



# Annual & Sustainability Report 2020



# Contents

<b>ABOUT THIS REPORT</b>	<b>1</b>	<b>HEALTHIER BUSINESS</b>	<b>62</b>
Message from the BoD	4	Education and career-building	64
Message from our leadership	6	Diversity and inclusion	69
2020 at a glance	10	Value chain	71
<b>ABOUT RAI DROGASIL S.A.</b>	<b>14</b>	<b>HEALTHIER PLANET</b>	<b>73</b>
Our essence and business	15	Climate	75
Business model	24	Waste management	77
Corporate governance	25	Water stewardship	80
Ethics and transparency	31	<b>GRI CONTENT INDEX</b>	<b>81</b>
<b>BUSINESS VISION</b>	<b>35</b>	Appendix	101
Purpose and sustainability	37	<b>CREDITS</b>	<b>117</b>
Strategy 2025	41		
Excellence and digital transformation	44		
Business results	47		
<b>HEALTHIER PEOPLE</b>	<b>49</b>		
Customer health	51		
Employee health	55		
Community health	59		



# About this report

GRI 102-40, 102-46, 102-50, 102-53

RD is committed to open and transparent communications with our stakeholders — including investors, employees, customers, suppliers and society — about our projects, investments and financial and non-financial performance. This report is integral to that commitment.

The following pages provide an account of our journey from January 1 to December 31, 2020, including environmental, social, economic and governance disclosures covering all operations in Brazil. We also provide information about our subsidiary, 4Bio. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards—Core option, and the International Integrated Reporting Council (IIRC) guidelines. Reported data and information have been independently assured by KPMG.

We also describe our commitments and investments related to the United Nations Global Compact, the Agenda 2030 and the Sustainable Development Goals (SDGs).

The contents of this report were informed by a list of topics considered material from the perspective of our stakeholders. Chapters are organized using a similar structure as in our sustainability strategy.

If you have any questions or wish to receive further information about this report, please write to [sustentabilidade@rd.com.br](mailto:sustentabilidade@rd.com.br).



# Message from the Board of Directors

GRI 102-14

In 2020 we took steps to mitigate risks, prioritized people's health and well-being, and embarked on challenges to achieve solid growth over the coming years

2020 was a testing year for all of us, one that will be remembered for the dramatic material and human losses that laid bare the immense chasm of social inequality in Brazil. COVID-19 has created enormous challenges for us as a society, but has also highlighted our adaptability and resilience.

Keeping people safe—including our employees, customers and communities—was at the center of our attention throughout the year. We implemented new operating protocols at our stores, distribution centers

and head office; we expanded healthcare services for our employees; we prepared to administer tests and provide other services in-store; and we created a fund, called “All Care Matters”, that donated R\$ 25 million to 50 charitable hospitals.

COVID-19 also catalyzed three important behavioral trends that have directly affected our business: *i*) digital acceleration; *ii*) greater concern about health; *iii*) and a greater awareness of the social and environmental impacts of lifestyle choices. By incorporating these trends into our strategy, we further strengthened our purpose of taking close care of people, we effectively mitigated risks in our operations, and we identified business opportunities that resonate with emerging consumer needs, helping us to achieve consumer preference, attract talents, and build trust in the market.

In our first growth cycle from 2012 and 2017, we built the largest and best brick-and-mortar drugstore chain in Brazil, based on a culture of efficiency and an ethic of care. We have built a profitable, country-wide operation that at year-end 2020 had more than 2,300 stores and more than 43,000 employees working under locally-trained leadership to process approximately 250 million sales per year of products marketed under strong, genuinely Brazilian brands.

In 2018 we built on these strengths to establish a new set of value creation levers: creating an omnichannel drug retail operation—our “[New Pharmacy](#)” model; building a [Health Product Marketplace](#); and developing a [Health Promotion and Prevention Platform](#).

Despite the challenging conditions in 2020, we made important strides toward achieving this new strategic vision throughout the year. We expanded our digital innovation center, which has helped to make us a more agile and innovative organization. We achieved further progress in our omnichannel operation, expanding logistics solutions and improving the digital journey. We embarked on an effort to become an increasingly customer-centric company, by implementing new key performance indicators and feedback channels. We established our Sustainability 2030 Aspiration—a set of clearly articulated commitments to healthier people, healthier business and a healthier planet.

The Board of Directors was also faced with the challenge of evolving and adapting to this new chapter in our company's story. Changes in our governance structure, including new committees, and efforts to develop new skill sets are some of the steps we have taken to ensure we continue to play our role of supporting RD on this journey of value creation for our shareholders and broader society.

Our purpose of **taking close care of people's health and well-being at each stage in life** is as current as ever. We have a unique window of opportunity and are highly optimistic and confident of our ability to take the next leap of growth toward building a healthier society for all.

Photo taken before sheltering in place began in 2020.

**Standing (left to right):**

Jairo Eduardo Loureiro, Marcelo José Ferreira e Silva, Plínio V. Musetti, Cristiana Almeida Pipponzi, Marco Ambrogio Crespi Bonomi, Carlos Pires Oliveira Dias and Renato Pires Oliveira Dias.

**Sitting:** Antônio Carlos Pipponzi and Paulo Sérgio Coutinho Galvão Filho.



# Message from our leadership

GRI 102-14

2020 was a landmark year for RD. In the period, we articulated our aspiration to become the top contributor to a healthy society in Brazil by 2030, an ambitious goal that will guide us in everything we do. This aspiration is pushing us out of our comfort zone of drug retailing to become our customers' partner for health promotion and disease prevention, a profound transformation in our role. To fulfill it, we developed a new business strategy in 2020, set new sustainability goals intrinsically aligned with this strategy, and began transforming our organizational structure, business model and corporate culture, as well as repositioning our retail and other brands in the same direction. This aspiration is also aligned with our purpose of [taking close care of people's health and well-being at each stage in life](#), expanding and reframing the concept of healthcare.

In a year so dramatically impacted by the global COVID-19 pandemic, which has continued to claim so many lives and to create so much uncertainty, the initiatives we put into place to protect and assist our employees, customers and communities were guided by our purpose and by our new aspiration. These initiatives included the adoption of rigorous in-store safety protocols to protect customers and employees; providing employees with full coverage for inpatient care related to COVID-19 and 24,000 free telemedicine consultations with Albert Einstein Hospital; maintaining all job posts and full pay for employees placed on temporary leave; and donating R\$ 25 million to 51 hospitals located outside of major urban centers to support their communities in the pandemic response, via our *Todo Cuidado Conta* ("All Care Matters") fund.

During our RD Day event, we unveiled our new strategy based on three pillars: the "New Pharmacy", our Marketplace and our Health Platform. Our New Pharmacy program is redesigning the traditional drugstore into a health hub concept with in-store health services combined with a digital and omnichannel experience. Through our Marketplace program, we will significantly enhance our assortment by deepening the mix in current categories as well as expanding our presence into new health verticals. Finally, our Health Platform program is developing a health services marketplace offering telemedicine combined with journeys developed to support our customers in disease prevention and in adopting healthy lifestyles, including treatment adherence, healthy nutrition, exercise and sleep. These businesses will be complementary to and reinforce each other, starting with

## We unveiled our new strategy based on three pillars: the “New Pharmacy”, our Marketplace and our Health Platform

customer acquisition and app adoption, which typically are driven in-store with a low marginal customer acquisition cost (CAC), and will result in increased customer buying frequency and share-of-wallet generated by the digital transformation of our retail operations and by the broad range of products and services offered on the marketplace and on the health platform. As customer spending and loyalty increase, this combination of assets has the potential to multiply customer lifetime value (CLV) and value creation.

RD is embarking on a transformational journey that will amplify our target market, challenge the way we operate and require the development of new assets and capabilities. But if we are successful, it will also positively transform the health of Brazilians, who suffer from a complex and inefficient system that is limited to treat-

ing diseases rather than promoting health. We are fully aware of the complexity of the challenge ahead and have the humility to recognize that it will be a long-term process, for which we still don't have all the answers. But we are equally certain that we have unique strengths that equip us for this journey: we have 39 million active customers and are the link in the health-care value chain with the greatest capillarity, proximity and frequency of interaction with communities. Our 2,300 stores serve 90% of Brazil's A class population within a 1.5 km radius and with a frequency of interaction that is higher than that of any other health care player or retail vertical. Other assets include a PBM that serves 57 million employees and beneficiaries of more than 1,000 commercial groups and 350 carriers; 4Bio, the leading provider of high-cost and high-complexity specialty medicines for the patients of major carriers in the coun-

try; and investments in start-ups to accelerate our strategy through our RD Ventures platform, which has recently invested in Manipulaê (a compounding pharmacy marketplace) and announced a deal to acquire tech.fit (healthy lifestyle promotion), which is still pending regulatory approval, and may undertake other acquisitions in the near future.

This new strategy proved essential in 2020 in supporting our customers, employees and communities through the pandemic. As a part of our journey to become a safe harbor for health and well-being, we enhanced the services we offer at our health hubs. We expanded our vaccination service, reaching a total of 73 stores that offer immunization against the flu and other diseases, and collaborated with municipal governments in providing free flu shots at our stores within the National Immunization Program. We also began offering COVID-19 testing services in the year. In 2020 alone, we administered 0.9 million tests in-store (1.5 million from May 2020 to date), and have 1,135 stores offering this service in 256 different cities. With our capillarity and frequency of interaction, we have become one of the top testers in

Brazil, with a 2020 national market share of 7.4% according to combined data from the Brazilian Diagnostic Medicine Association (ABRAMED) and the Brazilian Association of Chain Drugstores (ABRAFARMA).

In the context of sheltering-in-place and lockdowns due to COVID-19, we also accelerated the expansion of our omnichannel offerings to better serve customers. In 2020 we created a neighborhood delivery service, with orders made directly to our stores by phone or social media and with free and fast pedestrian deliveries done by our store employees within a close radius from our stores. This service supplements Click & Collect, which has also been available in 100% of our stores since 2018. In addition, we have 492 stores serving 241 cities with motorized ship-from-store deliveries. As a result, we reached digital channel revenues of R\$ 1.2 billion in 2020, equivalent to 5.9% of our retail gross revenue (6.3% in the fourth quarter of 2020), in contrast to R\$ 0.3 billion in 2019. In the fourth quarter, 83% of digital orders were delivered from or collected at one of our stores.

It is important to highlight that we don't see digital channels as a stand-alone busi-

ness, but rather as a tool to increase customer convenience, engagement, loyalty and spending throughout their whole journey, including in-store purchases. Our analysis indicates that digitized customers have increased their overall spending with us by 20% to 25%, with a significant portion still in-store.

We took further steps in 2020 in the digitization of our store operations. This included a new offering of smart coupons and the launch of Stix, our loyalty points coalition in partnership with GPA, with interactions 100% mediated through our mobile apps. In addition to an improved experience, these services also drive the digital onboarding of customers, encouraging them to download our apps and to experiment with all of our channels and services. In the fourth quarter of 2020, we reached 7.9 million cumulative app downloads and 24 million monthly visits to our digital channels, all with a low marginal CAC given the pivotal role of our stores in digital customer acquisition.

Despite the shelter-in-place orders during the initial phase of the pandemic, we successfully mitigated sales losses

through digitization of customer interactions. Gross revenue totaled R\$ 21.2 billion, a year-on-year increase of R\$ 2.8 billion with consolidated sales growth of 15.1% and 3.0% growth in mature stores, just 1.5 percentage points below inflation. In 4Q20, total revenue growth was 16.7%, with 6.0% growth in mature stores—1.5 percentage points above inflation—and we reached a record market share of 14.7%, a gain of 1.0 percentage point and with growth in every region. Adjusted EBITDA totaled R\$ 1,492.2 million in 2020, up 6.4% on the previous year. Adjusted net income was R\$ 601.0 million, growing 2.4%. Even in the context of the pandemic, we recorded positive free cash flow of R\$ 291.2 million and an also positive total cash flow of R\$ 103.9 million in 2020, with a leverage ratio of only 0.6 times our EBITDA, a testament to the resilience of our business and the robustness of our capital structure.

Despite the limitations imposed by the pandemic, we opened 240 stores and closed only 11. We entered the state of Rondônia, opened our first distribution center (DC) in the state of Rio Grande do Sul and closed our oldest facility, located in São Paulo, optimizing our logistics network by

rebalancing capacity with our other three DCs in the state, including Guarulhos, our largest and most modern facility, which was opened in 2019.

In 2020 we also developed a strategic Sustainability vision that is shifting to a regenerative approach rather than off-sets, aligned with our aspiration of becoming the top contributor to a healthy society in Brazil by 2030. Our vision is also aligned with the UN Global Compact, and throughout this report we communicate our progress on its ten principles. RD's Sustainability vision comprises three major dimensions: Healthier People, a Healthier Planet and Healthier Business. We have also enhanced transparency by annually publishing sustainability reports, through which we have continued to improve our reporting practices.

In closing, we would like to thank our stockholders—including both minority investors and majority shareholders—for their support and trust amid the uncertainties in 2020, and our clients who entrusted us with their health and confided in the safety of our protocols and solutions, both in-store or through our digital chan-

## Digitization of customer interactions helped to mitigate sales losses from customers sheltering in place

nels, and rewarded us with their loyalty. Finally, we would be remiss not to acknowledge the infinite efforts and unlimited dedication of our employees, who have been true healthcare heroes and selflessly left their families at home every day to place the life and health of our customers above everything else.



**Marcílio Pousada**  
CEO



**Marcello De Zagottis**  
Vice President, Commercial & Marketing



**Eugênio De Zagottis**  
Vice President, Corporate Planning, IR & M&A



**Bruno Pipponzi**  
Vice President, Health Business



**Maria Susana de Souza**  
Vice President, People, Culture & Sustainability



**Fernando Kozel Varela**  
Vice President, Digital Transformation



**Renato Cepollina Raduan**  
Vice President, Store Operations, Omnichannel & Expansion



**Antônio Carlos Coelho**  
Vice President, Financial & Administrative

# 2020 at a glance

## MANUFACTURED CAPITAL



**240 stores**

opened

A total of **2,303 stores** in  
**23 Brazilian states + Federal District**



DC opened in

**Gravataí (RS),**  
a **9,200+ m² facility**

## INTELLECTUAL CAPITAL

**stix**

Launched

**Stix**

reaching a universe of **more than 56 million** RD, Pão de Açúcar and Extra customers



**4 million**

**customers**

onboarded to digital interaction

*needs*

3x faster

**private label**

product launch rate



Investment in a

**compounding pharmacy**

**marketplace startup** within RD Ventures

## FINANCIAL CAPITAL



**R\$ 673.1 million**  
in CAPEX

**R\$ 21.2 billion**  
in revenue



**7.5% of variable compensation**  
for senior leadership linked to environmental, social and governance performance



**R\$ 601.0 million**  
in net income  
up 2.4% on 2019

# 2020 at a glance

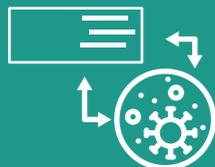
## HUMAN CAPITAL



**14,556 new hires**  
in the year



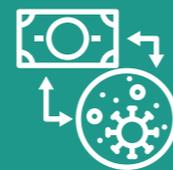
**103.93 hours**  
on average of **training per employee**



**5,000**  
people trained  
on COVID-19 in one month



**22,977**  
**free telemedicine consultations**  
provided to our employees by  
Albert Einstein Hospital as part of  
our Employee Care program



**Emergency Fund**  
**for employees:**  
**R\$ 437,000 donated** via the fund  
to support employees affected by  
COVID-19

## SOCIAL AND RELATIONSHIP CAPITAL



**R\$ 25 million**  
**donated by RD** to support  
referral hospitals in the COVID-19  
response as part of our All Care  
Matters fund



**200+ suppliers**  
**assessed on**  
**ESG\* criteria**  
and 7 audited on-site by a  
specialized independent firm

\*Environmental, social and corporate  
governance.



**0.9 million**  
**rapid COVID-19 tests**  
administered at Droga Raia  
and Drogasil stores (2020)

# 2020 at a glance

## NATURAL CAPITAL



**4+ metric tons**  
of batteries collected and sent  
for recycling



**202 stores**  
powered by distributed  
generation systems



**1,800+ stores**  
in 23 states and  
more than 200 cities  
with compliant drug disposal  
arrangements



**63+ metric tons**  
of expired or unused  
drugs collected and  
compliantly disposed of



# RD Disclosures

PEOPLE	2018	2019	2020
<b>EMPLOYEE HEALTH</b>			
Number of employees	35,304	40,054	43,631
Employees engaged in the My Best Version Program*			22,300
Albert Einstein telemedicine consultations*			22,977
<b>CUSTOMER HEALTH</b>			
Number of active customers	30.6 million	36 million	39 million
Rapid COVID-19 tests			900
Number of tele-service sessions on the RDsaúde em dia platform			1,993
<b>COMMUNITY HEALTH</b>			
Hours of volunteer work**		38,681	44,736
Community investments	R\$ 9.8 million	R\$ 10.7 million	R\$ 11 million
All Care Matters Fund—support for the COVID-19 response*			R\$ 25 million

BUSINESS	2018	2019	2020
<b>DIVERSITY &amp; INCLUSION</b>			
% women employees	63	63	64
% PwDs	4.1	5.1	4.7
% of women promoted	59.55	60.06	59.61
<b>OUR VALUE CHAIN</b>			
Number of suppliers		6,187	5,354
Suppliers screened on social and environmental criteria		175	196
<b>EDUCATION &amp; CAREERS</b>			
Total people trained on COVID-19*			5,000
Average hours of training per employee	26.7	36.25	103.93
Total people who received performance reviews		7,210	6,108

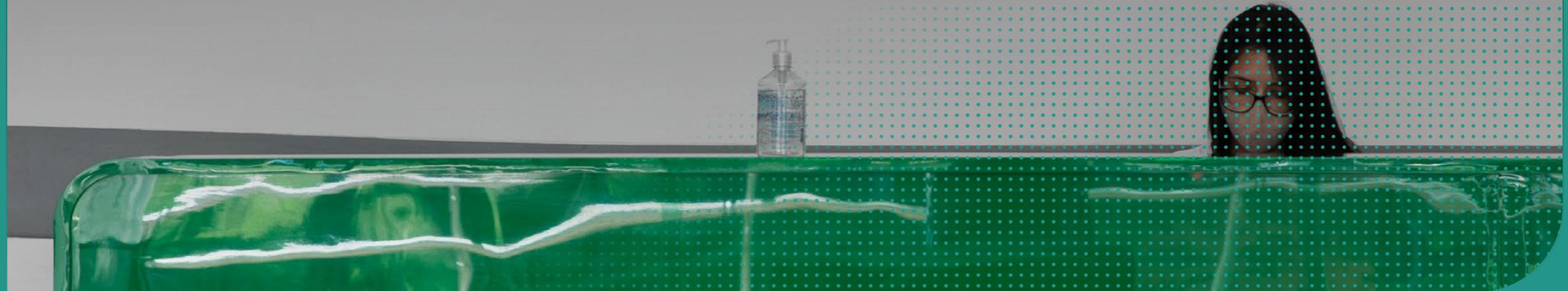
PLANET	2018	2019	2020
<b>CLIMATE</b>			
Greenhouse gas emissions (tCO <sub>2</sub> eq)	29,341	34,246	40,859
Emissions offset (tCO <sub>2</sub> eq)		17,123	20,406
Renewable energy consumed (GJ)	441,042	582,652	608,330
<b>WASTE MANAGEMENT</b>			
Compliant drug disposal (t)	40	56	63
Total waste volumes (t)	3,851	5,022	6,934
Waste sent for recycling	2,206	3,812	4,282
<b>WATER STEWARDSHIP</b>			
Water consumption	280,973	336,616	389,793

\*programs launched in 2020  
 \*\* program launched in 2019  
 \*\*\*to be offset using credits in 2021

# About Raia Drogasil S.A.

## Gente, Saúde e Bem-estar.

RaiaDrogasil S.A.



# Our essence and business

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-7

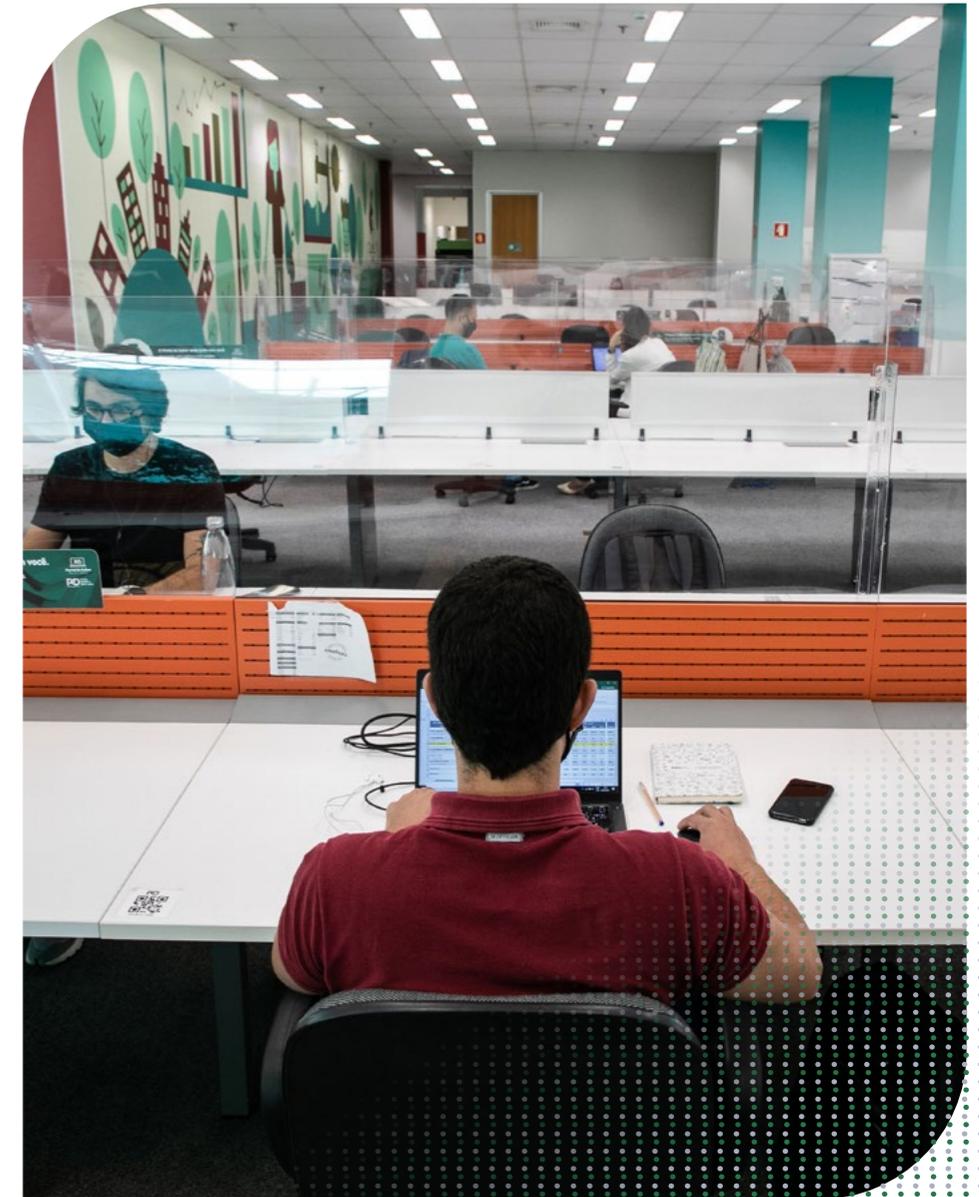
Created in 2011 by a merger between Droga Raia and Drogasil, RD (Raia Drogasil S.A.) is a publicly traded health and wellness company that is today the market leader in the Brazilian drug retail sector both by number of stores and by revenue. We are also one of the largest retailers in Brazil, with a presence in 24 states and 409 municipalities across the country, accounting for 57% of the Brazilian population.

RD relies on the combined experience of our founding companies, the strength and engagement of our more than 43,600 employees, and our clarity around our purpose—to *take close care of people's health and well-being at each stage in life*—as differentiators that bolster our business model. We have 39 million active customers across different profiles, and our service to them is supported by a comprehensive

understanding of the role we play in health promotion, as translated into our Strategy 2025.

We are a publicly traded company listed on *Novo Mercado*, an enhanced-governance listing segment on the Brazilian stock exchange (B3).

RD posted gross revenue of R\$ 21.2 billion, EBITDA of R\$ 1.429 billion, and net income of R\$ 601 million in 2020, a year in which we navigated the COVID-19 pandemic while undertaking a range of investments to deliver on our Strategy 2025. We generated R\$ 103.9 million in cash flows and R\$ 291.2 million in free cash flows in the year.



# Purpose and values



## Belief

People taking care of people.



## Purpose

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



## Values

### EFFICIENCY

Getting things done well to deliver outstanding results.

### ETHICS

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

### INNOVATION

Innovating today to be better tomorrow.

### TRUST-BASED RELATIONS

Taking a genuine interest in people, building relations based on trust.

### LONG-TERM VISION

Acting today to create future value for us and broader society.



# Our businesses

Scale, capillarity, convenience, innovation and an omnichannel vision are some of the differentiators of our business portfolio: RD Pharmacies (Droga Raia, Drogasil and Onofre); RD Health (4Bio Medicamentos Especiais, Univers and health management platform); RD Private Labels (Needs, Vegan by Needs, Triss, Caretech, Nutrigood and Droga Raia and Drogasil); and RD Ventures, a corporate venture capital platform created in 2020 that has already made its first investment (Manipulaê, a compounding pharmacy marketplace). We also have assets focused on building customer loyalty and engagement, including Stix, a loyalty points coalition in partnership with GPA; and RD Ads, a digital media platform currently under development.

## RD Pharmacies

## RD Health

## RD Ventures

## Loyalty & Engagement Assets

## RD Pharmacies

The story of our flagship brands — Droga Raia, a company founded in 1905, and Drogasil, a company created by a merger of two small drugstore chains decades later—has its roots in brick-and-mortar drug retail. Our two main brands were joined by Onofre, an e-commerce business, in 2019.

As key differentiators, Droga Raia and Drogasil provide a seamless in-store experience combining excellence in service, health solutions (such as vaccine administration, rapid testing, etc.) and a comprehensive health, wellness and beauty product portfolio. Both brands operate under an omnichannel model combining brick-and-mortar stores with the convenience of digital.

Digitization has been a primary focus at RD in recent years. Today, digital channels account for 6% of total revenue.



With deep roots and expertise in drug retail, Droga Raia and Drogasil are venturing into the digital world to increase the share of sales via digital channels

## RD Health

Health services are a core part of our Strategy 2025 and will help us to fulfill our purpose and aspiration. This pillar comprises the following businesses:

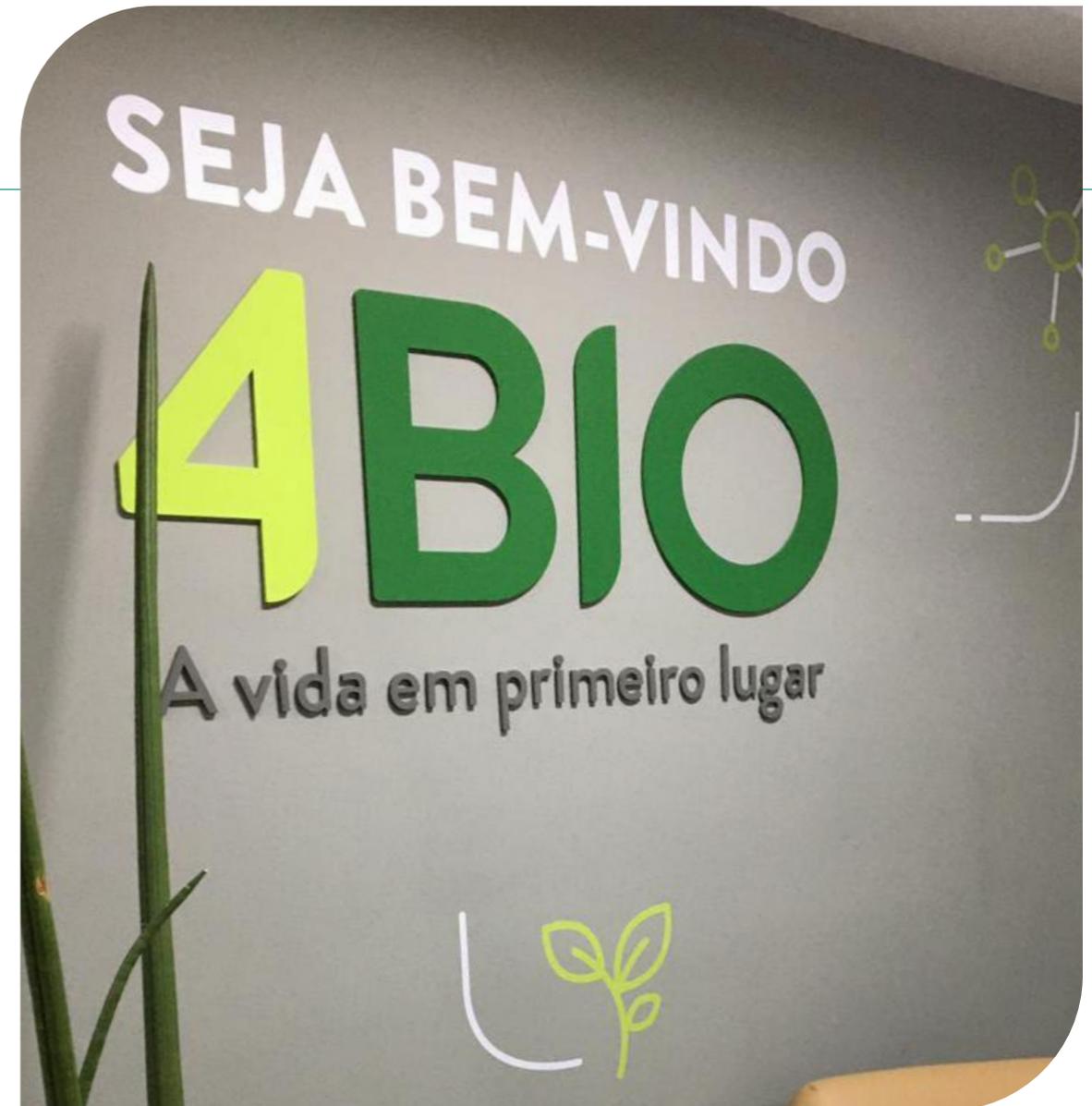
### » 4BIO

Founded in 2004 and owned by RD since 2015, 4Bio is a leader in specialty drugs, i.e. high-cost, high-complexity products that typically require clinical management of patients. The company has grown nearly sevenfold since the acquisition. In 2020 4Bio continued to perform strongly with revenue growth of approximately 19% and customer satisfaction rates (as measured by the Net Promoter Score method) of 98%, as well as undertaking efforts to prevent disruptions in delivery and services amid the novel coronavirus pandemic. 4Bio markets speciality drugs in the areas of: fertility, oncology, infectious diseases, rheumatology, orthopedics and dermatology. The company has 4 branches in São Paulo (SP), Campinas (SP) and Palmas (TO), and delivers directly to customers' homes.

### » UNIVERS

Univers is a medicine benefit management platform for health carriers, associations and corporations. Partner beneficiaries receive discounts on medicines and can deduct their purchases, in the case of corporate partners, from payroll.

In 2020, RD made important strides in structuring the health management platform as part of our strategy to provide customers with services, products and service channels that support all-round health management and well-being. [Read more on page 41](#)



## RD Private Labels

Also in line with our purpose and Strategy 2025, RD Private Labels offers high-quality products that are comparable to the leading brands in their segments but sold at affordable prices, while maintaining positive margins for the Company. The RD Private Labels portfolio currently comprises the following brands:

### » NEEDS

A comprehensive assortment of 500 beauty, wellness and beauty products. Needs offers a wide variety of products that cater to the day-to-day needs of customers of all profiles.

### » VEGAN BY NEEDS

Launched in 2019, Vegan By Needs has an offering of more than 25 products derived from Brazilian biodiversity that offer sustainable formulations, are circular economy-friendly, and have biodegradable packaging.

### » RAI/DROGASIL

Raia and Drogasil offer a complete range of vitamins and supplements across segments catering to the needs of each customer profile.

### » NUTRI GOOD

A product range with health-enhancing attributes, including food and beverage products with low sodium levels, no added sugar, gluten- and lactose-free formulations, and natural ingredients.

### » TRISS

A complete range of beauty accessories.

### » CARETECH

A range of prevention and health monitoring accessories (thermometers, blood pressure monitors, inhalers, etc.).

### » LE POP

A popular line of personal care and beauty products.



Our private label brands connect us to consumers and are driving innovation within the Company

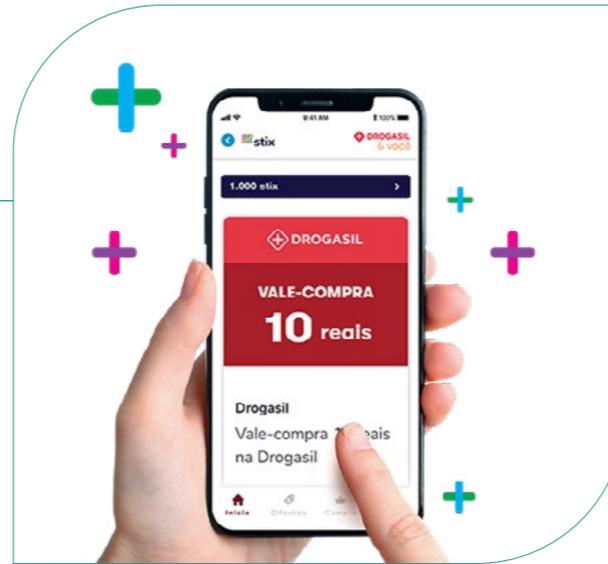
We have taken steps in recent years to increasingly align RD Private Labels with our sustainability commitments and aspirations. Related initiatives in 2020 included enhanced supplier audits and monitoring ([read more on page 70](#)) and evolving our health-enhancing product agenda. [read more on page 42](#)

## RD Ventures

A corporate venture capital platform that aims to accelerate our digitization and health strategy through investments in startups. RD Ventures has a flexible investment mandate that can include full ownership or majority or minority stakes with or without a pathway to full control or ownership.

### » MANIPULAÊ

Manipulaê, a compounding pharmacy marketplace, was the first startup investment within RD Ventures, completed in the second half of 2020.



## Loyalty & Engagement Assets

### » STIX

Created in 2020 in partnership with Grupo Pão de Açúcar (GPA), STIX is a loyalty point accumulation and redemption platform offering customers loyalty discounts and advantages. The coalition is the largest in our segment in Brazil and includes Raia, Drogasil, Pão de Açúcar and Extra, with Banco Itaú as an exclusive financial partner. The platform exceeded 1 million enrolled customers within the first three months of operation.

[Read more on page 46](#)

### » RD ADS

RD Ads, a digital media platform being developed by RD, will allow suppliers and, in the future, sellers on our marketplace to develop high-performance digital media initiatives reaching customers whose profiles and buying propensity match their offerings.



# Brick-and-mortar footprint

GRI 102-6, 102-7



**2,303 stores**

(2,299 retail RD + 4 4Bio)



**409 municipalities**  
in **24 states**

**Drogasil**

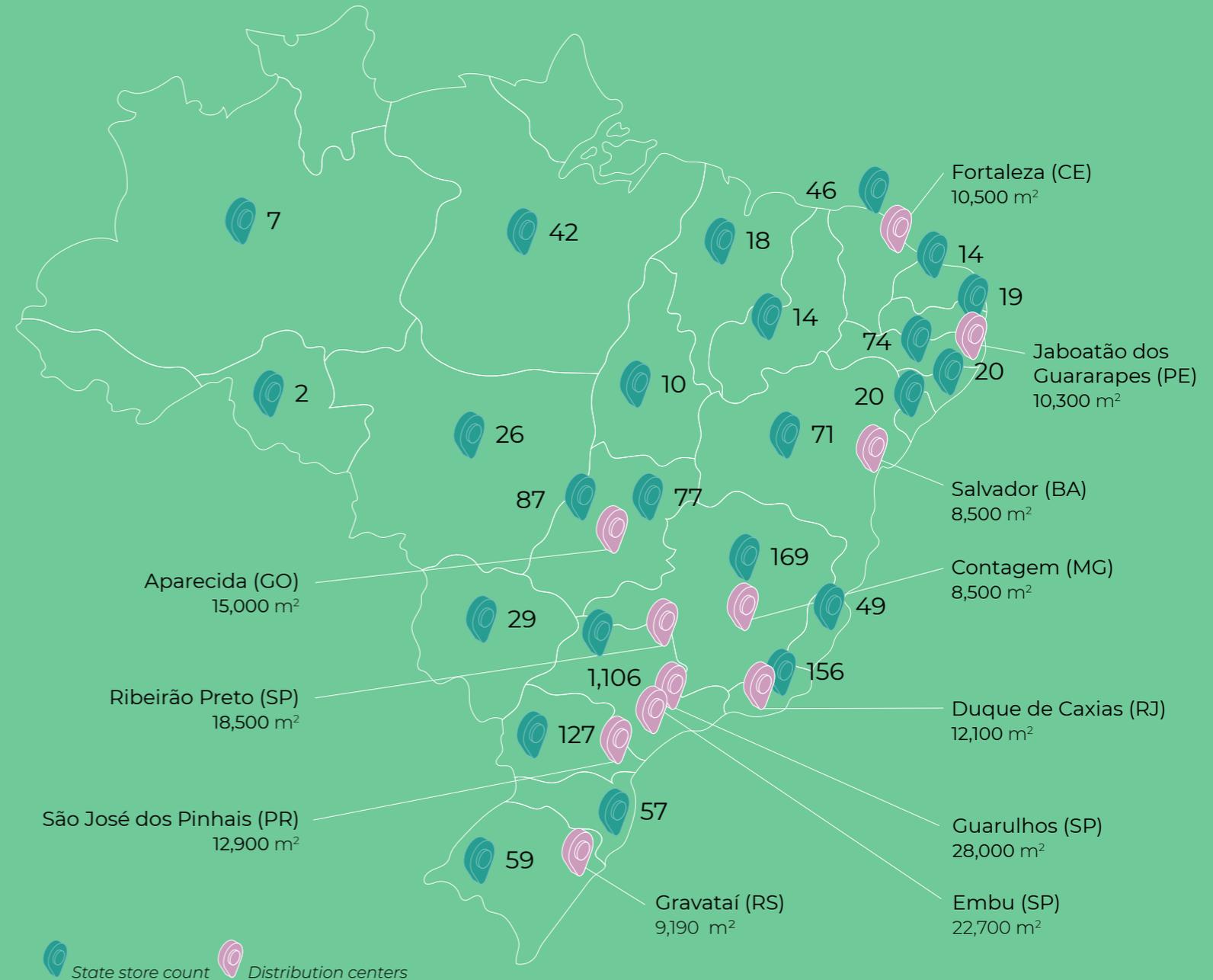
**Droga Raia**

**Onofre**

**4Bio**

(4 stores)

Store openings in the South and Midwest were particularly strong in 2020. The state with the largest number of store openings was São Paulo at 61 units. RD also established a presence in Rondônia during the year.



## Logistics capabilities

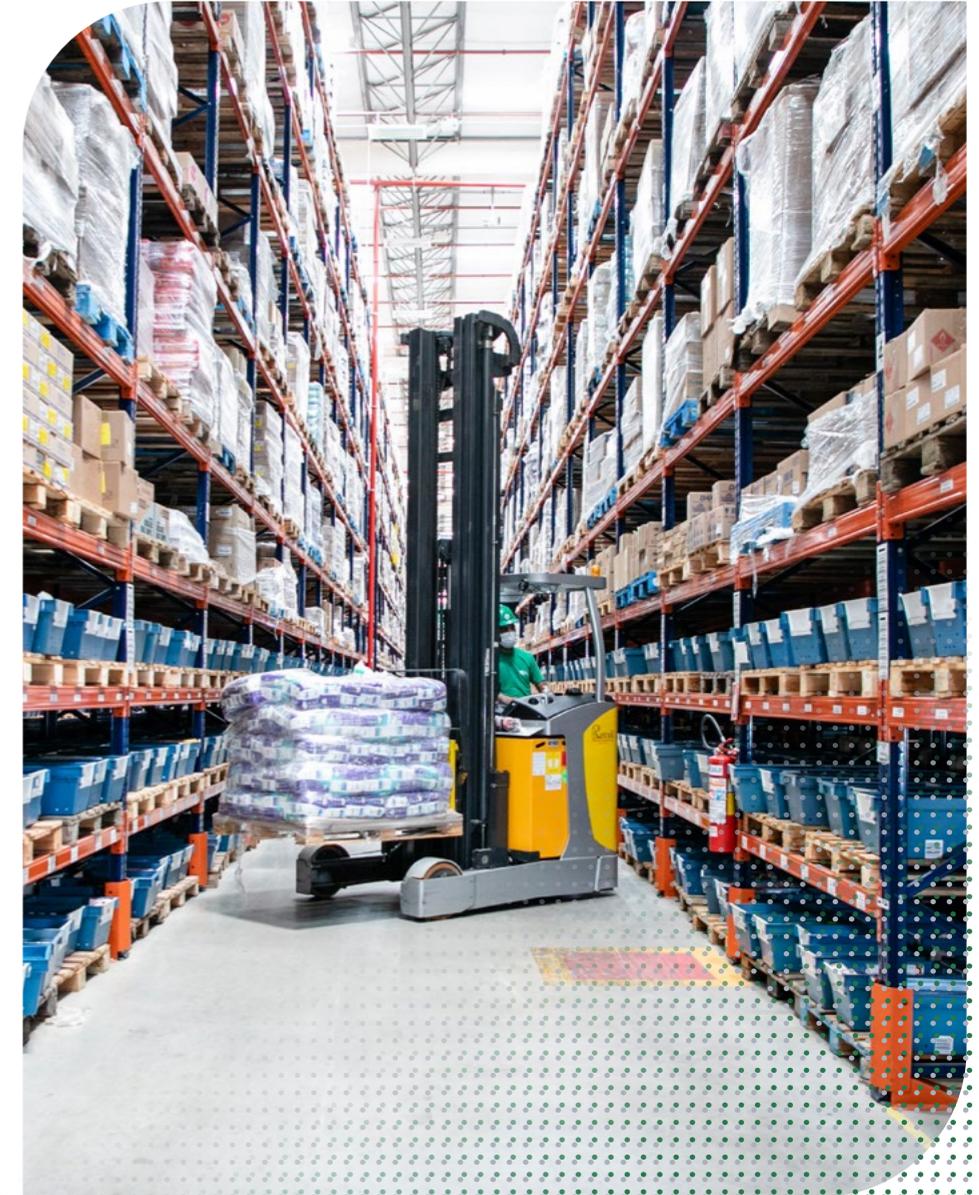
RD has 11 distribution centers strategically located in key hub cities. More than 170,000 m<sup>2</sup> of facilities in nine states (São Paulo, Goiás, Minas Gerais, Paraná, Pernambuco, Bahia, Rio de Janeiro, Ceará and Rio Grande do Sul) provide a decentralized and scalable logistics structure supporting our physical stores and direct-to-customer services.

4 out of every 5 RD stores are restocked on a daily basis to prevent stockouts

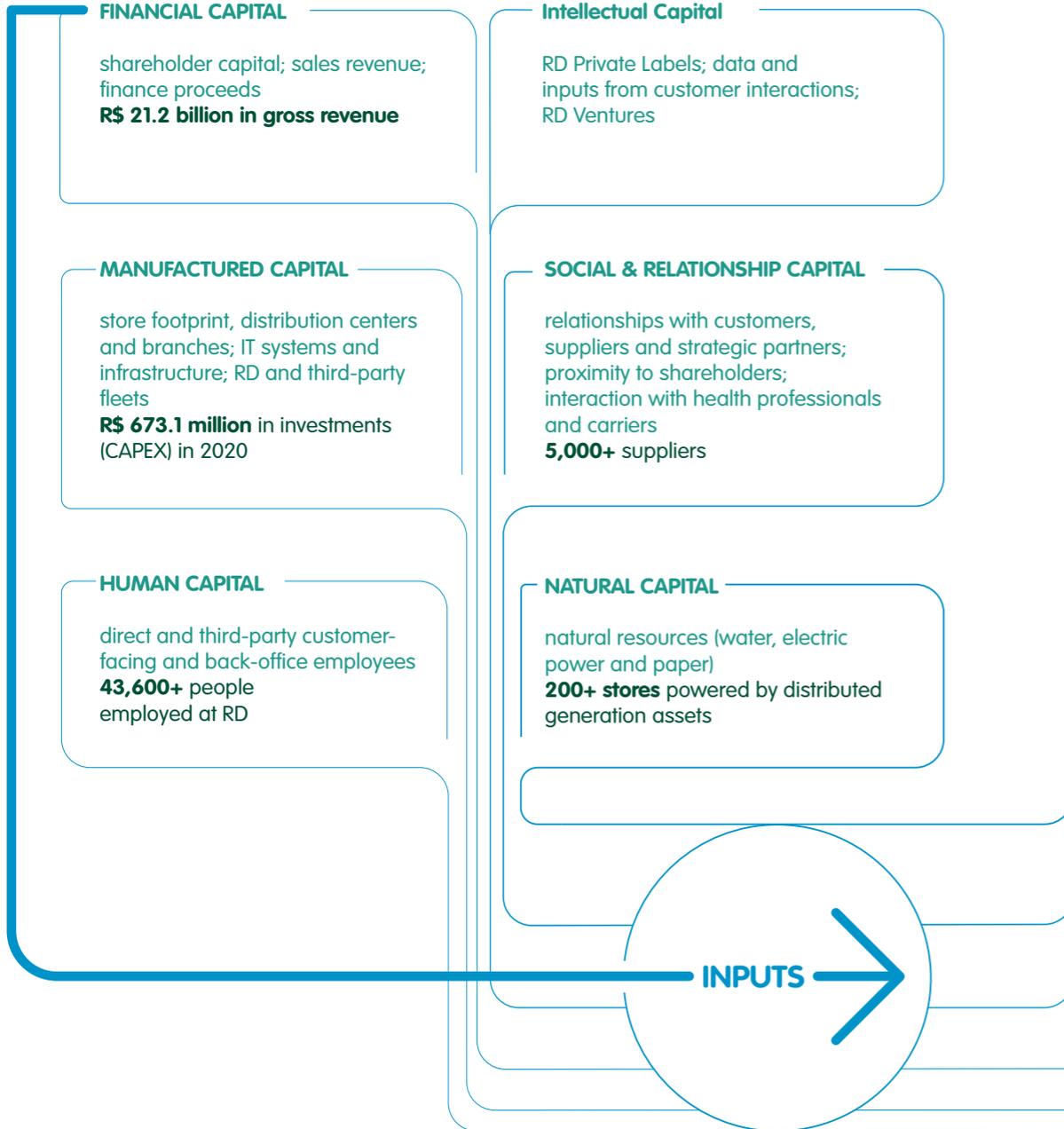
The logistics process typically begins with manufacturers delivering products at our DCs. We use a hybrid fleet of RD-owned vehicles for short-haul deliveries and third-party vehicles for long-haul deliveries. Around 80% of our stores are restocked on a daily basis.

In 2020 RD opened a new distribution center in the city of Gravataí, in the metropolitan area of Porto Alegre (RS). The new DC will serve an important hub for the expansion of our network, where our market share grew from 8.3% to 9.6% in 2020 (across the South).

We also closed an old DC in the district of Butantã, São Paulo, a planned capacity redeployment to our DCs in Embu and Guarulhos.



# Business model



To clearly and accurately communicate our approach to value creation, we describe our inputs, activities, outputs and impacts in a business model developed in accordance with the International Integrated Reporting Council (IIRC) framework, which describes how our relationships and impacts connect to the outputs we deliver to our stakeholders.



# Corporate governance

GRI 102-18, 102-19

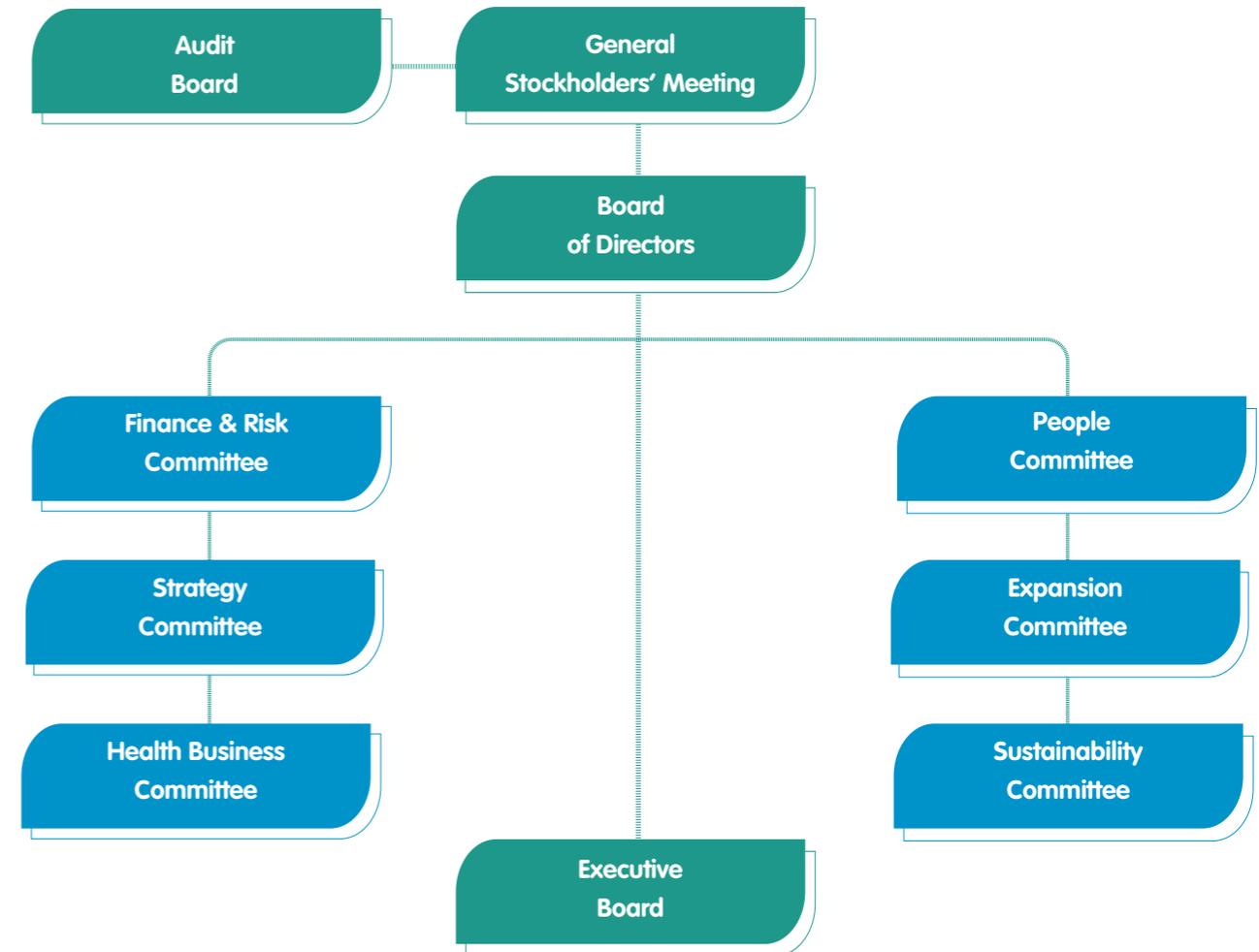
Raia Drogasil S.A., referred to in this report as RD, is the result of a merger between Droga Raia and Drogasil. We are a publicly traded company listed on the Novo Mercado segment of the Brazilian stock exchange, B3.

Our strategic management and decision-making processes are grounded on good corporate governance principles, with a focus on professional management across the key attributes that define a world-class company. These include transparency, equitable relations with stakeholders, sustainability, taking care of people, and fostering diversity.

RD's governance structure comprises three bodies: the General Shareholders' Meeting, Board of Directors and Executive Board. In 2019 we introduced an updated structure of six management committees that advise the Board on strategic matters. In 2020, we commissioned our first 360° leadership assessment of the Board and its Committees by an independent consulting firm.

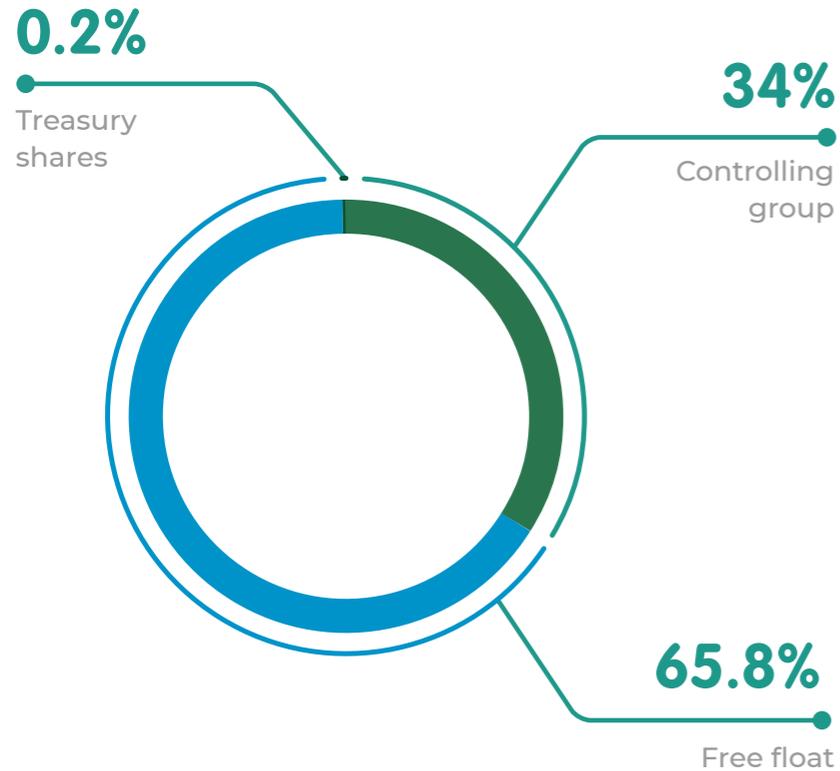
## Governance Model

GRI 102-22, 102-23, 102-24



## Ownership structure

at 12/31/2020



Our share capital is comprised of **1,651,930,000 common shares**



## General Stockholders' Meeting

GRI 102-38

The General Stockholders' Meeting is the highest governance body at RD, where shareholders decide on matters such as electing members to the Board of Directors and Audit Board, dividend payments, approving the financial statements, and setting annual remuneration for members of management.

The current controlling group is a party to a shareholders' agreement with a term extending to November 2021, and votes as a block in General Stockholders' Meetings.

**2 general meetings in 2020**

## Audit Board

The Audit Board is a non-permanent body with duties that include approving the financial statements of the Company. Members are appointed by the General Stockholders' Meeting. The Audit Board currently has four members and four alternates.

**2 independent members**  
(members and alternates)

**12 meetings**  
held in the year

## Board of Directors

The Board of Directors has nine members, including three independent members in accordance with the B3 Novo Mercado listing rules. All members have a term ending in 2021. The Board is chaired by Antonio Carlos Pipponzi, who has 44 years of experience in drug retail. The chairman has no executive duties. Members of the board are required to have credentials and experience consistent with the business challenges facing RD. Their duties are to set general business guidance, protect the long-term interests of shareholders, safeguard the sustainability of the business, and formulate long-term, strategic plans. Consistent with good governance practices, six committees advise the Board on matters relevant to the business.

**3 independent members**

**23 meetings**  
held in the year

## Executive Board

**8 officers**

**454 meetings  
held in the year**

LEARN MORE  
View the composition of our  
Executive Board [here](#).



The Executive Board is composed of between five and eleven members appointed by the Board of Directors. Members perform duties outlined in the Company's Bylaws, serving a renewable term of two years.

In 2020, the Executive Board included the Chief Executive Officer (CEO) and seven statutory officers who have extensive drug retail experience and are aligned with our purpose and culture.

In 2020 the Executive Board, including the CEO, underwent a performance assessment with support from an independent specialized professional.

## Advisory committees

### » EXPANSION COMMITTEE

Supports the Board in planning for business growth. This includes providing recommendations on mergers and acquisitions (M&A) and new store siting, and overseeing implementation of approved business plans.

**2 members**

**Meetings  
held weekly  
in 2020**

### » STRATEGY COMMITTEE

Provides recommendations to the Board of Directors on business strategy, operational improvement, digital transformation and the shift to a customer-centric organization; oversees implementation of policies, strategies and initiatives to build competitive advantage; monitors implementation of RD's operational model based on technology guidance, data analytics, agile enterprise principles and customer insight; oversees governance and transformation management across processes, people and innovation culture; develops key performance indicators to track progress on our digital strategy. GRI 102-26

**6 members**

**9 meetings in 2020**

## Advisory committees

### » HEALTH BUSINESS COMMITTEE

Drives corporate innovation to explore new health business opportunities, and monitors the execution and performance of health business initiatives.

**5 members**

**4 meetings** in 2020

### » FINANCE & RISK COMMITTEE

Monitors budget compliance and financial performance; supports risk scenario analysis and provides recommendations on risk management; reviews, discusses and provides recommendations on financial policies proposed by the Executive Board; provides recommendations on risk management mechanisms, including for legal and ethical risks; evaluates related-party transactions; assesses the performance and approves the engagement of independent auditors; reviews the financial statements; and supervises internal controls and systems. [GRI 102-11](#)

**4 members**

**12 meetings** in 2020

### » SUSTAINABILITY COMMITTEE

Provides recommendations to the Board of Directors on environmental, social and governance (ESG) guidelines and commitments, drawing inputs from our different businesses and subsidiaries and taking account of related risks and opportunities; discusses and monitors implementation and execution of social and environmental programs; assesses business impacts; and develops and provides recommendations to the Board on sustainability targets for the variable compensation of Executive Board members. [GRI 102-20](#), [102-29](#)

**2 members**

**10 meetings** in 2020

### » PEOPLE COMMITTEE

Advises the Board on people-related projects and processes, ensuring alignment with RD's strategic vision; discusses and provides recommendations on remuneration and rewards policies for employees and senior management, and share option plans for senior management; discusses and provides recommendations on criteria for assessing the performance and competencies of employees and senior management; develops and monitors key performance, productivity and management indicators; and monitors succession planning. [GRI 103 | 401](#)

**6 members**

**8 meetings** in 2020



## ESG Governance in practice

The creation of our Sustainability Department and Sustainability Committee was among the milestones in our ESG journey over the past few years. In 2020 RD made significant strides on this agenda, firmly connecting our sustainability aspirations to our Strategy 2025, and translating them into initiatives and targets across three pillars: Healthier People, Healthier Business and Healthier Planet.

To ensure continued progress and Company-wide engagement around topics such as community investment, health and wellness, greenhouse gas emissions, waste and energy efficiency, we have set priorities and key performance indicators on sustainability for our business units. In 2020 we also implemented initiatives as part of the pandemic response—including the creation of our All Care Matters Fund, through which we provided R\$ 25 million in donations to charitable hospitals outside

major cities—and made further progress on our efforts to engage the value chain.

Other ESG governance milestones in recent years include the incorporation of social and environmental criteria for variable compensation at different leadership levels. In 2020, 7.5% of variable compensation for senior management was linked to performance on environmental, social and governance aspects, and as much as 25% was linked to specific sustainability targets for some executive positions.

# Ethics and transparency

GRI 102-16, 103 | 205, 103 | 406, 103 | 419, 102-17, 102-25



The standards and policies forming RD's governance and management system place integrity as a nonnegotiable principle in all activities, at all group companies. Our Code of Ethics & Business Conduct outlines the behaviors and conduct expected of those acting on RD's behalf in dealings with customers, suppliers, competitors, partners and communities.

In our relations with the market, we adhere to Brazilian regulations and good practices, and the principles of transparency, accuracy and security in disclosures, working to protect business integrity and the legitimate interests of shareholders and investors.

Among the key topics within this agenda is anti-corruption. We have an Integrity Program in place to embed ethics and transparency in relations between RD, our human capital and our stakeholders. The program is compliant the Brazilian An-

ti-Bribery Act and in 2020 included training on three topics: anti-corruption and anti-fraud, dealings with government officials, and conflict of interests.

A total of 461 employees in middle and senior management positions (coordinators, managers and directors at RD and 4Bio) were invited to attend training in the current cycle, and the remainder will receive training via our internal online training platform. In addition to our Code of Ethics & Business Conduct, RD's training initiatives, actions and conduct are guided by our Declaration on Conflicts of Interest.

As part of our #ComplianceInAction Program, we ran awareness initiatives throughout the second half of 2020 and, to mark International Anti-Corruption Day, we organized a series of forums and online anti-corruption training for coordinators and managers, and launched an e-learning anti-corruption course for other employees.

Any suspected misconduct or corruption can be reported via our Ethics Hotline, a channel where employees, third parties and customers can report potential violations of RD's ethics and compliance guidelines. This channel can also be used to submit complaints and questions relating to other matters. Cases are reviewed and investigated by a leadership-level working group, which is responsible for ensuring that cases are kept confidential and whistleblowers are kept anonymous and not retaliated against. Through this process, 100% of transactions involving risk are assessed for corruption risk, with the involvement of leadership in risk analyses. [GRI 205-1](#)

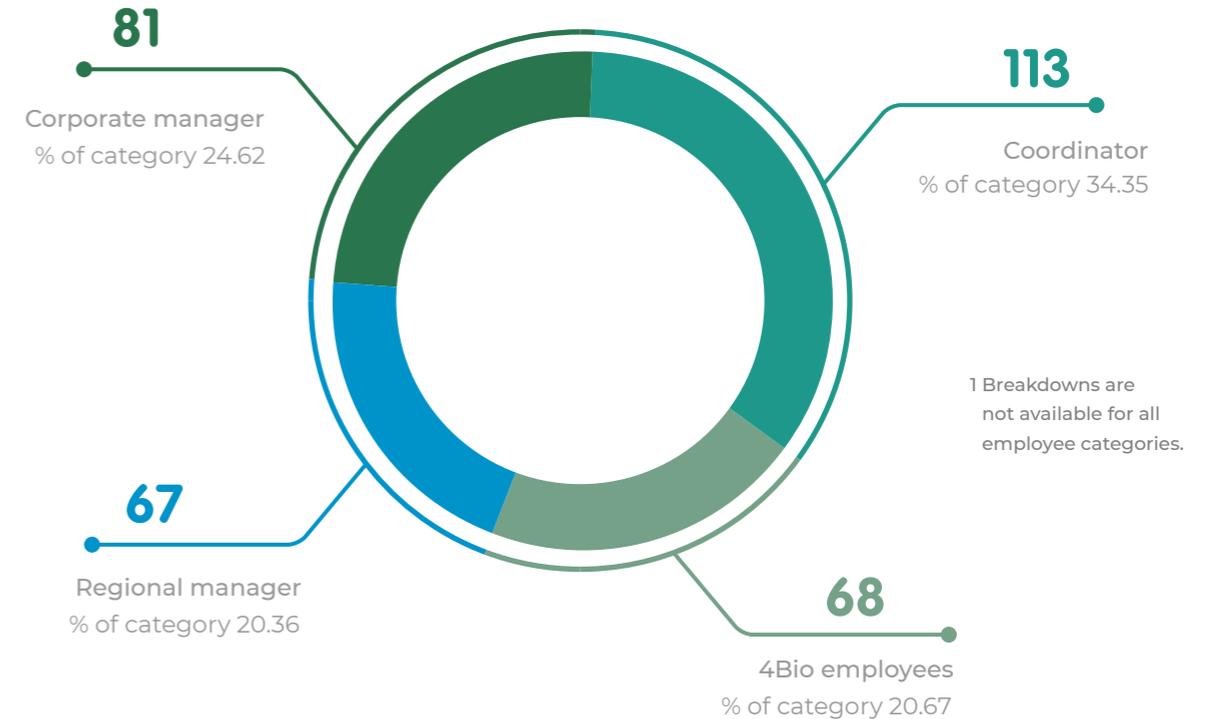
In 2020 the Ethics Hotline handled 2,920 cases relating to misconduct, noncompliance, ethics violations and other concerns.

Cases are investigated by the leadership team and Ethics Affairs Committee (CAE), a group of senior management representatives responsible for investigating and addressing concerns. The Ethics Hotline is also used by 4Bio employees and has been widely publicized on RD's Investor Relations website. No reports on corruption were received during the year. [GRI 205-3](#)

A total of 44 reports on discrimination were received in 2020, of which 30 were resolved and 14 are currently being investigated. Disciplinary action taken includes written warnings, counseling, follow-up, transfer to a different function, and termination with cause. [For further information, see the Appendix on page 111](#)

In addition to our Ethics Hotline, we have an Ombudsman's Department as the ultimate point of recourse at RD for receiving complaints. In 2020 the Ombudsman's Department handled 1,877 cases, all of which were addressed immediately throughout the year.

### EMPLOYEE ANTI-CORRUPTION TRAINING, BY EMPLOYEE CATEGORY <sup>1</sup> GRI 205-2



18,000 RD employees received compliance training via Workplace, a corporate social network, representing 41.86% of our workforce



## Risk management GRI 102-11, 102-15

The Finance & Risk Committee and Sustainability Committee are responsible for assessing external and internal sources of risk to the business. Within their respective scope of activity, they provide recommendations to the Board of Directors on financial and non-financial matters with the potential to affect the business.

The corporate risks we currently manage and address in dedicated policies include matters such as anti-trust, operational capabilities, prices and rent costs, sourcing and stocking, distribution, and funding.

In 2020 we updated our corporate risk policy to include ESG (Environmental, Social and Governance) aspects in the risk map for our activities. RD's business continuity plan was also revised for similar reasons.



**LEARN MORE**  
about risk management in  
RD's policies, available [here](#).

## Information security

GRI 103 | 418, 418-1

Protecting and securing the data of our 39 million active customers is crucial for our business reputation and compliance with applicable local regulations, including the Brazilian General Data Protection Act (LGPD; Law no. 13 709/2018).

Our efforts to ensure compliance with the LGPD, which came into effect in September 2020, began in 2018 with an assessment by specialized consultants, followed by implementation of improvements to processes, controls and systems in which personal data is handled.

RD has an LGPD-compliant Privacy Policy (available [here](#)), and we have invested in improving our approach to managing sensitive data, including customers' medical and health information. As part of our Privacy Program, in 2020 we implemented governance processes for handling personal data and created a dedicated data protection office.

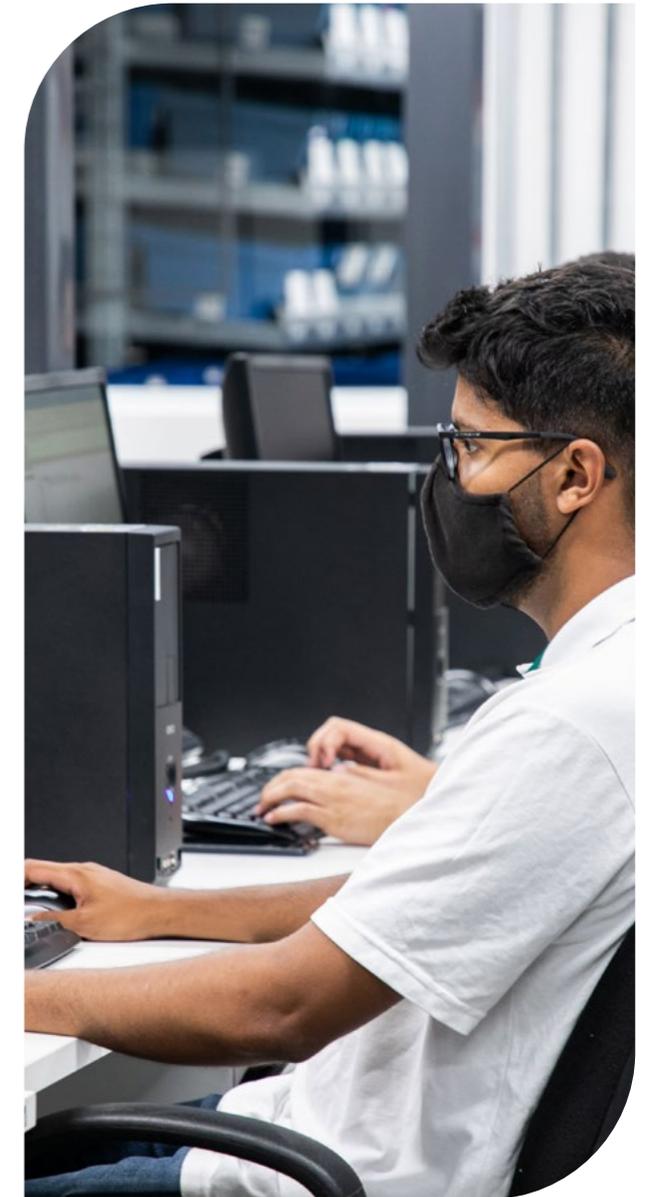
RD conforms to a range of standards and guidelines on information security management (CIS Controls, PCI/DSS, ISO/IEC 27001, ISO/IEC 27005 etc.). Managing cyber risks has been a particular area of focus; in the second half of 2020 we completed

development of a Strategic Cyber Security Plan in which we designed six high-level initiatives that were then translated into 20 related projects.

The personal data protection officer at RD reports directly to senior management and oversees a team of data privacy and cyber security experts reporting to the Legal and IT departments. In addition, our Risk Committee receives and reviews information on operational risks related to cybersecurity.

No breaches, theft or losses of customer data were recorded in 2020. During the year, we received and complied with 179 requests from personal data subjects in accordance with Brazilian regulations.

### In 2020 we developed a strategic cybersecurity plan with more than 20 related initiatives



# Saúde Drogasil

# Business vision



# Business vision

Drug retail is among the prime movers in the healthcare industry in Brazil. According to data from health analytics firm IQVIA, drug retail revenues jumped by more than 13% during the COVID-19 pandemic, reaching R\$ 113 billion as of November 2020.

Meanwhile, trends such as a rapid demographic transition (with the 65 and over population expected to reach 21% of Brazil's total population by 2032), growth in demand for health and wellness services, and digitization (with a higher share of online sales) suggest the retail sector will see both expansion and growing competition among national and regional groups over the coming years.

In response to these trends, and in alignment with our purpose, we took steps in 2020 to evolve our strategic vision, firmly connecting it to a more consistent sustainability agenda and laying out a roadmap to lead in building the future of the drug retail and health sector in Brazil.

Our market must be responsive to growing customer demand for access to health and wellness services



# Purpose and sustainability

GRI 102-12

With environmental, social and governance (ESG) issues increasingly high on the agendas of investors, partners, leaders and experts who interact with RD, we have accelerated efforts to embed sustainability into executive and board routines and in our purpose, leading to an in-depth assessment of how our business is supporting the industry's and global agendas for sustainable development.

Initially ESG initiatives were implemented on a standalone basis across different departments, but have now been centralized in a dedicated governance function. As part of this journey, we joined the UN Global Compact Network Brazil and initiated discussions to incorporate the Sustainable Development Goals (SDGs) into our business strategy and remuneration criteria for the leadership team. In 2020 we initiated

discussions on the digitization of healthcare as part of a working group of the Global Compact Network Brazil.

The next step, on which we progressed throughout the year, was to translate our sustainability strategy 2030 into goals and targets for each of the three levers that, together, will help us to achieve our aspiration of becoming the top contributor to a healthy society in Brazil by 2030, while also delivering on our business vision of sustained and responsible revenue growth. Our Aspiration 2030 will be announced in 2021.



	OUR FOCUS		ACTION AREAS
<b>Healthier People</b>	 promoting integrative health		<ul style="list-style-type: none"> <li>» Healthier employees</li> <li>» Healthier customers</li> <li>» Healthier community</li> </ul>
<b>Healthier Planet</b>	 emissions, energy and waste		<ul style="list-style-type: none"> <li>» RD operations</li> <li>» Value chain</li> </ul>
<b>Healthier Business</b>	 education, employment, diversity and inclusion		<ul style="list-style-type: none"> <li>» Empowering and developing employees and suppliers</li> <li>» Empowering communities</li> </ul>

## Our **sustainability aspiration** for 2030

To be the top contributor to a healthy society in Brazil by 2030

## Aligned with the **future of the business**

Offering Brazil's first integrative health platform



## Materiality

GRI 102-21, 102-40, 102-42, 102-43, 102-44, 102-47

In 2020 we revisited our social and environmental priorities in a new materiality process. Based on critical industry issues, our stakeholders' perspectives and our strategic vision, we identified seven topics that translate our priorities in managing and communicating our performance in sustainability.

The previous materiality process had been in 2016, and in 2020 we conducted a more robust exercise that included interviews with executives, board members and experts, an online survey of 607 people, and a review of industry research. We also considered the Sustainable Development Goals (SDGs) and their individual targets. The materiality process additionally identified positive and negative externalities generated by our activities, products and services for society and the supply chain. RD has committed to periodically revisit the material topics.

See below the results from our 2020 materiality exercise:

We revisited our list of material ESG topics based on stakeholders' perspectives

## OUR MATERIAL TOPICS GRI 103-1





# Strategy 2025

Transform the business from an omnichannel drug retail operation into an integrative health platform. This is the goal we have set in our Strategy 2025, a new business plan that incorporates our sustainability commitments and embraces them as a driver of market leadership and competitive advantage.

Developed by the Board of Directors with support from an advisory committee, and with all business functions responsible for execution under the leadership of the Executive Board, our new strategy builds on guiding principles adopted in recent years at RD, which include valuing people, innovation, technology, and building trust with customers and other stakeholders.

Our integrative health concept will be incorporated into our strategy through a complete offering of solutions, services, products and practices as part of a holistic approach to customer and patient wellness that spans the physical, mental, social, spiritual and environmental dimensions.

## Our sustainability aspiration GRI 102-15

In 2020 we initiated a strategic planning exercise involving different business functions at RD, reflecting our growing maturity in ESG issues and our goal to transform the business under our vision for an integrative health offering and for making a positive impact on the well-being of employees, customers and communities. Based on our aspiration to be the top contributor to a healthy society in Brazil by 2030, and on initiatives such as the United Nations 2030 Agenda for Sustainable Development, socio-economic trends and business priorities, this exercise informed the development of our Sustainability Strategy 2030, a set of commitments that have been translated into 8 goals and 35 targets. These include commitments around topics such as diversity, education, supply chain, climate change, waste and integrative health. The document outlining our commitments will be published during 2021.

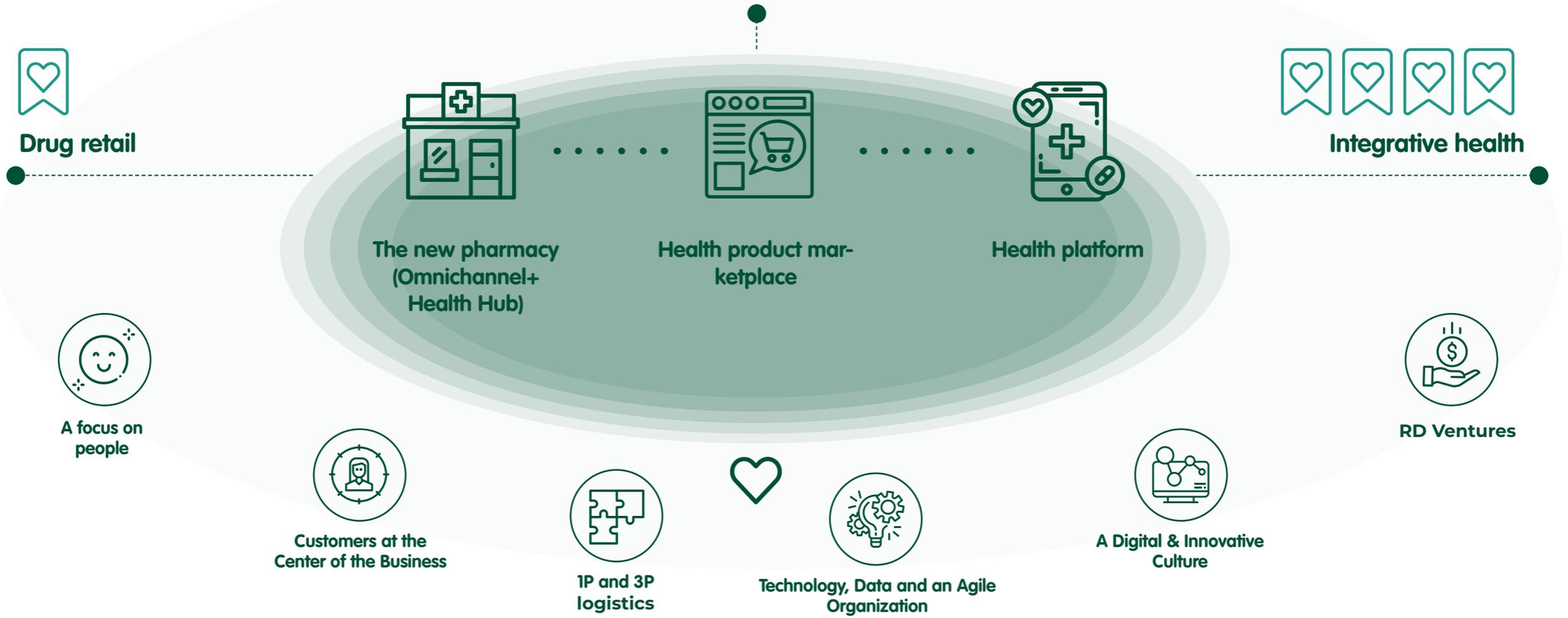
# RD strategy 2025

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

Healthier People [Employees, Customers, Communities]

Healthier Business [Diversity, Education, Supply Chain]

Healthier Planet [Emissions, Energy, Waste]



**Sustainability Aspiration: To be the top contributor to a healthy society in Brazil by 2030**

## The New Pharmacy: what it means



### OMNICHANNEL

offering customers a broad selection of channels, including physical stores, mobile apps, websites, social media and call centers, and a range of delivery options for digital purchases, such as Click & Collect, Neighborhood Delivery, and 1-hour, 4-hour or next-day delivery, both from stores and from distribution centers. We are channel agnostic — customers are free to choose the channel that suits them best. Our analyses show that omnichannel customers are more loyal and consume more than customers who purchase in-store only, making an omnichannel strategy a crucial part of delivering customer and shareholder value.

### DIGITIZATION



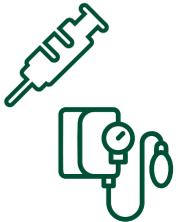
leveraging mobile technology to eliminate pain points in the customer journey, making the in-store experience more agile, effective and pleasurable for customers. Examples of this strategy include digital discount coupons, digitizing our loyalty program, with all information and features available from mobile apps, and other ongoing initiatives such as app-based payment at checkout and app-based approval of Medicine Benefit Program discounts.

### HUMANIZED, SPECIALIZED

### HEALTH SERVICES

actively involving and drawing on the expertise of pharmacists to convert brick-and-mortar stores into genuine health hubs—with services including testing, administration of vaccines and injectables, blood pressure and glucose testing, and teleconsultations.

### NO DISEASE X



### BETTER HEALTH

promoting healthier lifestyles by expanding our portfolio of health and wellness products, including local, organic, vegan and sustainable (LOVS) products.

A “new pharmacy” concept is at the heart of our Strategy 2025. The concept combines digitization of drug retail with a transformation of our stores into health hubs.

In 2020, our leadership team discussed the concept in depth and how shifts in customer profiles and the ways they access health products and services will shape the role of brick-and-mortar and digital channels in our business plan. The key levers in the new drugstore experience include:

## Excellence and digital transformation: Delivering products where and when the customer needs them

Digital has shortened the distance between products and customers during the pandemic. Being there for customers when they need us, and through the channel that best suits them—whether digital or physical—is one of the focus areas in our Strategy 2025. Network capillarity, accessibility and consumer trust combined with high transaction frequency and technology are creating a unique opportunity for RD to deliver an omnichannel experience offering health-care and well-being to millions of Brazilians.

Investments in our physical infrastructure and digital platform in recent years allowed us to rapidly accelerate and scale up on-line sales and delivery in 2020. The share of digital sales in revenue climbed from 1% to 8% at peak in 2020, during the height of shelter-in-place requirements. The consolidated average for the full year was approximately 6%, showing that the growth during the

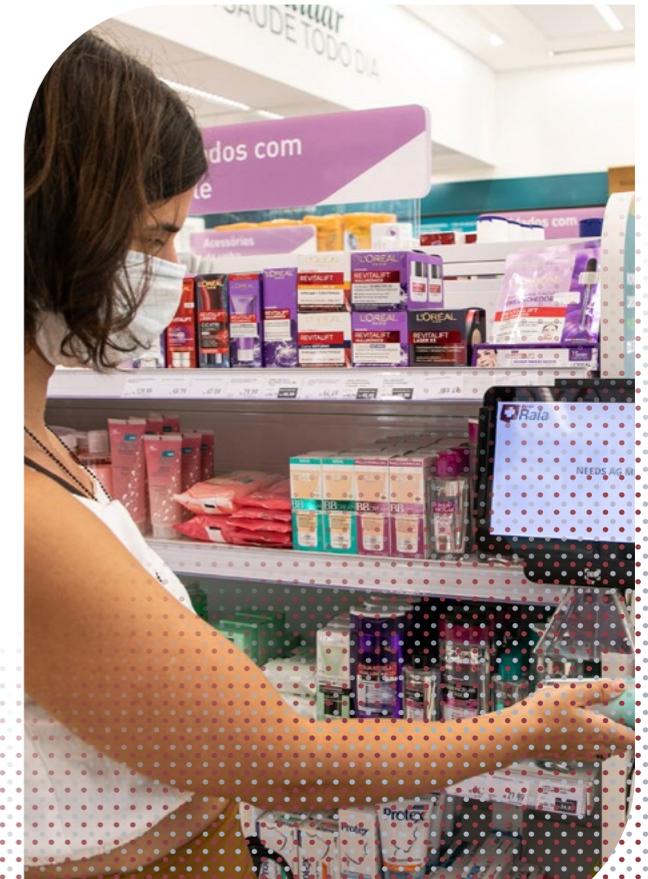
pandemic will be sustained. Online and app traffic grew to 25 million views per month.

Our approach to developing an omnichannel experience is leveraging our country-wide capillarity, our roughly 39 million customers, and sales potential in the digital environment. In 2020, around 70% of digital sales were delivered via Click & Collect. Combined with our 11 distribution centers, these unique capabilities provide customers with greater convenience at lower logistics costs and with improved efficiency.

RD is pursuing a digital transformation journey that is running in parallel with our store opening plan. Investments in data science have provided greater insight into consumer profiles to inform initiatives. Data analytics has shown, for example, that Droga Raia and Drogasil app users make purchases more often than store-only customers.

These customers see the digital channel as an extension of the brick-and-mortar store down the street.

Digital channels offer 100% of the assortment and all the purchase options available from physical channels, but with some added complexity for prescription drugs, for example.



To improve the on-line shopping experience, our mobile apps—which we launched in August 2019—have been continuously improved and have since incorporated a range of new navigation features, such as purchases with fewer clicks and express payment options, as well as exclusive offers. All of this combined with fast neighborhood delivery ([read more on page 50](#)) or collection at a store chosen by the customer. Integrated solutions have also been developed to create an increasingly connected physical and digital experience. These include special in-store offers activated from mobile apps, and our loyalty point accumulation and redemption platform, Stix [read more on page 46](#)



### CUSTOMER SERVICE

In 2021, besides expanding our online product assortment with the launch of our marketplace ([read more below](#)), RD's focus will be on improving customer service channels and the digital shopping experience. Our aspiration is to offer the same standard of excellence in the physical and digital environment, combined with fast delivery. In 2020, a new function was created to develop and monitor cross-channel satisfaction indicators. Post-customer service satisfaction surveys have already been implemented and will provide insight into customer perceptions of our services. The customer service agent team was expanded to accommodate the higher demand in 2020, and we kicked off a machine learning-based customer service project in the year. Also as part of our efforts to provide better, more efficient service, one of our priorities has been extending same-day delivery to all municipalities where RD is present.

### DIGITAL TRANSFORMATION

RD has created digital transformation functions and leadership positions to help us build a digital culture and an increasingly versatile and innovative company.

**4 million** customers  
interacting on digital channels

**24 million**  
visits/month

## HEALTH MARKETPLACE

As part of our purpose to take close care of people's health and well-being at each stage in life, RD is developing the first health marketplace to be launched in Brazil. The platform went live with 10 partners offering wellness products across different categories. The experiment will serve as a pilot of the business and customer relationship model before scale-up. The goal of the platform is to cater to customers' full range of health and wellness needs, including not only physical aspects but also mental, social and other dimensions of wellness.



## points for taking care of your health

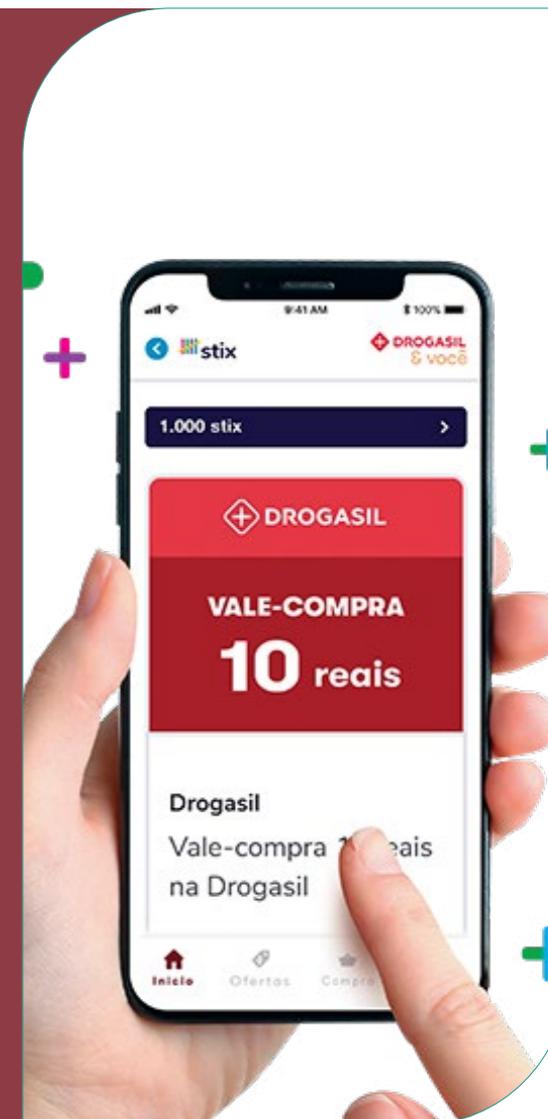
RD joined Grupo Pão de Açúcar (GPA) to launch a loyalty platform that will expand our offering of benefits for customers. Stix is a rewards platform for the loyalty programs of these two market-leading brands. At RD, points accumulated across all brands are converted into vouchers customers can use to purchase health and wellness products and services.

The new partnership between RD and GPA, two of Brazil's leading retail companies, was able to navigate difficulties such as remote working to successfully develop the platform during the pandemic crisis. Stix has now become a standalone business that will provide services to the two companies. Itaú has joined as a strategic

financial partner, and users of the bank's new loyalty program, iupp, can transfer their iupp points to Stix.

Customers sign up for the program and accumulate points with every in-store or digital purchase from Droga Raia, Drogasil, Pão de Açúcar or Extra. The alliance will benefit customers by providing more opportunities to accumulate points, which can then be exchanged for products from a large selection of partner merchants.

The platform exceeded 1 million enrolled RD customers within the first three months of operation.





# Business performance

GRI 103 | 201

The health of the business has been put to the test more than ever during the pandemic, and has been proven to be resilient. Despite a steep downturn in in-store traffic and full or partial shutdowns of our shopping mall stores, we generated revenue of R\$ 21.2 billion, an increase of 15.1% on the previous year; EBITDA of R\$ 1,429.2 million, with an EBITDA margin of 6.7%, up 6.4% year-on-year; and net income of R\$ 601 million, 2.4% higher than in the previous year. And despite the pandemic, we recorded free cash flow of R\$ 291.2 million, and total cash flow of R\$ 103.9 million.

These strong results reflect our robust expansion plan—we opened 240 stores amid the pandemic, consistent with our guidance and with returns expected to

be in line with historical figures—and positive performance from our digital channels, which now account for roughly 6% of total revenue.

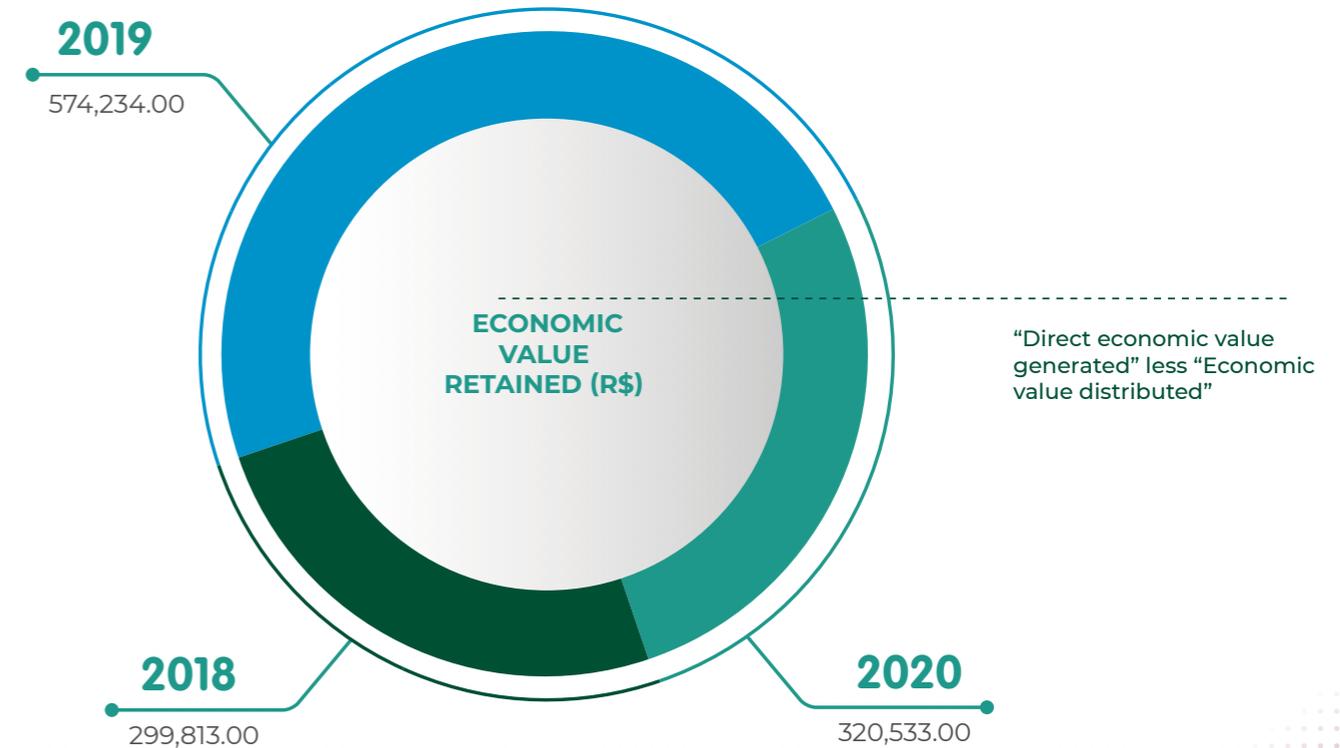
Throughout the year our Investor Relations department published quarterly earnings releases as in previous years. Our relations with providers of capital are guided by transparency and clarity in reporting on performance, based on best practices prescribed by the Brazilian stock exchange.

See below some of our consolidated figures for fiscal 2020.

### DIRECT ECONOMIC VALUE GENERATED (R\$) GRI 201-1



### ECONOMIC VALUE RETAINED (R\$)



### ECONOMIC VALUE DISTRIBUTED (%)

Distributed	2018	2019	2020
Operating expenses	69.3	70.6	73.0
Employee salaries and benefits	10.4	10.1	9.6
Payments to providers of capital	6.3	4.0	3.1
Payments to government	12.2	12.2	12.9
Withholdings	1.9	3.2	1.4



**LEARN MORE GRI 102-45**  
 about our performance by  
 reading our financial reports,  
 available on our [Investor  
 Relations Website](#)

# Healthier people



# Healthier people



Building trust-based relations with customers, employees, suppliers and communities is among our focus areas

Our mission is to take close care of people's health and well-being at each stage in life, serving as an all-round health hub for our customers. With our high repeat customer rates, the capillarity of our store network in Brazil, and the value capture potential from digitization, we believe we can deliver more services and products that support healthier lifestyles and wellness.

As part of this commitment, we also aim to be a health hub for our own employees, providing care that extends beyond the physical and environmental dimensions to embrace a holistic approach spanning mental, spiritual and social wellness.





## CUSTOMER HEALTH:

# Secure, guaranteed stocking

We took efforts in 2020 to ensure the continued availability of medicines and personal care items even when people's mobility was restricted. We also played a role in expanding COVID-19 testing capacity throughout Brazil.

[read more in the box below](#)

We introduced free neighborhood delivery and expanded same-day delivery to ensure people could receive their products safely and quickly, especially people with COVID-19, people in the at-risk group, such as the elderly, and people requiring drugs to manage chronic diseases. The number of stores offering home delivery rose to 492. Between April and June, half of deliveries were via our neighborhood delivery service. Customers could also order by telephone or WhatsApp and receive their purchases

at home, delivered by an employee from their nearest store. This improved efficiency, COVID-19 safety and logistics cost efficiency at a time when demand rose significantly during the shelter in place period.

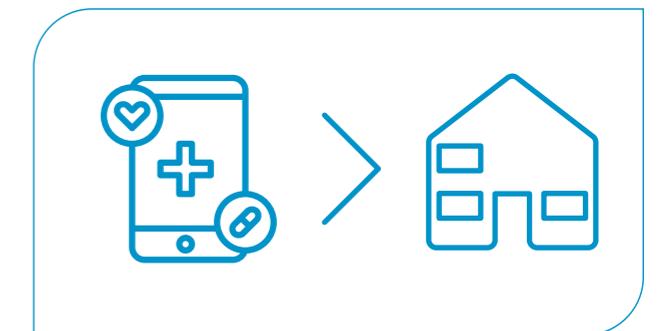
Our online platform offered the same assortment as available from our physical stores, and both chains' e-commerce platforms maintained their home delivery service, supported by a partnership with the main delivery apps. RD's Click & Collect service was also expanded.

Two factors were key to achieving these results: the capillarity of our network, with 11 distribution centers and more than 2,300

stores in 409 Brazilian cities, and an e-commerce structure that was already under development and was rapidly scaled up during the pandemic.

Through these attributes, we successively navigated the challenges created by the pandemic, which included maintaining stocks of essential items and responding quickly to abrupt changes in items in high demand, part of which was accommodated by our private-label offering.

[learn more below](#)





## 5,000 employees trained in one month

Our efforts to set up and rapidly expand in-store COVID-19 testing involved a joint, multi-department effort and a high level of dedication from our employees.

*In a short space of time, we:*

- » Set up an online scheduling system connected to each of our stores
- » Selected and signed contracts with test and PPE suppliers
- » Set up distribution logistics for test materials in 200 municipalities
- » Adapted in-store testing rooms
- » Created testing protocols
- » Trained 5,000 store employees

We started offering rapid serology tests for COVID-19 in May and, four weeks later, the service was already available in 940 stores in 200 municipalities, in 23 different states. By December, we had administered approximately 900,000 tests.

In selecting test suppliers, we reviewed their ANVISA registration details, test safety reports from Fundação Oswaldo Cruz (FIOCRUZ) and the Laboratory Quality Control Service (CONTROLLAB), and other information.

We developed service protocols and special training with assistance from a health consulting firm; a total of 5,000 people were trained, including pharmacists and store managers. Most of the training was provided remotely due to time and safety constraints, and participants were certified through RD's Saber portal.

In December we introduced two new COVID-19 tests in our stores: a rapid swab antigen test that can detect the virus as early as two days after the onset of symptoms, and gold-standard PCR tests, the latter in partnership

with a laboratory to perform analyses and issue test reports. In the first month we administered more than 90,000 swab antigen tests and 30,000 PCR tests in partnership with Mendelics/Meu DNA.





## More Services

We also expanded other in-store services, including H1N1 vaccination, blood pressure and body temperature measurement, and blood oxygen measurement. A total of 65 stores offer vaccination service and around 42 offer rapid testing for different diseases, including yellow fever, hepatitis, shingles and Zika virus. Other services are available at 109 Raia Drogasil stores. [see the box below](#)

To assist people who were homebound due to the pandemic, RD launched a portal to facilitate access to telemedicine services, psychological counseling and reliable information authored by experts. [RDsaudeemdia.com.br](https://RDsaudeemdia.com.br) was launched in June, bringing together a group of collaborating physicians, pharmacists, researchers, psychologists, therapists, nutritionists and physical education specialists to promote health more broadly.

Telemedicine consultations and psychological counseling were provided by partner specialists at a special discount negotiated by RD. The initiative is part of our All Care Matters campaign to promote integrative care for customers and employees.

Pharmacists are also available to answer questions about medicines, such as dosage, drug interactions and side effects. The service is available from the Droga Raia and Drogasil websites and via a toll-free number.



### Rapid tests at 42 stores

- » Hemoglobin and Hematocrit
- » Lipid profile
- » Uric acid
- » Lactate
- » Yellow fever
- » Dengue
- » Hepatitis C
- » Zika
- » Chikungunya virus
- » Syphilis
- » Beta HCG
- » TSH
- » LH Ovulation
- » Glycated hemoglobin
- » Influenza



### Vaccines offered at 65 stores

- » Influenza
- » HPV
- » Shingles
- » Hepatitis A and B
- » Yellow fever
- » Trivalent (measles, mumps rubella)
- » Pneumonia
- » Meningitis B and ACWY



## RD Private Labels translates our commitment to integrative health

Private label products are a way to provide affordable wellness and care, and have increasingly shown their potential to support health, wellness, our social commitments, and environmental stewardship. RD's private label products are competitively priced and widely available, and can help to mainstream access to certain product categories.

Launched toward the end of 2019, our Vegan by Needs product line offers more than 25 items that are 100% vegan, cruelty-free and come in biodegradable packaging. Part of the proceeds from product sales (1%) is donated to riverine communities that supply the Brazil nuts used in product formulations. All suppliers are verified and certified to ensure product formulations are free of animal ingredients. Vegan by Needs products are also paraben-, silicone- and sulfate-free.

On social media, our Needs and Vegan by Needs brands connect to consumers to provide information and raise awareness about topics such as conscientious consumption, self-care and clean beauty (toxin-free cosmetics).

Other products will soon be on our store displays, including herbal medicines, natural beauty products and cosmetics, and healthy food products—RD's priorities for the coming years.

In early 2021, we will relaunch our Nutrigood healthy nutrition brand. Products will be sold in single-serving packs to prevent waste, and will contain natural ingredients such as coconut or demerara sugar. Clear and transparent label information about product formulations will be an additional differentiator of the new brand.



## High-demand products

RD Private Labels also expanded its offering of products that were in high demand due to the pandemic.

We quickly selected and made available a range of alcohol-based hand sanitizers and vitamin products, for example. Time to market fell from six months to two months thanks to an agile development process involving different departments and the manufacturers of our Needs-branded products. [read more on page 19](#)



## EMPLOYEE HEALTH:

# A focus on protection and integrity

GRI 103 | 403, 403-6, 403-7, 403-9

## A holistic approach to employee health and COVID-19 prevention

Our journey to becoming a health hub that is present at each stage in life begins with our employees. This aspiration informed the development of a comprehensive health prevention and promotion program, Employee Care, that aims to create a health culture and promote healthier lifestyles and self-care among our employees.

Underpinning the program is the concept of integrative health, which addresses the physical, emotional, spiritual, social and environmental dimensions of wellness. Based on a comprehensive assessment of the health journey, we structured data

systems, indicators, targets and actions to help our people be “the best version of themselves”.

Although our workforce is relatively young, we identified through their health profiles many opportunities to take better care of our employees’ health.

Informed by this assessment, we created a prioritized roadmap of initiatives. We decided to use a proprietary data platform that will help us to analyze and intersect health information, monitor progress, and perform predictive analyses.

In 2020 we made significant progress in taking better care of employee health.

In the physical health dimension, we encouraged employees to adopt healthier lifestyles, administered technical training to our pharmacists to serve as health coaches, provided capacity building to employees, organized engagement events, and provided broad communications. We also offered a combination of support services, including fitness center discounts and exercise incentives through our My Best Version program.

In the emotional dimension, we raised employee awareness about the importance of taking care of emotional health. We trained our leadership team in workshops addressing topics such as self-awareness, self-responsibility, emotional intelligence and mindfulness. Through partners, we also provided specialist support channels where our people can receive psychological counseling.

Other employee health initiatives include healthcare and telemedicine provided by Albert Einstein Hospital, vaccination campaigns, care for chronic patients and pregnant employees, and health promotion initiatives.

RD’s head office building has an on-site clinic for a pilot group of 2,500 corporate and nearby store employees. The clinic is staffed by a family physician, a nurse and a care coordinator, who provide preventive healthcare services to employees.

We continuously track the positive impacts from our [Employee Care](#) program on people’s lives against internal targets and metrics such as reducing risk factors and first aid cases.



## Initiatives within our **Employee Care** program in 2020 included:



### Environmental

addressing aspects such as a wholesome workplace environment, flexible working hours, employee shuttle transportation, and reducing the use of disposables



### Spiritual

health training (more than 80,000 hours of training provided) and meditation and yoga offerings



### Physical

check-ups, fitness center discounts (more than 9,800 Gympass users) and vaccination campaigns (34,456 employees shots administered, including 12,316 free vaccinations by RD and the remainder via the National Healthcare System (SUS))



### Mental

emotional health program, psychological support



### Social

running races, volunteering (9% of employees participate), emergency fund for employees



### Programs

#### Emotional checkup

(a survey of 430 people)

#### Health time

#### My Best Version

(22,300 employees joined the program in 5 months)



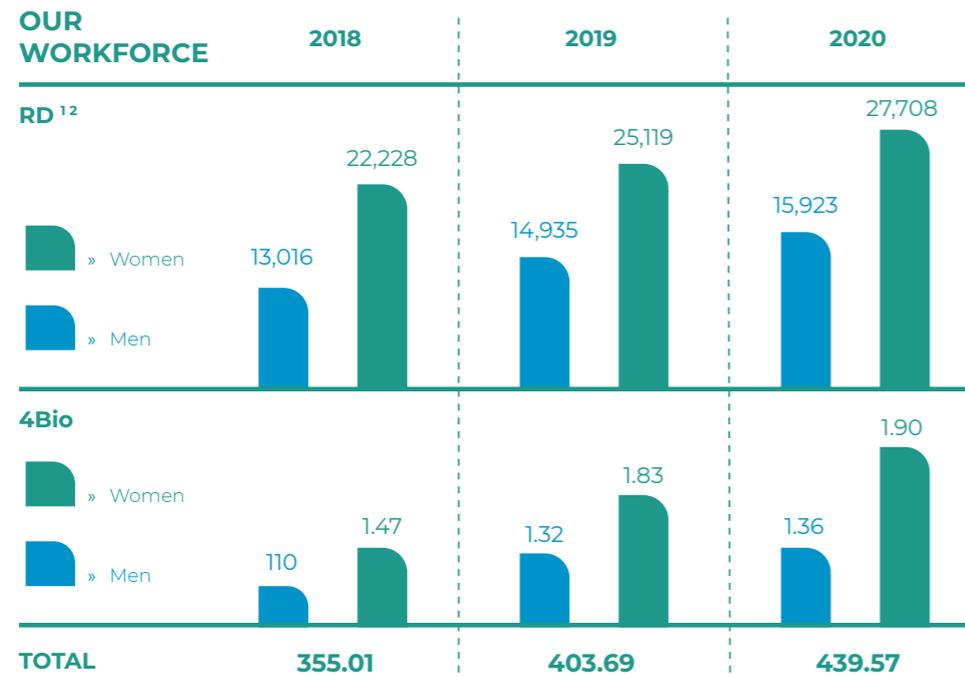
### Support

our employees also have access to healthcare, telemedicine consultations provided by Albert Einstein Hospital, an on-site clinic for a pilot group of 2,500 employees, and our Employee Support Center (NAF)



## My Best Version

To encourage our employees to take better care of their health, our My Best Version program features tips from physical education specialist Marcio Atalla on how to incorporate more exercise and healthy foods into employees' daily routines. We also created a training program including modules on exercise, healthy eating, and sleep and mind, and a training calendar for all employees. Our leadership team also attended training on emotional health.



<sup>1</sup> Not including apprentices and interns.

<sup>2</sup> In 2020 RD had 266 third-party employees working under permanent contracts.

### DURING THE PANDEMIC:

- » We implemented COVID-19 safety protocols at our stores and DCs, and assigned our office teams to work from home
- » Employees who tested positive for COVID-19 and employees in the at-risk group were placed on paid leave
- » Medical costs for employees hospitalized due to COVID-19 were covered by RD, even for employees who had opted out of health insurance
- » Employees had 22,977 free telemedicine consultations provided by Albert Einstein Hospital
- » No employees were laid off during the pandemic

### BACK TO THE OFFICE

After working from home since mid-March, in July our leadership team went back to working at RD's head office in São Paulo twice per week in staggered groups. Executives could decide who would resume working at the office and in what period based on their individual and family circumstances. People in the at-risk group, or living with people in the at-risk group, continued working from home. Our head offices were fully adapted for COVID-19 safety, including temperature screening at the entrance, meals served in individual, sealed containers, acrylic dividers separating workstations, social distancing signage and floor markings, and enhanced hygiene measures.

RD's My Best Version program encourages employees to adopt healthy lifestyles through training and capacity building



## Health and safety management GRI 403-1, 403-2, 403-5, 403-9

RD has a proprietary occupational health and safety management system through which we manage safety metrics, data and requirements in accordance with applicable regulations.

Hazard and risk identification at RD is carried out via our Environmental Risk Prevention Program. Action plans are developed to address any unsafe behavior, accidents, incidents and unsafe situations identified and reported by employees.

A documented process is in place for managing risks, which includes: reporting unsafe conditions, documenting unsafe behaviors, and reporting them to our Internal Accident Prevention Committee (CIPA).

Some of the key identified hazards include:

- » **Products dropping from pallet racks (risk of fracture, contusions, scrapes, trauma, or death);**
- » **Traffic accidents (commuting) with the risk of fracture, contusions, scrapes, trauma or death;**
- » **Trips and falls and falling from heights, with a risk of sprains and contusions.**

Risks are mitigated by collective protective equipment (CPE) and administrative control measures; training, capacity-building and awareness-raising; inspections and safety rounds; and toolbox talks. Our safety practices are disseminated to employees from the time they are hired through induction courses and continuous training on the use of personal protective equipment, among other actions.

All contractors are required to observe our health and safety requirements and standards, including documentation and behavioral requirements, and to produce proof that they have provided safety and induction training appropriate to the relevant work.

In 2020, we regret to report two fatalities resulting from occupational injuries involving direct employees (a rate of 0.017782634\*).

The incidents occurred in October and November 2020 outside Raia Drogasil's premises, when the employees were going home from work (they were both run over).

*\* Formula: (number of deaths/man-hours of exposure to risk\*1000000), as per NBR14280*





## COMMUNITY HEALTH:

# Supporting hospitals in vulnerable regions

GRI 103 | 413, 413-1

To support our communities in the pandemic response, RD created a R\$ 25 million fund that we donated to 51 hospitals outside major cities. These non-tax-deducted donations were a way to improve healthcare in communities where our Droga Raia and Drogasil Brands are present and provide a reliable source of emergency funds for charitable hospitals in small and medium-sized cities that are on the front lines in the fight against the novel coronavirus pandemic, serving a population of approximately 70 million people.

The donations were made through the Brazilian Coronavirus Emergency Fund, led by the Investment Development Institute (IDIS). The criteria for selecting recipient hospitals were that they were located in municipalities in a situation of social and economic vulnerability and experiencing high coronavirus transmission rates. Hospitals in vulnerable areas of major cities were also benefited. Recipient hospitals were also required to be located in municipalities where RD is present, in line with our commitment to health promotion in the communities where we operate.

A management committee composed of 16 members of RD's team and external experts was responsible for selecting recipient hospitals. Sitawi, an organization specializing in social finance solutions, pro-

vided support in transferring the funds. An independent audit supervised the entire process.

Although implemented on an emergency basis, the initiative was designed to leave a legacy beyond the pandemic. A portion of the funds was used toward purchasing disposable PPE, and part was used to purchase better hospital beds and equipment such as monitors, sensors and mechanical ventilators, all of which will be useful beyond the immediate pandemic.

See a complete list of recipient hospitals and the amounts donated on the initiative's website: <https://todocuidadoconta.com.br/>

## New commitment

GRI 102-12

In 2020 RD joined the *Na Mão Certa* program, a joint WCF/ Childhood Brazil initiative that works to combat roadside sexual exploitation of children and teenagers in Brazil.



## Volunteering

Launched in 2019, RD's volunteering program has continued to engage employees in social work. In 2020, 9% of employees participated in the initiative, compared to 6.9% the previous year.

The program was supported by an online platform used by all employees in the 23 states where we operate. Most of the activities this year had to be conducted in a virtual format due to the pandemic.

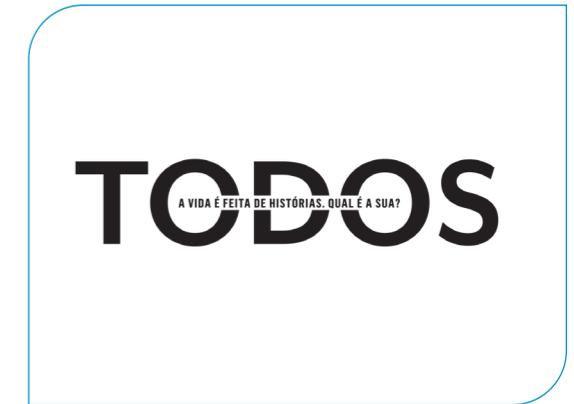
In all, 1,724 employees participated in 364 projects, dedicating a total of 44,736 hours to volunteer work linked to the Company.

## Sorria and TODOS magazines

GRI 102-43, 102-44

A culture of giving is part of our essence. In addition to the initiatives we support directly out of our own funds, we also have initiatives that engage customers in giving to support social organizations that are expanding access to integrative health in several states in Brazil.

For more than a decade, we have donated most of the proceeds from sales of our *Sorria* and *TODOS* magazines, at respectively Droga Raia and Drogasil, to not-for-profit social organizations. In a year in which these donations were more important than ever amid the pandemic, the proceeds from magazine sales in 2020 were used to support previously benefited NGOs that were experiencing financial difficulties due to the COVID-19 crisis, and to help fund the coronavirus response.





The proceeds from two editions of *Sorrria* (#72 and #73) were donated to Comunitas to purchase medical equipment such as respirators, monitors and mechanical ventilators for public hospitals. Half of the proceeds from sales of *Sorrria* magazines are donated to the GRAACC Children's Cancer Hospital, and in 2020 were used to purchase hand sanitizers, masks, gloves and aprons to protect patients.

To mark "Giving Month" in December, RD matched the proceeds from *Sorrria* and *TO-DOS* sales dollar for dollar and donated the funds to previously benefited NGOs. A total of R\$ 840,000 was donated.

Published by Editora MOL in partnership with RD, our magazines feature inspiring stories of overcoming adversity, and are highly popular among our customers, ranking among the best-selling magazines in Brazil.

Another campaign that helps to engage customers in giving is our Donate Your

Change program. The program invites customers to round up their purchases to the nearest real and donate the change to a charity. In 2020, the program collected a total of R\$ 6,138,593.11 that was donated to two organizations (AACD and Américas Amigas).



**Donations collected  
in 2020  
R\$ 4,443,510.29  
for 20 NGOs\***

\* Recipient organizations are selected through a call for proposals in a transparent and neutral process managed by RD and Editora MOL. The final selection is made by a panel of health, social investment and culture-of-giving experts.



## Impact on access to medicines

GRI 103 | 203, 203-2

RD has 1,070 stores registered with the Federal Government's subsidized medicines program (*Farmácia Popular*), through which we distribute free medicines for high blood pressure, diabetes, rhinitis, Parkinson's disease and osteoporosis, as well as contraceptives and other products to low-income individuals meeting the program's eligibility criteria. The capillarity of our store network has a significant impact on the availability of medicines and on ease of access to items that are essential for beneficiaries' quality of life. In 2020 the program benefited more than 2 million customers, distributing more than 29 million medicines. The economic benefits for these patients are estimated to be approximately R\$ 236 million.



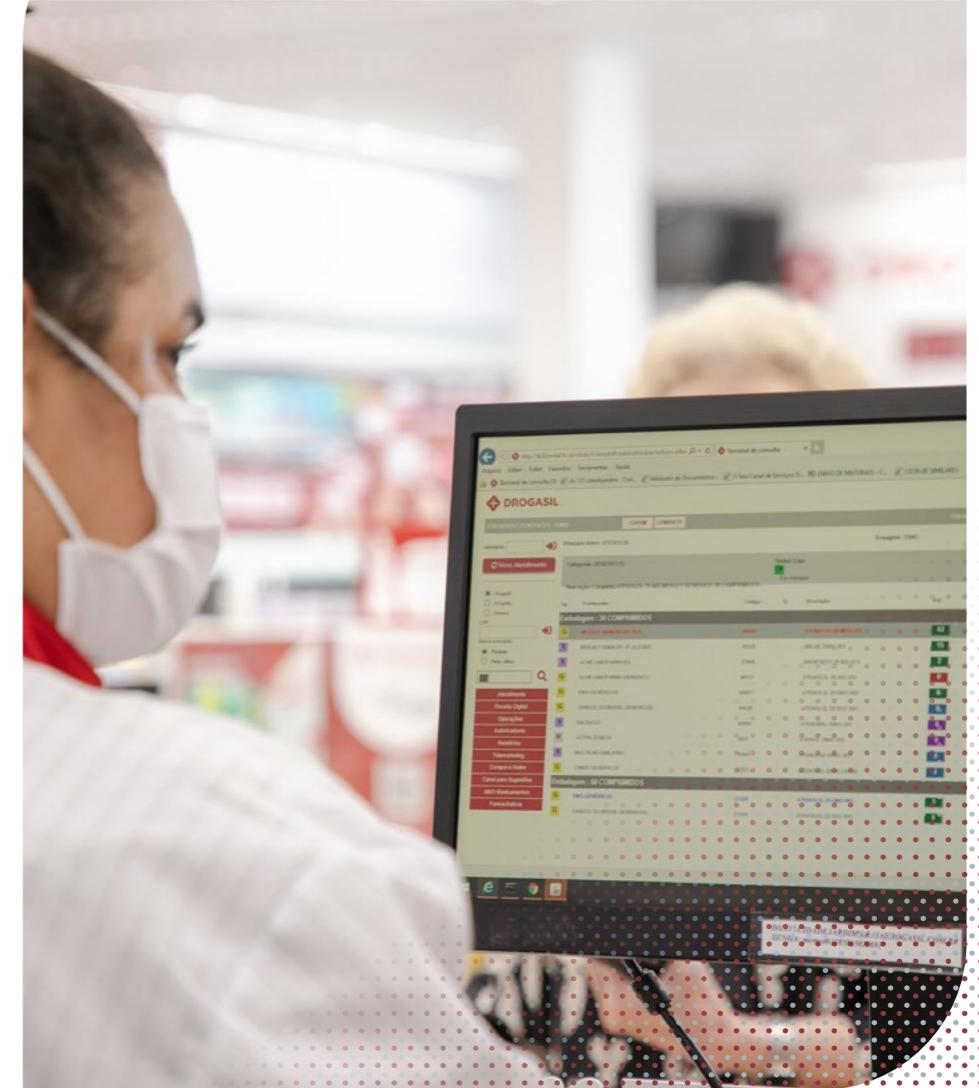
# Healthier business

Our strategic shift to a new pharmacy model—a health hub offering products and services on both physical and digital channels—requires us to develop new skills in our employees and attract talents with complementary skill sets. RD is committed to the professional and career development of our employees—in 2020, we tripled the number of training hours across a broad range of subjects.

Training, diversity and digital transformation are among our priorities

Our transformation into an integrative health platform also requires us to be increasingly diverse and inclusive, employing people of different profiles who can help to drive the changes the business needs.

Part of this innovation has been in digital tools, which became especially crucial during the pandemic and will allow us to be increasingly present in our customers' daily life, delivering health and well-being the way they want it and when they need it.



# Education and career-building

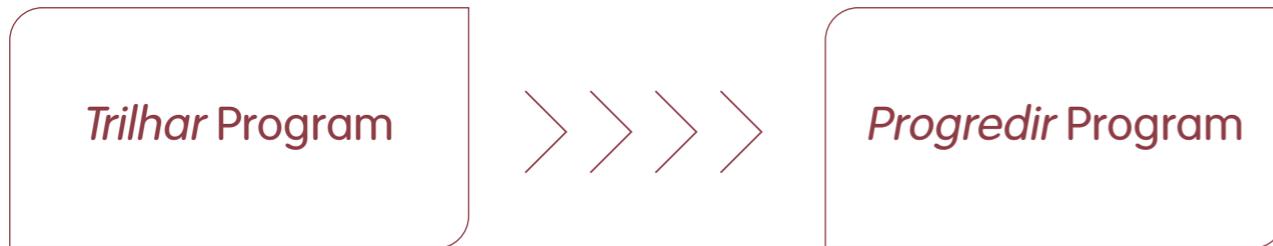
GRI 103 | 404, 404-1, 404-2, 404-3

RD is committed to the professional and career development of our employees. In a fast-growing company like ours, it is imperative that we ensure our employees keep pace with change and are able to lead the transformations our operations require. It is also important that we strengthen our employer brand to attract young talent and develop our future leaders.

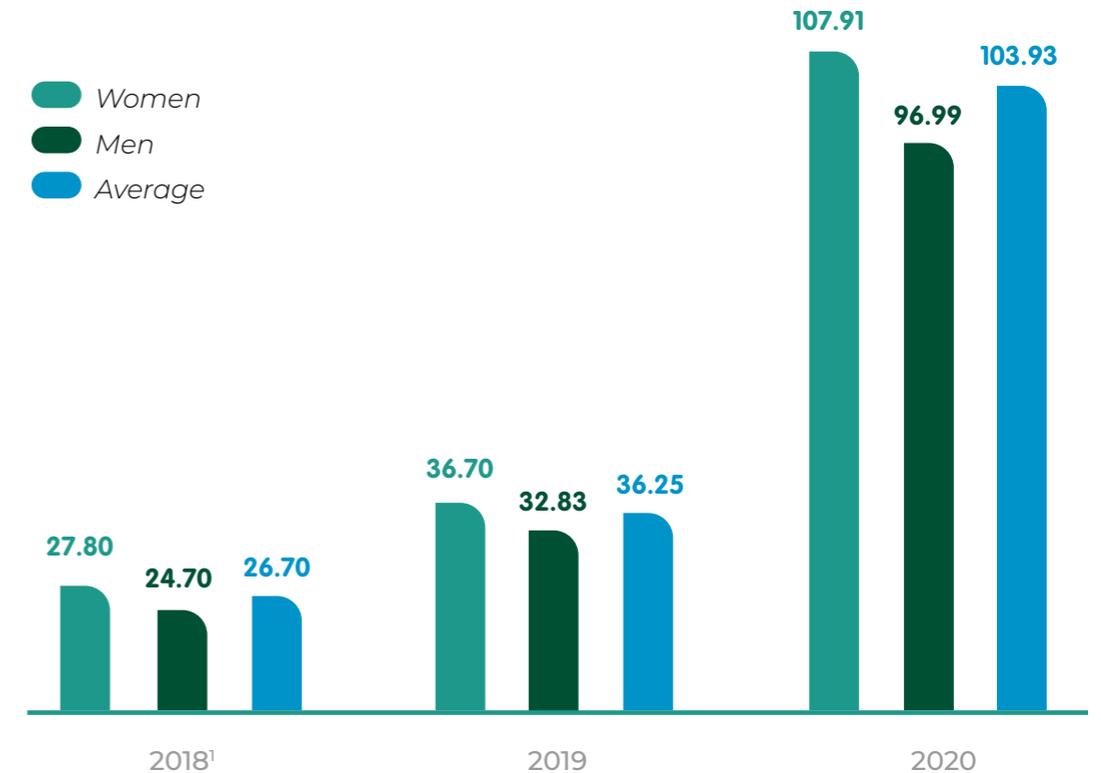
Store employees have structured career plans that can lead them to a store manager position in the space of five years. The journey begins with our *Trilhar* program, which provides job opportunities for youth without prior experience, and continues through our *ProgreDir* program, which

selects and provides training to future regional managers. Our more experienced managers are assigned to manage newly opened stores as part of our expansion process, where they disseminate our culture, values and ethic of care.

All our operations—including stores, distribution centers and corporate offices—have training and development programs in place. In 2020 each employee attended an average of 104 hours of training, three times the figure in the previous year.



## Average hours of training per employee by gender



<sup>1</sup> Figures adjusted for comparability, to accommodate categories included in 2019 and 2020.

## RD University GRI 103 | 404, 404-2

At year-end 2020 we celebrated the first year of operation of RD University, a corporate university created with a mission of transforming people, the company and society through education. One of the university's most important initiatives in the year was an intensive training program to prepare pharmacists to administer vaccines and COVID-19 tests, and provide new services [\(read more on page 52\)](#). RD also initiated a learning and planning journey to support implementation of our integrative health concept in stores, in line with our New Pharmacy business model.

In 2020 we introduced microcertifications (a UoEdtech product in partnership with the Catholic University in Rio Grande do Sul (PUCRS)) covering more than 15 subjects taught in graduate programs. More than 10,000 people enrolled for the positive psychology, people management, leadership and management, and other courses. After completing the course, participants receive a certificate that will count as a credit if they

pursue a complete graduate program at PUCRS.

To mark the first anniversary of RD University, a Learning Week event was organized with activities that explored concepts such as humanized leadership, feedback and effective communications, IT language, unconscious bias, gender equity, and responsible masculinity.

Throughout the year, we also worked to raise employee awareness about sustainability. We published the first episode of "Open Talk on Sustainability", a web series about RD's journey to build a better future, with four webinars discussing: sustainability; social investment; climate change, and professional development through RD University.

At year-end we also launched an education program on Sustainability, with a dedicated training pathway for RD's sustainability ambassadors.



### TRAINING INITIATIVES



Reformulated and adapted career-plan training programs to an online format

Expanded our diversity training program with new courses, including a course on Brazilian sign language (Libras) and sign-language practice workshops

Created training on health topics such as exercise, sleep, food and mind

Developed training on the Brazilian Data Protection Act (LGPD), anti-bribery policies, and conflicts of interest

Provided training on emotional health, addressing topics such as alcoholism, depression, food and health, and burnout

Created new on-the-job training programs and expanded the distance-learning offering



## Family support

RD University launched a package of more than 500 content titles for employees' families. Courses are free and online and include titles for all ages, such as personal development, preparing for university admission tests, and entertaining content about the biographies of great thinkers and writers

## RD UNIVERSITY

Transforming people, the company and society through education



### Me

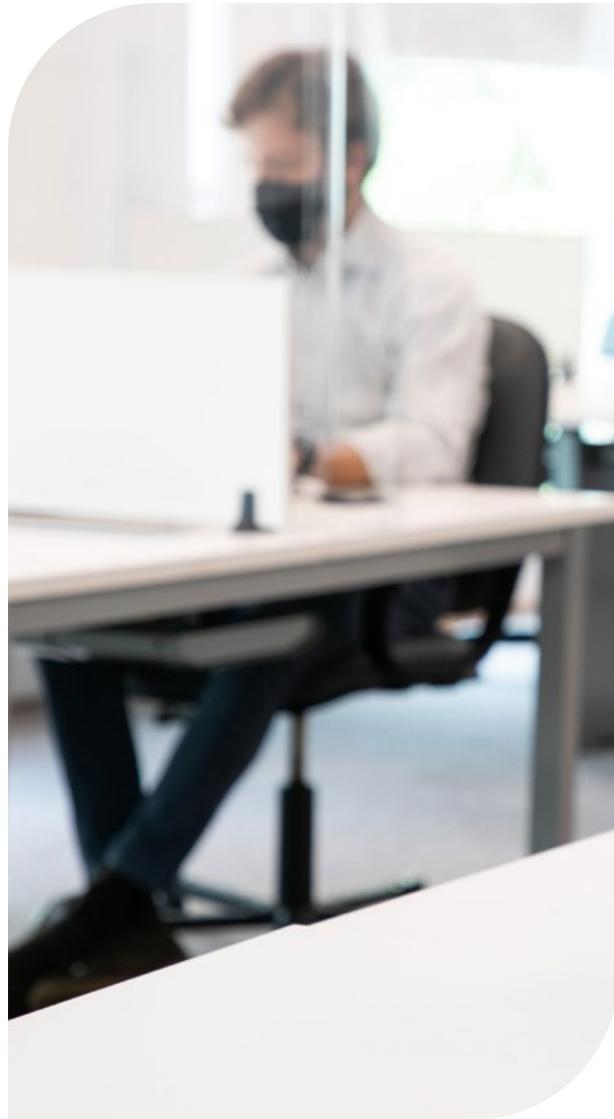
Training for personal development

### Me + RD

Training about the business, work tools and methodologies, and delivering results

### Me + RD + World

for employees: Stimulates broader discussion about subjects such as diversity, sustainability, inclusion and innovation



### FOR OUR LEADERSHIP

As part of our ELOS (Essential Leadership Skills for Organizational Strategy) program, launched in 2019, we organized a series of discussions on strategic topics and topics related to leadership roles, with the program schedule having to be revised due to the pandemic. In 2020, a group of 40 executives took modules about future megatrends in the healthcare and drug-store sectors. Part of our leadership team also attended workshops about aspects covered by the Brazilian stock exchange's (B3) Corporate Sustainability Index (ISE), and about ESG concepts. Sustainability will also be addressed in one of the training modules in 2021.

A new leadership training program for regional store managers, distribution center managers and corporate managers will address emotional health. This six-module program addresses topics such as leadership, emotional intelligence, mindfulness, communication and feedback, returning to work, and managing positive teams.

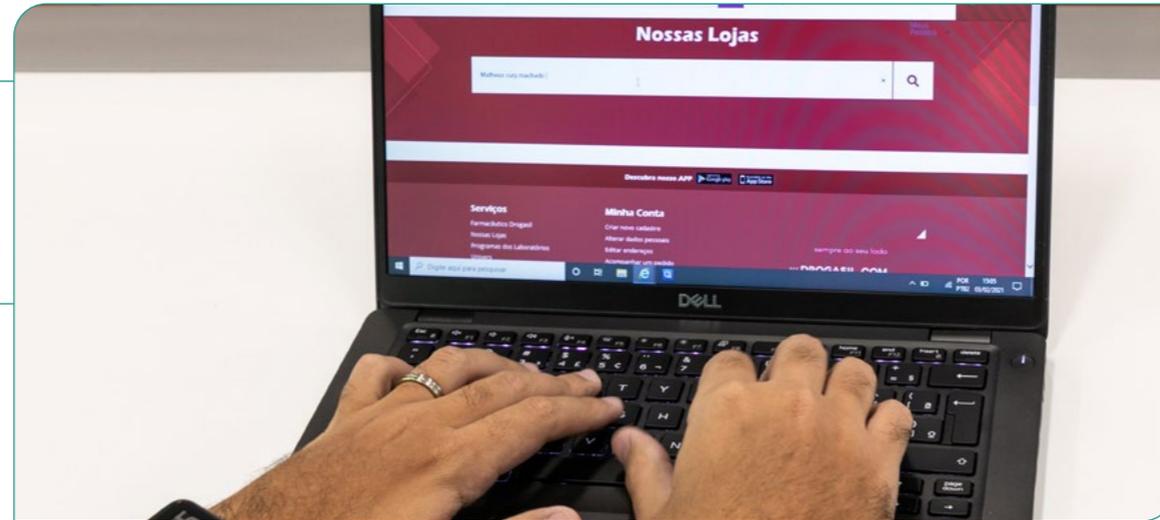
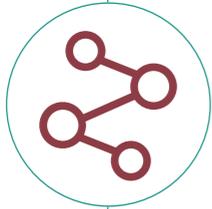
For store managers, virtual workshops on emotional intelligence and a training course titled *Nosso Jeito de Encantar* ("Our Way of Wowing Customers") addressed our culture of care and service for customers. More than 1,300 managers attended.

In addition to these programs, our leadership team attended workshops on a variety of subjects, such as inspiring to lead, effective communications and feedback, diversity, ethics and compliance.

### ORGANIZATIONAL CLIMATE

Following an in-depth engagement survey in 2019, in 2020 we focused on implementing the action plans developed from the survey, and on taking care of our people and delivering excellence in our core services. The disciplinary groups created to manage the pandemic response also answered spot surveys. The survey in 2019 generated an average rating of 3.9, on a scale of 0 to 5.

## Connectedness



Launched on March 9, our internal social network (Workplace) has provided an important tool to keep our employees connected while working from home, and to streamline communications with our workforce of more than 43,600 employees. It also proved valuable in communicating health protocols, procedures and guidance on preventing transmission of the novel coronavirus.

Several useful features have been put to use, such as creating thematic groups sharing common interests to provide relevant tips and guidance, including a sustainability group, a diversity group and a group linked to the My Best Version program. Live-streamed meetings, training and tips have addressed employees' different concerns. Workplace has quickly become an integral part of employees' daily work routines, allowing them to engage more closely with the company even when physically distant.

### PEOPLE OF THE YEAR

Organized as an on-line event in 2020, our People of the Year ceremony used innovative ideas to create an engaging experience though in a digital format. With approximately 5,000 viewers, the event was styled like a TV show featuring testimonials, videos, the award ceremony proper, and special guests. A highlight in the event was a surprise visit to the homes of the Best Regional Manager award winners. Awards were presented in the length of service, best distribution center, best expansion manager, best pharmacist team, and best regional manager categories.

The event provided an opportunity to recognize the efforts of our employees in providing such an essential health and wellness service in the different regions where we operate during the pandemic. During the event, we unveiled our new Strategy 2025 to our leadership team.

## Diversity and inclusion GRI 103 | 405, 405-1

RD + Diversa, our diversity and inclusion platform, enhances our approach to taking care of people and the business across the pillars of Gender, LGBTQIA+, Race, People with Disabilities, and generations. To us, fostering diversity means promoting respect and providing all employees with the opportunity to develop and express themselves and to feel free to be themselves without any discrimination. We have consistently reaffirmed our commitment to ensuring our organization reflects the diversity of our communities, and to cultivating a wholesome and innovative environment at the workplace. In terms of gender equity, women are well represented in leadership positions at RD; they represent a majority—65%—of our overall workforce and 44% of management positions.

RD has joined some of the leading organizations advocating for gender equity in Brazil, including UN Women (and the 7 Women's Empowerment Principles) and the Business Coalition to End Violence against Women and Girls (Instituto Avon and Marie Claire). Our membership of these organizations provides us with more strategic and deeper insight

into these issues. We have also joined the “Red Light to Domestic Violence Movement”, an initiative created by the Brazilian Association of Chain Drugstores (ABRAFARMA) to support women who experience violence in getting help at drugstores in Brazil.

Diversity in our operations is also reflected in the inclusion of people with disabilities (PwDs) at our stores, especially people with intellectual disabilities, who currently represent more than 48% of our PwD employees, a milestone that has gained recognition from our customers. In support of employees with hearing disabilities, we have invested in sign language training for our staff, especially store clerks. Currently, 55% of our workforce has been trained, with some volunteering as sign language interpreters during our internal workshops and live streams, supporting more inclusive communications within RD.

We are also members of the steering board of Rede Empresarial de Inclusão Social (REIS), a forum that discusses best practices and programs geared to communities.

**65%**  
of our employees are women  
**44%**  
are in managerial positions

### Inclusion for people with disabilities at RD

We are proud of our program for inclusion of people with intellectual disabilities (more than 48% of our PwD employees) at RD, especially people with Down Syndrome. These employees help to create a caring, dynamic and welcoming environment, three essential attributes of our organizational culture. This year, these employees were required to shelter in place to protect their safety during the COVID-19 pandemic. Of our more than 2,000 employees with disabilities, many identify as women, which further delivers on our commitment to equity across all fronts.



## Dev for women GRI 404-2

As our Digital department continues to grow, and with it the demand for developers, RD has created a program to train developers and provide career opportunities for program participants.

The training program was advertised externally to attract candidates to participate in our digital transformation at RD, as well as internally to our own employees. Candidates were not required to have prior experience. All instructors were RD employees, and could therefore help to induct newly hired developers.

Three different classes, with a total of 80 participants, attended three-month courses between January and September. When only

a small number of women enrolled for the program, RD saw this as an opportunity to promote women's inclusion in the IT world. An exclusive Dev training class was created for 20 women, who started their training in November.

Across the three classes that attended training in 2020, 85% were hired to work at our IT departments.



## Value chain

GRI 103 | 308, 103 | 414, 103 | 416, 102-9, 102-43, 102-44, 416-1, 416-2

RD is committed to doing business responsibly across our supply chain. In 2020 we launched an engagement program to assess some of our critical suppliers on social and environmental criteria, as a way of actively supporting them in achieving positive performance.

The program covers suppliers in the IT, raw materials, finished products, building and construction, security and facility management, and consulting categories.

RD had 5,354 active suppliers in 2020. We recorded a total of R\$ 14 billion in payments to suppliers of different profiles, sizes and geographies.

RD has a strategic matrix that shows the different supplier categories and the relevant screening requirements. Core assessment criteria are financial, legal and tax, integrity, quality and compliance. We have also worked to incorporate additional environmental, social and governance aspects into our approach to supply chain management.

RD's supplier screening process includes an assessment of economic and financial health and tax compliance by our Supplier Governance function, with support from a specialized firm. Tax and labor aspects are also closely monitored by reviewing the relevant certificates. Technical capabilities are assessed based on professional certificates and other supporting documentation. Lastly, suppliers are assessed on compliance risks including fraud, money laundering and conflict of interest.

Another important aspect is product quality and preventing risks to consumer health and safety, which is especially crucial for RD Private Labels suppliers. These suppliers are monitored through independent lab testing, on-site quality audits, monitoring of customer service complaints, and batch retesting. Monitoring covers performance products and products regulated by the Brazilian health surveillance agency, ANVISA, such as cosmetics and food products. There were no incidents of non-compliance in 2020. All contracts with private label suppliers require their packaging suppliers to be assessed against the same requirements.

Since 2019, all new RD Private Labels suppliers have been assessed on ESG criteria. Due to the pandemic, these assessments began in mid-2020 and included aspects such as environmental compliance, code of ethics

and human rights compliance, quality aspects such as ANVISA clearance and other certificates, remuneration practices, and employee training and development.

In 2020, we enhanced our approach to assessing suppliers in general on sustainability aspects by restructuring our Sustainable Sourcing program to incorporate an ESG methodology that extends beyond conventional supplier assessment criteria. After reviewing the supplier categories we did business with in the previous year, we identified the most critical suppliers in environmental as well as other dimensions (human rights, natural resources, biodiversity, occupational health & safety, etc.) as well as their potential positive impacts (animal

welfare, inclusion, eco-design, etc.). We initiated this process early in the year with plans to gradually create a structured supplier engagement program.

As part of this process, we sent self-assessment forms to 201 suppliers, of which 134 responded—a response rate of 66% in the first year. All responsive suppliers were assessed on each aspect using a pre-established scoring scale. An in-depth assessment was also conducted for seven private label suppliers. [learn more in the box on the right](#)

## In 2020 we enhanced our approach to assessing suppliers on sustainability



### Private label brands

GRI 308-1, 308-2, 414-1, 414-2

In 2020 we conducted seven sustainability audits on more than 10% of our private label suppliers. Selected partners underwent on-site audits and received reports on identified areas for improvement. Action plans will be followed up on and audits will be extended to additional suppliers in 2021. As of 2020 no social criteria had been established for screening RD Private Labels' suppliers.

# A healthier planet



# A healthier planet

As part of our commitment to minimizing the environmental impacts from our operations and value chain, we have worked to perfect our approach to managing business and operational risks, and have established measures to prevent and mitigate impacts, especially during our current cycle of business expansion and growth. We recognize that a company with an ambitious expansion plan like ours has an increased responsibility for impacts on society and the environment. This is an area where we can evolve and will be a focus of our efforts in the coming years.

At our distribution centers (DCs), we are implementing an Environmental and Occupational Health & Safety System to develop a culture of safe work and environmental compliance. For our largest DCs in Guarulhos (SP) and Embu das Artes (SP) and our head office building, we implemented an integrated management system according

to ISO 45001 and ISO 14001 in 2020. Lessons learned in these processes, which currently cover 37% of shipped volumes, will inform a plan to extend the systems to our other DCs. In 2021 we plan to roll out the systems at four DCs and achieve certification at the Embu and Guarulhos DCs and head office building.

In 2020 we developed and published our Environmental and Occupational Health & Safety Policy, with guidance on related commitments.



[learn more about our policy here](#)

#### LEARN MORE

For further details on our environmental indicators in 2020, see the Appendix from page 114



# Climate

## ENERGY EFFICIENCY

GRI 103 | 302

Energy efficiency management at RD follows a robust, well structured plan under which we are working to continuously expand our use of renewable energy. Power supply to our head office building is sourced from the Free Market and is 100% renewable. At our stores and DCs we have also made consistent progress in this direction.

RD's Energy Efficiency Committee—which includes the CEO, directors and managers—monitors and manages improvement initiatives and holds discussions around this agenda to develop solutions for reducing consumption, switching to renewable sources, and other related issues. Energy efficiency initiatives are included in the targets used to calculate executives' annual bonuses.

In 2020 the number of stores powered by distributed generation systems, which have a lower environmental impact, increased from 116 to 202. Our goal is to reach 1,731 stores by 2021.

To reach this number, RD has concluded lease contracts for 54 solar farms, small hydropower plants (SHPs) and biogas power plants, with an aggregate installed capacity of 44MW. Power is supplied within a distributed generation model, in which electricity is generated at or near where it will be used. Our expanded renewable energy capacity will avoid 72,300 metric tons of CO<sub>2</sub> emissions per year.\*

RD currently has seven renewable energy plants in Minas Gerais and Rio de Janeiro. Our goal to reach 1,731 stores with distributed generation was originally set for 2020, but the pandemic required the relevant utilities to re-plan the migration schedule. The generation contracts have already been signed and are pending commissioning of

\*Conversion factor used: 0.454 tCO<sub>2</sub>/MWh. With distributed generation systems our electricity consumption from renewable sources will increase by 159,423 MWh per year.

the facilities, and the utilities making the switch.

In 2020, 574 stores were also retrofitted to LED lighting, and 121 were retrofitted to inverter-based air conditioning systems, which are more energy efficient. The retrofits involved a total investment of R\$ 19.3 million and are expected to generate average electricity savings of 15% at each affected store.

At our distribution centers, our strategy has been to migrate to the Free Market, where electricity is purchased in advance at lower costs, and is guaranteed to be renewably sourced (savings relative to the captive market amounted to R\$ 681,504.26 in 2020). Four DCs have already been migrated and another two are scheduled to be migrated in 2021.



## ENERGY TARGETS

Some of our targets for 2021 include:

- » LED lighting at 100% of our stores and our Recife (PE) and Guarulhos (SP) DCs
- » 750 air conditioners retrofitted to inverter technology
- » 900 electron alignment devices installed at stores
- » 1,731 stores powered by distributed generation systems
- » Migrate Guarulhos and Goiânia DCs to the Free Market

# Climate

## EMISSIONS GRI 103 | 305

Energy efficiency initiatives are an integral part of our efforts to improve our management of greenhouse gas (GHG) emissions. In 2020 we developed our second GHG emissions inventory, the first to undergo an independent third-party audit, enhancing transparency and credibility. We also joined the Climate Commitment Platform, which connects companies looking to support social and environmental programs and offset their GHG emissions to initiatives that not only generate carbon credits but also provide adjacent social and environmental benefits.

The platform selects and assesses projects against these requirements and provides credits to companies seeking to offset GHG emissions. The initiative was launched in 2017 by Itaú Unibanco and Natura with support from Instituto Ekos Brasil. The platform currently has eight institutional partners, including RD.

Through the platform, RD offset 50% of its emissions—or 17,123 tCO<sub>2</sub>—for the 2019 reporting cycle, and has committed to expanding offsets over the coming years, primarily by supporting projects related to waste and energy management.

We regularly compile and report GHG emissions data to the Carbon Disclosure Project, with our disclosure score improving from D- to C in 2020, reflecting two years of improvements in emissions management. We were also named to the Brazilian stock exchange's (B3) Carbon Efficient Index (ICO<sub>2</sub>).

One of the challenges facing RD is the expansion of deliveries from online sales. This has increased logistics mileage as a result of both higher store demand and increased home deliveries. In 2020, approximately 80% of digital purchases were delivered to customers' homes. The strategies we have implemented to make our logistics more efficient, such as

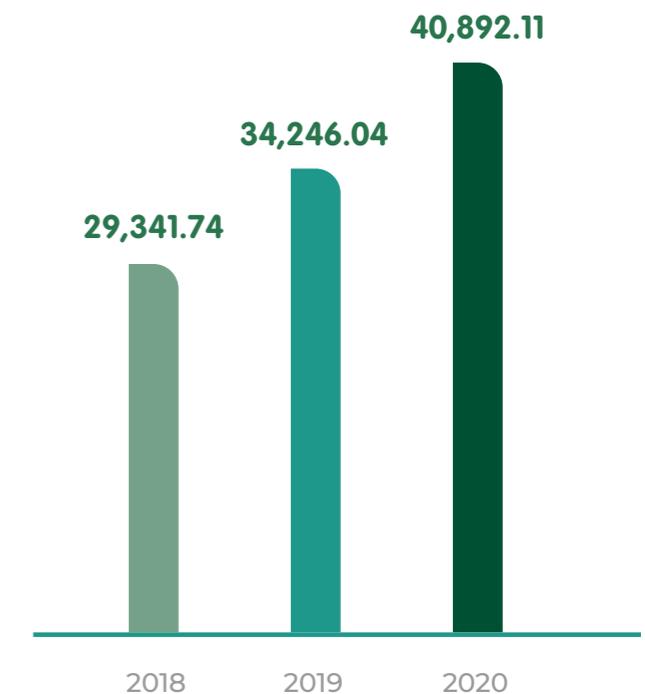
neighborhood delivery, have also provided benefits in managing emissions [for further information about online sales and delivery, see page 50](#)

We are continuously in search of innovative, eco-efficient technologies. In 2020 we tested an innovative electric truck at the Distribution Center in Embu (SP). In 2021 we will have two electric trucks in our fleet on a trial basis to assess the feasibility of large-scale adoption.

RD has also worked systematically to reduce logistics mileage through a strategy of bringing inventories closer to our stores. In 2020 we opened a DC in Porto Alegre (RS) to accommodate store growth in the South.

## Total emissions (scopes 1, 2 and 3 - in tCO<sub>2</sub>e)

RD + 4Bio





## Waste management

GRI 103 | 306, 306-1, 306-2

Launched in 2019, our Integrated Waste Management Program is evolving our approach to managing waste materials. Based on the findings from an assessment, we implemented new management processes and indicators aligned with the different needs of our business units.

Waste is among the primary environmental impacts from our operations, especially plastic and cardboard materials at our DCs, and needles and syringes from in-store procedures.

**An Integrated Waste Management Program (PGIRS) guides our waste management and disposal activities**

Waste reports are compiled on a monthly basis from our sustainability information management system. In 2020 we produced a total of 7,000 metric tons of waste, all of which was compliantly disposed of according to the type of waste. Another significant source is construction waste from store expansions and renovations. A Standardization Committee created two years ago periodically revisits our approved construction materials list to assess costs and environmental impacts, and the volumes of waste that are generated. This process will be improved in the 2021 reporting cycle.

Growth in online sales is also creating an added challenge in waste management, due to the higher volumes of shipping packaging that are generated.

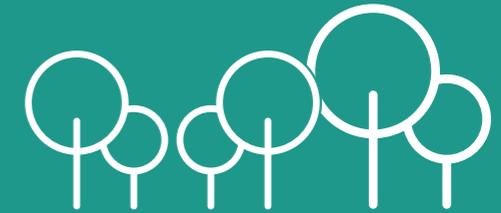
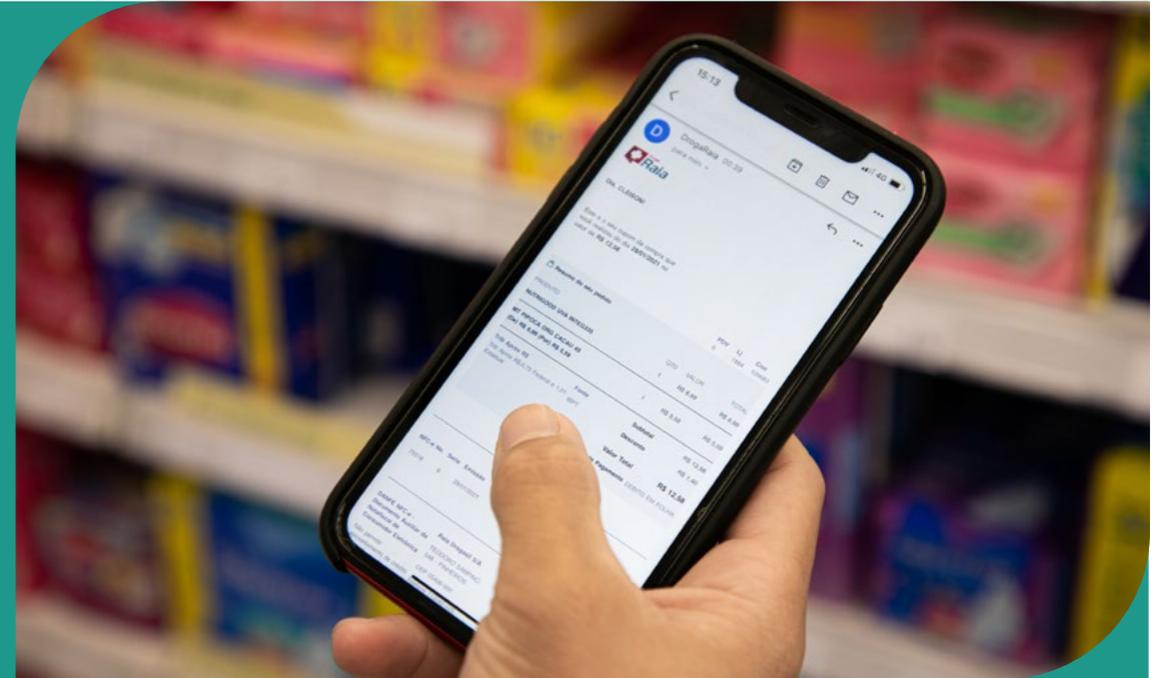
Our head office building in São Paulo (SP) has several waste segregation stations where organic and recyclable waste are separately disposed of. Janitor staff receive training on proper management of waste materials. Waste materials are collected on a weekly basis by two different companies, which are responsible for certifying compliant disposal. Our on-site clinic also generates medical waste that is carefully segregated, separately stored and collected on a weekly basis by a specialized municipal service.

At our stores, procedures have been implemented for safely collecting waste materials from COVID-19 testing procedures.

## Paperless Receipts

This program encourages customers to receive emailed digital receipts rather than printed receipts, an initiative that can significantly reduce paper volumes from daily in-store transactions.

In connection with our paperless receipts program, in 2020 we entered into a 3-year partnership with The Nature Conservancy (TNC) to plant tree seedlings. A total of 15,000 seedlings were planted in the first year of the program to rehabilitate disturbed lands in Extrema (MG).





## Compliant drug disposal

In 2020, Decree 10 388 created a requirement to implement reverse logistics systems for expired or unused drugs and their packaging. The new regulations were developed by the Federal Government in collaboration with companies in the industry, and took nearly ten years to be approved.

RD implemented a drug disposal program ten years ago for compliance with the new regulations. The program helps to prevent these items from being disposed of as household waste and from contaminating the soil and groundwater.

In 2020 we expanded the program to increase its coverage in all cities where we are present. Collection stations are considered to serve a catchment area within a 300 meter radius. This is the largest initiative of its kind in the drug retail sector.

Customers can turn in their expired medicines and packaging at any of our 1,823 stores across 180 municipalities, in 23 states. These are then incinerated in accordance with requirements established by environmental and health authorities.

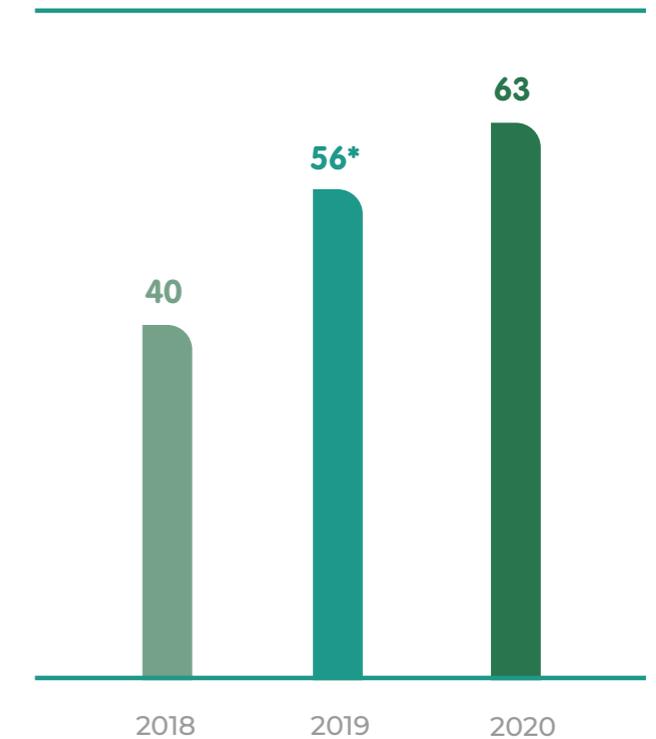
In 2020, 63 metric tons were collected and compliantly disposed of.

We also reformulated our battery collection program for compliance with Federal Act 12 305/10, and created a partnership with an electronics company. The program currently covers all stores in our network, and collected more than 4 metric tons of batteries for recycling in 2020.

To assist customers, RD's new company website features a map app where customers can enter their ZIP codes to locate the nearest store where they can discard their batteries.

Visit: [www.rd.com.br/mapa-de-logistica-reversa/](http://www.rd.com.br/mapa-de-logistica-reversa/)

## Expired or unused medicines (t)



\*The calculation method has been revised, and the figures for 2019 have accordingly been restated for comparability.

## Water stewardship GRI 103 | 303, 303-5

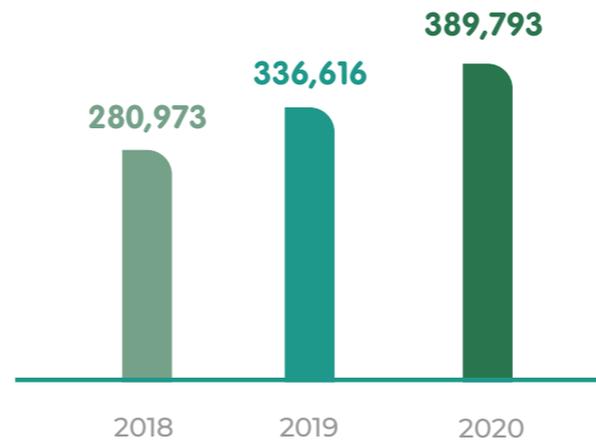
In 2020 we continued to collect and collate data on water consumption and implemented a system for consolidating water indicators and data. In 2021 we plan to further improve our management of water-related information.

During the year, we continued initiatives to address waste at our stores, such as periodic “leak hunts” by our maintenance crews and optimizing water usage prior to water tank cleaning at our stores.

Utility water consumption amounted to a total of 389,793 m<sup>3</sup>, an increase of approximately 20% compared to the previous year. Utility water is used for drinking and personal hygiene only. The higher consumption in the year reflects our expansion and new store openings. Another factor in the increased consumption was the requirement for enhanced hygiene because of the pandemic.

In 2020 we met our target of installing water meters at all DCs to accurately measure consumption. In 2021 we will implement a process for measuring and monitoring consumption to support improved water management.

### Our consumption (in m<sup>3</sup>) GRI 303-5





# GRI Content Index GRI 102-55

## GENERAL DISCLOSURES

### GRI 101: Foundation 2016

GRI 101 contains no disclosures

### Organizational profile

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 102: General disclosures 2016</b>	102-1 Name of the organization	15		
	102-2 Activities, brands, products, and services	15		
	102-3 Location of headquarters	Raia Drogasil Av. Corifeu de Azevedo Marques, 3097 Butantã, São Paulo, SP - Brazil 05.339-900 +55 (11) 3769-5678		
	102-4 Location of operations	15		
	102-5 Ownership and legal form	15		
	102-6 Markets served	22		
	102-7 Scale of the organization	15 and 22		
	102-8 Information on employees and other workers	103, 104 and 105		8, 10
	102-9 Supply chain	71		

## GENERAL DISCLOSURES

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 102: General disclosures 2016</b>	102-10 Significant changes to the organization and its supply chain	There were no significant changes in the year.		
	102-11 Precautionary principle or approach	29 and 33		
	102-12 External initiatives	37		
	102-13 Membership of associations	111		
<b>Strategy</b>				
<b>GRI 102: General disclosures 2016</b>	102-14 Statement from senior decision-maker	4		
	102-15 Key impacts, risks, and opportunities	33 and 43		
<b>Ethics and integrity</b>				
<b>GRI 102: General disclosures 2016</b>	102-16 Values, principles, standards, and norms of behavior	31		16
	102-17 Mechanisms for advice and concerns about ethics	31		16

## GENERAL DISCLOSURES

### Governance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 102: General disclosures 2016</b>	102-18 Governance structure	25		
	102-19 Delegating authority	25		
	102-20 Executive-level responsibility for economic, environmental, and social topics	29		
	102-21 Consulting stakeholders on economic, environmental, and social topics	39		16
	102-22 Composition of the highest governance body and its committees	25		5, 16
	102-23 Chairman of the highest governance body	25		16
	102-24 Nominating and selecting the highest governance body	25		5, 16
	102-25 Conflicts of interests	31		16

## GENERAL DISCLOSURES

### Governance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	102-26 Role of highest governance body in setting purpose, values, and strategy	29		16
	102-29 Identifying and managing economic, environmental, and social impacts	29		
<b>GRI 102: General disclosures 2016</b>	102-32 Highest governance body's role in sustainability reporting	RD's Annual & Sustainability Report is validated by the Sustainability Committee and Sustainability Department.		
	102-38 Annual total compensation ratio	105		
	102-39 Percentage increase in annual total compensation ratio	105		

## GENERAL DISCLOSURES

### Stakeholder engagement

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 102: General disclosures 2016</b>	102-40 List of stakeholder groups	3 and 39		
	102-41 Collective bargaining agreements	All employees are covered by collective bargaining agreements in accordance with applicable legislation.		8
	102-42 Identifying and selecting stakeholders	39		
	102-43 Approach to stakeholder engagement	39, 60, 71 and 111		
	102-44 Key topics and concerns raised	39, 60, 71 and 111		

### Reporting practices

<b>GRI 102: General disclosures 2016</b>	102-45 Entities included in the consolidated financial statements	3		
	102-46 Defining report content and topic Boundaries	3		
	102-47 List of material topics	39		

## GENERAL DISCLOSURES

### Stakeholder engagement

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	102-48 Restatements of information	There were no restatements of information		
	102-49 Changes in reporting	In 2020 we revisited our materiality matrix following a stakeholder survey, and for this reason the material topics and their boundaries have changed in relation to 2019. In addition, the information in disclosure 302-1 has been restated as described in note 7.		
	102-50 Reporting period	January 1 to December 31, 2020		
<b>GRI 102: General disclosures 2016</b>	102-51 Date of most recent report	Sustainability Report 2019, published in the first half of 2020.		
	102-52 Reporting cycle	Annual		
	102-53 Contact point for questions regarding the report	3		
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards—"Core" option.		
	102-55 GRI content index	82		
	102-56 External assurance	116		

## MATERIAL TOPICS

### Economic performance

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	61		
	103-3 Evaluation of the management approach	47		
<b>GRI 201: Economic performance 2016</b>	201-1 Direct economic value generated and distributed	48		8, 9

### Indirect economic impacts

<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	61		
	103-3 Evaluation of the management approach	61		
	203-2 Significant indirect economic impacts	61		1, 3, 8

## MATERIAL TOPICS

### Anti-corruption

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	32		
	103-3 Evaluation of the management approach	32		
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	32		16
	205-2 Communication and training on anti-corruption policies and procedures	32 and 102		16
	205-3 Confirmed incidents of corruption and actions taken	32		16

### Materials

<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	75		
	103-3 Evaluation of the management approach	75		

## MATERIAL TOPICS

Materials				
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	113		8, 12
	301-2 Recycled input materials used	112		8, 12
Energy				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	75		
	103-3 Evaluation of the management approach	75		
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	113		7, 8, 12, 13
	302-4 Reduction of energy consumption	113		7, 8, 12, 13
Water & effluents				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	39 and 101		
	103-2 The management approach and its components	80		
	103-3 Evaluation of the management approach	80		

## MATERIAL TOPICS

Emissions				
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		7, 8, 12, 13
	103-2 The management approach and its components	114		
	103-3 Evaluation of the management approach	114		
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	114		3, 12, 13, 14, 15
	305-2 Energy indirect (Scope 2) GHG emissions	114		3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	114		3, 12, 13, 14, 15
Waste				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	77		
	103-3 Evaluation of the management approach	77		

## MATERIAL TOPICS

### Waste

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 305: Emissions 2016</b>	306-1 Waste generation and significant waste-related impacts	77		
	306-2 Management of significant waste-related impacts	77		
	306-3 Waste generated	115		
	306-4 Waste diverted from disposal	115		
	306-5 Waste directed to disposal	115		

### Supplier environmental assessment

<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	72		
	103-3 Evaluation of the management approach	72		
<b>GRI 308: Supplier environmental assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	72 and 102		
	308-2 Negative environmental impacts in the supply chain and actions taken	Potential impacts (identified as potential risks) include: unlawful labor practices (child labor, slave labor, etc.), sexual exploitation of minors, and occupational health and safety risks, as well as impacts related to the use of our products and services.		

## MATERIAL TOPICS

### Employment

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	29		
	103-3 Evaluation of the management approach	29		
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	106		5, 8, 10
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	108		3, 5, 8
	401-3 Parental leave	108		5, 8

### Occupational Health & Safety

<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	55		
	103-3 Evaluation of the management approach	55		

## MATERIAL TOPICS

### Occupational Health & Safety

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 403: Occupational health and safety 2018</b>	403-1 Occupational health and safety management system	58		5, 8, 10
	403-2 Hazard identification, risk assessment, and incident investigation	58		3, 5, 8
	403-3 Occupational health services	Our occupational health service identifies health risks through occupational examinations, and implements health initiatives within our integrative health programs. RD also organizes vaccination campaigns and monthly awareness initiatives for employees. Read more in the chapter Healthier People.		5, 8
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employees are represented on occupational health and safety bodies including the Internal Accident Prevention Committee (CIPA) and Specialized Occupational Health and Safety Services. The Risk Committee has an organization-wide scope, including occupational safety risks.		
	403-5 Worker training on occupational health and safety	58		
	403-6 Promotion of worker health	55		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	55		

## MATERIAL TOPICS

### Occupational Health & Safety

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	403-9 Work-related injuries	In terms of high-consequence injuries in the year, there were 37 work-related injuries (rate: 0.32) and 46 injuries while commuting (rate: 0.40). Recordable injuries included 322 work-related injuries (rate: 2.80) and 132 injuries while commuting (rate: 1.15). Pages 55 and 58		3, 5, 8
<b>GRI 403: Occupational health and safety 2018</b>	403-10 Work-related ill health	In 2020 we recorded no fatalities as a result of work-related ill health. We recorded 1,683 cases of recordable work-related ill health, categorized under the following ICD codes: F (mental or behavioral disorders), J (respiratory disorders) and M (diseases of the musculoskeletal system and connective tissue). Occupational illnesses are managed via the APDATA system, under the supervision of the Brazilian Social Security Agency (INSS). RD does not track occupational diseases involving third-party employees or contractors.		5, 8

## MATERIAL TOPICS

### Training and education

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	64		
	103-3 Evaluation of the management approach	64		
<b>GRI 404: Training and education 2016</b>	404-1 Average hours of training per year per employee	64 and 105		4, 5, 8, 10
	404-2 Programs for upgrading employee skills and transition assistance programs	64, 65 and 70		8
	404-3 Percentage of employees receiving regular performance and career development reviews	<p>Performance reviews are conducted in annual cycles, in a three-stage process that includes self-assessments and performance assessments, feedback and building individual development plans (IDPs). The following employees undergo performance reviews if they have been hired or promoted up to June 31 each year: at our head office—assistants and their peers, analysts and their peers, coordinators and their peers, managers, officers and vice presidents; at stores—managers and pharmacists; at distribution centers—analysts and their peers, supervisors, coordinators and managers.</p> <p>Pages 64 and 109</p>		5, 8, 10

## MATERIAL TOPICS

### Diversity and equal opportunity

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	69		
	103-3 Evaluation of the management approach	69		
<b>GRI 405: Diversity and equal opportunity 2016</b>	405-1 Diversity of governance bodies and employees	69 and 109		5, 8
	405-2 Ratio of basic salary and remuneration of women to men	109		5, 8, 10

### Non-discrimination

<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	31		
	103-3 Evaluation of the management approach	31		
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	110		5, 8

## MATERIAL TOPICS

### Supplier social assessment

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	71		
	103-3 Evaluation of the management approach	71		
<b>GRI 414: Supplier social assessment 2016</b>	414-1 New suppliers that were screened using social criteria	72 and 102		5, 8, 16
	414-2 Negative social impacts in the supply chain and actions taken	Potential impacts (identified as potential risks) include: unlawful labor practices (child labor, slave labor, etc.), sexual exploitation of minors, and occupational health and safety risks, as well as impacts related to the use of our products and services. Page 72		5, 8, 16

### Consumer health and safety

<b>GRI 103: Management approach 2016 6</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	71		
	103-3 Evaluation of the management approach	71		
<b>GRI 416: Consumer health and safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	71		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	71		16

## MATERIAL TOPICS

GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>Customer privacy</b>				
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	34		
	103-3 Evaluation of the management approach	34		
<b>GRI 418: Customer privacy 2016</b>	418-1 Substantiated complaints regarding breaches of customer privacy and losses of customer data	34		16
<b>Social and economic compliance</b>				
<b>GRI 103: Management approach 2016 6</b>	103-1 Explanation of the material topic and its Boundary	40 and 101		
	103-2 The management approach and its components	31		
	103-3 Evaluation of the management approach	31		
<b>GRI 419: Social and economic compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area	112		16

## SUSTAINABLE DEVELOPMENT GOALS

---

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

# Appendix

## OUR MATERIAL TOPICS [GRI 102-21, 103-1](#)

RD Strategy	Material topic	Why the topic is material	Location / dimension of impact	Boundaries	Related SDGs	Related GRI disclosures
<b>Healthier people</b>	Occupational health and safety	Taking care of people is at the heart of RD's business, and therefore mitigating safety risks and supporting better health for employees is key to delivering on our purpose and ensuring our business continuity.	Within the organization	None	SDG 3 (3.4 and 3.8) SDG 8 (8.5)	<a href="#">403-1</a> ; <a href="#">403-2</a> ; <a href="#">403-3</a> ; <a href="#">403-4</a> ; <a href="#">403-5</a> ; <a href="#">403-6</a> ; <a href="#">403-7</a> ; <a href="#">403-9</a> ; <a href="#">403-10</a>
	Healthier community	Taking care of customers and their health and well-being is core to our business, wherever we operate. Promoting healthy lifestyles and supporting health management are some of the ways RD can improve end-to-end access to health.	Outside the organization	These impacts are limited to the communities where we have social programs	SDG 3 (3.4 and 3.8)	<a href="#">416-1</a> ; <a href="#">416-2</a> <a href="#">418-1</a>
	Diversity and inclusion	RD sees diversity and inclusion not only as a way of providing more opportunities to society but also as a tool for developing our workforce in a wholesome and innovative environment.	Within and outside the organization	None	SDG 8 (8.5) SDG 10 (10.2)	<a href="#">405-1</a> ; <a href="#">405-2</a> <a href="#">406-1</a>
<b>Healthier planet</b>	Waste management and reverse logistics	Our approach to managing waste, one of our most significant environmental impacts, aims to not only reduce our environmental footprint but also influence related public policies.	Within and outside the organization	None	SDG 7 (7.2) SDG 11 (11.6) SDG 12 (12.5)	<a href="#">301-1</a> ; <a href="#">301-2</a> ; <a href="#">302-1</a> ; ; <a href="#">302-4</a> <a href="#">303-1</a> ; <a href="#">303-2</a> ; <a href="#">303-3</a> ; <a href="#">303-4</a> ; <a href="#">303-5</a> <a href="#">305-1</a> ; <a href="#">305-2</a> ; <a href="#">305-3</a> ; <a href="#">305-4</a> ; <a href="#">305-5</a> ; <a href="#">305-6</a> ; <a href="#">305-7</a>
<b>Healthier business</b>	People management	For RD, strengthening our organizational climate and culture is more than about improving operational efficiency; it's also about creating better citizens and building an inclusive and healthy society that is better prepared for global challenges.	Within and outside the organization	These impacts are limited to the communities where we have social programs	SDG 8 (8.5) SDG 10 (10.2)	<a href="#">401-1</a> ; <a href="#">401-2</a> ; <a href="#">401-3</a> <a href="#">404-1</a> ; <a href="#">404-2</a> ; <a href="#">404-3</a>
	Products and services	At RD we believe our products and services need to go beyond delivering quality and excellence to also support sustainability across the value chain. .	Within and outside the organization	None	SDG 11 (11.5) SDG 12 (12.5 and 12.6)	<a href="#">308-1</a> ; <a href="#">308-2</a> <a href="#">414-1</a> ; <a href="#">414-2</a>
	Ethics, integrity and transparency	Ethics and integrity at RD are reflected not only in our relations with stakeholders, but especially in transparency in our reporting and disclosures and in the use of customer data, helping to build trust and strengthen the business.	Within and outside the organization	None	SDG 12 (12.6)	<a href="#">201-1</a> ; <a href="#">205-1</a> ; <a href="#">205-2</a> ; <a href="#">205-3</a>

## COMPLIANCE AND MONITORING GRI 205-2, 308-1 e 414-1

### EMPLOYEE ANTI-CORRUPTION TRAINING, BY EMPLOYEE CATEGORY

Position	Trained	2020
Coordinator	number	113
	% of category	34.35%
Corporate manager	number	81
	% of category	24.62%
Regional manager	number	67
	% of category	20.36%
Coordinator (4bio employees)	number	20
	% of category	6.08%
Manager (4bio employees)	number	9
	% of category	2.74%
Other (4bio employees)	number	39
	% of category	11.85%
<b>Total</b>	<b>number</b>	<b>329</b>

### SUPPLIER SOCIAL AND ENVIRONMENTAL ASSESSMENT

	2020
<b>Total suppliers onboarded in 2020</b>	1,289
<b>New suppliers that were screened using social and environmental criteria</b>	291
<b>Percent</b>	22.58%

## WORKFORCE SNAPSHOT GRI 102-8

### WORKFORCE BY EMPLOYMENT CONTRACT AND GENDER <sup>1 2 3</sup>

Contract type		2018			2019			2020		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Temporary	RD <sup>4</sup>	0	0	0	0	0	0	44	111	155
	4BIO	3	0	3	7	2	9	11	0	11
Indefinite term	RD <sup>5</sup>	13,016	22,228	35,304	14,935	25,119	40,054	15,879	27,597	43,476
	4BIO	107	147	254	125	181	306	138	188	326
Total	RD	13,016	22,228	35,304	14,935	25,119	40,054	15,923	27,708	43,631
	4BIO	110	147	257	132	183	315	149	188	337

1 All contracts are full-time, and the data in the table include active employees and employees who are on leave or on vacation. Apprentices and interns are not included.

2 In 2019 RD had 266 third-party employees working under permanent contracts.

3 Data for 4Bio for 2019 excludes Rio de Janeiro. Data for 2020 includes São Paulo, Campinas, Rio de Janeiro, Recife and Palmas

4 Includes contracts with a definite term of up to 2 years. The table excludes data for temporary and part-time apprentices (225 men and 445 women).

5 Senior management and registered employees.

### EMPLOYEES BY GENDER AND REGION <sup>1</sup>

Region	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
North	185	296	481	292	415	707	379	610	989
Northeast	1,600	2,251	3,851	2,114	2,843	4,957	2,386	3,337	5,723
Midwest	1,194	2,117	3,311	1,299	2,237	3,536	1,344	2,618	3,962
Southeast	8,974	15,605	24,579	10,032	17,320	27,352	10,375	18,282	28,657
South	1,063	2,019	3,082	1,198	2,304	3,502	1,439	2,861	4,300
Total	13,016	22,288	35,304	14,935	25,119	40,054	15,923	27,708	43,631

1 All contracts are full-time, and the data in the table include both active employees and employees who are on leave or on vacation. Apprentices and interns are not included.

EMPLOYEES BY AGE GROUP <sup>1</sup>

	2018		2019		2020	
	RD	4Bio	RD	4Bio	RD	4Bio
< 30	24,114	118	27,244	128	29,287	134
30 - 50	10,438	133	11,925	179	13,346	184
> 50	752	6	885	8	998	8
<b>Total</b>	<b>35,304</b>	<b>257</b>	<b>40,054</b>	<b>315</b>	<b>43,631</b>	<b>326</b>

<sup>1</sup> At RD, all contracts are full-time, and the data in the table include active employees and employees who are on leave or on vacation. Apprentices and interns are not included.

## WORKFORCE BY CATEGORY, GENDER AND AGE GROUP (%)

RD	2020				
	Men	Women	< 30	30 - 50	> 50
<b>Executive Board</b>	82%	18%	0%	76%	24%
<b>Managers</b>	57%	43.3%	3.78%	87.39%	8.82%
<b>Leaders/coordinators</b>	52%	48%	13.49%	80.47%	6.05%
<b>Technical/supervisor</b>	35%	65%	31.89%	67.03%	1.08%
<b>Administrative</b>	43%	57%	52.25%	45.47%	2.28%
<b>Operational</b>	36%	64%	70.91%	26.80%	2.28%

WORKFORCE BY CATEGORY <sup>1 2</sup>

Region	2018				2019				2020			
	RD		4Bio		RD		4Bio		RD		4Bio	
	Men	Women	Total	Total	Men	Women	Total	Total	Men	Women	Total	Total
<b>Executive Board</b>	32	9	41	1	37	8	45	1	41	9	50	1
<b>Managers</b>	95	57	152	10	110	80	190	12	135	103	238	13
<b>Leaders/coordinators</b>	66	72	138	36	87	85	172	33	111	104	215	32
<b>Technical/supervisor</b>	662	1,260	1,922	6	722	1,484	2,206	13	948	1,739	2,686	18
<b>Administrative <sup>3</sup></b>	454	490	944	48	536	590	1,126	65	663	870	1,534	65
<b>Operational</b>	11,707	20,400	32,107	156	13,443	22,872	36,315	191	14,025	24,883	38,908	197
<b>Total</b>	<b>13,016</b>	<b>22,288</b>	<b>35,304</b>	<b>257</b>	<b>14,935</b>	<b>25,119</b>	<b>40,054</b>	<b>315</b>	<b>15,923</b>	<b>27,708</b>	<b>43,631</b>	<b>326</b>

<sup>1</sup> At RD, all contracts are full-time, and the data in the table include active employees and employees who are on leave or on vacation. Apprentices and interns are not included.

<sup>2</sup> For 4Bio, only the total number of employees is reported, without a breakdown by gender.

<sup>3</sup> At RD, in 2020 the Assistant 1 and Assistant 2 positions were migrated from Operational to Administrative.

## 4BIO WORKFORCE BY EMPLOYMENT CONTRACT AND REGION

Region	2018			2019			2020		
	Definite term	Indefinite term	Total	Definite term	Indefinite term	Total	Definite term	Indefinite term	Total
<b>North</b>	1	20	21	2	20	22	0	15	15
<b>Northeast<sup>1</sup></b>	0	0	0	0	3	3	6	8	14
<b>Midwest</b>	0	0	0	0	0	0	0	0	0
<b>Southeast</b>	2	234	236	7	283	290	5	303	308
<b>South</b>	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>254</b>	<b>257</b>	<b>9</b>	<b>306</b>	<b>315</b>	<b>11</b>	<b>326</b>	<b>337</b>

<sup>1</sup> Six temporary employees at the Recife (PE) branch work full time.

### 4BIO

The ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees has remained at 6% since 2019. From 2019 to 2020, the ratio of the annual total compensation percentage increase of the highest-paid individual to the median annual total compensation percentage increase for all employees was 18.30%.

## REMUNERATION PRACTICES GRI 102-38, 102-39

### RATIO OF THE ANNUAL TOTAL COMPENSATION FOR THE ORGANIZATION'S HIGHEST-PAID INDIVIDUAL TO THE MEDIAN ANNUAL TOTAL COMPENSATION FOR ALL EMPLOYEES<sup>1</sup>

Compensation	2018	2019	2020
Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees <a href="#">GRI 102-38</a>	0.30%	0.26%	0.27%
Percentage increase in annual total compensation ratio <a href="#">GRI 102-39</a>	10.24%	16.81%	12.64%

<sup>1</sup> Total remuneration includes: basic salary as of December + profit-sharing + LTIP. Net of payroll charges

### AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE, BY EMPLOYEE CATEGORY 404-1

Category	2020
<b>Executive Board</b>	13.12
<b>Managers</b>	8.86
<b>Leaders/coordinators</b>	6.92
<b>Technical/supervisor</b>	42.57
<b>Administrative</b>	13.35
<b>Operational</b>	112.97
<b>Total</b>	<b>103.93</b>

## NEW HIRES AND TURNOVER GRI 401-1

### EMPLOYEE HIRES BY AGE GROUP <sup>1</sup>

Region		2018		2019		2020	
		No.	Rate	No.	Rate	No.	Rate
<b>&lt; 30</b>	RD	11,217	0.47	12,617	0.46	11,169	0.38
	4Bio	59	0.23	62	0.20	33	0.23
<b>30 - 50</b>	RD	2,594	0.25	3,125	0.26	3,143	0.24
	4Bio	44	0.17	28	0.09	29	0.16
<b>&gt; 50</b>	RD	201	0.27	213	0.24	180	0.18
	4Bio	1	0.004	3	0.01	1	0.13
<b>Total</b>	RD	14,012	0.40	15,955	0.40	14,492	0.33
	4Bio	104	0.40	93	0.30	63	0.19

<sup>1</sup> The rate is the result of dividing the number of new hires by the total number of employees in the relevant age group as of December.

### EMPLOYEE HIRES BY GENDER <sup>1</sup>

Region		2018		2019		2020	
		No.	Rate	No.	Rate	No.	Rate
<b>Men</b>	RD	5,635	0.43	6,367	0.43	5,452	0.34
	4Bio	-	-	37	0.12	34	0.25
<b>Women</b>	RD	8,377	0.38	9,588	0.38	9,040	0.33
	4Bio	-	-	56	0.18	29	0.15
<b>Total</b>	RD	14,012	0.40	15,955	0.40	14,492	0.33
	4Bio	104	0.40	93	0.30	63	0.19

<sup>1</sup> The rate is the result of dividing the number of new hires by the total number of employees by gender as of December.

### EMPLOYEE HIRES BY REGION <sup>1</sup>

Region		2018		2019		2020	
		No.	Rate	No.	Rate	No.	Rate
<b>NW</b>	RD	367	0.76	441	0.62	450	0.46
	4Bio	-	-	5	0.62	2	0.13
<b>NE</b>	RD	1,815	0.47	1,976	0.40	1,737	0.30
	4Bio	-	-	3	0.40	4	0.67
<b>MW</b>	RD	1,137	0.34	1,223	0.35	1,222	0.31
	4Bio	-	-	0	0	0	0
<b>SE</b>	RD	9,177	0.37	10,635	0.39	9,008	0.31
	4Bio	-	-	85	0.39	57	0.19
<b>S</b>	RD	1,516	0.49	1,680	0.48	2,075	0.48
	4Bio	-	-	0	0	0	0
<b>Total</b>	<b>RD</b>	<b>14,012</b>	<b>0.40</b>	<b>15,955</b>	<b>0.40</b>	<b>14,492</b>	<b>0.33</b>
	<b>4Bio</b>	<b>104</b>	<b>0.40</b>	<b>93</b>	<b>0.40</b>	<b>63</b>	<b>0.19</b>

<sup>1</sup> The rate is the result of dividing the number of new hires by the total number of employees in the relevant region as of December.

**TURNOVER BY AGE GROUP <sup>1</sup>**

Region		2018		2019		2020	
		No.	Rate	No.	Rate	No.	Rate
<b>&lt; 30</b>	RD	6,928	0.29	8,489	0.31	7,508	0.26
	4Bio	0	0.00	40	0.13	28	0.20
<b>30 - 50</b>	RD	2,799	0.27	3,692	0.31	3,277	0.25
	4Bio	0	0.00	27	0.09	37	0.21
<b>&gt; 50</b>	RD	149	0.20	202	0.23	161	0.16
	4Bio	0	0.00	4	0.01	1	0.11
<b>Total</b>	RD	9,876	0.28	12,383	0.31	10,946	0.25
	4Bio	0	0.00	71	0.23	66	0.20

<sup>1</sup> The rate is the result of dividing the number of terminations by the total number of employees in the relevant age group as of December.

**TURNOVER BY GENDER <sup>1</sup>**

Region		2018		2019		2020	
		No.	Rate	No.	Rate	No.	Rate
<b>Men</b>	RD	4,001	0.31	4,865	0.33	4,470	0.28
	4Bio	0	0.00	24	0.08	35	0.26
<b>Women</b>	RD	5,875	0.26	7,518	0.30	6,476	0.23
	4Bio	0	0.00	47	0.15	31	0.16
<b>Total</b>	RD	9,876	0.28	12,383	0.31	10,946	0.25
	4Bio	0	0.00	71	0.23	66	0.20

<sup>1</sup> The rate is the result of dividing the number of terminations by the total number of employees by gender as of December.

**TURNOVER BY REGION <sup>1</sup>**

Region		2018		2019		2020	
		No.	Rate	No.	Rate	No.	Rate
<b>NW</b>	RD	38	0.08	158	0.22	175	0.18
	4Bio	0	0.00	4	0.01	11	0.73
<b>NE</b>	RD	741	0.19	968	0.20	977	0.17
	4Bio	0	0.00	0	0.00	2	0.33
<b>MW</b>	RD	803	0.24	974	0.28	820	0.21
	4Bio	0	0.00	0	0.00	0	0.00
<b>SE</b>	RD	7,112	0.29	8,986	0.33	7,673	0.27
	4Bio	0	0.00	67	0.21	53	0.17
<b>S</b>	RD	1,182	0.38	1,297	0.37	1,301	0.30
	4Bio	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>RD</b>	<b>9,876</b>	<b>0.28</b>	<b>12,383</b>	<b>0.31</b>	<b>10,946</b>	<b>0.25</b>
	<b>4Bio</b>	<b>0</b>	<b>0.00</b>	<b>71</b>	<b>0.23</b>	<b>66</b>	<b>0.20</b>

<sup>1</sup> The rate is the result of dividing the number of terminations by the total number of employees in the relevant region as of December.

**BENEFITS** GRI 401-2

RD offers co-sponsored health insurance on an opt-in basis to employees and their legal dependents, up to a limit of three policies. Corporate employees can select from more than one health insurance carrier, with the company sponsoring 50% to 70% of premiums, without co-payments. Interns are not eligible for health insurance. RD does not offer benefits to temporary employees.

- » Dental insurance with 10% co-payment and no monthly premiums;
- » Daycare allowance, depending on the collective bargaining agreement;
- » RD Club - partner merchants provide discounts to employees;
- » Drugstore discounts - all employees and their legal dependents are eligible to Univers benefits;
- » Payroll loans
- » Life insurance;
- » Meal vouchers/ Food vouchers of between R\$3.50 and R\$32.00 for store employees and employees with external roles if required by Brazilian labor regulations or granted on a voluntary basis.
- » Transportation tickets;
- » Christmas hampers;
- » Checkups for managers and executives
- » Fitness center discounts: for all employees, in partnership with a gym network with national coverage.

At 4Bio, benefits include: life insurance, health insurance, parental leave, dental insurance, drugstore discounts, meal vouchers / transportation tickets, birthday benefits for children, profit sharing, and bonuses. (Only head office employees are eligible for share option plans)

**PARENTAL LEAVE** GRI 401-3**PARENTAL LEAVE\***

		RD		4Bio	
		2019	2020	2019	2020
<b>Employees entitled to parental leave<sup>1</sup></b>	men	14,935	15,923	132	136
	women	25,119	27,708	183	190
<b>Employees who took parental leave</b>	men	284	287	0	2
	women	1,189	1,184	5	9
<b>Employees who returned to work during the reporting period after parental leave ended</b>	men	284	287	0	3
	women	1,189	1,184	0	3
<b>Employees that returned to work after parental leave ended that were still employed 12 months after their return to work</b>	women	586	630	0	3
<b>Return rate</b>	men	100%	100%	1.00	1.00
	women	100%	100%	0	0.33
<b>Retention rate</b>	men	-	75.0%	0	1.00
	women	53.4%	53.0%	0	0.66
<b>Turnover</b>	women	24.21%	15.80%		

<sup>1</sup> Temporary and permanent employees at RD. In the case of apprentices, 445 women and 225 men were entitled to parental leave in 2020. Of these, 11 women took maternal leave.

\* The paternal leave period at RD and 4bio is 5 days in accordance with applicable regulations.

## DEVELOPMENT AND CAREER BUILDING GRI 404-3

### EMPLOYEES RECEIVING REGULAR PERFORMANCE AND DEVELOPMENT REVIEWS, BY EMPLOYEE CATEGORY (%)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Executive Board</b>				76.67	100	81.08	80	100	84
<b>Managers</b>				80.79	86.32	84.38	96	100	98
<b>Coordinators/specialists</b>				85.59	85.98	85.98	83	85	84
<b>Technical/supervisor</b>				2.26	0.84	1.38	5	5	5
<b>Administrative</b>							57	61	60
<b>Operational</b>				13.71	17.99	16.40	5	9	7
<b>Total</b>				<b>16.47</b>	<b>20.07</b>	<b>18.13</b>	<b>12</b>	<b>15</b>	<b>14</b>

## DIVERSITY ANY EQUAL OPPORTUNITY

GRI 405-1, 405-2

### INDIVIDUALS WITHIN THE ORGANIZATION'S GOVERNANCE BODIES, BY GENDER (%) <sup>1</sup>

	2020	
	Men	Women
<b>Board of Directors</b>	8	1
<b>People Committee</b>	4	2
<b>Finance &amp; Risk Committee</b>	3	1
<b>Strategy Committee</b>	4	2
<b>Sustainability Committee</b>	1	1
<b>Health Business Committee</b>	4	1
<b>Expansion Committee</b>	2	0

<sup>1</sup> At RD, 0% of the members of the Board of Directors and advisory committees are under 30; 20% are aged 30 to 50; and 80% are over 50.

## BLACK EMPLOYEES AND PWDs BY EMPLOYEE CATEGORY AND GENDER (%)

	Black (Black and Brown) 2020		PwDs 2020	
	Men	Women	Men	Women
<b>Executive Board</b>	16%	0%	0%	0%
<b>Managers</b>	18.90%	10.92%	0%	0%
<b>Head/ coordinator</b>	15.34%	15.81%	0.46%	0%
<b>Technical/ supervisor</b>	17.60%	31.11%	0.40%	0.33%
<b>Administrative</b>	30.85%	24.20%	0.84%	0.84%
<b>Operational</b>	22.44%	38.17%	2.56%	2.39%
<b>Total</b>	<b>22.02%</b>	<b>36.94%</b>	<b>2.34%</b>	<b>2.18%</b>

	2020	
	Ratio of basic salary of women to men <sup>1 2</sup>	Ratio of basic salary and remuneration - Men
<b>Executive Board</b>	13.33	13.33
<b>Technical/supervisor</b>	13.61	13.61
<b>Managers</b>	13.76	13.77
<b>Operational</b>	13.52	13.53
<b>Administrative</b>	13.35	13.35
<b>Leaders/coordinators</b>	13.35	13.34

<sup>1</sup> Employee remuneration at RD is based on salary tables that are benchmarked and updated in market surveys; pay raises and promotions are awarded based on merit.  
<sup>2</sup> Managers are entitled to request merit pay raises based on performance (between 10% and 15%) or to be considered for a promotion provided they meet the requirements for the target position and the pay raise does not exceed 30%, regardless of gender.

## NONDISCRIMINATION GRI 406-1

### CASES & ACTION TAKEN <sup>1</sup>

Cases of discrimination <sup>1</sup>	2019	2020
<b>Total cases recorded</b>	35	44
<b>Cases investigated</b>	35	39
<b>Remediation plans being implemented</b>	5	5
<b>Cases resolved during the reporting period</b>	30 across Corporate (1), Raia (14), Drogasil (13), Farmasil (1) and DCs (6)	39 across DCs (6), Raia (22), Drogasil (9), Corporate (1) and Undisclosed (1)
<b>Total</b>	<b>35</b>	<b>44</b>

No incidents of discrimination were reported at 4Bio.

## SOCIAL CAPITAL GRI 102-43, 102-44

### STAKEHOLDER ENGAGEMENT PRACTICES

STAKEHOLDERS:	PRIMARY ENGAGEMENT CHANNELS	
<b>Customers</b>	Information on customer service, our official customer communications channel:	
	<b>Customer communications channels</b>	
	<b>Total Cases in 2020 (includes Customer Service, Farmas, Covid and MktPlace)</b>	1,201,955
	<b>Complaints received from customers<sup>1</sup></b>	133,000
	<b>Percentage of complaints</b>	11.1%
	<b>Channels used</b> <span style="float: right;">Voice</span>	
	<small>1100% of complaints are responded to within five days.</small>	
<b>Employees</b>	Organizational climate survey	
	Workplace: an internal communication platform. In 2020, the platform recorded 36,000 active users, and 3,690 official groups.	
<b>Shareholders</b>	Meetings, participation in events, conference calls and an annual RD Day event	
	RD attended national and international conferences and discussions with market agents during 138 days of the year, in Brazil and internationally	
	We held earnings calls in Portuguese and English, all open to the public, and RD Day, an open event in which our officers and directors discuss our strategies and key projects, and then open the floor to questions from the audience	

### MEMBERSHIP OF TRADE AND OTHER ASSOCIATIONS

GRI 102-13

- » Brazilian Association of Chain Drugstores (ABRAFARMA)
- » Institute for Retail Development (IDV)
- » Brazilian Association of Listed Companies (ABRASCA)
- » Brazilian Institute for Corporate Governance (IBGC)
- » Brazilian Association of Human Resources (ABRH).
- » Movimento Mulher 360 (MM 360)
- » Rede Empresarial de Inclusão social (REIS)
- » Amigos da Poli
- » Business Coalition to End Violence against Women and Girls
- » UN Global Compact
- » Women's Empowerment Principles (WEPs)
- » Brazilian Group of Institutes, Foundations and Companies (GIFE)

## SOCIAL AND ECONOMIC COMPLIANCE GRI 419-1

### NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA (IN R\$ MM) <sup>1</sup>

Contingency related to:	2018	2019	2020
<b>Civil claims</b>	9.90	9.90	5.16
<b>Labor claims</b>	77.00	103.68	103.30
<b>Tax claims</b>	346.20	383.50	412.84
<b>Provisions</b>			
<b>Civil claims</b>	0.70	1.82	0.61
<b>Labor and social security claims</b>	73.15	94.10	95.04
<b>Tax claims</b>	0.64	15.38	6.20

## NATURAL CAPITAL

### USE OF MATERIALS GRI 301-1

#### MATERIALS USED FOR PRODUCTION AND PACKAGING <sup>1</sup>

Name of material	Used to produce and package products	Recyclable	Unit of measure	2020
<b>Green PE</b>	Packaging materials used for Vegan by Needs products only	Yes	Kg	2,261.60
<b>PET</b>		No	Kg	4,407.32
<b>Cardboard</b>		Yes	Kg	2,329.42

<sup>1</sup> Tracking and reporting of this indicator began in 2020

#### RECYCLED INPUT MATERIALS USED GRI 301-2

Out of our total active SKUs (Stock Keeping Units), 79% use primary/secondary packaging made of recyclable materials. These include plastic, paper, glass and aluminum.

## NATURAL RESOURCES GRI 302-1

### TOTAL ENERGY CONSUMPTION (GJ) - RD<sup>1</sup>

	2018	2019	2020
<b>Nonrenewable fuels - total</b>	<b>172,998.91</b>	<b>214,223.76</b>	<b>214,089.94</b>
Jet Fuel	7,512.23	8,658.15	8,966.05
Gasoline (regional units)	4,921.63	4,967.12	4,254.43
Diesel (logistics and generator) <sup>2</sup>	158,882.34	200,458.13 <sup>7</sup>	200,834.05
LPG <sup>3</sup>	1,682.71	140.35	35.41
<b>Renewable fuels - total</b>	<b>24,092.82</b>	<b>23,611.60</b>	<b>25,817.76</b>
Biodiesel <sup>4</sup>	21,375.25	20,792.45	23,172.05
Ethanol (regional units)	2,717.57	2,819.15	2,645.71
<b>Energy (electricity) consumed<sup>5</sup></b>	<b>500,612.88</b>	<b>657,531.72</b>	<b>686,894.25</b>
Electricity from nonrenewable sources	59,571.19	74,879.28	75,791.04
Electricity from renewable sources	441,041.68	582,652.44	611,103.22
Electricity sold <sup>6</sup>	0.00	6,377.99	18,216.27
<b>Total</b>	<b>697,704.61</b>	<b>895,367.08</b>	<b>926,801.95</b>

1 Conversion factors derived from: National Energy Balance (BEN) 2013.

2 Generator consumption in 2019 = 34,822.37 GJ; generator consumption in 2020 = 36,657.96 GJ. Diesel assumed to be 89% derived from non-renewable sources in 2020 and 90% in 2018 and 2019.

3 Reduced following the replacement of combustion-engine with electric forklifts.

4 Diesel fuel used by our logistics fleet and generator is assumed to contain 11% biodiesel (2020). In 2018 and 2019 the percentage used was 10% as per applicable regulations.

5 Energy sources based on the National Grid energy mix.

6 Data on electricity sold in 2019 are for July to December.

7 Oil (logistics and generator), gasoline, ethanol and biodiesel figures for 2019 have been restated.

### TOTAL ENERGY CONSUMPTION (GJ) - 4BIO

	2020
Energy consumed – electricity	1813.23

### REDUCTIONS IN ENERGY CONSUMPTION ACHIEVED AS A DIRECT RESULT OF CONSERVATION AND EFFICIENCY INITIATIVES (GJ) GRI 302-4

	2019	2020
LED lamps <sup>1</sup>	6,519.51	17,263.18
Inverter-driven air conditioners <sup>1</sup>	1,345.37	
Electron alignment devices <sup>2</sup>	-	54,680.70
<b>Total</b>	<b>7,862.88</b>	<b>71,943.88</b>

1 Energy savings as a result of physical changes (replacing equipment and accessories) were calculated by comparing total consumption from one year to the other.

2 Energy savings from electron alignment devices were based on technical assessments conducted in-store. The most conservative reduction value was assumed, based on the statistical variables used in the assessment (confidence interval: 95%). The experimental reduction (15.32%) was applied to the year-long (2020) consumption for all stores equipped with the device.

### WATER CONSUMPTION (M<sup>3</sup>)<sup>1</sup> GRI 303-5

2018	2019	2020
<b>280,973</b>	<b>336,616</b>	<b>389,793</b>

1 There were no changes in water storage volumes.

## EMISSIONS GRI 305-1, 305-3

### GREENHOUSE GAS EMISSIONS INTENSITY (TCO<sub>2</sub>E)

RD	2018	2019	2020*
<b>Scope 1</b> GRI 305-1	16,380.07	18,115.20	27,833.48
<b>Scope 2</b> GRI 305-2	10,286.21	13,375.78	11,777.37
<b>Scope 3</b> GRI 305-3	2,675.46	2,755.06	1,248.85
<b>Total</b>	<b>29,341.74</b>	<b>34,246.04</b>	<b>40,859.71</b>
<b>4Bio</b>			
<b>Scope 1</b> GRI 305-1	Unavailable	66.86	1.31
<b>Scope 2</b> GRI 305-2	Unavailable	36.75	31.09
<b>Scope 3</b> GRI 305-3	Unavailable	Unavailable	-
<b>Total</b>	<b>Unavailable</b>	<b>103.61</b>	<b>32.40</b>

\*In 2020 we perfected our methods of collecting data for the greenhouse gas emissions inventory, especially for fugitive emissions, refrigerant gases and waste materials within scope 3.

### BIOGENIC CO<sub>2</sub> EMISSIONS (T CO<sub>2</sub> EQUIVALENT)

RD	2018	2019	2020
<b>Scope 1</b> GRI 305-1	Unavailable	1,794.05	1,900.72
<b>Scope 2</b> GRI 305-2	Unavailable	622.29	0.00
<b>Scope 3</b> GRI 305-3	Unavailable	-	507.22
<b>Total</b>	<b>Unavailable</b>	<b>2,416.34</b>	<b>2,407.94</b>
<b>4Bio</b>			
<b>Scope 1</b> GRI 305-1	Unavailable	0.43	0.16

## WASTE GRI 306-3, 306-4, 306-5

### WASTE BY TYPE AND DISPOSAL METHOD

Hazardous waste disposal (t)	Type of waste	2018	2019	2020
Recycling	Batteries	3.18	4.42	3.99
Incineration (mass burn)	Medicines	40	56.06	62.63
	Healthcare waste	22.67	23.59	580.78
	Spoiled goods	2.5	20.7	28.30
<b>Total</b>		<b>68.35</b>	<b>104.77</b>	<b>675.7</b>

Nonhazardous waste disposal (t)	Type of waste	2018	2019	2020
Recycling*	Paper, cardboard, plastic, ferrous and nonferrous metals, wood, tires and glass	2,213.16	3,812.20	4,285.81
Landfill	Organic	662.04	238.29	624.51
Co-processing	Spoiled goods	907.4	866.77	1,572.26
<b>Total</b>		<b>3,782.60</b>	<b>4,917.26</b>	<b>6,482.59</b>

\*In 2020 we included data on ferrous metals, glass and tires in the final calculation of nonhazardous waste sent for recycling

Type of recycled waste (t)	2018	2019	2020
Paper	-	-	96.21
Cardboard	2,159.57	3,561.57	3,941.74
Plastic	46.1	211.93	137.54
Ferrous metals	-	-	10.08
Wood	0.29	28.09	87.69
Glass	7.20	10.61	8.56
<b>Total</b>	<b>2,205.96</b>	<b>3,812.20</b>	<b>4,281.82</b>

Total waste materials generated (in metric tons)	2018	2019	2020
	3,850.95	5,022.03	7,091.67

\*We revised the method of calculating medicine-related waste, and the figures for 2019 were accordingly restated.

# ASSURANCE REPORT GRI 102-56



KPMG Assesores Ltda.  
 Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A  
 04711-904 - São Paulo/SP - Brasil  
 Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil  
 Telefone +55 (11) 3940-1500  
 kpmg.com.br

## Limited verification report issued by independent auditors

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

### Introduction

We have been engaged by Raia Drogasil S.A. ("Raia Drogasil" or "Company") to apply limited verification procedures on the sustainability information disclosed in Raia Drogasil's 2020 Annual and Sustainability Report ("Report") attached in this report, related to the year ended December 31<sup>st</sup>, 2020.

### Responsibilities of Raia Drogasil's Management

The Management of Raia Drogasil is responsible for adequately preparing and presenting the sustainability information in the 2020's Annual and Sustainability Report in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards), as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

### Independent auditors' responsibility

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

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

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

them to believe that the information disclosed in the Report taken as a whole could present material misstatement.

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

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

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

### Scope and limitations

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

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

### Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Raia Drogasil's 2020 Annual and Sustainability Report is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards), as well as its source records and files.

São Paulo, April 19<sup>th</sup>, 2021

KPMG Assesores Ltda.  
*Original report in Portuguese signed by*

Marcio Andrade Barreto  
*Principal*

KPMG Assesores Ltda., uma sociedade simples brasileira, de responsabilidade limitada, é firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Assesores Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Assesores Ltda., uma sociedade simples brasileira, de responsabilidade limitada, é firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Assesores Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Assesores Ltda., uma sociedade simples brasileira, de responsabilidade limitada, é firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Assesores Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



# Credits

**GENERAL COORDINATION**

RAIA DROGASIL

**VICE PRESIDENT, PEOPLE,**

CULTURE & SUSTAINABILITY

MARIA SUSANA DE SOUZA

**CHIEF SUSTAINABILITY OFFICER**

GIULIANA ORTEGA BRUNO

**VICE PRESIDENT,**

**PLANNING & INVESTOR**

**RELATIONS**

EUGÊNIO DE ZAGOTTIS

**COORDINATION - PLANNING, EDITING AND GRI CONSULTING**

GRUPO REPORT - RPT.SUSTENTABILIDADE

**EDITING AND REPORTING**

GUTO LOBATO AND MICHELE SILVA

**PROJECT AND RELATIONSHIP MANAGEMENT**

RICARDO DUARTE

**GRI CONSULTING**

CAMILA LIMBERG AND RACHEL ALVES

**ART AND DESIGN**

DIEGO RIBEIRO, LEANDRO LOPES AND ED SANTANA

**PHOTOS**

CAMILA PICOLO AND UNSPLASH STOCK IMAGES

