin of palm oil, promote the input produced in Brazil, and encourage responsible production practices.

### > ICS social audits

At the end of 2016, a total of 91 supplier factories located in countries considered to be at social risk (countries in Asia, Africa, and some in Central America) had a valid ICS social audit. Initiatives of this type - according to the Initiative Clause Sociale (ICS) methodology - seek to verify compliance

with the universal principles of human rights and international labor standards in workplaces of global suppliers of retail chains. GPA carries out the mapping and social audit and, if necessary, the follow-up of corrective actions following the ICS standard, of the manufacturing facilities of all suppliers of imported products for its own brands that come from at-risk countries ([click here to learn more about the ICS methodology](#)).

### > Audit extended to the textile industry

In the Brazilian industry, the suppliers of shoes and accessories for retailers became certified in 2016 by the Brazilian Textile Retail Association (ABVTEX), an entity of which GPA is a part. The institution conducts annual audits in the production chains of the textile industry in general, during which it analyzes the retail suppliers and their subcontractors regarding compliance with the Brazilian occupational health and safety standards, as well as respect for legislation prohibiting child and bonded labor. With this, 100% of suppliers - and their subcontractors - of textile products, shoes, and accessories for GPA are obligatorily certified by ABVTEX.



## *Caras do Brasil Program*

Created in 2002, the Program was reformulated in 2016, bringing its proposal closer to the positioning of the Pão de Açúcar brand. Its portfolio includes ingredients typical of Brazilian regions and is present in 78 stores. All items are produced by regional suppliers who would not otherwise have access to large networks to sell their products.

## *Ethics charter for suppliers*

There is a growing number of consumers who want to buy products whose production process takes into account issues regarding human rights, the environment, or animal welfare. In line with these expectations, GPA has a series of initiatives aimed at positively impacting the entire supply chain. Among them is implementing the ethics charter, which allows for alignment of the values and conduct of suppliers with our convictions. Our goal is that these suppliers may also become agents of change in their own value chains. Valid for domestic or foreign suppliers and their subcontractors, the charter defines the ethical standards established for the Company's entire supply chain. It covers issues related to safe and healthy labor relations - such as prohibition of child and bonded labor, health and safety conditions, remuneration - as well as animal welfare, respect for the environment, and compliance with the law, prohibiting all types of improper favoritism or corruption.

## *Team training*

GPA invests in the professional development, training, and qualification of the commercial and quality teams - the Company's front line in the relationship with the suppliers - so that they integrate sustainability guidelines into their procurement activities. In addition to the regular training activities, members of these teams receive a social ethics newsletter, with explanations about the concepts and examples of the issues involved.





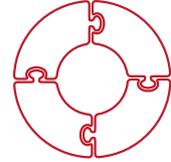
## Summary of sustainability goals and action plan



**Achieved**



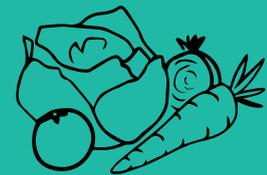
**Partially achieved**



**Not achieved**

## Transformation of the value chain

2016 Goals	Status	Comments
Publish a public commitment concerning the purchase of beef (GPA).		In March 2016, the Beef Purchasing Policy was published, which establishes the guidelines, objectives, and goals that guide GPA's process of purchasing beef. The Group thus establishes its commitment to fighting against the impact of livestock production on deforesting the Amazon biome. Actions were implemented to comply with this policy in 2016, with the recurrent publication of preliminary results. To learn more, <a href="#">click here</a> .
Increase the number of ICS social audits conducted in the factories making products carrying its brand located in at-risk countries (Multivarejo).		In 2016, a total of 73 audits of active GPA factories located in at-risk countries were organized. The objectives of the Social Ethics program include identifying and auditing 100% of the factories located in an at-risk country producing its brand and unbranded products, by 2018. However, for non-food products, we already have 100% of factories audited in at-risk countries (2016 scope).
Monitor the expansion of ABVTEX certification in the categories of footwear and accessories (Multivarejo).		An internal audit was conducted in July and concluded that all textile suppliers, including fashion, shoes, and accessories (except childcare products), were certified by ABVTEX in 2016.
Expand the backhaul program to the entire Group.		Systemic adjustments were made throughout the year to enable the expansion of the project in 2017.



# 5

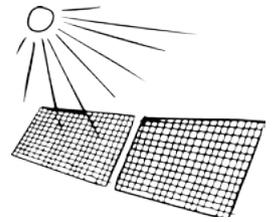
## Environmental impact management



**M**inimizing the environmental impacts it causes is the duty of every large business such as GPA. And this is one of the pillars of our sustainability strategy.

In this context, in 2014 we established an environmental policy to guide the actions of the Group concerning this issue. It is based on the foundations of the United Nations Sustainable Development Goals, the Casino Group's Environmental Policy, and GPA's Sustainability Guidelines; based on these instruments, GPA's Environmental policy establishes five areas of action, as shown below:

# GPA'S ENVIRONMENTAL POLICY



**1**  
*Follow the rules*  
AND CURRENT ENVIRONMENTAL POLICIES

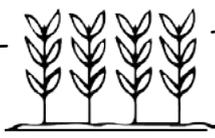
**2**  
GUARANTEE ADEQUATE *waste* MANAGEMENT



**3**  
GUARANTEE THE ADEQUATE USE OF *natural resources*, SUCH AS ENERGY AND WATER



**5**  
*Protect natural*  
ECOSYSTEMS AND BIODIVERSITY



**4**  
*Reduce greenhouse gas emissions*  
THAT CONTRIBUTE TO CLIMATE CHANGE

On the following pages, you will learn about some of the main actions and initiatives we adopted in 2016 to properly manage the environmental impact of our activities.

## > Waste management

A retailer like GPA produces a considerable amount of waste in its day-to-day operations. We make a consistent and constant effort to minimize the generation of these materials and what still needs to be discarded is sent to a correct and sustainable destination. Our actions in this area go from recycling internal waste to combating food wastefulness.

Here are some of the actions and programs:

### > Composting as an alternative

For a business that generates a large volume of organic waste, composting is a natural path. In 2016, a total of 50 GPA stores joined our composting project, which added up to 309 participating Multivarejo and Assaí stores at the end of the year. These stores have structures for the sorting and disposal of food waste and other organic waste, which is sent to a partner company to be composted.

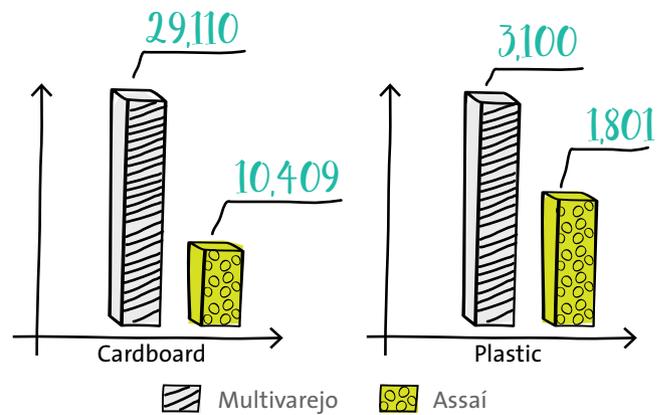
In this way, instead of being sent to a landfill as organic waste, the waste is converted into fertilizer, reducing its impact on the environment. In 2016, a total of 4,528.3 tons of waste were sent to this destination.

### > Food donations

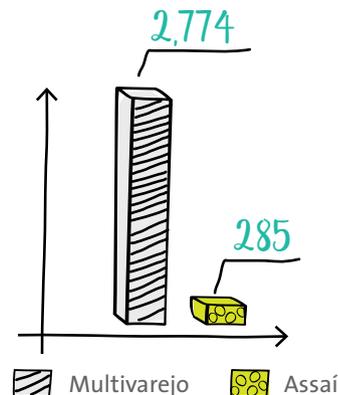
GPA met its goal for 2016 to increase the volume of food donated to partner entities by 3% through a program called *Parceria contra o Desperdício* (Partnership Against Wastefulness), which the Company has maintained for over 20 years. During the year, over 3,733,000 tons of food were donated to over 300 entities, an increase of 24.4% in the amount donated compared to 2015 (see more in the table at the end of this section).

The Partnership Against Wastefulness is supported, among other initiatives, by the *Mesa Brasil* program and by Serviço Social do Comércio (SESC), which trains people, collects and distributes food. The food includes fruits and vegetables safe enough for consumption that will not be sold in Multivarejo stores because they do not meet the appearance requirements for display.

## Non-hazardous waste from the operation



## Organic waste



### > Desperdício Zero com Você É Possível

With the goal of engaging all employees in the commitment to avoid wasting products and to combat loss at Multivarejo, in 2016, GPA launched the campaign called *Desperdício Zero com Você É Possível* (With You, Zero Waste Is Possible). In addition to a trophy, the first three stores per brand that presented the best result - that is, the least waste - were awarded special basket awards for all their employees. In all, 15 stores in Brazil were recognized. The campaign is set to continue in 2017, contributing to a growing awareness of the need to pursue zero wastefulness in all GPA stores.



## > Energy efficiency

**GPA and GreenYellow** – the energy efficiency and renewable energy company of the Casino Group - renewed, in 2016, the lighting and cooling systems of 178 Extra and Pão de Açúcar stores and 5 distribution centers in Rio de Janeiro, São Paulo, and the Northeast. The partnership seeks to reduce store energy costs and the impacts of their operation on the environment.

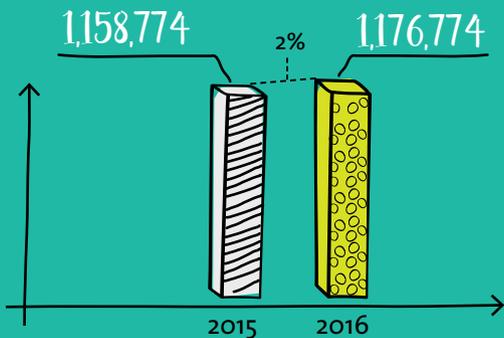
Three actions are part of the project: installing doors to close off refrigerated counters and displays; automating processes, with new adjustments for store air conditioning; and changing lighting to less energy-consuming lamps. The result is savings of about 25% in consumption at each

unit. In the 178 stores renovated in 2016, the gain was equivalent to the monthly consumption of 1.25 million households,\* that is, equal to the capacity to supply energy to over 104,000 homes for a year.

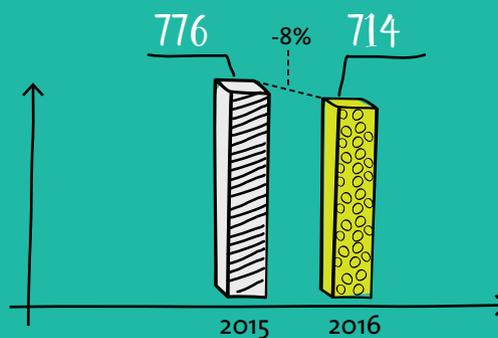
*\*The data on average consumption per household and number of households with electricity in Brazil was obtained from the Resenha Mensal da Empresa de Pesquisa Energética (Monthly Review of the Energy Research Company), January 30 issue, which includes the final figures from 2016.*

The stores covered by the program in 2016 add to the 137 Extra hypermarkets that were modified by the GPA/ GreenYellow partnership in 2015 - in this case, resulting in an energy savings of 62,000 megawatt hours, equivalent to the annual residential consumption of Campos do Jordão (SP). By the end of the program, in 2018, approximately 500 stores will have been renovated, which is almost all of our units.

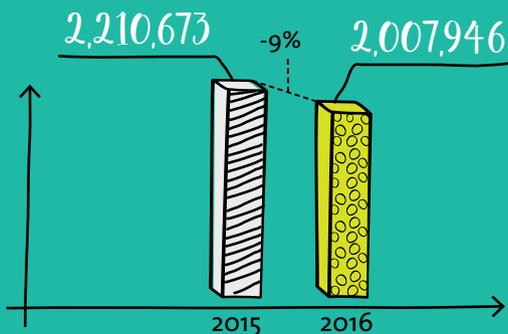
Total energy consumed (MWh)



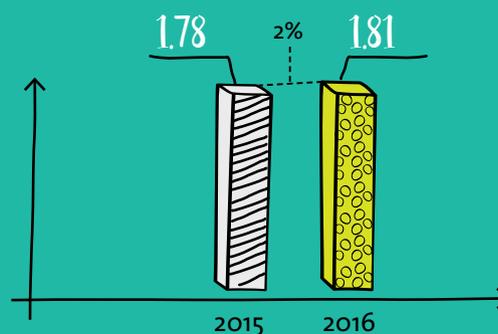
Energy consumed by sales area (kWh/m²)



Total water consumed (m³)



Water consumed by sales area (m³/m²)





### The solar energy path

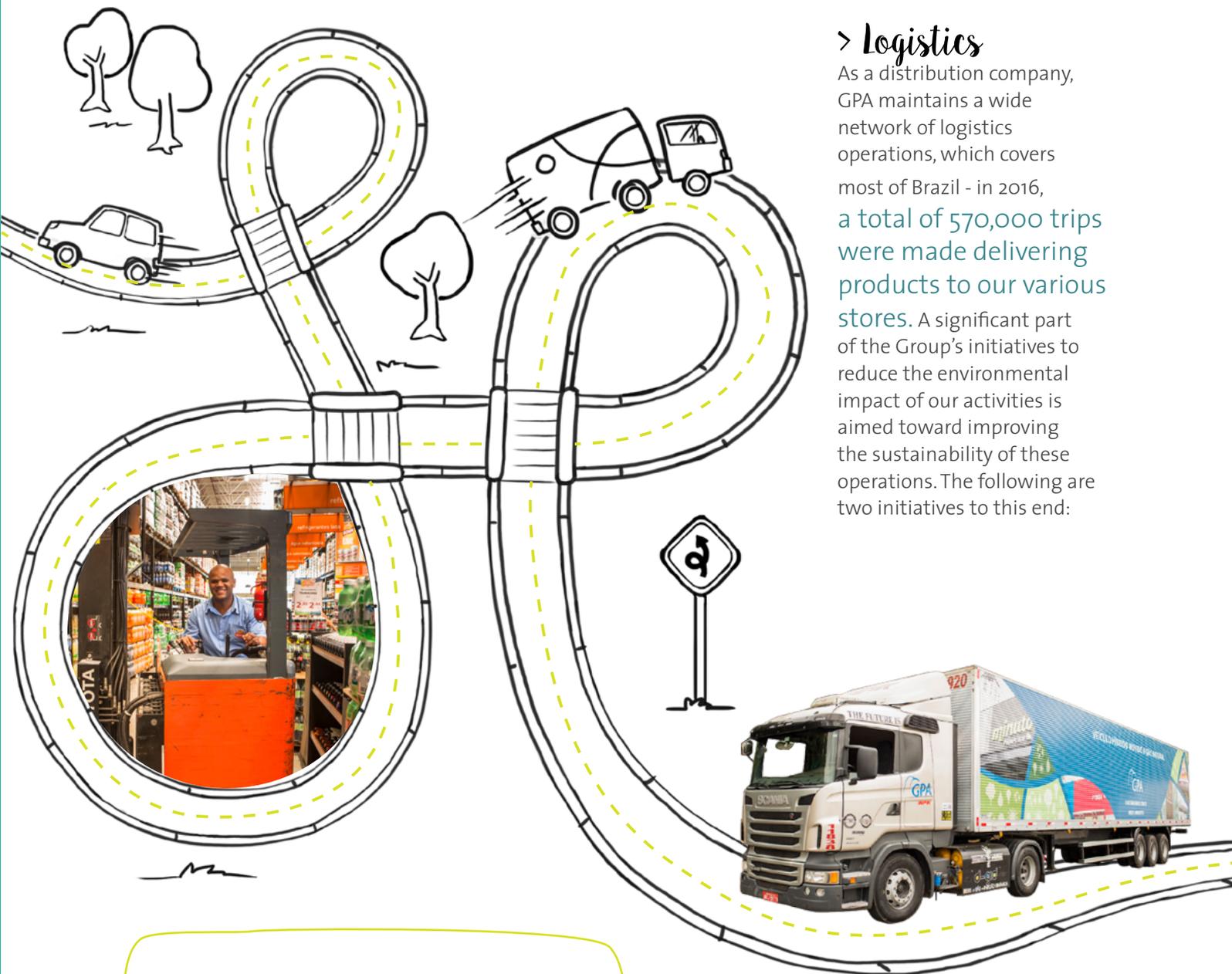
A Minuto Pão de Açúcar unit in Campinas (SP), in 2016, started to generate part of the energy it consumes using solar panels - panels that convert solar energy into electricity. It was GPA's first store to leverage this clean, renewable, and above all, sustainable energy in partnership with GreenYellow, the energy subsidiary of the Casino Group, which built the plant. The 30 panels installed supply part of the store's consumption and can generate over 10.5 megawatt hours per year.\*\*

Also in 2016, the Assaí brand installed one in its Várzea Grande (MT) store, integrating to its structure the largest solar power plant in Brazil in the wholesale self-service sector.

Built in partnership with GreenYellow in 2016, to begin operation in early 2017, the solar plant has 1,140 solar panels installed over the parking lot, capable of delivering, at full load, up to 15% of the energy consumed by the store. The generation of this clean energy will prevent over 1,300 tons of carbon dioxide from being released into the atmosphere over the next 25 years, reducing the emission of greenhouse gases that cause global warming.\*\*

*\*\*To calculate CO<sub>2</sub> emissions, we use the most current source, which is the Ministry of Science and Technology: <http://www.mct.gov.br/index.php/content/view/321144.html>, recommended by GPA's Corporate Sustainability area.*

GPA plans to extend these pilot projects by gradually increasing the percentage of clean energy in its stores' energy matrix.



## > Logistics

As a distribution company, GPA maintains a wide network of logistics operations, which covers most of Brazil - in 2016, a total of 570,000 trips were made delivering products to our various stores. A significant part of the Group's initiatives to reduce the environmental impact of our activities is aimed toward improving the sustainability of these operations. The following are two initiatives to this end:

### > Large semi trucks

In 2016, GPA began operating a new truck to transport products between distribution centers (DCs) and stores. The vehicle is powered by a hybrid engine that uses natural gas as fuel and is therefore less polluting; at the same time, the truck has 50% greater load capacity than conventional trucks, making fewer trips to carry the same volume of cargo. The innovations will allow for a 70% reduction in CO<sub>2</sub> emissions from transport operations between DCs and stores.

### > Age limit for the fleet

A five-year age limit was established for the trucks in the distribution fleet of the Pão de Açúcar, Extra, and Assaí brands. Newer vehicles, with engines with more modern technology and less wear, are cleaner in terms of air pollution than an older fleet.

## Inventory of greenhouse gas emissions

GPA led an initiative in 2016 to reduce the environmental risk posed by refrigerant gases - substances used in refrigeration systems that contribute to the emission of greenhouse gases (GHGs) into the atmosphere.

A meeting promoted by the Company brought together other retailers, trade associations, consultants, suppliers, and equipment manufacturers to initiate a common effort among all stakeholders to solve the environmental problem caused by refrigerant gases. As a result of the meeting, a working group was created with the task of analyzing suggestions on how to minimize the environmental impacts resulting from the use of this material and to propose lines of action to the sector.

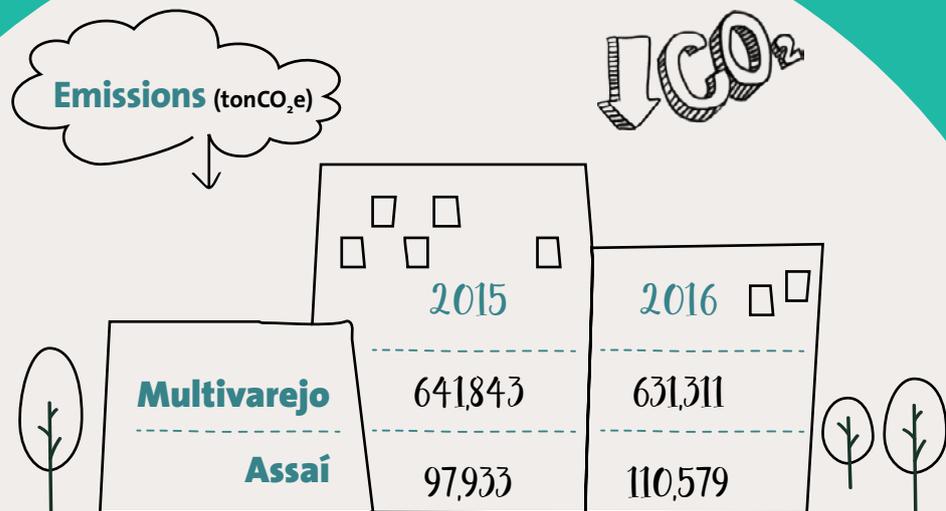
The group will continue working in 2017. Meanwhile, the Company will continue to experiment with practical alternatives to reduce the impact of these gases by improving maintenance and operation of its existing equipment, as it has been doing since 2014.

GPA's initiative follows other pioneering actions to address the global problem of GHG emissions and

other substances harmful to the environment. In 2010, GPA began to prepare its carbon emissions inventory, according to the methodology of the Brazilian GHG Protocol Program. The information became part of the Company's risk map, and, in 2016, it was possible to work more consistently with the data collected by this tool in the areas, creating more consistent collection processes.

GPA is also part of the Carbon Efficient Index (ICO<sub>2</sub>), created by BM&FBOVESPA and the National Bank for Economic and Social Development (BNDES). This indicator is composed of companies that adopt transparent practices regarding their GHG emissions and have efficient initiatives to manage them.

The Group also responds to the Carbon Disclosure Project (CDP) Climate Change, one of the main initiatives of the financial sector to mitigate the effects of climate change. For the past three years, we have been improving our results, showing that efforts to identify emissions and actions to minimize our impacts are on the right track.





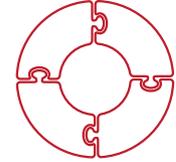
## Summary of sustainability goals and action plan



**Achieved**



**Partially achieved**



**Not achieved**

## Environmental impact management

2016 Goals	Status	Comments
Expand food donation by at least 3% compared to the volume donated in 2015 (Multivarejo, Assai).		3,733 tons of food (3,600 tons from Multivarejo and 133 tons from Assai) were donated to over 300 registered social entities, an increase of 24.4% for Multivarejo and Assai.
Increase the number of stores with the composting process (Multivarejo, Assai).		Within Multivarejo, another 30 stores implemented the composting process. This represented an increase of over 2,000 tons of composted volume. At Assai, another 11 stores added composting, with a volume of 368 tons.
Reduce energy consumption in sales areas and expand GreenYellow Brazil's performance in energy efficiency projects in supermarkets (GPA).		A 2.6% reduction in energy consumption through GreenYellow projects. Implementation of energy efficiency projects in over 100 supermarkets and 38 hypermarkets (Multivarejo).
Create a working group and promote discussion with stakeholders on the issue of refrigerant gases (GPA).		A working group was created with the São Paulo Supermarket Association (APAS) and, as a result, the first refrigerant gas event was held for the retail sector in October 2016, with the purpose of discussing action plans and projects to mitigate the impacts of refrigerant gases in the coming years.



## 6 Engagement with society



Through our stores, we operate nationally and we have a relationship with the surrounding communities. Thinking globally and acting locally, therefore, is not just a slogan for us: it is an imperative of which we must not lose sight.

GPA operates over 2,000 stores and 50 warehouses and distribution centers. This network is supplied by many different suppliers and serves almost 11 million customers. This

reach and pervasiveness means that our “Power to Impact People” is huge. So great, in fact, that we recognize it as one of the Company’s fundamental values.

We want to contribute to building a better, more diverse society, and that is the purpose of engaging society - one of the sustainability commitments assumed by GPA, described in this section. The following are some of the actions and initiatives carried out in 2016:

## > *Solidarity Day 2016*

In order to celebrate December 5, International Volunteer Day, on December 3, the GPA Institute held a day to mobilize customers, suppliers, employees, and social institutions at 100% of Assaí, Pão de Açúcar, and Extra stores, and at the Neighborhood stores Minimercado Extra and Minuto Pão de Açúcar. On that day, for the fourth consecutive year of the event, customers of our brands were motivated to donate non-perishable food to partner social organizations.



The 2016 campaign included 9,180 volunteer, among GPA's employees and members of the 125 partner social institutions throughout Brazil. The result – 756 tons of food collected – exceeded the 2015 result by 29% (587 tons), benefiting approximately 126,000 families and 504,000 people.

## > *Amigos do Bem Partnership*

Also encouraging donation, the social organization Amigos do Bem collected food at Pão de Açúcar and Extra stores for distribution in underprivileged areas of the Northeastern backlands. Over 488 tons of food were donated in 2016.



## > *Viva Bairro!*

This project supports local initiatives that have social and environmental impact and seeks to promote shared value actions between Extra stores and their neighborhoods. In 2016, the project was carried out in five districts of Rio de Janeiro and São Paulo, and some of the actions implemented were:

- > Graffiti art by local artist inside the stores in the districts of Mooca (SP), Jaguaré (SP), and Copacabana (RJ), with the participation of people from the community;
- > Bike rides that had the parking lot of Extra stores in Mooca and Tijuca (RJ) as a meeting point;
- > Sale of handicrafts produced locally in the Extra store Jaguaré;

- > Bakery assistant course given to people in the community by Extra store bakers. The Mão na Massa program took place in October in the community of Jaguaré.

Viva Bairro! was launched in 2014, because of Extra's desire to be a better neighbor to the communities around its stores. One of the basic criteria of the project, carried out in partnership with the organizations Aoka Labs and Instituto Aromeiazero, is to always develop its actions in public spaces. The objective is to strengthen the movements and the local protagonists, generating positive social impact in the areas surrounding the participating Extra stores. In 2016, the project's lines of action were reviewed, focusing on:

- > Encouraging and supporting groups and initiatives in the communities where it is held;
- > Developing communication channels and joint action with Extra and other players, including the government;
- > Continuing the ongoing initiatives, based on the learning and challenges encountered in the first two years.



## > Rounding up to donate

GPA, in partnership with the institute called Arredondar (Rounding Up), launched an initiative to raise funds for social organizations that support educational and environmental preservation projects throughout the country.

The program - implemented in the Neighborhood stores Pão de Açúcar and Minimercado Extra - began in February 2016, and works like this: when you arrive at the check-out counter at participating units, customers are asked to donate their change in coins to a partner NGO, rounding up the total amount due to the next highest integer [by accepting, consumers can make a donation of up to BRL 1.00 each trip to the store].

The accumulated micro-donations are transferred to the partner organizations of the Arredondar Institute, creator and manager of the project, and companies from various sectors and sizes have joined. GPA is the first large retail food group to be part of the Rounding up Movement, which seeks to offer potential donors a practical and transparent way of donating, thus contributing to developing a donation culture among Brazilian consumers (*learn more about Arredondar and GPA participation in the table on page 63*).

In 2016, over BRL 256,000 were collected in ninety Minuto Pão de Açúcar and Minimercado Extra stores, transferred by the Arredondar Institute to finance educational and environmental projects. In 2017, the program will be maintained in the Neighborhood stores, and should be expanded to the Pão de Açúcar stores.



## A bridge between donors and their causes

Invite consumers to give change in coins to support entities that develop social impact projects. This is the simple logic of the Rounding up Movement, successfully embraced since 2011 by several companies. But the initiative had never been applied to a large retail business in Brazil.

Thus, GPA and the Arredondar Institute joined the Business Administration School of the Getulio Vargas Foundation (EAESP-FGV) to assess, through an opinion survey, the factors influencing the willingness to donate to causes and social institutions the change from their purchases.

The survey was conducted throughout 2016, with customers from forty-two Minuto Pão de Açúcar stores participating in the program. Among other insights, a survey with consumers revealed that the way cashiers approach customers to donate their change when paying for their purchases has great importance: the more engaged and prepared they are to provide information about the program, the more likely they are to get customers to donate.

According to Nina Valentini, Executive Director of the Arredondar Institute, the engagement of GPA employees in the project's development was very positive. The Institute worked with the Company's teams to implement the technology, explain the

legal aspects, and train personnel who interface with customers. "Engagement has been surprising in all areas," she says. "The sales force was greatly involved, they really embraced the project."

To foster a culture of donation, Nina notes, one must ensure, on the one hand, that the donated resources will be used well. "Therefore, the Institute rigorously selects the project's beneficiary organizations, which undergo technical and documentary evaluations, have their audits verified, and provide quarterly accounts of how they use the resources received," she explains.

On the other hand, partner companies must strongly commit to inviting their customers to make the micro-donations.

“It's important to work with brands that have customers who participate”, says Nina. From this perspective, GPA's work with the Rounding up Movement in 2016 had important effects. *“It brings greater scale and visibility to the project. Arredondar became better known among donors.”*





## > The GPA Institute

The GPA Institute (IGPA) is the Group's social and cultural investment branch. With 18 years of experience in projects in several areas of education and culture, in 2016, IGPA began a process of shifting its focus and its social investment strategy. In order to intensify and develop this study, co-creation surveys were carried out involving 280 employees from different regions and brands, as well as Company customers.

The main objective of this process was to carry out a thematic review and choice using a democratic process, sharing responsibility for the selection of the Group's social priorities.

The result of this initiative yielded the guidelines to train and prepare for the job market, in its various formats, and above all, is the joining of talent with financial autonomy as a driver of change for a better society.

The study will be continued with new projects to be developed beginning 2017.

See the main projects below.

> **The Prosperar Program**, a partnership with universities offering scholarships to students without the financial resources necessary to attend a university. The program includes, in addition to the monthly tuition scholarship, a scholarship package for books and teaching materials, meals, transportation, and housing assistance for students from outside the city of São Paulo.

In 2016, a total of 27 scholarship recipients benefited from EAESP-FGV; 10 scholarships to Estácio University; and 30 students who participated in the preparatory course for the FGV entrance exam.



> **The GPA Institute Music & Orchestra Program** takes free musical instrument courses to children and young adults from 10 to 18 years of age in Rio de Janeiro, São Paulo, and Brasília (DF). Those who excel over the course of two years are invited to perform with the GPA Institute Orchestra. In 2016, the Orchestra performed 50 concerts and 22 presentations at the Group's stores and events, benefiting over 500 young adults.

> **The Advanced Food Technology Center (NATA)**, in the city of São Gonçalo (RJ), offers professional technical education to 317 students (Integrated High School) and trains 100 students per year in two areas: Milk & Dairy and Bakery & Confectionery Products. The GPA Institute and NATA also promote the Panis and Lactis Technological Meeting, an annual event on up to date innovative technologies and sharing of experiences on professional practices that avoid waste and minimize environmental impacts.





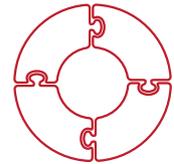
## Summary of sustainability goals and action plan



**Achieved**



**Partially achieved**

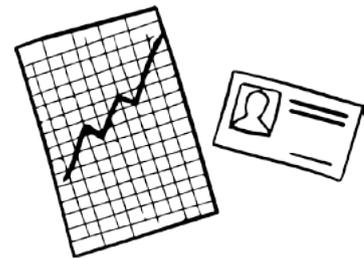


**Not achieved**

## Engagement with society

2016 Goals	Status	Comments
Implement a change rounding up program in Multivarejo Neighborhood stores.		The implementation of the change rounding up program, in partnership with the Arredondar Institute, in Neighborhood stores (67 Minuto Pão de Açúcar and 30 Minimercado Extra), enabled the Company to raise over BRL 256,000 for partner institutions.
Increase the number of Assaí volunteers on Solidarity Day.		In 2016, Assaí had a 23% increase in the number of volunteer employees compared to 2015.





# 2017 Goals

## Summary of sustainability goals and action plan

Commitment	Target
Valuing our people	<ul style="list-style-type: none"> <li>&gt; Develop a mentoring program for people with disabilities (Assai)</li> <li>&gt; Apply focused diversity training in the HR areas of every business</li> <li>&gt; Implement and develop new teaching methods to accelerate the digital training platform (MV)</li> <li>&gt; Increase the number of employees with disabilities (%) within the business</li> <li>&gt; Implement, for the second consecutive year, a sustainability goal for employees who are eligible for variable remuneration</li> </ul>
Conscious consumption and supply	<ul style="list-style-type: none"> <li>&gt; Increase the performance of the Program <i>Novo de Novo</i> (New Again), including integrating new materials, such as plastic (Multivarejo)</li> <li>&gt; Implement the new model of Pão de Açúcar Unilever Recycling Stations, with circular economy actions</li> </ul>
Transformation of the value chain	<ul style="list-style-type: none"> <li>&gt; Publish a policy for the use of palm oil in Exclusive Brands (Multivarejo)</li> <li>&gt; Continue implementing actions resulting from the Beef Purchasing Policy and establish an audit protocol for Rubia Galega beef</li> <li>&gt; Carry out social audits of GPA suppliers in at-risk countries and start implementing social audits in production units for Exclusive Brands in Brazil (Multivarejo)</li> </ul>
Managing environmental impact	<ul style="list-style-type: none"> <li>&gt; Implement energy efficiency projects in over 200 stores (Multivarejo) and launch new solar energy projects</li> <li>&gt; Reinforce the actions toward reducing food waste</li> <li>&gt; Continue expanding the organic waste composting model in new CDs and stores</li> <li>&gt; Launch pilot projects regarding the use of more efficient technologies for refrigeration (reduction of GHG emissions regarding the use of refrigerant gases)</li> <li>&gt; Implement logistics efficiency projects to reduce GHG emissions related to transportation</li> </ul>
Engagement with society	<ul style="list-style-type: none"> <li>&gt; Implement the change rounding up program in Pão de Açúcar stores</li> <li>&gt; Develop the projects of the GPA Institute in line with the social causes defined in 2016 and reinforce the agenda for solidarity actions throughout the year</li> <li>&gt; Expand the Viva Bairro! Program to more Extra stores</li> </ul>

# Indicators

INDICATOR	UNIT	GPA	MULTIVAREJO	ASSAÍ	GPA CORPORATION
Sales areas of Company units	sqm	1,643,005	1,305,309	337,696	-

## VALUING OUR PEOPLE – INDICATORS ON 12/31/2016\*

INDICADOR	UNIDADE	GPA	MULTIVAREJO	ASSAÍ	GPA CORPORATION
Headcount registered on 12/31/2016	Number	100,605	74,381	24,759	1,465
Headcount female on 12/31/2016	Number	51,894	39,885	11,380	629
Headcount male on 12/31/2016	Number	48,629	34,496	13,297	836
Headcount < 30 years of age on 12/31/2016	Number	44,741	31,879	12,459	403
Headcount between 30 and 50 years of age on 12/31/2016	Number	47,009	35,309	10,809	891
Headcount > 50 years of age on 12/31/2016	Number	8,773	7,193	1,409	171
Number of hires (CDI – Open-ended employment contracts) in the year	Number	27,356	15,464	11,672	220
Number of people recruited under the age of 26 (CDI + CDD)	Number	15,332	9,884	5,376	72
Number of work accidents with at least one lost day	Number	1,220	1,005	201	14
Number of lost days due to work accidents**	Number	30,911	24,432	5,689	790
Total number of hours missed due to work accidents, ordinary illness, or occupational illness**	Hours	4,364,968	3,126,857	1,209,627	28,484
Lost time injury frequency rate – compared to total number of hours worked (%)	%	4.5	4.8	3.4	3.2
Number of training hours per person***	Hours	15	8	43	3
Headcount male in management positions and above on 12/31/2016	Number	889	661	158	70
Headcount male in senior management positions on 12/31/2016	Number	61	29	11	21
Headcount female in management positions and above on 12/31/2016	Number	347	279	31	37
Headcount female in senior management positions on 12/31/2016	Number	7	1	2	4
% of women in management positions and above on 12/31/2016	%	28.0	30.0	16.0	35.0
Total number of employees with disabilities on 12/31/2016	Number	2,660	1,412	1,231	17
Number of apprentices on 12/31/2016	Number	2,447	1,901	532	14

\* Data for GPA Malls are included in Multivarejo.

\*\* Includes accidents occurring in 2016 only.

\*\*\* The number of hours is based on the average active headcount.

## CONSCIOUS CONSUMPTION AND SUPPLY, AND TRANSFORMATION OF THE VALUE CHAIN

INDICATOR	UNIT	GPA	MULTIVAREJO	ASSAÍ	GPA CORPORATION
Total number of company brand products	Number	5,966	5,911	55	-
Number of organic products*	Number	1,609	1,599	10	-
Number of certified products – other seals	Number	215	215	0	-
Number of products from others brands certified by FSC	Number	731	473	258	-
Total number of certified products	Number	2,555	2,287	268	-
Number of products approved in the project <i>Qualidade desde a Origem</i> (Quality from Origin)	Number	264	264	0	-
Total number of company brand products with optimized nutrition	Number	323	55	268	-
Social audits in supplier factories located in at-risk countries	Number	91	91	0	-

\* The number includes 1,385 products from other brands and 214 products from company brands.

## ENVIRONMENTAL IMPACT MANAGEMENT\*

### ENERGY

INDICATOR	UNIT	GPA	MULTIVAREJO	ASSAÍ	GPA CORPORATION
Total energy consumed	MWh	1,176,720	952,963	215,429	8,328
Ratio of green energy	MWh	426,924	410,906	10,111	5,907
Consumption of energy/sqm**	kWh/sqm	714	740	610	-
Consumption of natural gas	MWh PCI	21,539	21,423	65	51
Consumption of liquefied petroleum gas (LPG)	Tons	71,794	32,779	39,015	-
Consumption of oil	Liters (L)	5,447,689	2,423,902	3,020,787	3,000

### REFRIGERANT GASES

R404A	kg	8,935	8,902	33	-
R134A	kg	751	616	18	117
R22	kg	149,045	126,900	18,863	3,282
Other fluids	kg	7,718	4,064	3,654	-

### NON-HAZARDOUS WASTE FROM THE OPERATION

Cardboard	tons	39,568	29,110	10,409	50
Plastic	tons	4,909	3,100	1,801	8
Organic waste	tons	3,059	2,774	285	-
Spent cooking oil	tons	362	350	11,726	-
Rate of waste reused	%	27.0	23.0	51.0	28%

### WASTE BROUGHT BY CUSTOMERS

Waste from customers collected at stores	tons	16,842	16,138	704	0
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### WATER

Total drinking water system	m <sup>3</sup>	2,007,946	1,522,139	434,606	51,201
Water consumption per m <sup>3</sup> /sqm**	m <sup>3</sup> /sqm	1.81	2.0	1.3	-

\* Data from stores and DCs are included in Multivarejo. Data from stores, DCs, and headquarters are included in Assaí. Data from the GPA Corporation and other administrative headquarters are included in GPA Corporation.

\*\* sqm of sales area.

## ENGAGEMENT WITH SOCIETY

INDICATOR	UNIT	GPA	MULTIVAREJO	ASSAÍ	GPA CORPORATION
Food donations	tons	3,605	3,472	133	-
Total amount paid toward solidarity actions (GPA Institute, donations)	BRL	13,441,009	10,555,731	2,885,278	-
Total monetary donations through cultural and sports partnerships	BRL	600,000	0	600,000	-
Number of beneficiaries of actions carried out by foundations or solidarity partners	Number	2,088	-	-	2,088





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## **Independent Auditors' Limited Assurance Report on the Pão de Açúcar Group's Annual Sustainability Report, based on the guidelines of the Casino Group's internal methodology, pursuant to Article 225 of the French Law Grenelle 2**

To the Directors and Shareholders of  
**Companhia Brasileira de Distribuição (Grupo Pão de Açúcar - GPA)**

### **Introduction**

We were hired by the administration of Companhia Brasileira de Distribuição (“Grupo Pão de Açúcar” or “GPA” or “Institution”) to present our limited assurance report on the indicators (objects of our scope) contained in GPA's Annual Sustainability Report, based on the internal guidelines of the reporting protocol defined by the Casino Group, comprising two base periods for the “Report”, from October 1, 2015 to September 30, 2016 for indicators regarding the environment, and January 1, 2016 to December 31, 2016 for the other social, health, and safety indicators, for Multivarejo, Viavarejo, and Assai operations.

### **Responsibilities of GPA administration**

GPA administration is responsible for the preparation and presentation of the information contained in the Report in accordance with internal criteria, assumptions, and methodologies defined by the Casino Group, pursuant to Article 225 of French Law Grenelle 2, and for the internal controls it has determined to be necessary to enable the preparation of such information free of material distortions, regardless if caused by either fraud or error.

### **Responsibility of the independent auditors**

Our responsibility is to express a conclusion on the information contained in the Report, based on the limited assurance engagement conducted in accordance with the Ibracon Technical Notice No. 07/2012, approved by the Federal Accounting Council and prepared based on the NBC TO 3000 (Assurance Assignment Other than Audit and Revision), issued by the Federal Accounting Council - CFC, which is equivalent to the international standard ISAE 3000, issued by the International Accountants Federation, applicable to non-historical information. These standards require compliance with ethical requirements, including independence requirements, and the work is performed in order to obtain limited assurance that the indicators in the Report are free from material distortions.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists primarily of inquiries to the administration and other GPA professionals who were involved in the preparation of the information contained in the Report by applying analytical procedures in order to obtain evidence that enables us to make a conclusion in the form of a limited assurance report on the indicators. A limited assurance engagement also requires the execution of additional procedures when the independent auditor becomes aware of matters that lead him or her to believe that the information in the Report may contain material distortions. The procedures selected were based on our understanding of the aspects related to the compilation and presentation of the information contained in the Report in accordance with Casino Group's own criteria, assumptions, and methodologies, and other circumstances of work, and our own consideration of areas where there could be material distortions. The procedures included:



### **Responsibility of independent auditors – continued**

- (a) planning of the work, including relevance, volume of quantitative and qualitative information, and the internal controls that served as the basis for preparing the information contained in the Report
- (b) an understanding of the calculation methodology, and procedures for the preparation and compilation of the indicators, through interviews with the managers responsible for preparing the information
- (c) the application of analytical procedures on the quantitative information and inquiries about the qualitative information and its relation to the indicators disclosed in the information contained in the report
- (d) comparison between financial data and the financial statements and/or accounting records.

The limited assurance engagement also included adherence to the guidelines and criteria of the framework to develop the indicators of Casino Group's corporate protocol, pursuant to Article 225 of the French Law Grenelle 2, applicable to the preparation of the information contained in the Report

We believe that the evidence obtained in our work is sufficient and appropriate to substantiate our conclusion in a limited way.

### **Scope and boundaries**

The procedures applied in a limited assurance engagement are substantially less extensive than those applied in an assurance engagement whose purpose is to express an opinion on the information contained in the Report. Consequently, such procedures do not allow us to guarantee that we have knowledge of all matters that would be identified in an assurance engagement that is intended to express an opinion. If we had carried out work for the purpose of expressing an opinion, we could have identified other issues or possible distortions contained in the Report. Accordingly, we do not express an opinion on this information. In addition, GPA's internal controls were not part of our limited assurance scope.

Non-financial data are subject to more inherent limitations than financial data, given the nature and diversity of the methods used to determine, calculate, or estimate such data. Qualitative interpretations of materiality, relevance, and accuracy of data are subject to individual assumptions and judgments. In addition, we do not perform any work on data reported for prior periods, nor regarding future projections and goals.

Only the information regarding the indicators contained in the list below, for the Multivarejo, Viavarejo, and Assai operations, were in the scope of the limited assurance engagement. Thus, we perform limited assurance procedures exclusively on the following indicators:



<b>Social</b>	
1.	Number of employees (headcount), registered on 12/31/2016.
2.	Number of employees with disabilities
3.	Percentage of women in leadership positions
4.	Number of hires
5.	Number of terminations (by type)
6.	Total number of training hours
7.	Number of hours worked/contractual basis
8.	Number of overtime hours
9.	Number of work accidents with lost time
10.	Number of lost days due to work accidents
11.	Total number of hours of absence due to work accidents and illness
<b>Commercial</b>	
1.	Number of organic products
<b>Environment</b>	
1.	Electricity consumption
2.	Water consumption
3.	Fugitive refrigerant gases
4.	Amount of recovered waste (by type)
5.	Amount of non-recovered waste

## Conclusion

Based on the procedures performed, described in this report, nothing has come to our attention that leads us to believe that the indicators included in the GPA Annual Sustainability Report, objects of our scope, for the year ended September 30, 2016 for indicators referring to the environment, and December 31, 2016 for the other social and health and safety indicators, have not been compiled, in all material aspects, according to criteria, assumptions, and methodologies for preparing indicators of the Casino Group's internal corporate guideline, according to article 225 of the French Law Grenelle 2.

São Paulo (SP), March 20, 2017.

Ernst & Young  
Audidores Independentes S.S.  
CRC - 2SP 015199/O-6

Antonio Humberto Barros dos Santos  
Contador CRC-1SP161745/O-3

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**All photographs in the Annual Sustainability Report portray  
GPA employees, customers, and partners.**