



# 2021 Sustainability Report

## SUMMARY

**03** Highlights

**04** Message from management

**07** Pague Menos

08 About us

12 National presence

14 Our history

16 Business strategy

20 ESG strategy

**23** Corporate governance

24 Governance structure

29 Commitment to integrity

31 Privacy and data protection

32 Risk management

33 Sustainability on the agenda

**37** Business

38 Macroeconomic and sectoral scenario

40 Business model

41 2021 Performance

**47** Our team

48 Team profile

52 Diversity and inclusion

58 Occupational health and safety

62 Benefits and quality of life

63 Training and development

66 Organizational culture

67 Climate management

**69** Social and environmental management

71 Clients

78 Community

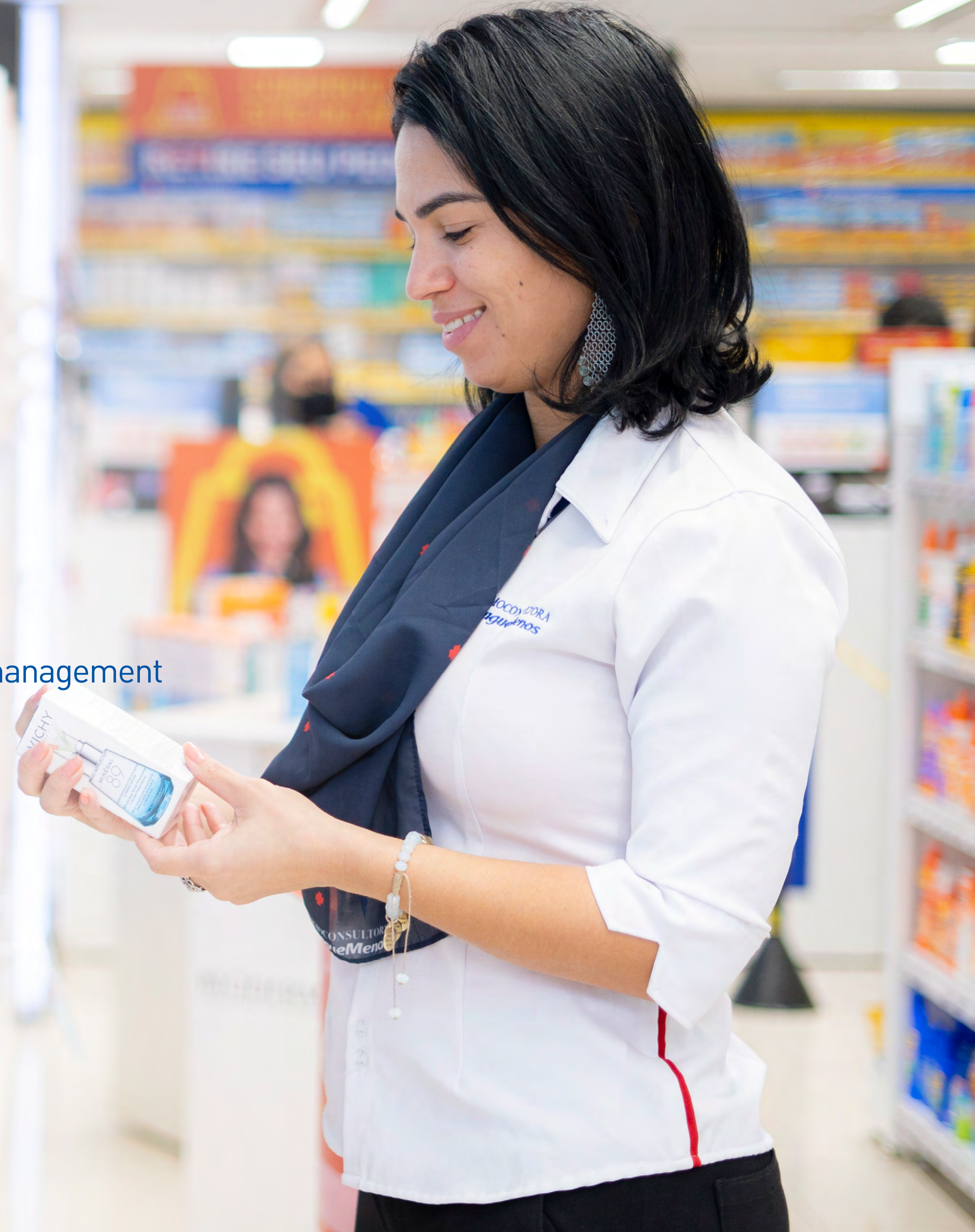
80 Suppliers

82 Investors

83 Environmental Management

**89** Awards and recognitions

**90** About the report



# Highlights



**1,165**  
STORES

LOCATED IN ALL STATES OF BRAZIL. IN 2021, 80 NEW STORES WERE OPENED.



~ **900** STORES

WITH CLINIC FARMA, WHICH OFFERS MONITORING OF TREATMENTS, PROCEDURES, AND APPROXIMATELY 60 HEALTH PROTOCOLS.



**100**  
MILLION

CONSULTATIONS IN 2021, WITH A BASE OF 15 MILLION ACTIVE CUSTOMERS.



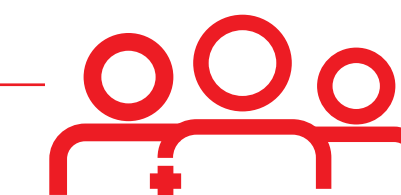
R\$ **8.1**  
BILLION

IN GROSS REVENUE, A GROWTH OF 10.3% COMPARED TO 2020.



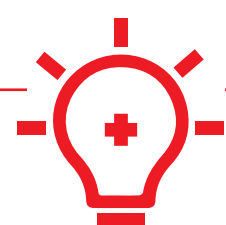
R\$ **176.6**  
MILLION

ADJUSTED NET INCOME. AN INCREASE OF 83.9% COMPARED TO THE PREVIOUS YEAR.



**21,026**  
DIRECT  
EMPLOYEES

59% ARE WOMEN.

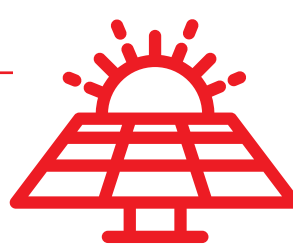


LAUNCH OF **PMENOSLAB**, AN INNOVATION AND DIGITAL TRANSFORMATION INITIATIVE, WHICH HELPS PAGUE MENOS IN ITS DISSEMINATION OF AN AGILE CULTURE.



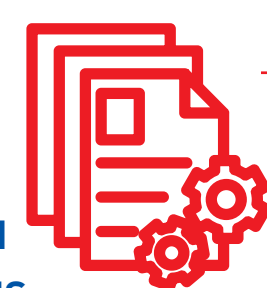
**304.3**  
THOUSAND

TRAINING HOURS DEDICATED TO THE TEAM -- AN AVERAGE OF 14.5 HOURS PER EMPLOYEE.



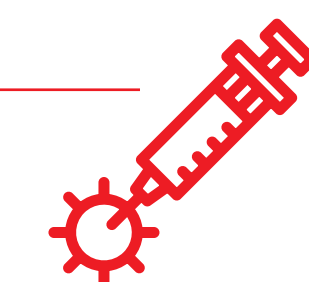
**15.3**  
MW/H

GENERATED IN THE COMPANY'S SOLAR PARKS, AVOIDING THE EMISSION OF 8.8 THOUSAND TONS OF CO2 INTO THE ATMOSPHERE.



IMPLEMENTATION OF THE COMPANY'S **DIVERSITY AND INCLUSION**

POLICY AND THE CREATION OF FIVE AFFINITY GROUPS TO WELCOME AND ENCOURAGE PLURALITY IN THE WORKPLACE.



THE EXECUTION OF ABOUT **1.7 MILLION** COVID-19 TESTS.



CONSTRUCTION OF THE **COMPANY'S ESG AGENDA**,

WITH 9 COMMITMENTS AND 32 GOALS TO BE ACHIEVED IN 2022, 2025, AND 2030.

# Message from Management

**GRI  
102-14**

**FOR 40 YEARS, CONTRIBUTING TO GENERATING ACCESS TO HEALTH CARE FOR THE BRAZILIAN POPULATION HAS BEEN THE DRIVING FORCE BEHIND PAGUE MENOS. IN 2021, THE SECOND AND MOST INTENSE YEAR OF COPING WITH THE COVID-19 PANDEMIC, OUR PURPOSE GUIDED US TO SERVE ALL THE PEOPLE WHO CAME TO US, THROUGH THE DISPENSING OF MEDICINES, THE EXECUTION OF RAPID TESTS AND OTHER SERVICES, AS WELL AS THE DISSEMINATION OF HEALTH-RELATED INFORMATION.**

In partnership with the government, we have even opened our stores to vaccinate the population and thus contribute to reducing the contamination curve of the disease, reaffirming our 'Health Hub' concept.

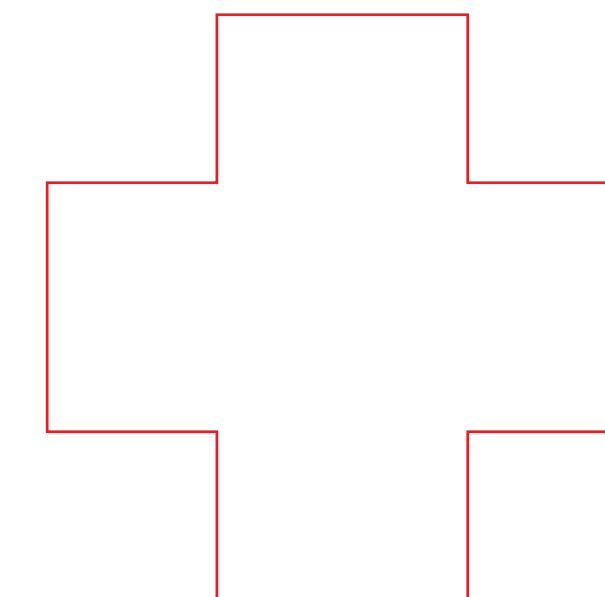
One of the biggest concerns in this regard was with our 21 thousand employees, who were on the front line and remained tireless in the fight against the pandemic. For this reason, we have made our safety protocol even more robust, intensified the hygiene of our stores, and provided testing to everyone with suspected contamination. We also invested in training and hospitality, so that everyone could feel safe while conducting their activities.

Even in the face of challenges and uncertainties,

we followed our expansion plan. 80 stores were inaugurated in 2021, totaling 1,165 commercial locations in 348 municipalities, in all states of Brazil. By 2022, we plan to open another 120. We also announced the acquisition of Extrafarma, one of the most traditional and strong brands in Brazilian pharmaceutical retail, especially in the North region, with more than 60 years of existence. We also invested in the opening of Clinic Farmas in late 2021, which is already present in almost 900 stores, with about 60 services available, such as Covid-19 tests, telemedicine care, vaccination, laboratory tests, and the monitoring of diabetes, cholesterol, hypertension, obesity, and treatment of tobacco smoking.

And our growth is not only due to the opening of new locations and expansion of services. We are innovating in our way of being and doing business, with an omnichannel presence, which has resulted in the considerable expansion of our digital channels -- an 85.3% increase in sales in 2021, reaching 8.8% of total revenue at the end of the year.

These transformative initiatives are coordinated by PmenosLab, an innovation and experimentation laboratory with an area of 1.2 thousand m<sup>2</sup> that was inaugurated in 2021. PmenosLab promoted two important initiatives: Fast Dating, for connection with startups, and the Garage of Ideias, a program of internal entrepreneurship, which in 2021



**THE ACQUISITION OF  
EXTRAFARMA,  
A BRAND WITH 60 YEARS  
OF HISTORY.**

consolidated 164 new ideas for the business.

We achieved R\$ 8 billion in gross revenue in the year, with an adjusted net profit of R\$ 176.6 million, 83.9% higher than the previous year. The solid results of 2021 with margin expansion exceeded expectations for the start of trading Pague Menos shares on the stock exchange (B3) and was achieved even with a considerably more challenging macroeconomic scenario than originally forecasted, with the worsening of the pandemic, inflationary pressure on important operating expenses, and a strong decrease in household purchasing power.

These results are the outcome of an extensive turnaround taken place over the last few years at the company. We have attracted more talent, made our governance more robust, and invested in professionalizing management.

In 2021, we started Sou Gigante, a Pague Menos culture empowerment project, making the company increasingly innovative, with a strong employer brand -- which stands out for its focus on people. We want our

employees to be able to truly experience our organizational values, in an environment of high performance and solid, sustainable results. We aim to form inspiring and cooperative leadership, in an environment with a strong sense of belonging that will propel us to ever greater achievements.

We also invest in our corporate university, UP Farma, which provides training programs to our employees and the general population, with the main objective of making it the largest reference in professional training for pharmaceutical retail in Brazil. As a result of all this work in people management, we have been recognized as a great place to work by GPTW.

The ESG agenda has gained prominence in our management practices, which, since its conception was fully integrated with the company's strategy, because we understand that this movement is fundamental for the advancement of our purpose of promoting access to health care.

In 2021, we developed a plan based on the adoption of ESG best practices and aligned with the Sustainable Development Goals (SDGs) of

the United Nations (UN).

The creation of this agenda allowed us, for example, to formalize social and environmental responsibility actions, which were already part of the initiatives of Pague Menos, in a more focused and aligned way with our business strategy. We have made nine commitments and set 32 goals to contribute to promoting the health of people, the environment, and business.

The vision of being the best pharmaceutical retail company in Brazil, recognized for offering complete health care solutions and reducing inequalities in access to a healthy life so that more people live fully, is based on short, medium, and long-term commitments and challenges us as a company, especially in the midst of the social and economic scenario that is still undergoing profound transformations caused by the Covid-19 pandemic. However, a close look reveals the emergence of an even more competitive, innovative, efficient and profitable company.

We are ready and focused on delivering consistent and regular results with value generation for all our stakeholders. We

**WE INAUGURATED  
PMENOSLAB, AN INNOVATION  
AND EXPERIMENTATION**

**1.2  
THOUSAND M<sup>2</sup>.**

**AN  
85.3%  
INCREASE  
IN SALES**

**THROUGH DIGITAL CHANNELS  
IN 2021, REACHING 8.8% OF  
TOTAL REVENUE AT THE END OF  
THE YEAR**

want our company to be the choice of this generation and the next to work, buy and invest -- that the history of Pague Menos is of a diverse, inclusive company full of opportunities to grow, develop and positively impact all environments in and around where it operates.

ESG is not just another important topic on the agenda of upper management; it is the mentality that directs all our actions and decisions. We will remain resilient, by building new paths, discontinuing others, and expanding our business, now as part of a collaborative agenda, which also involves government and civil society in building a fairer society and a sustainable future.

In this first Sustainability Report from Pague Menos, we seek to show how the company is managing such issues linked to the ESG agenda and other themes relevant to the execution of our strategy. We thank everyone in the company's management for leading and encouraging the ESG agenda and making Pague Menos increasingly sustainable and innovative. We extend our thanks to all our employees, who are responsible for building

the sustainability of our company each day. This publication is the result of the work of all of you, a team of giants that still has much to achieve.



**Mário Henrique  
Alves de Queirós**  
CEO of Pague Menos



**Patrícia Maria de  
Queirós Rodrigues**  
Chairwoman of the Board  
of Directors of Pague  
Menos

**PAGUE MENOS**

# Our commitment to the health of Brazil



# About us

**GRI**  
102-1  
102-2  
102-3  
102-4  
102-5  
102-6  
102-7  
102-16

**HEADQUARTERED IN THE CITY OF FORTALEZA (CE), EMPREENDIMENTOS PAGUE MENOS S.A. ("PAGUE MENOS" OR "COMPANY") IS THE THIRD LARGEST PHARMACEUTICAL RETAIL CHAIN IN BRAZIL, WITH 1,165 STORES DISTRIBUTED IN 348 BRAZILIAN CITIES, IN ALL STATES OF THE FEDERATION.**

Bringing together approximately 21 thousand employees, we carry out more than 100 million client attendances per year, with a base of more than 15 million active customers.

We focus on the client of the "expanded middle class", comprised of the social classes B2, C and D. We are the only national player with a targeted focus on this public, which represents the largest share of consumer potential in our market.

Our stores have a great differential of wide variety of products. We sell 15.6 thousand items, from 440 suppliers, with a focus on pharmaceutical retail, offering reference and generic medications, multivitamin products, and perfumery items ranging from hygiene to beauty.

We have more than a thousand exclusive products, or of our own brands. We sell formulated medication -- produced by six compounding pharmacies -- and we market specialty drugs, with high added value, aimed at highly complex treatments, through the AME (Atendimento de Medicamentos Especiais) program.

In addition to products, we offer our customers various services focused on health and well-being, such as the application of rapid tests, vaccines and injectable drugs, monitoring of chronic pathologies, and laboratory check-ups, among others. Currently, we have more than 60 health protocols offered by Clinic Farma, our pharmaceutical clinic installed in approximately 900 chain stores.

In addition to the portfolio of services, we reinforce our purpose to promote health

and well-being with the implementation of complementary initiatives such as the pharmaceutical SAC service, SAC Farma, and our own platform to produce content on health, beauty, and healthy habits, Sempre Bem (Always Good). Thus, we have developed a comprehensive and integrated solution, based on the application of an innovative concept: the Health Hub.

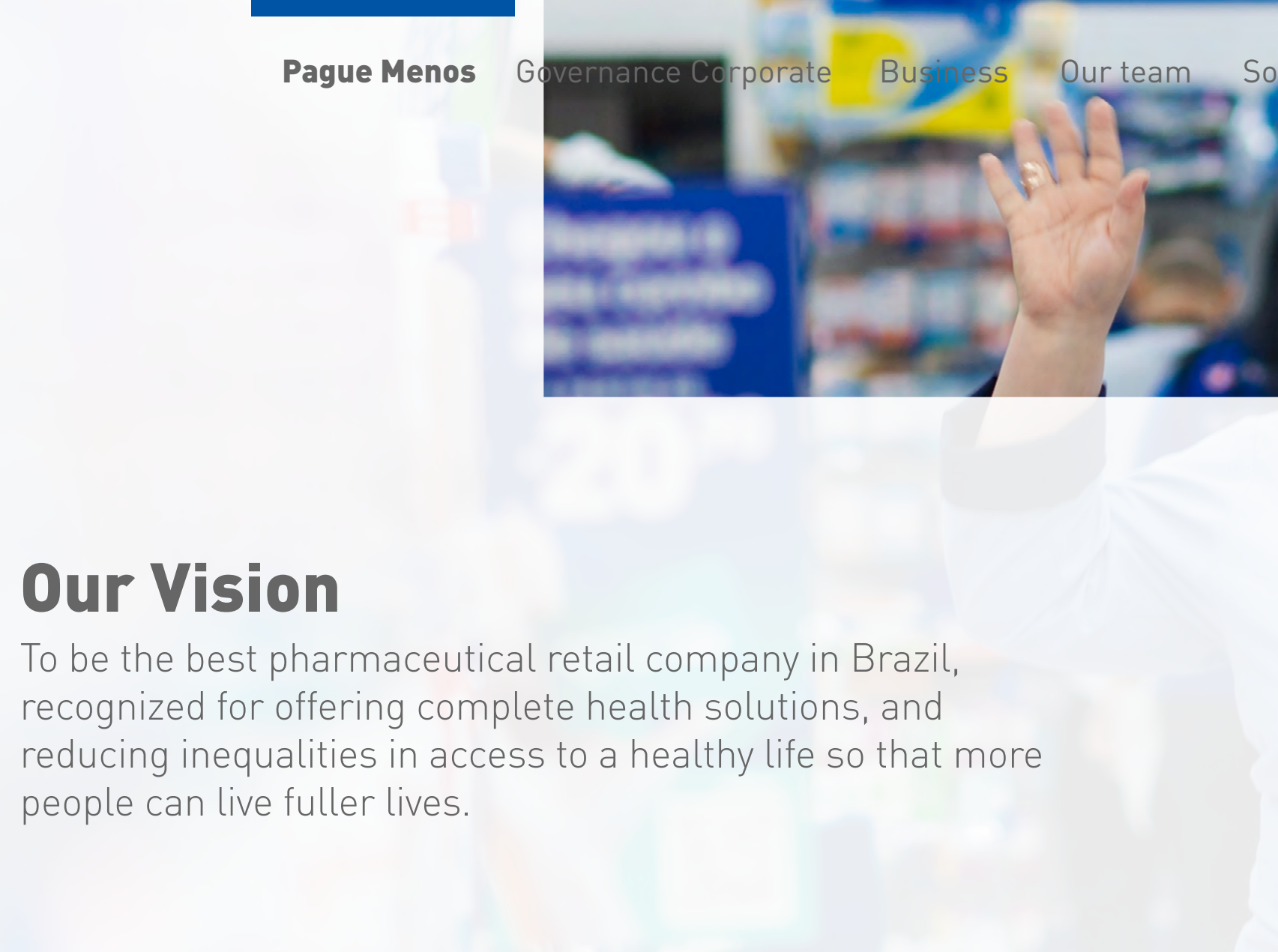
Whether it's products, services, or information, our actions are aligned with our purpose of ensuring access to quality health care, so that more people can live their lives to the fullest.

**WE HAVE**  
**21 THOUSAND**  
**EMPLOYEES AND**  
**CARRY OUT MORE THAN**  
**100 MILLION**  
**CLIENT ATTENDANCES PER YEAR.**



1. In the number of retail locations, according to the Brazilian Association of Pharmacy and Drugstore Chains (Abrafarma).





United by the same purpose:  
**Live life to the fullest**

### Our Vision

To be the best pharmaceutical retail company in Brazil, recognized for offering complete health solutions, and reducing inequalities in access to a healthy life so that more people can live fuller lives.

#### Valuing human life

We respect the diversity and individuality of each person, valuing and caring with love for our employees, our company, and our customers. We believe that human appreciation is the basis for achieving our purpose of living fully. Caring for people is what makes us giants.

#### Integrity

We act with integrity, ethics, and loyalty in our relationships. We value respect, compliance with laws and internal regulations, and transparency and equality in dealing with all interested parties: employees, customers, partners, and society. We remain loyal to our essence and to our history.

#### Focus on the customer

We offer a delightful customer service experience through our people. We prioritize offering complete solutions in health care, well-being, the best price conditions, as well as excellence in the quality of products and services provided. We put the customer at the center of our decisions and have a love for serving.

#### Exceeding results

We have a sense of ownership. We constantly seek excellence in results in the short, medium, and long term and in the continuous improvement of our processes. We consistently exceed our goals with solid and lasting results, ensuring the longevity of our business.

#### Sustainability

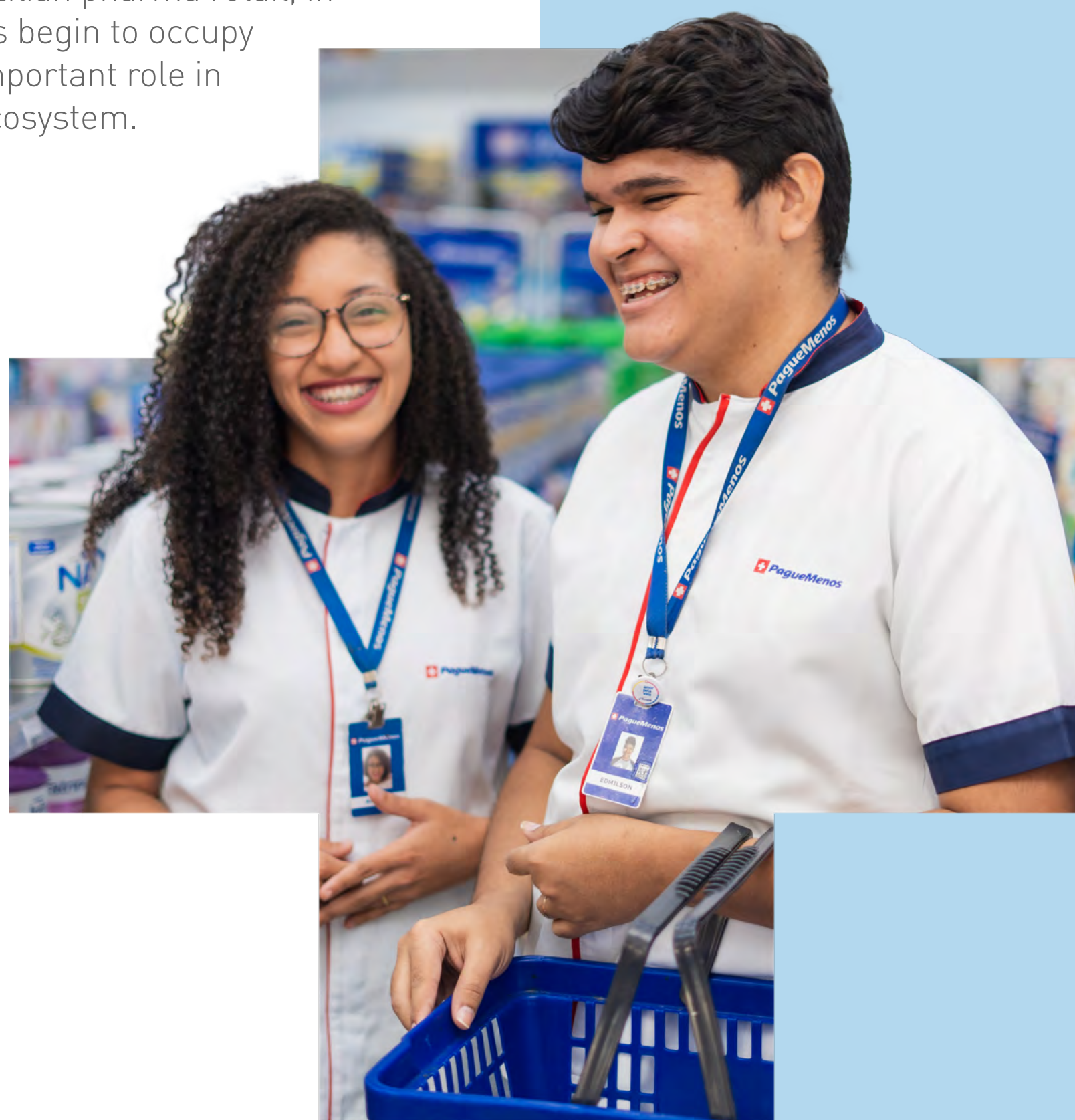
Through ESG actions (which encompass environmental, social and governance issues), we approach a better and fairer society, providing more opportunities and more health for all, thus ensuring sustainable business growth - which generates value for the company, employees, the environment, and society.

#### Innovation in solutions

We continue to be pioneers in the delivery of the best solutions that guarantee access to quality health care for more people, promoting intrapreneurship, continuous development, and digital transformation of our processes with protagonism and autonomy of our employees.

## Health Hub

More than adapting to change, we want to promote it. Maintaining our commitment to innovation, we have developed over the past few years our comprehensive Health Hub, with several complementary initiatives that involve health care and the well-being of Brazilians. We are protagonists in an ongoing movement in Brazilian pharma retail, in which pharmacies begin to occupy an increasingly important role in the health care ecosystem.

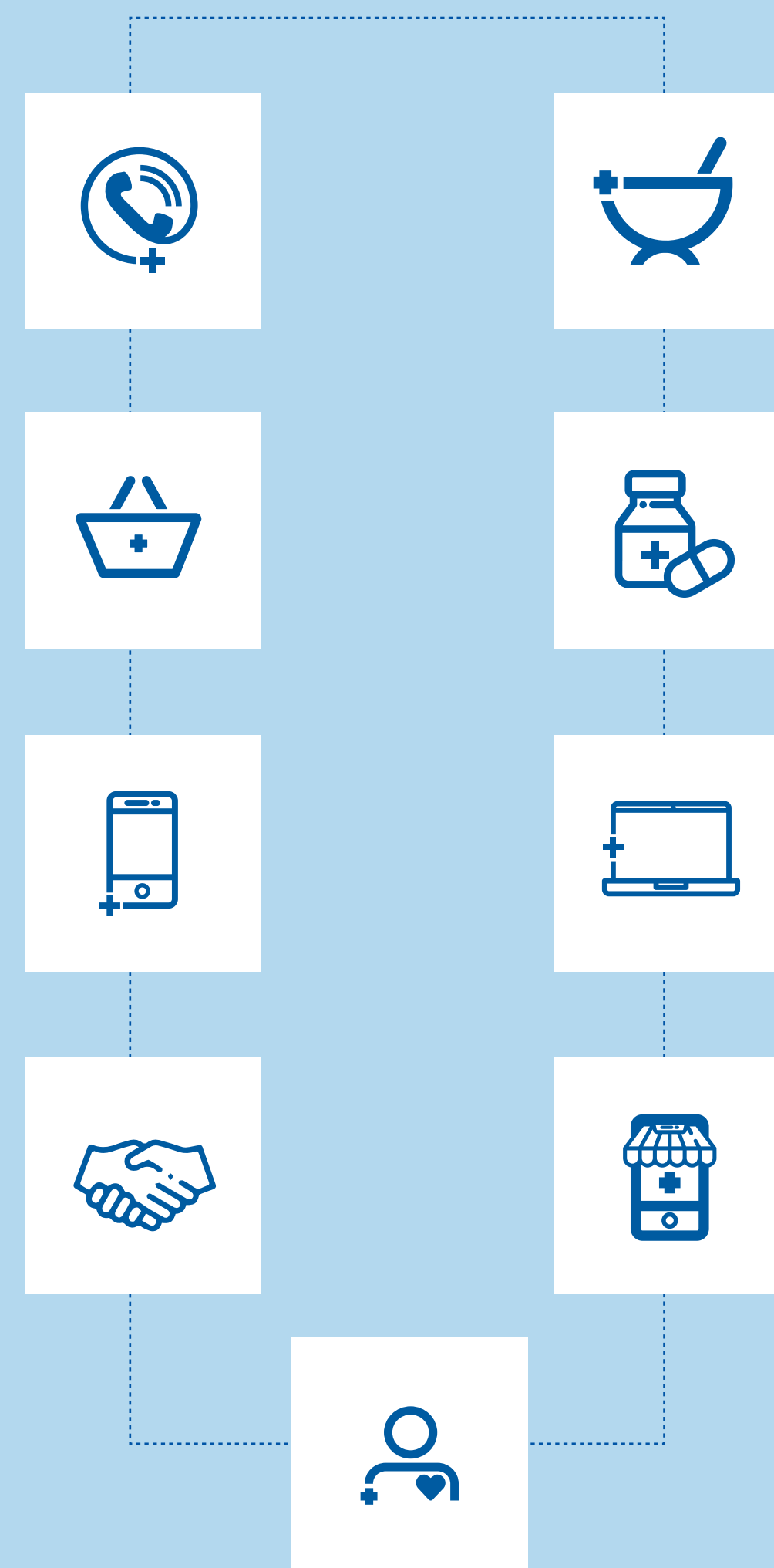


**SAC Farma**  
Telephone answering service, composed of a team of pharmacy professionals and academics who answer questions about issues related to health care and the use of medicines. Available every day of the year, from 6 AM to 12AM, through a 1800 number.

**E-pharma PBM**  
We are minority shareholders in E-Pharma, the largest pharmaceuticals benefit plan manager (PBM), a solution that conducts sales through a network of accredited pharmacies.

**Data analytics**  
With data-driven management, we analyze data to focus our business on operational efficiency and profitability.

**Agreements and partnerships**  
We strengthen our customer network through partnerships with health care insurance plans, as well as with the public and private sectors. In 2021, we launched Sempre Bem Saúde, a health care services subscription club.



**Compounding pharmacies**  
Over 28 years of operating with manipulated formulas, customized for each client.

**Specialty Drugs Service (AME)**  
We offer more than 460 high-cost products for highly complex treatments. In addition to monitoring patients, we provide support to situations involving legal claims.

**Sempre Bem content platform**  
We disseminate content about health, beauty, and well-being through social networks, our own publications (magazine), and our website. We also have a national network television program, which airs weekly.

**Digital channels**  
Our physical stores are 100% integrated with digital channels, providing customers with a seamless and customer-friendly shopping experience. Our multiple sales channels (e-commerce, app, partner apps, telesales, and infinite shelf) allow customers to buy as they wish and receive wherever they prefer.

**Clinic Farma**  
Check it out on the following page.

## Clinic Farma

879 clinics around the country, offering follow-up treatments, procedures, and approximately 60 health protocols. In 2021, we passed the milestone of 2.5 million customer services, with emphasis on primary health care in pharmacies.

Considered the mainstay of our Healthcare Hub, the clinics operate as primary care outposts, helping to relieve pressure on the healthcare system.

- **LEADERSHIP AND PIONEERING**
- **EXTENSIVE SERVICE PORTFOLIO**
- **A FIT FOR THE PUBLIC**
- **LOYALTY LEVERAGE**



### History of the initiative

#### 2016 - 2019

Pioneering period: we installed pharmaceutical clinics on a large scale, adapting the layout of the stores. In this period basic procedures were free and the focus was on low-complexity services.

#### 2020

The clinics have become an important point of support in the fight against the pandemic: we were the first pharmaceutical retail chain to carry out Covid-19 tests on a national scale. Through partnerships with municipalities, we carry out vaccination and expand the portfolio of services, thus increasing customer adherence.

#### 2021

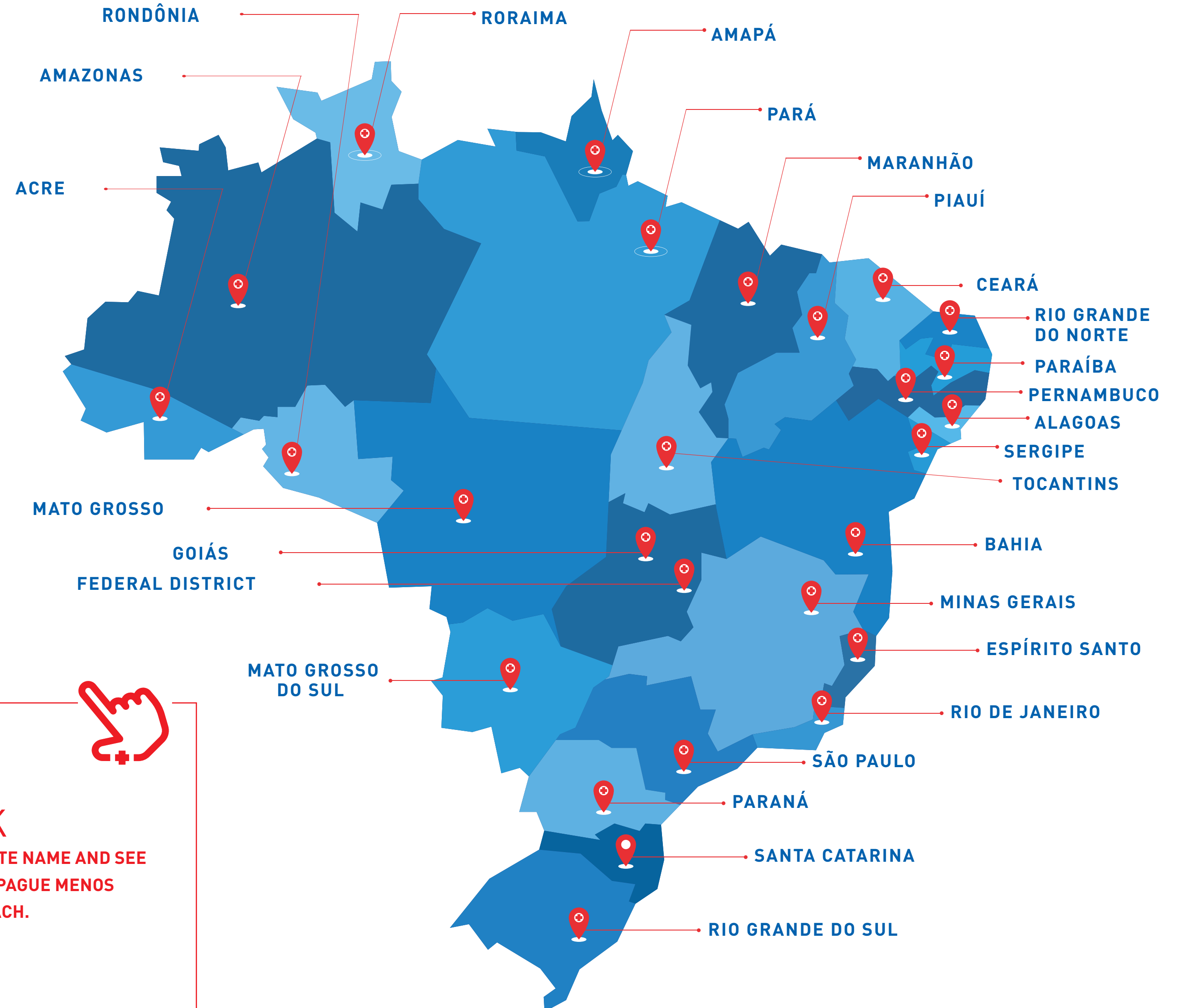
The clinics have become monitoring facilities for adherence to the treatment of chronic diseases. We extend the reach of the service through assisted telemedicine (digitization) and B2B2C partnerships.

# Nationwide presence

GRI  
102-4  
102-6

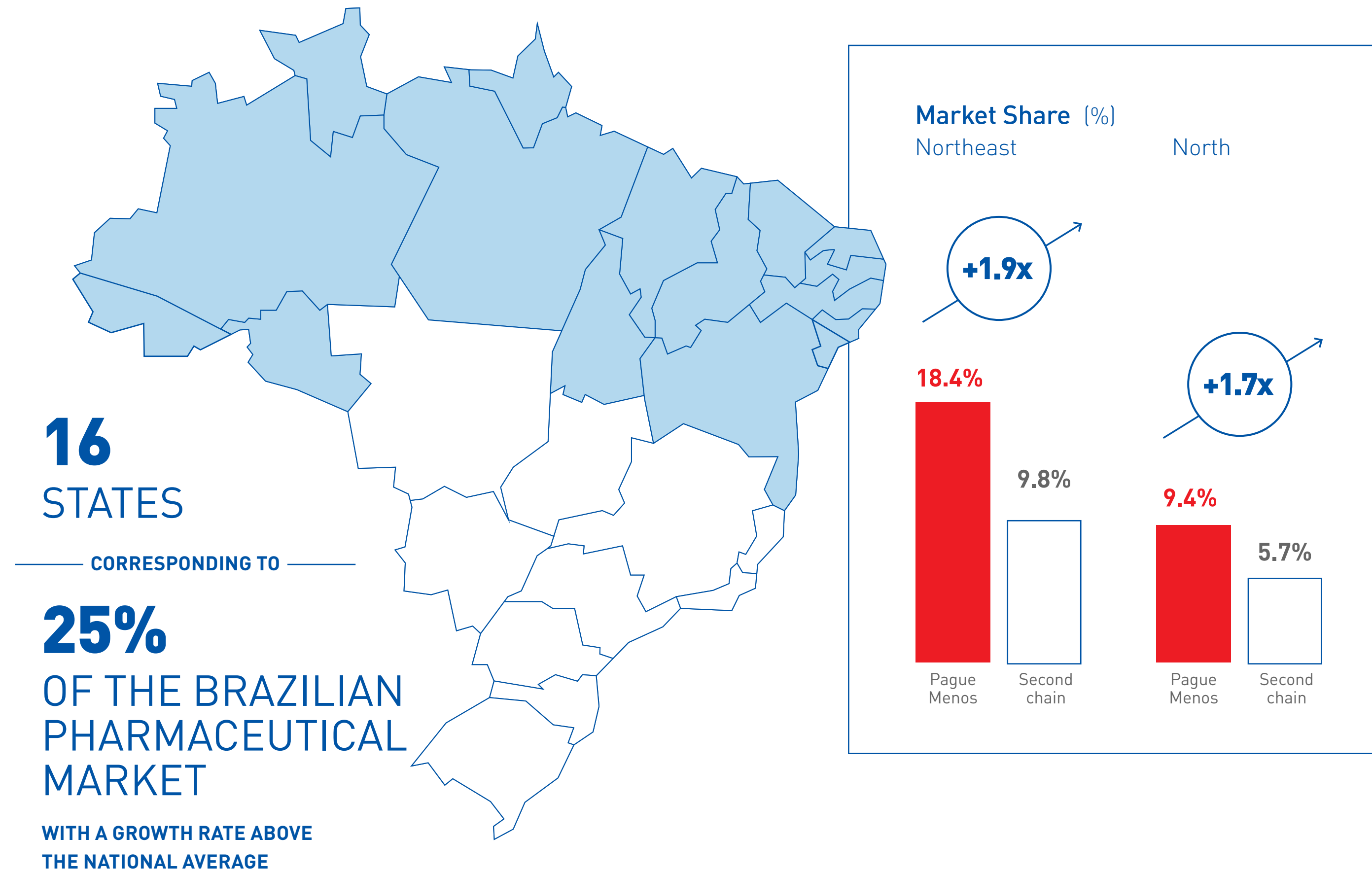
Pague Menos was the first pharmaceutical retail chain present in all states of the federation, in addition to the Federal District, in 348 municipalities. In the course of 2021, 80 stores were opened and 20 closed. We ended the year with 1,165 stores in total, with Clinic Farma in 879 locations, and five distribution centers for the supply of all units.

Region	Total units
North	115
Northeast	720
Midwest	96
Southeast	193
South	41
<b>Total</b>	<b>1,165</b>



## Market share

In 2021, we maintained leadership in terms of market share in the North and Northeast regions of Brazil.<sup>2</sup>



We also follow as one of the leaders in the pharmacy segment in terms of client recognition:

WITH **79%** BRAND AWARENESS NATIONALLY

**+ 95%** IN THE NORTHEAST REGION

WE ARE **market leaders** IN PRICE PERCEPTION.<sup>4</sup>

**35%** OF RESPONDENTS SAID THEY ARE USED TO SHOPPING AT OUR STORES.<sup>3</sup>

THE SATISFACTION INDEX ACHIEVED A NET PROMOTER SCORE OF **74** AT THE END OF 2021.

AS A RESULT OF THIS WORK, WE HAVE ACHIEVED:

GROSS REVENUE OF **R\$ 8.0 billion.** GROWTH OF 10.3% COMPARED TO 2020.

ADJUSTED NET INCOME OF **R\$ 177 million,** AN INCREASE OF 83.9% WHEN COMPARED TO THE PREVIOUS YEAR.<sup>5</sup>

2. Source: IQVIA  
3. Data from MC15, 2019  
4. Bank Of America – Brazil Drugstores, 2020  
5. Data for 2021 considered IFRS 16

# Our history

**THE FIRST STORE WAS FOUNDED IN 1981, IN FORTALEZA (CE), BY FRANCISCO DEUSMAR DE QUEIRÓS, WHEN FOUR OTHER STORES WERE OPENED IN THE FIRST YEAR.**

For more than four decades, we have maintained our entrepreneurial and innovative spirit, focusing on the expansion, acceleration, and transformation of our business. Throughout our history, we have stood out for our strategic vision, without ever losing focus on our customers.

We were pioneers when we adopted -- still in 1988 -- the drugstore model, and we also began to market convenience and non-pharmaceutical products on the shelves, optimizing the customer's shopping experience. In 1993, we also innovated by introducing the offering of financial services, allowing the payment of bills in our stores.

We always strive for continuous growth in revenue and sales of our stores. By 2015 we focused our efforts on the nationalization of the Pague Menos brand, growing in territory coverage and in the number of

stores. This territorial growth resulted in increased complexity of operations, which led to continuous improvement of business management.

In 2016, after this period of rapid brand expansion, we boosted our growth by attracting and prospecting strategic investors. With this focus, we received a minority investment from General Atlantic -- a global investment fund with more than 40 years of experience. With this partnership, we went through a period of restructuring of our governance, with the increased professionalization of the management team, the implementation of policies and good practices of corporate governance, as well as the introduction of independent members in the Board of Directors, which began to be advised by thematic committees.

This period, which we refer to as 'transformation', prepared the company for

another big step: the listing of Pague Menos shares on the stock exchange (B3), which occurred in 2020.

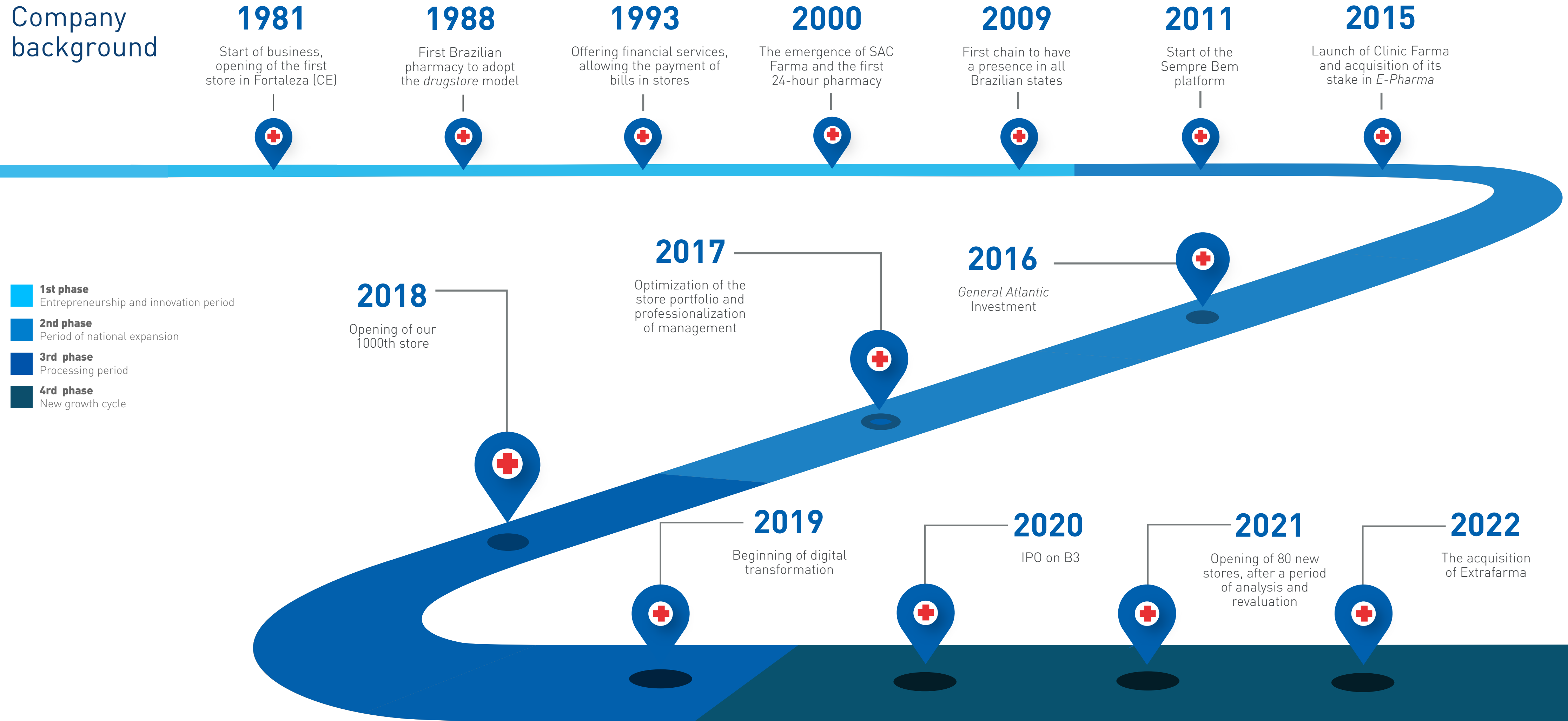
The public offering of shares on B3 boosted the opening of stores, starting a new growth cycle. In the midst of this journey, Pague Menos remains faithful to its purpose of living fully and to the values that have marked its history: human appreciation, integrity, customer focus, exceeding results, sustainability, and innovation in solutions.



**"I IMAGINED THAT PAGUE MENOS WOULD ACHIEVE THE SIZE THAT IT HAS TODAY SINCE THE OPENING OF THE FIRST STORE. IT HAS ALWAYS BEEN VERY STRONG IN ITS CULTURE OF INNOVATION AND EXPANSION. WE WERE BORN TO BE GREAT, TO BE CONQUERORS, NOT WITH SUPPORTING ROLES, BUT THE STARS OF THE SHOW, AND WE WILL CONTINUE TO BE SO. I AM VERY PROUD OF OUR HISTORY OF ALWAYS BEING AHEAD OF OUR TIME. WE ARE THE PIONEERS OF MUCH OF WHAT WE OFFER TODAY IN THIS SECTOR OF BRAZIL. AND, HONESTLY, I STILL BELIEVE THAT WE ARE SMALL, WE STILL HAVE A LOT TO ACCOMPLISH, USING THE FULL POTENTIAL OF OUR ECOSYSTEM."**

**FRANCISCO DEUSMAR DE QUEIRÓS, FOUNDER OF PAGUE MENOS**

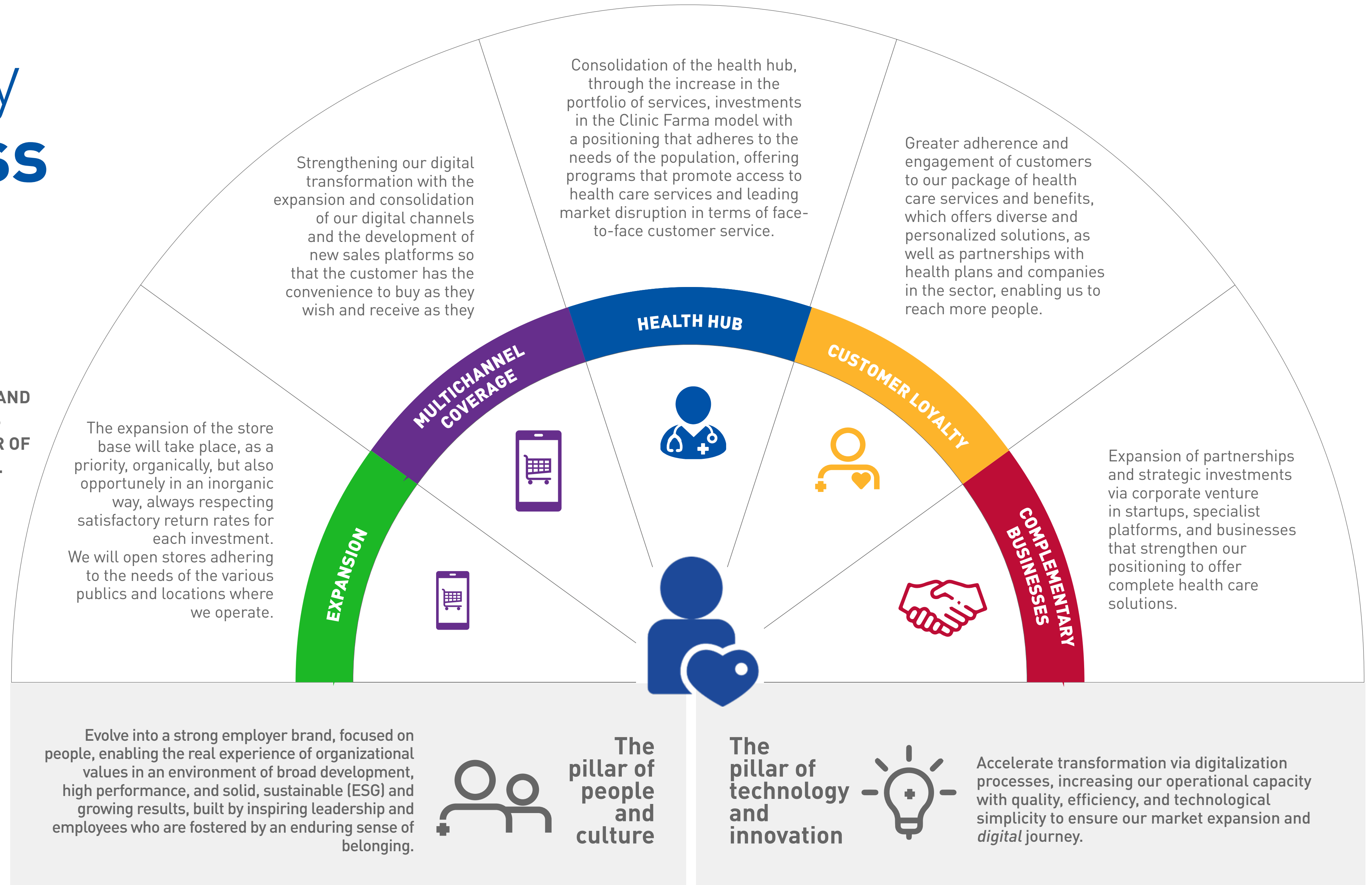
## Company background



- **1st phase**  
Entrepreneurship and innovation period
- **2nd phase**  
Period of national expansion
- **3rd phase**  
Processing period
- **4rd phase**  
New growth cycle

# Strategy business

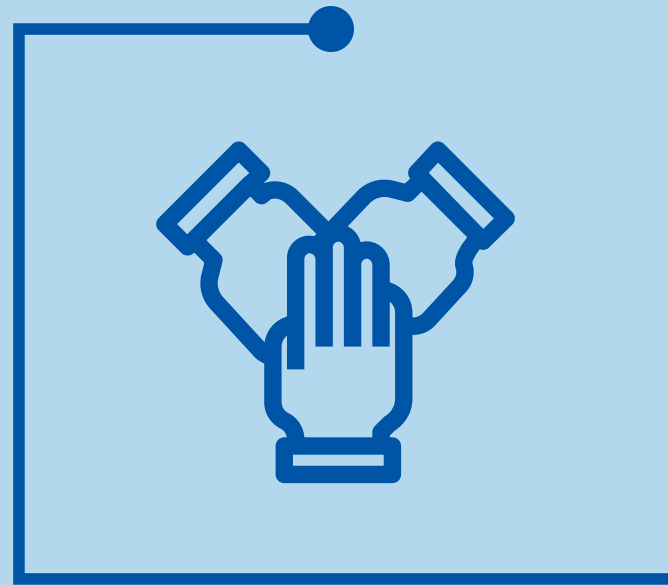
**BOTH OUR OPERATIONS AND GROWTH ARE GUIDED BY STRATEGIC PLANNING, REINFORCED BY OUR VISION TOWARD THE HORIZON OF 2025. STRATEGIC PLANNING IS STRUCTURED IN FIVE THEMES AND TWO PILLARS AND HIGHLIGHTS THE CUSTOMER AT THE CENTER OF OUR EFFORTS AND INITIATIVES.**





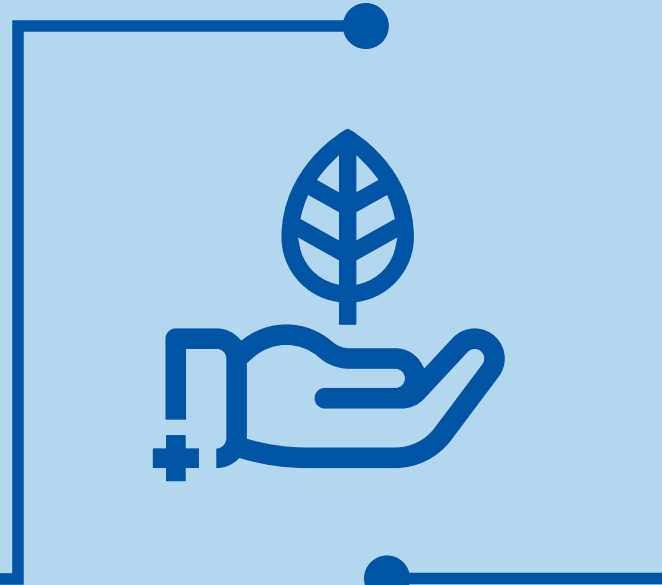
## Digital strategy

### Omnichannel Culture



Focused on the customer experience, we have multiple channels: telesales, website and mobile app, social networks, and physical stores and marketplaces. Single view of the customer, regardless of the purchase channel.

### Sustainable Growth



Increased participation of these channels, combining an increase in the levels of service and healthy profit margins.

### Driving innovation



#### Telesales

A complementary sales tool, modernized and adapted to the reality of the digital environment.

#### Infinite shelf

Integration of inventories which allows shipping products, even when they are out of stock in the physical store, directly to the homes of consumers.

#### Lockers

A trend in retail, it is a storage solution that facilitates the delivery of an order made online, thus increasing the customer's options of receiving their purchases.

#### Subscription program

Linked to the economy of recurrence, this tool it is used to potentiate the profitability of digital channels through the offering of product or services.

#### Marketplace

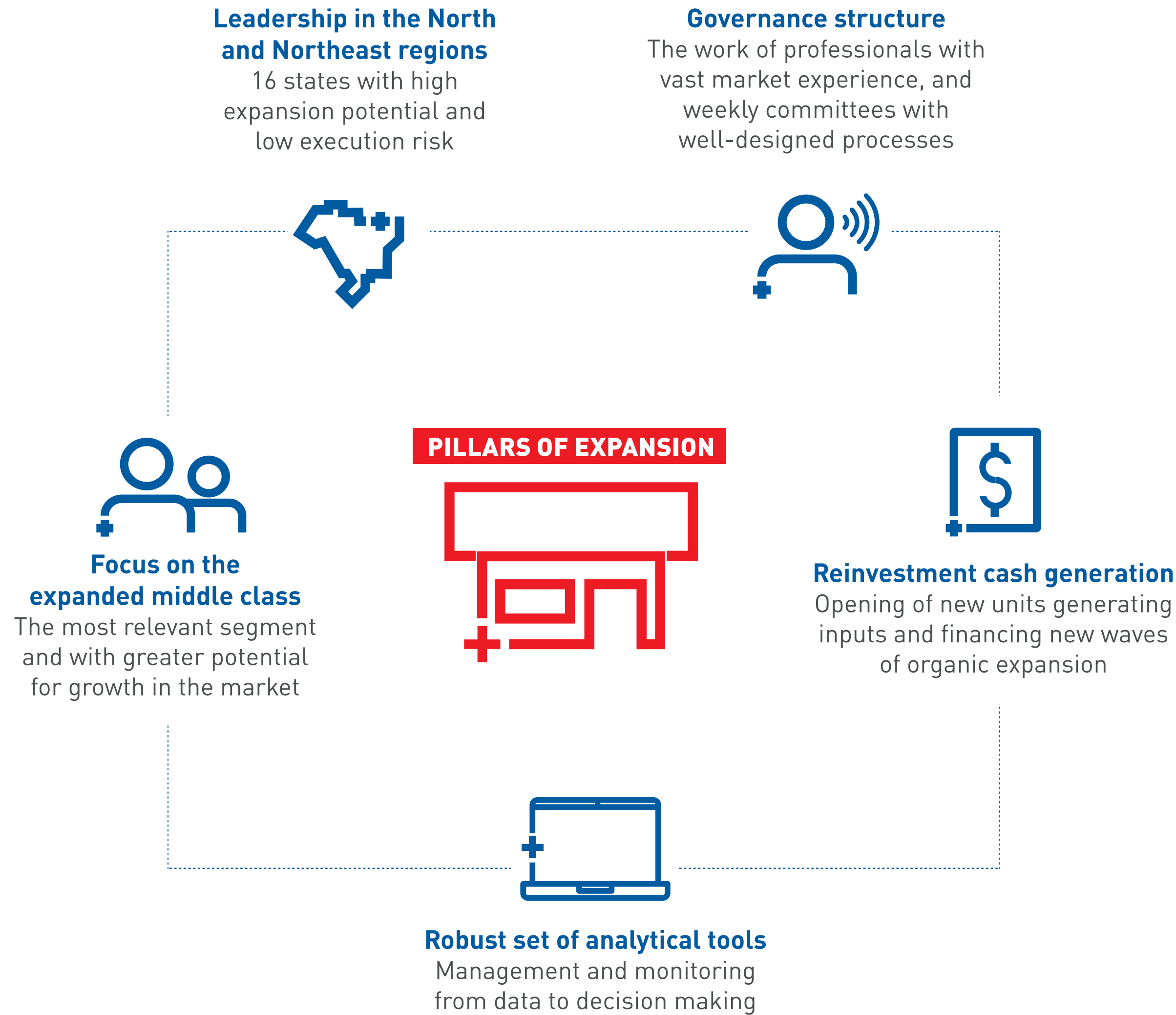
We extend our reach and brand visibility by offering our products through third-party sales channels as well.



## Organic Expansion

Since 2020, in the face of the Covid-19 pandemic, our business has become even more indispensable. We became considered an essential service provider during this period. This fact was confirmed due to the growth of our Health Hub in particular with increasing demand and the services offered by Clinic Pharma in the face of such circumstances.

After a period without the opening of new stores, but with increased services, in 2021 we continued our process of expansion, opening 80 new units. Thus, we resumed our organic growth, with the perspective of opening another 120 stores by the end of 2022.



## The acquisition of Extrafarma

**GRI  
102-10**

In 2021, the chain was the sixth largest in the country, with a strong presence in the North and Northeast, and 66% of stores serving the expanded middle class. With over 60 years of existence, Extrafarma is one of the most traditional and strongest retail brands in the Brazilian pharmaceutical industry, especially in the Northern region. Present in 10 states, with approximately 400 stores, four distribution centers (DC) and more than 10 million customers registered in its client loyalty program, the network has assets that significantly complement Pague Menos.

Given these factors, the transaction reflects a strategic move for our sustainable growth, as it is in line with the company's expansion plan, as well as with our business strategy, according to the five main points indicated:



WITH  
**60**  
YEARS

OF OPERATION, EXTRAFARMA IT IS ONE OF THE MOST TRADITIONAL AND STRONGEST BRAZILIAN PHARMACEUTICAL RETAIL COMPANY.

### 1. Growth acceleration

The acquisition anticipates part of the expansion plan in progress, as it includes stores in micro-regions that are strategic for operations.

### 2. Reinforcement of strategic positioning

The addition of Extrafarma resources strengthens the presence of Pague Menos in regions that are fundamental to strengthening the brand.

### 3. Expansion of the Health Hub

The structure of the acquired network is a platform for the consolidation of strategic initiatives such as Clinic Farma, our e-commerce platforms, and other objectives included in our growth plan.

### 4. Logistics optimization

The incorporation of four centers of distribution will be complementary to our current logistics network.

### 5. Potential for synergies

The possibility of improvements in revenue and gross margins, logistics and distribution, as well as direct expenses.

With the final approval of the Brazilian Antitrust Authority and the attendance of conditions provided for in the Merger Control Agreement – which provides, among other obligations, the divestment of eight units, less than 3% of stores acquired - Pague Menos will become the second largest pharmaceutical retail chain in Brazil in terms of number of stores, with approximately 1,600 branches and R\$ 10 billion in sales.

# ESG strategy

**SOCIAL RESPONSIBILITY IS IN OUR DNA: WITHIN OR OUTSIDE OF PAGUE MENOS, WE WANT TO BE AGENTS OF CHANGE, HAVE A POSITIVE IMPACT ON PEOPLE'S LIVES AND THE COMMUNITIES IN WHICH WE OPERATE.**

We believe that revolutionizing healthcare is also about development of our people and the strengthening of productivity, as well as the culture and organizational climate of the network. Beyond aspects related to performance, this perspective is in line with a business direction that prepares its employees, while the same time promotes positive socio-environmental impacts in the localities where we are inserted.

Beyond numbers, we want to be agents of real and significant change. To that end, we focus on providing complete healthcare solutions, reducing inequalities in access to a healthy life so that more people can live fuller lives. In 2021, we signed new commitments in this regard, as part of our strategy, with the formalization of an ESG 2030 Agenda, based on our purpose to ensure that everyone involved with Pague Menos may live fuller lives.

The company's strategy is based on three pillars: the health of people, the environment, and business. Thus, it includes nine commitments and 32 goals with short, medium and long term objectives – all linked to eight Sustainable Development Goals, as established by the United Nations (UN).

Based on the responses of over 6,000 stakeholders, this strategy and its developments are detailed throughout this report.

### Our priority SDGs



## Pillars of the ESG Agenda



### The health of people

We believe we can make a difference, especially in the lives of Brazilians who have less access to health care and well-being, wherever they are, providing treatment, information, care and prevention.

- Chronic disease prevention;
- Adherence to treatment;
- Health and occupational safety of employees;
- Social impact.



### The health of the environment

People's health is intrinsically related to the health of the environment, therefore, we are committed to doing our part.

- Waste management;
- Renewable power consumption;
- Emission of greenhouse effect gases.



### The health of the business

A healthy business it is one guided by quality relationships, which promotes opportunities for the financial, intellectual and emotional development of all its stakeholders.

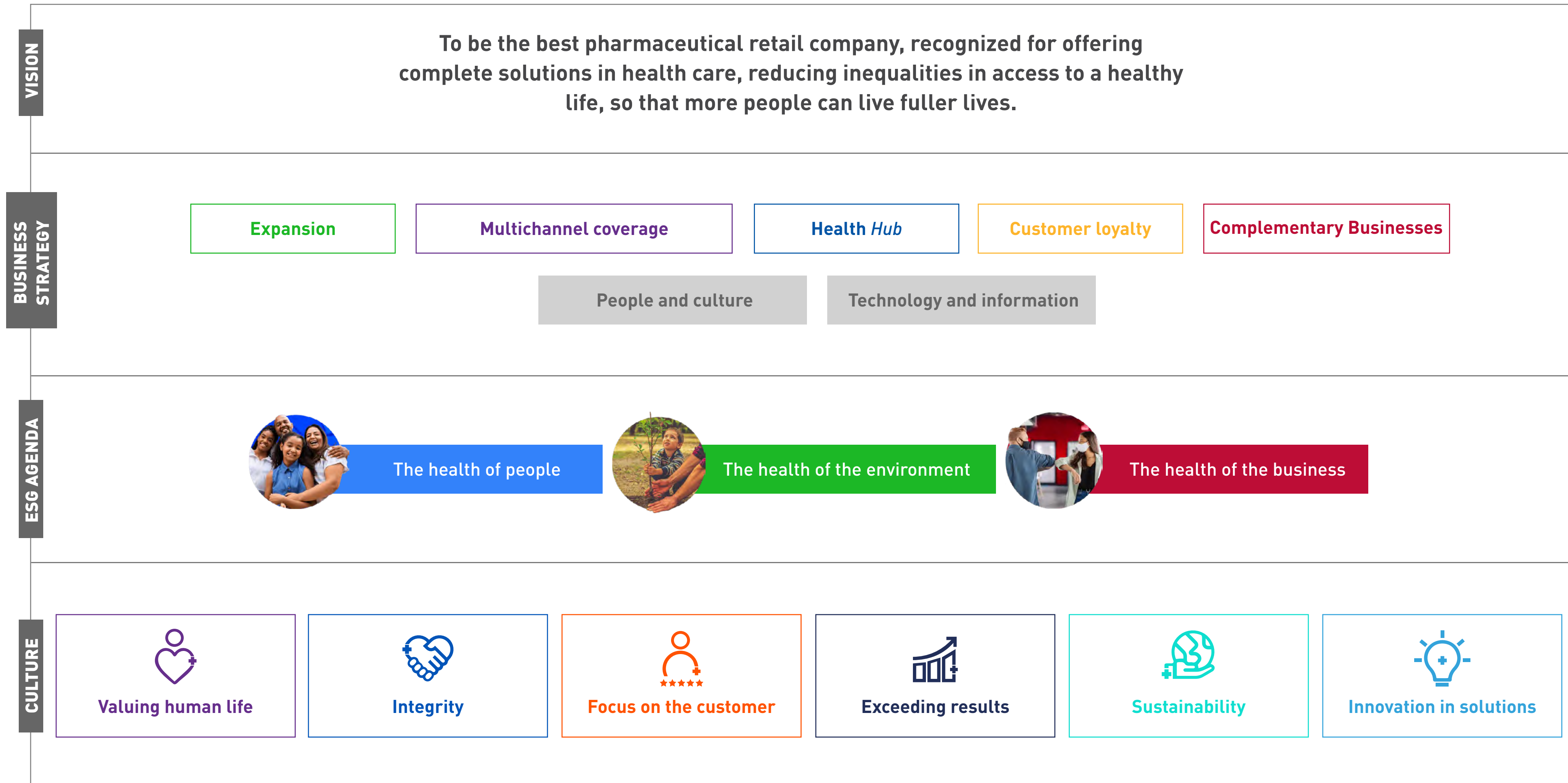
- Ethics and transparency in relationships;
- Employee development
- Inclusion of minorities and respect for diversity;
- Traceability.



**CLICK  
HERE**

**TO ACCESS OUR FULL  
ESG AGENDA.**

## Sustainability integrated into the business



**CORPORATE GOVERNANCE**

# Management integrity and ethics



# Governance Structure

**GRI**  
102-5  
102-18

**PAGUE MENOS HAS A PROFESSIONAL MANAGEMENT FRAMEWORK WITH THE HIGHEST LEVELS OF MARKET GOVERNANCE.**

Since our IPO, we have integrated the new B3 market, a listing segment that contemplates standards and good governance practices superior to those established by legislation.

In order to prepare for the negotiations of shares on the stock exchange, we underwent a major restructuring process, with the implementation of internal policies and committees — including those related to the Themes of ethics and integrity —the strengthening of internal control bodies, the inclusion of independent members in the Board of Directors, and the hiring of experienced executives in the various operational sectors of the company.

## Stock trading



**101**  
MILLION

**SHARES WERE TRADED AT THE IPO, RAISING AROUND R\$ 859 MILLION.**

Amid the Covid-19 pandemic, on the 2nd of September 2020, Pague Menos launched their IPO at an online ceremony On the B3 Brazilian stock exchange (B3), under the ticker PGMN3. 101 million shares were initially traded, raising around R\$ 859 million. The funds are currently being used for the expansion of the company.



## Shareholders composition

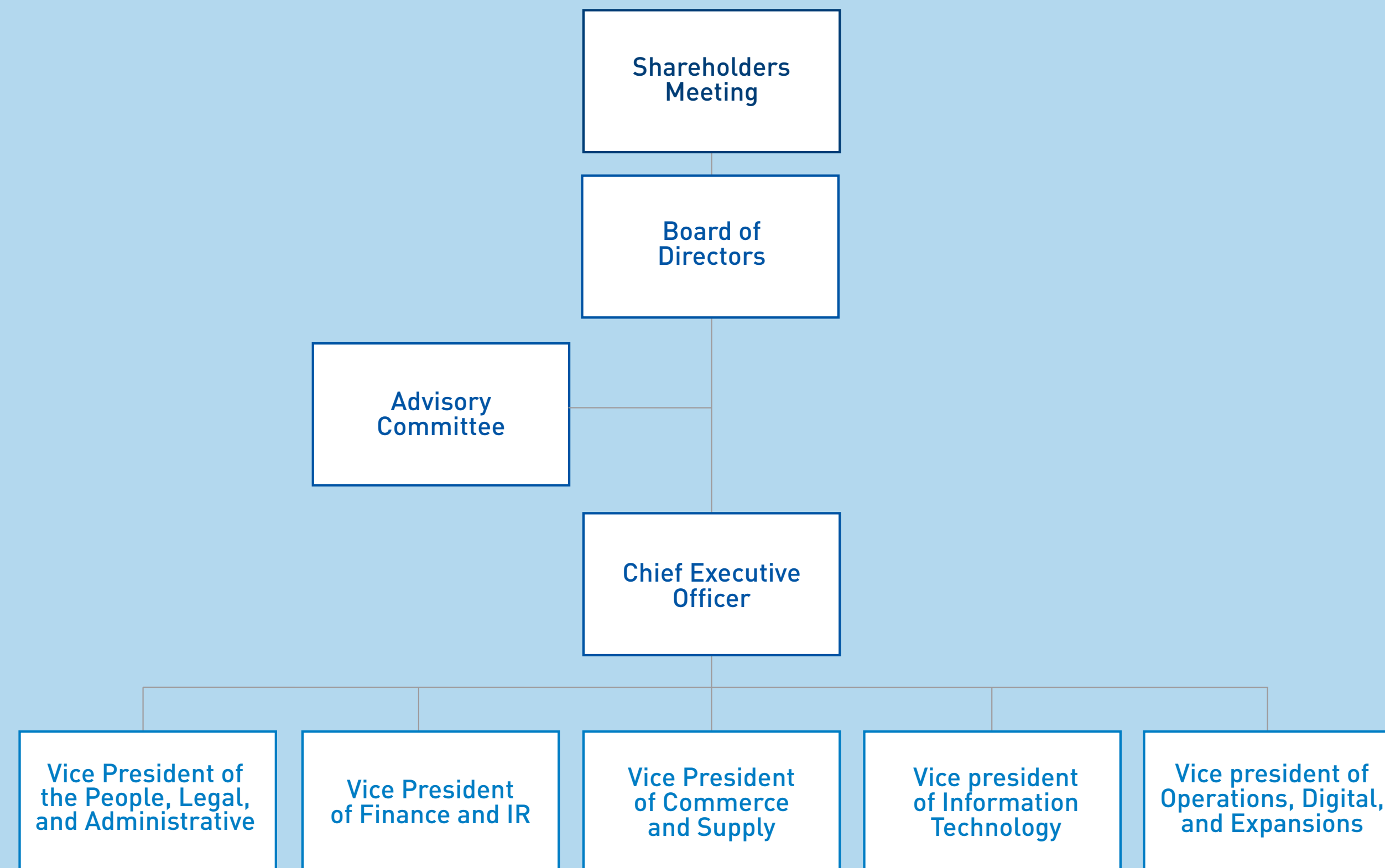
As of December 30, 2021, the company owned approximately 444 million shares, which were worth R\$9.35 each, accumulating a market value of approximately R\$ 4.1 billion. Of the total shares, 158 million (35%) were available for trading on B3.



### Shareholders composition (as of 12/31/2021)

Shareholders	Number of shares	%
Francisco Deusmar de Queirós	196,503,156	<b>44.28%</b>
G.A. Brazil VIII Multi-Strategy Equity Investment Fund	71,708,157	<b>16.16%</b>
Josué Ubiranilson Alves	28,513,606	<b>6.43%</b>
Maria Auricélia Alves de Queirós	12,000,000	<b>2.70%</b>
Rosilândia Maria Alves de Queirós Lima	12,000,000	<b>2.70%</b>
Carlos Henrique Alves de Queirós	12,010,700	<b>2.71%</b>
Patriciana Maria de Queirós Rodrigues	12,140,000	<b>2.74%</b>
Mário Henrique Alves de Queirós	12,027,863	<b>2.71%</b>
Treasury	2,386,170	<b>0.54%</b>
Others	84,491,410	<b>19.04%</b>
<b>Total</b>	<b>443,781,062</b>	<b>100%</b>

### Organogram<sup>7</sup> (as of 21/31/2021)



<sup>7</sup>In a subsequent act, the company's organizational chart was changed. The new structure will be reported in the company's 2022 Sustainability Report.

## General Shareholders Meeting

The highest governance body of Pague Menos is the General Shareholders Meeting, opened and presided by the Chairwoman of the Board of Directors — with the aim of deliberating and voting on items provided for in Article 132 of the Law of Corporations. Once a year, the meeting analyzes the company’s financial statements and deliberates on the allocation of net income and the distribution of dividends, among other attributions.



## Board of Directors

Our Board of Directors has the mission of protecting and valuing the patrimony of Pague Menos, as well as contributing with guidelines that enable its continuity. The meeting must instill full knowledge of the company’s principles and values and the interests of shareholders, ensuring the continuous adoption and improvement of best practices in corporate governance.

The Pague Menos Board of Directors is therefore responsible for the main decision-making of the company, such as the approval of corporate guidelines, the election and supervision of executive directors, and the validation of strategic plans.

It is composed of nine effective members and an equal number of alternate members, all elected and dismissible by the General Assembly for a unified term of two years, with re-election allowed. Thus, it is formed by members of the founding family, who bring to the table knowledge about the day-to-day operations and business culture; and independent members, with in-depth knowledge of the retail industry and transformation processes.

Of the total of nine board members, three are women, and one is an independent board member, reinforcing the promotion of gender equality in the company by having a female presence in senior management. The chair is held by Patriciana Maria de Queirós Rodrigues, who started her career at Pague Menos in 1995.



### Composition of the Board of Directors<sup>8</sup> (as of 12/31/2021)

Name	Position
Patriciana Maria de Queirós Rodrigues	Chairwoman of the Board
Josué Ubiranilson Alves	Vice-Chairman of the Board
Francisco Leite Holanda Júnior	Board Member
Rosilândia Maria Alves de Queirós Lima	Board Member
Paulo José Marques Soares	Independent Board Member
Manuela Vaz Artigas	Independent Board Member
Martin Emiliano Escobari Lifchitz	Board Member
Carlos Henrique Alves de Queirós	Board Member
Pedro Pullen Parente	Board Member

<sup>8</sup>In a subsequent act, the composition of the company’s Board of Directors was changed. The new formation will be reported in the company’s 2022 Sustainability Report.

**WE ARE PART OF A SELECT GROUP OF COMPANIES WITH THREE OR MORE WOMEN ON THE BOARD OF DIRECTORS. ACCORDING TO B3, THIS FIGURE IS NO MORE THAN 7% AMONG COMPANIES LISTED ON THE NOVO MERCADO STOCK.**

## Advisory Committees

As advisory bodies for essential issues regarding the management and good performance of the company, our Board of Directors has six strategic advisory committees:

### **Audit Committee**

Oversees the quality and integrity of the company's financial reporting and risk management processes.

### **Committee of Related Parties**

Analyzes and evaluates transactions between related parties and Pague Menos. In addition, it can propose the renegotiation or discontinuance of services, businesses, and contracts.

### **Professional Conduct and Ethics Committee**

Zela pela gestão e aplicação  
Supervises the management and application of the company's Code of Ethics. In addition to investigating complaints, the group monitors the application of disciplinary measures and evaluates ethical issues not provided for in the Code of Ethics.

### **Strategy Committee**

Responsible for approving planning phases at Pague Menos, as well as defining certain goals, KPIs, and corporate strategies. Among its tasks is also the monitoring of performance.

### **Real Estate Committee**

Directly linked to our expansion strategy, it evaluates decisions on opening and closing stores, distribution centers, and offices. It is also its responsibility to ensure proper licensing is obtained and oversee the implementation of the growth plan.

### **People and Culture Committee**

Linked to people management skills, dealing with topics such as remuneration, incentive, performance, and communication among employees. It is a very purposeful committee, which presents initiatives within these spheres of action.



**EACH COMMITTEE HAS ITS OWN RULES OF PROCEDURE, APPROVED BY THE BOARD OF DIRECTORS.**

## Executive Board

Executive board positions are held by professionals with proven experience and training in their areas of expertise. There are statutory managers — elected by vote of the members of the Board of Directors for two-year terms, with the possibility of re-election — and non-statutory directors. This body is responsible for the operational management of the business.

**OF A NON-PERMANENT NATURE, AT THE BEHEST OF THE SHAREHOLDERS, THE COMPANY'S BYLAWS PROVIDES FOR THE POSSIBILITY OF ASSEMBLING A FISCAL COUNCIL.**



### Composition of the Statutory Board<sup>9</sup> (as of 12.31.2021)

Name	Position
Mário Henrique Alves de Queirós	Chief Executive Officer
Luiz Renato Novais	Vice President of Finance and Investor Relations
Jorge Alexandre Jubilato Araújo	Vice President of People, Legal and Administrative Departments
Marcos Ricardo Colares	Vice President Director of Commerce and Supply
José Carlos Rafael de Assis Vasquez	Vice President of Operations, Digital, and Expansions
Joaquim Dias Garcia Neto	Vice President Director of Information Technology
Evandro Vieira da Silva	Director of People & Management
Samir Mesquita Inácio	Digital Director
Afro José Campos de Vasconcelos	Director of Technology Infrastructure
Thiago da Cunha Peixoto Ladeira	Director of Operations
Rafael Lima e Silva	Director of Expansions
Jadson Antônio Santos de Almeida	Director of Technology Applications
Gianni Dias Gill	Director of Operations
André Albuquerque Ferreira Pinto Bandeira	Director of Operations
Emanuele de Sousa Rodrigues	Marketing Director



### Composition of the Executive Board (as of 12.31.2021)

Name	Position
João Albery Andrade Dias Neto	Director of Pharmaceutical Services
Anario Carvalho Neto	Controllership Director
Eduardo David Duarte Dias	Chief Financial Officer
Fernando Silva Alves de Oliveira	Director of Prevention, Losses and Equity
Larissa Pinheiro Sousa	Purchasing Director
Rafael Rossatto	Director of Brands
Marcelo Regis Miranda	Director of CRM
Renan Vieira Barbosa	Director of Supply Chain
Gilberto Caray de Assis Junior	Director of Transformation
Fernanda Basso Nabuco	Legal Director
Nilton Otavio de Oliveira Gomes	Managing Director

<sup>9</sup>In a subsequent act, the composition of the Statutory and Non-Statutory Boards of Directors of Pague Menos underwent changes. The new formation will be reported in the company's 2022 Sustainability Report.

## Internal audit

At Pague Menos, internal audits are linked to an independent sector, which reports directly to the Audit Committee, thus ensuring that there is impartiality in the performance of its activities. It consists of seven employees, including a manager. The area is responsible for assessing the quality and effectiveness of the company's risk management, internal controls, and governance processes.

## Compliance

We also have the Compliance Department, which is also attributed with autonomy and reports directly to the Ethics Committee. The department is composed of four people — one of them being the manager — and is responsible for ensuring compliance with the Code of Ethics, laws and regulations, both internal and external, to achieve the goals related to the integrity and transparency of the company.

# Commitment to integrity

GRI 102-16; 102-17; 406-1

THE CORE VALUE OF THE COMPANY, ETHICAL CONDUCT GUIDES PAGUE MENOS IN TRANSPARENT, LAWFUL PRACTICES AND IN COMPLIANCE WITH APPLICABLE STANDARDS AND LEGISLATION.

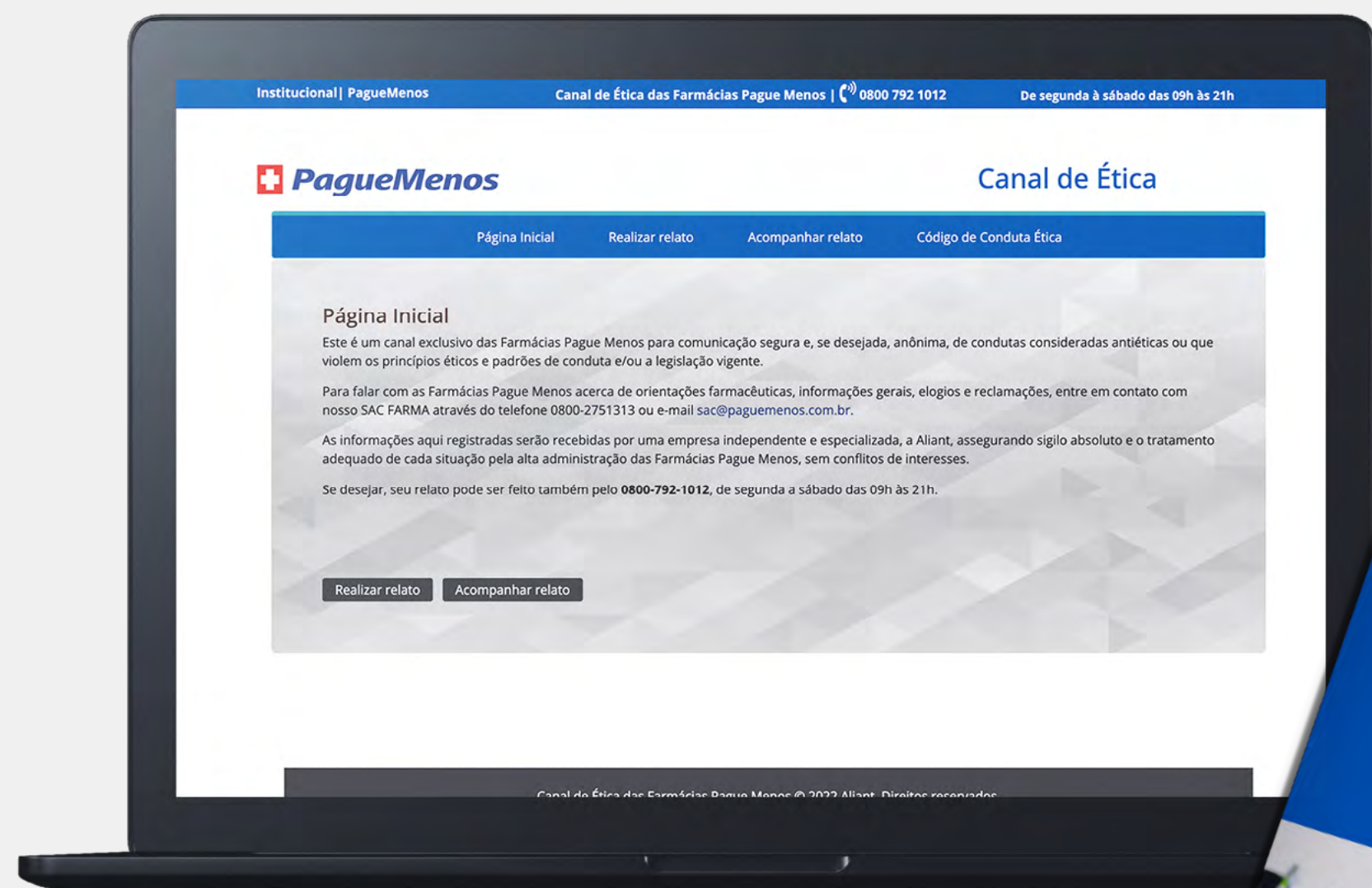
Strengthening this commitment, we have developed our Integrity Program, a set of rules and guidelines that apply, without exception, to all employees at all hierarchical levels, and to suppliers and service providers by extension.

The guiding document on integrity in the company is the **Code of Ethics**, governed by the values and principles to be followed by our employees and partners. We also have a **Corporate Corruption Prevention Policy**, which provides guidelines and practices in order to maintain our actions and relationships based on ethics and transparency. The Ethics Committee is responsible for ensuring the proper application of these guidelines, as well as other initiatives related to the topic.

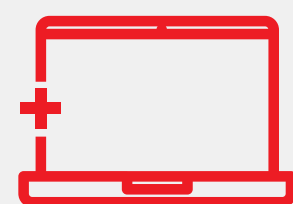
## PILLARS OF THE INTEGRITY PROGRAM

- 1 **Senior management support**  
Support and endorsement of senior management, including the Board of Directors
- 2 **Code of Ethics**  
The document that formalizes the company's ethical and moral stance
- 3 **Internal Controls**  
The department that ensures risk minimization and ensures compliance regarding financial records
- 4 **Internal Audit**  
Responsible for overseeing that the pillars are working as planned
- 5 **Risk assessment**  
Ensures business continuity
- 6 **Whistleblower Channel**  
A resource to report potential non-compliance with the Code of Ethics
- 7 **Internal investigations**  
Impartial investigation of illegal or unethical behavior
- 8 **Due diligence**  
Evaluation of partners, suppliers, representatives, etc. before hiring
- 9 **Training and communication**  
Tools that convey to the employees their role in the Integrity Program
- 10 **Diversity and inclusion**  
Adopting best practices for an effective program





**THE CONFIDENTIAL CHANNEL CAN BE ACCESSED IN THE FOLLOWING WAYS:**



**VIA THE INTERNET**

**THROUGH THE WEBSITE**

**[WWW.CANALDEETICA.COM.BR/PAGUEMENOS;](http://WWW.CANALDEETICA.COM.BR/PAGUEMENOS;)**



**BY PHONE**

**AT 0800.792.1012,**

**FROM MONDAY TO SATURDAY, FROM 9 AM TO 9 PM.**



## Whistleblower Channel

Practices or suspected practices contrary to the rules of the Code of Ethics and the policies and procedures of Pague Menos must be reported to the Whistleblower Channel, accessible to all our stakeholders.

The information is received by an independent and specialized company, ensuring absolute confidentiality. Upon receipt of the manifestations, verifications and investigations are conducted to assess the provenance, which, if confirmed, may result in sanctions against those responsible.

Throughout 2021, 21 complaints regarding discrimination were received. Of these, seven were considered appropriate and resulted in corrective actions — the sanctions applied depended on the severity of the case. The company worked on internal awareness campaigns, disseminating guidelines on combating discrimination.

# Privacy and data protection

**GRI 418-1**

## WE ARE COMMITTED TO SECURITY, WHETHER OF INTERNAL COMPANY INFORMATION, OR THE PERSONAL DATA OF EMPLOYEES AND CUSTOMERS.

Therefore, we apply security policies and reliability guidelines for each of these themes. The Information Security, Privacy, and Data Protection Team is responsible for managing these aspects and presenting the goals and results achieved to the Board of Directors and the Executive Board.

We conduct continuous monitoring of cyber threats, vulnerability management, and monitoring of the Pague Menos brand through various tools and practices. We also focus on the development and updating of policies and procedures, as well as the periodic training of employees on the subject. Check out the infographic shown to the side on the actions developed in 2021.

Monitoring by the Audit Committee and the Data Security Department is performed, as well as investments made towards adapting to best market practices;

In 2021, 31 data breach complaints were received. In the period, the level of maturity in information security, privacy, and data protection obtained a much higher assessment compared to the previous year, according to an external audit.

**INFORMATION SECURITY MATURITY LEVEL (ISO 27001):**  
0.9 (IN 2020);  
2.5 (IN 2021);

**LEVEL OF MATURITY IN PRIVACY AND DATA PROTECTION (ISO 27701):** 1.3 (IN 2020);  
3.2 (IN 2021).

### 1 Development and updating of guidelines

Guidelines were created such as *Privacy by Design* (including fliers and norms), policies on the use of corporate devices, information security, privacy and data protection, and information classification.

### 2 Communication and awareness

In workshops and communication campaigns, topics related to data protection and good practices for the protection of confidential information were addressed.

### 3 Training programs

Several areas of the company participated in training programs on information security, including newly hired employees.

### 4 Notifications

Banners with information security and data protection reports were inserted into the lock screens of the company's computers and pop-ups were sent via an antivirus program with important notifications about privacy and data security.

### 5 Enabling encryption of laptop HDs

The aim is to protect against information leaks as well as the access control of USB ports.

## Data protection

The Information Security Department of Pague Menos shared with employees throughout 2021 the best practices for the treatment of personal data circulating in the company and a knowledge trail on General Data Protection Law (LGPD) was created at UP Farma, our corporate university, in order to expand access to such information.

# Risk management

GRI 102-15

SEEKING TO MONITOR AND MINIMIZE RISKS INHERENT TO OUR ACTIVITIES, WE DEVELOP AND APPLY OUR CORPORATE RISK MANAGEMENT POLICY.

Through the identification, evaluation, treatment, monitoring, and communication of risks, this document establishes guidelines and practices on the subject.

Approved in 2017 by the Board of Directors, and in force since then, it has been updated whenever necessary. In addition, we have complementary documents that deal with specific risks such as the Financial Market Risk Management Policy, The Code of Ethics, and the Corporate Corruption Prevention Policy.

At Pague Menos, any circumstances that negatively impact our objectives and strategic plans are considered risks, categorized as:

### Strategic risks

Associated with business strategy, especially with regard to sustainable expansion of activities. They can be caused by external factors related to political, economic, social, or other scenarios.

### Operational risks

Linked to failures in the management of

internal processes, either directly in the operation or in areas of the company that support its main activities.

### Legal risks

Legal risks encompass financial or reputational losses arising from legal or regulatory sanctions.

### Financial risks

Linked to expenses, income and revenues. They are subdivided into:

- **Market risk:** changes in prices, fees and the like.
- **Liquidity risk:** the possibility of losses due to the inability to carry out a transaction, due to various reasons (time, availability of resources, among others).

In terms of organizational structure, risk management is approached at two levels. The first is strategic guidelines, referring to the Board of Directors; the second refers to the implementation and supervision of the guidelines, which is linked to the Executive Board and the Audit Committee.



Pague Menos has Risk Management and Internal Controls departments composed of four employees and one manager, and it is up to this team to act preventively and proactively in actions that mitigate risks, improve process intelligence to achieve greater levels monitoring and predictability, and ensure the coverage of risks related to structured controls.



# Sustainability on the agenda

**IN 2021, WE LAUNCHED A ROBUST ESG AGENDA, WITH PLANS, GOALS AND COMMITMENTS SET UNTIL 2030, DIVIDED INTO THREE PILLARS:**

## The health of people

We strive to provide treatment, information, care, and prevention to all Brazilians. Especially to those with less access to health care and wellness.

### Our commitments to people

- Assist in the prevention of chronic diseases and adherence to medical treatment, contributing to the health of customers and employees;
- Take care of the physical and mental health of our employees, ensuring occupational health and safety;
- Positively impact the communities in which we operate.

## The health of the environment

The concept of living a fuller life, which we value so much, is directly linked to the health of the environment. Thus, we want to minimize any negative impacts of our activities and maintain practices that are sustainable to our surroundings.

### Our commitments to the environment

- Reduce and neutralize greenhouse gas emissions along the network operation chain;
- Reduce the environmental impact of our packaging through improved waste management.

## The health of the business

More than numbers and results, a healthy business promotes the development of all its stakeholders.

### Our commitments to businesses

- Base our relationships and actions on ethics and transparency;
- Invest in improving the professional and socio-emotional skills of our employees;
- Ensure inclusion and respect of minority groups in our operations;
- Demand from our suppliers that their production processes comply with our ESG practices.

# Our commitments and objectives

	PEOPLE		ENVIRONMENT		BUSINESSES				
	<p><b>CONTRIBUTE TO THE HEALTH AND WELL-BEING OF OUR CLIENTS AND EMPLOYEES BY ASSISTING THEM IN THE PREVENTION OF CHRONIC DISEASES AND ADHERENCE TO PRESCRIBED MEDICAL TREATMENT.</b></p>	<p><b>ENSURE THE OCCUPATIONAL HEALTH AND SAFETY OF OUR EMPLOYEES AND CONTRIBUTE TO THEIR PHYSICAL AND MENTAL HEALTH.</b></p>	<p><b>POSITIVELY IMPACT THE COMMUNITIES SURROUNDING OUR OPERATIONS.</b></p>	<p><b>CONTRIBUTE TO AVOIDING GLOBAL TEMPERATURE RISE BY REDUCING AND NEUTRALIZING GHG EMISSIONS FROM PAGUE MENOS' OPERATION AND VALUE CHAIN.</b></p>	<p><b>IMPROVE OUR WASTE MANAGEMENT AND REDUCE THE ENVIRONMENTAL IMPACT OF OUR PACKAGING</b></p>	<p><b>TO BASE ALL OUR ATTITUDES AND RELATIONSHIPS ON ETHICS AND TRANSPARENCY.</b></p>	<p><b>CONTRIBUTE TO THE CONTINUOUS IMPROVEMENT OF THE PROFESSIONAL AND SOCIO-EMOTIONAL SKILLS OF OUR EMPLOYEES.</b></p>	<p><b>INCLUDE IN OUR OPERATIONS MINORITY GROUPS AND RESPECT DIVERSITY OF OPINION, RACE, GENDER, SEXUAL ORIENTATION, RELIGION, AMONG OTHERS.</b></p>	<p><b>ENSURE THAT MARKETED PRODUCTS ARE PRODUCED IN ACCORDANCE WITH THE SAME ESG PRACTICES THAT WE ADOPT IN OUR OPERATIONS.</b></p>
<b>2022</b>			<ul style="list-style-type: none"> <li>• 30% of employees dedicate one day of the year to volunteer work in order to contribute to the surrounding communities.</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of Pague Menos' units be supplied with renewable energy, within two years of their opening or acquisition.</li> <li>• Inventory of GHG emissions — completion of Scope 1 and 2 and reduction goals defined.</li> </ul>			<ul style="list-style-type: none"> <li>• Minimum of 11 hours of effective training per professional per year.</li> </ul>		
<b>2025</b>	<ul style="list-style-type: none"> <li>• 90% of stores with ClinicFarma structure in operation.</li> <li>• Offer a physical and digital platform for programs and content on quality of life, prevention of chronic diseases, and adherence to treatment.</li> <li>• 8% of the client base served at Clinic Farma.</li> <li>• Itinerant Pharma Clinic with free pharmaceutical services in communities with low levels of medical care.</li> </ul>	<ul style="list-style-type: none"> <li>• 10% of store employees from professional development courses offered by Pague Menos to surrounding communities.</li> <li>• 0.5% of net income invested in comprehensive health promotion projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Pague Menos' first green store.</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of obsolete and unserviceable materials (furniture, electronics, and scrap plastic/cardboard, plastic bags, and packaging) annually sent to recycling, reuse, or environmentally friendly disposal.</li> <li>• Waste inventory and defined reduction and recycling goals.</li> <li>• Collection points for expired medicines and batteries implemented in 30% of Pague Menos stores.</li> <li>• 100% of unsuitable medicines and non-medicines sent to environmentally sound recycling, co-processing or disposal.</li> </ul>	<ul style="list-style-type: none"> <li>• Be certified by ISO 31000 — Governance in Risk Management.</li> <li>• Satisfaction survey of investors and suppliers, reaching a minimum score of 7.</li> </ul>	<ul style="list-style-type: none"> <li>• Incentive scholarships, with up to 60% discount, available to 100% of employees and dependents.</li> <li>• Full scholarships, undergraduate and postgraduate, made available to 10% of the leadership.</li> </ul>	<ul style="list-style-type: none"> <li>• 10% of the total staff of employees over 50 years old.</li> <li>• 15% of leadership positions (from store manager to operations and from coordinator to head office and distribution center) held by Afro-Brazilians.</li> <li>• 50% of executive positions (from regional manager to operations and from area manager to head office and distribution center) held by women.</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of crucial private label suppliers (representing 70% of private label turnover) audited according to defined quality and ESG criteria.</li> </ul>	
<b>2030</b>	<ul style="list-style-type: none"> <li>• 80% of employees recognize the work environment as healthy and safe.</li> <li>• Achieve ISO 45001 and SA 8000 certifications on healthy physical and emotional work environment.</li> </ul>	<ul style="list-style-type: none"> <li>• 1% of net income invested in comprehensive health promotion projects.</li> </ul>	<ul style="list-style-type: none"> <li>• 120% of annual GHG emissions offset — Scope 1 and 2.</li> </ul>	<ul style="list-style-type: none"> <li>• Collection points for expired medicines and batteries implemented in 100% of Pague Menos stores.</li> </ul>		<ul style="list-style-type: none"> <li>• 6% of employees be PWD.</li> <li>• 30% dos cargos de lid30% of leadership positions (from store manager to operations and from coordinator to head office and distribution center) held by African Brazilians.</li> </ul>	<ul style="list-style-type: none"> <li>• 1100% private label products with no controversial ingredients.</li> <li>• 90% of suppliers comply with defined ESG prerequisites.</li> </ul>		

## Monitoring the ESG Agenda

There is a dedicated coordination team for the implementation and oversight of Pague Menos' ESG Agenda. The commitments listed in each of the dimensions unfold into objectives and goals, which transversely permeate the various areas of the company.



## Implementation of the ESG Agenda

The implementation of the agenda occurs through the structuring of teams responsible for strategic and tactical plans. Check out related info on the side.

### Sustainability coordination

Responsible for monitoring all teams involved in the ESG Agenda. It is co-responsible for the goals set.

### Teams

Formed by strategic people from each pillar of the Agenda: the People Team, Business Team, and Environment Team. They are responsible for planning and following up on the tactical plans of their teams.

**Total:** three teams.

### Working groups

Composed of tactical and operational people responsible for executing the activities linked to each commitment of the ESG Agenda. They are responsible for executing tactical plans.

**Total:** nine teams.

### ESG COORDINATION

Team of people	Environment team	Business team
Working group Commitment 1	Working group Commitment 1	Working group Commitment 1
Working group Commitment 2	Working group Commitment 2	Working group Commitment 2
Working group Commitment 3		Working group Commitment 3
		Working group Commitment 4



## Monitoring

Monitoring the progress of ESG Agenda activities is carried out with the following organizational structures and tools:

### ESG committee

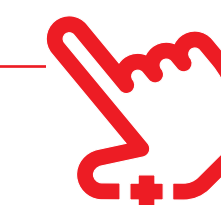
A deliberative working group with the objective of implementing, controlling, and monitoring the company's ESG Agenda until 2030.

### Dashboard

Dashboard involves the entire ESG Agenda, which is the responsibility of the ESG coordination, and must be updated monthly based on data provided by the teams and working groups.

### ESG website update

Updating the ESG website is carried out by the Communications Department based on the data provided by the ESG Coordinator.



**CLICK HERE  
AND ACCESS  
THE ESG  
CONTENT.**

**BUSINESSES**

# Consistent results



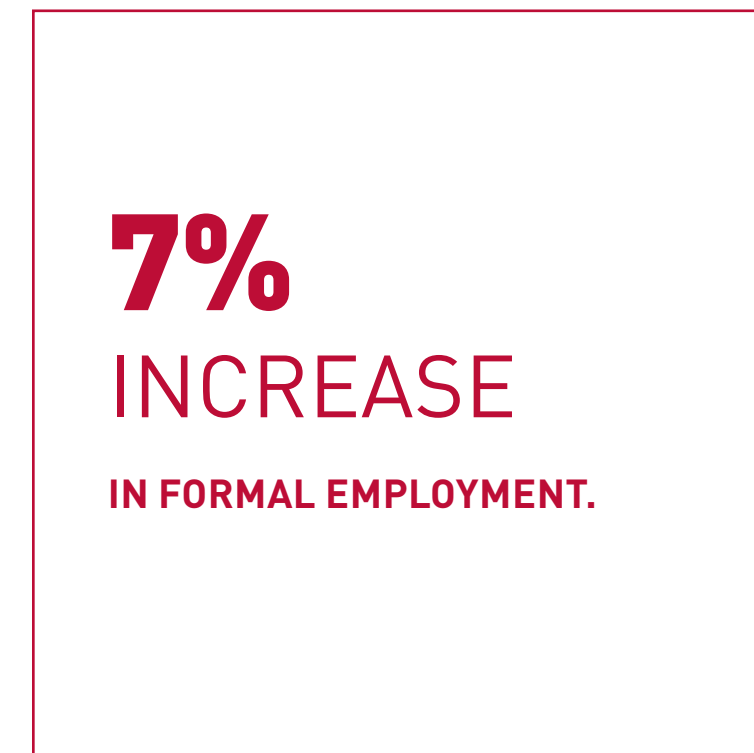
# Macroeconomic and sectoral scenario

**AFTER A 3.9% DROP IN GROSS DOMESTIC PRODUCT (GDP) IN 2020, THE BRAZILIAN ECONOMY SHOWED SIGNS OF RECOVERY, GROWING 4.6% IN 2021, ACCORDING TO DATA FROM THE BRAZILIAN INSTITUTE OF GEOGRAPHY (IBGE).**

However, the purchasing power of the Brazilian population was greatly affected, with the strong inflation recorded in the year, with a high of 10.1% of the broad Consumer Price Index (CPI), the highest recorded since 2015.

Pharmaceutical retail remained resilient — the sector was the central protagonist in the pandemic, in which pharmacies became centers for primary health care, with the sale of medicines and the provision of services, such as Covid-19 testing. In 2021, the Brazilian market grew by 10.8%, according to data released by the research company IQVIA, from R\$ 137.3 billion in revenue in 2020 to R\$ 152.1 billion the following year.

## Main economic indices in 2021



## Pharmaceutical retail chains

Retailers linked to the Brazilian Association of Pharmacy and Drugstore Chains (Abrafarma) — 26 in total, including Pague Menos — ended last year with revenues of R\$ 67.5 billion, an increase of 16.04% compared to 2020. According to the institution, it was the highest growth recorded in the last 10 years.

The increase was leveraged by the marketing of non-prescription drugs — a growth of 22.9% compared to 2020, with revenue of R\$ 13 billion. Medicines accounted for 68% of total sales and non-medicines for 14%.

The big highlight of the year was sales by delivery and e-commerce, with R\$ 2.8 billion in sales, a growth of 56.8%, stemming from the isolation of families in another year of high pandemic rates.

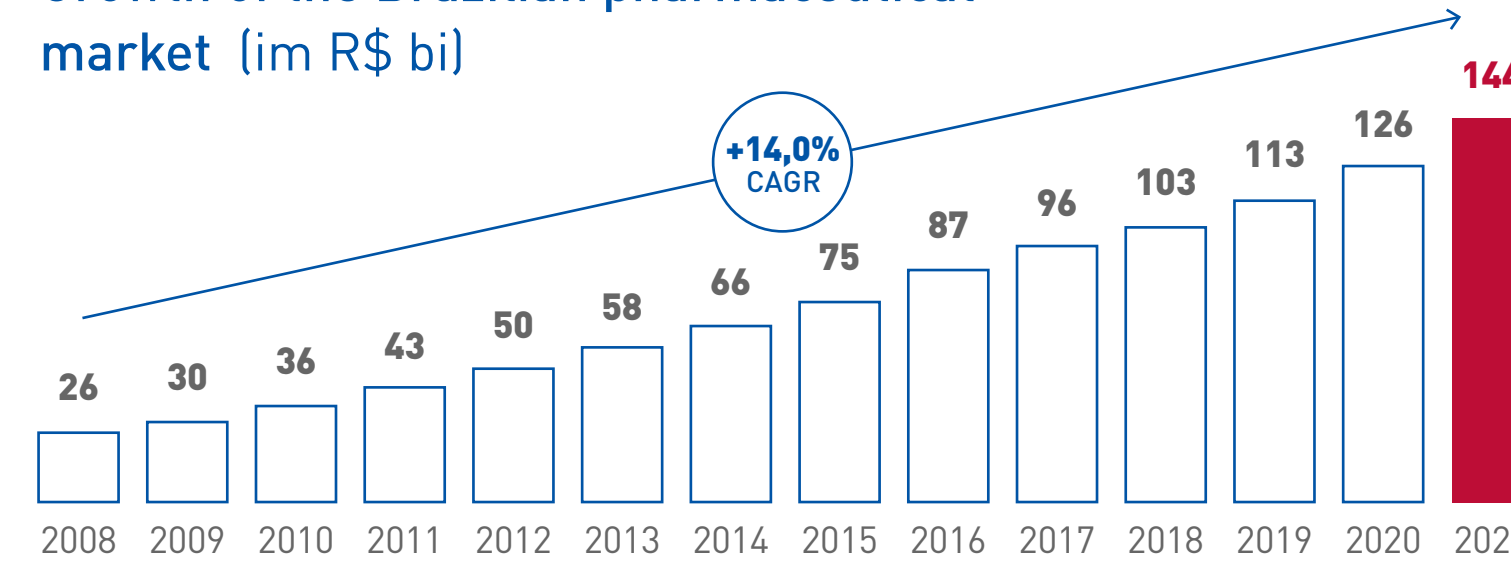
# Industry performance over the years

Between the years 2008 to 2021, the pharmaceutical market grew about 14% per year in Brazil. The sales performance of the sector is not directly linked to socioeconomic factors but to structural issues — the main one being the aging of the population.

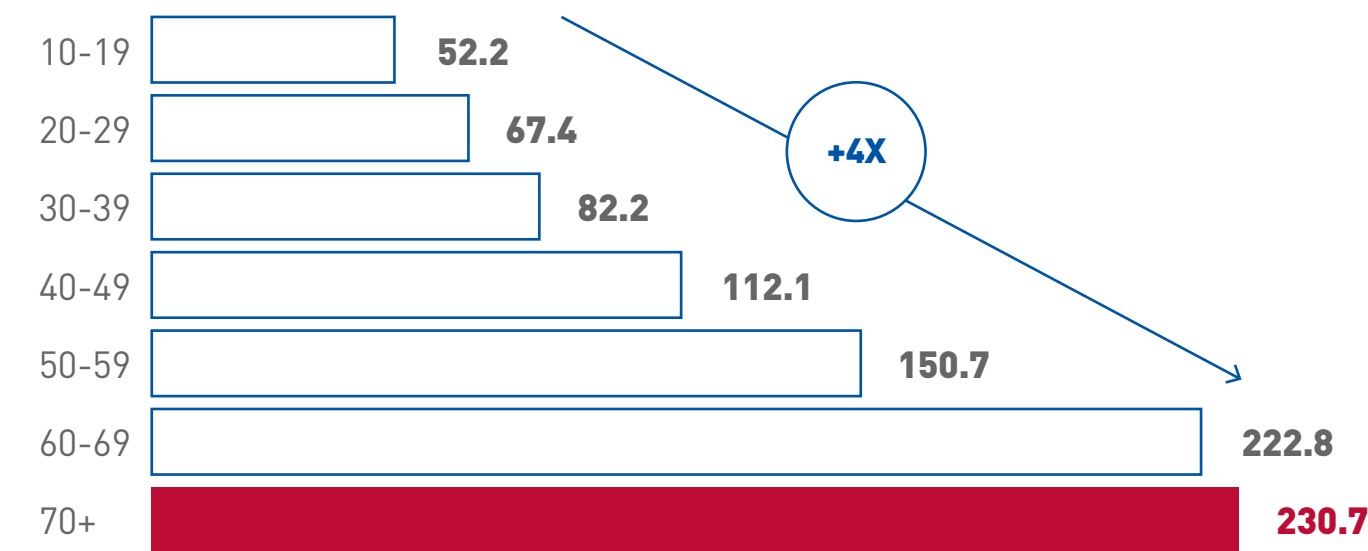
In the early 2000s, it was estimated that the country had 6% of the elderly population over the age of 65, according to IBGE. In 2020, this figure was about 10%. By 2030, the projection is that this rate will reach 14%. This represents an increase of almost 10 million people in the over-65 age group.

Also, the higher the average age of the population, the higher the expenditure on medicines. On average, people over the age of 60 consume four times more medicines (in R\$) than young people, according to the following data.

Growth of the Brazilian pharmaceutical market (in R\$ bi)

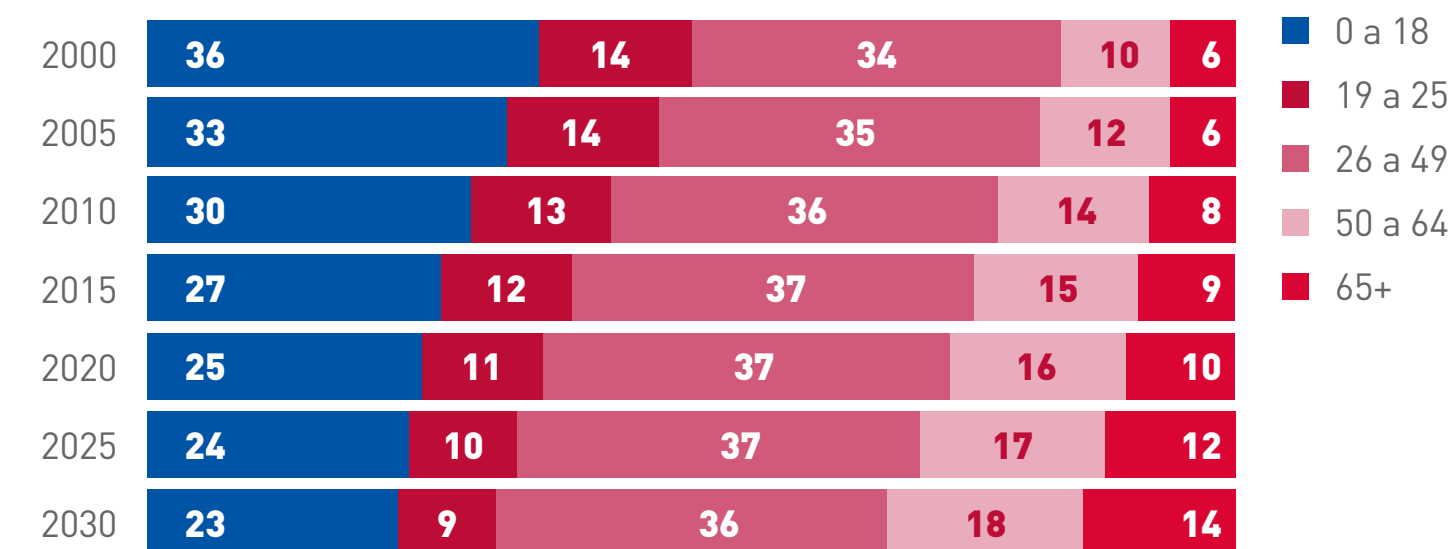


Average household expenditure on medicines (in R\$)



Source: IQVIA

Age profile of the Brazilian population (in %)



# Business model

PAGUE MENOS ADOPTED A BUSINESS MODEL STRUCTURED IN PILLARS THAT SUSTAIN ITS DEVELOPMENT, AMONG THEM ARE GROWTH LEVERS, MARGIN EXPANSION, AND INCREASE IN SERVICE LEVELS — UNDERPINNED BY PEOPLE MANAGEMENT, PRODUCTIVITY, AND SATISFACTION.

The company is also focused on organic expansion — opening new stores and entering new markets — as well as inorganic expansion — capturing synergy in acquisitions, especially Extrafarma, and expanding the Health Hub concept. Check out related info on the side.



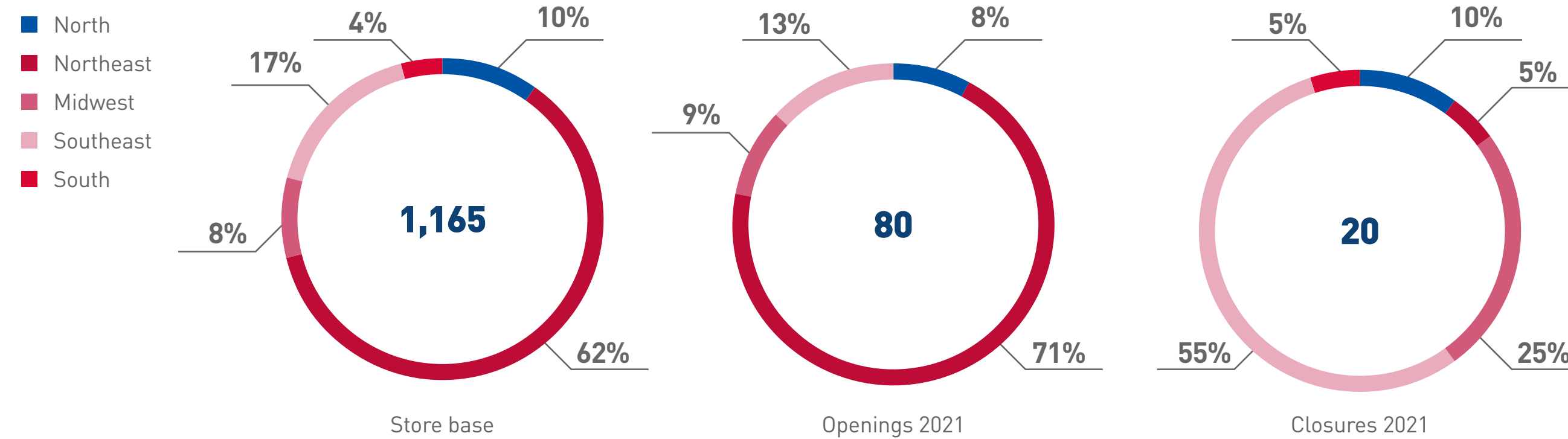


# Performance 2021

## Chain of stores

To advance the strategic planning and business model, in 2021 we opened 80 stores and closed 20. We ended the year with 1,165 locations in all regions of Brazil, 62% of which are located in the northeast of Brazil.

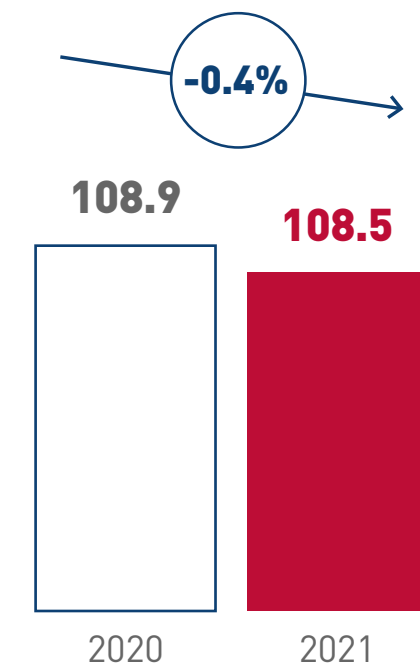
Stores by Region (in %)



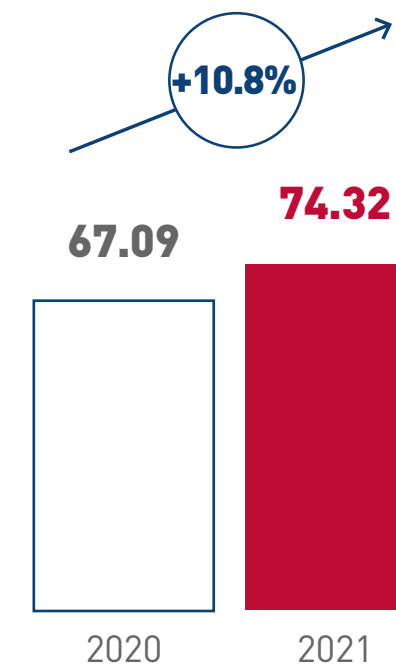
## Average customers served and ticket

Our stores performed about 108.5 million customer attendances and sales, slightly lower than that recorded in 2020 — the first year of the pandemic — with an average ticket of R\$ 74.32 per customer, an increase of 10.8% compared to the previous year.

Clients served (in millions)



Average ticket (in R\$)





## Gross revenue

In 2021 we reached R \$ 8.1 billion in sales, a gross revenue growth of 10.3% compared to the previous year.

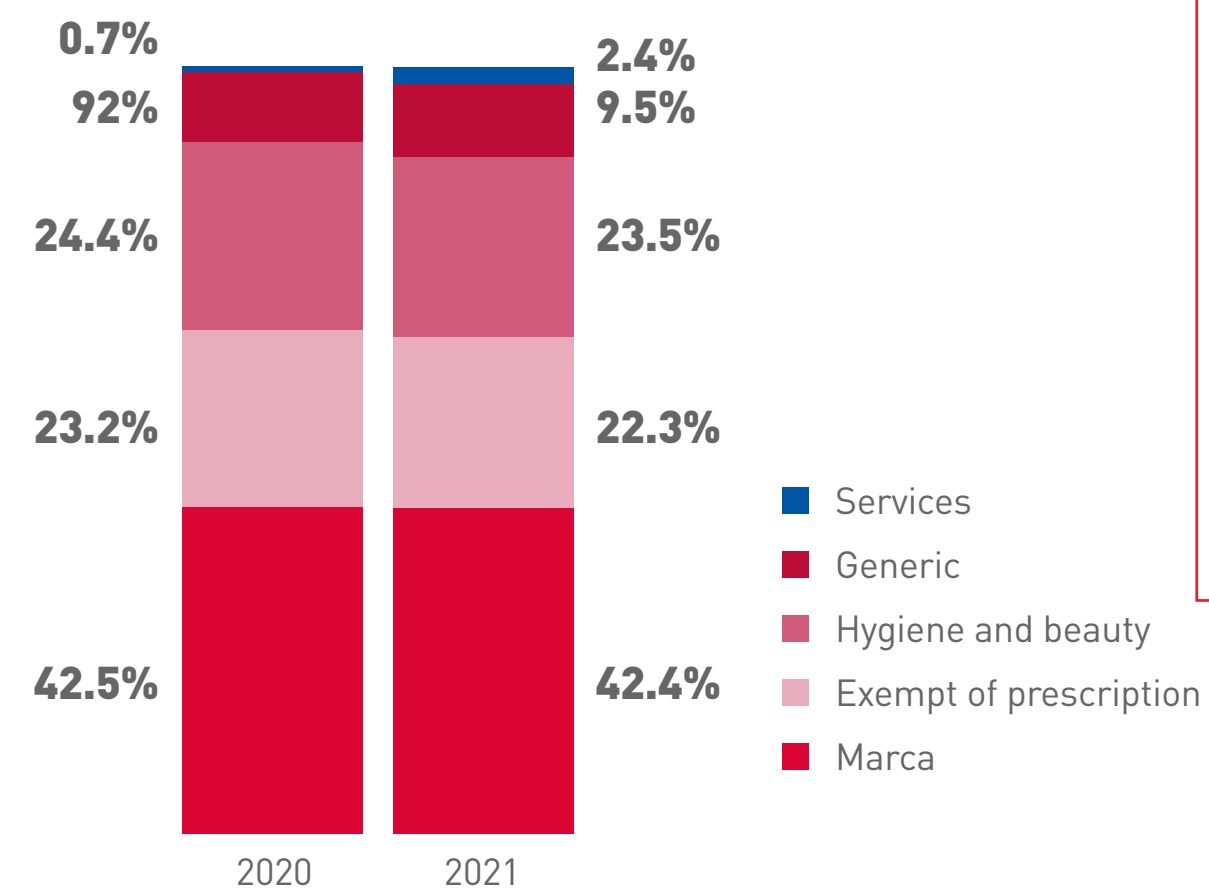
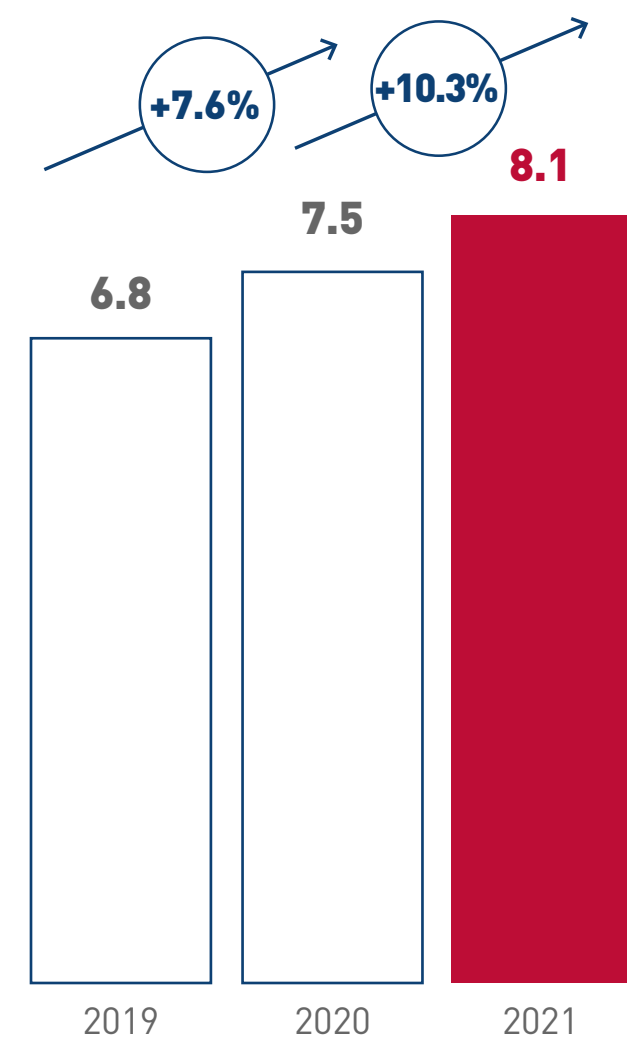
## Sales Mix

The sales mix in 2021 evolved with strategic categories gaining representation in sales, generic drug cases, and services. The growth reflects efforts to expand assortment, pricing, and promotional activities aimed at these categories.

**R\$ 8.1 BILLION**  
IN SALES.

**9.5%**  
OF SALES WERE OF  
GENERIC IN 2021.

Gross revenue (in billions)

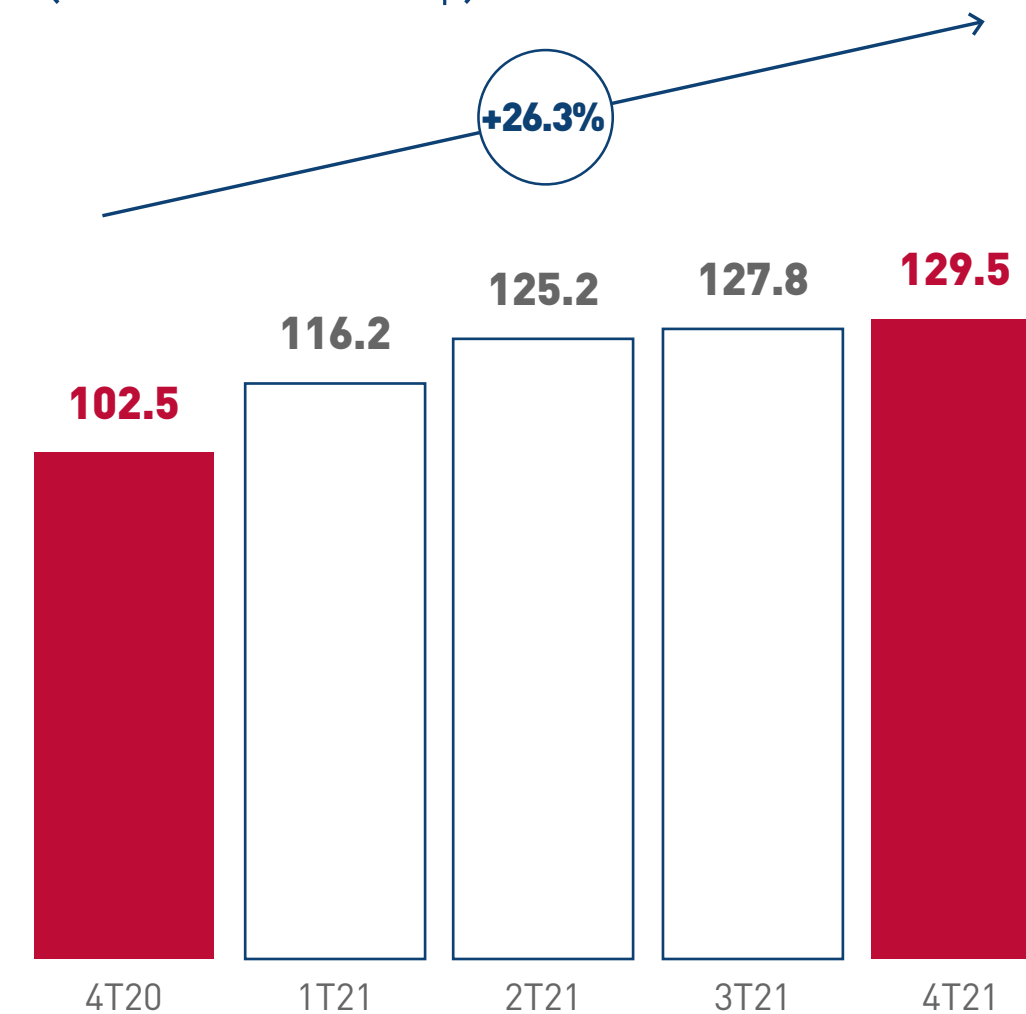




## Company brands

In 2021, products of our own brands totaled R\$ 498.7 million in sales, compared to R\$ 406.6 million in the previous year — an increase of 22.6%. Company-owned brands accounted for 6.2% of our total sales. The performance is mainly the result of the launch of new products and categories, diversifying our exposure in an increasingly large portion of the portfolio.

Sales from company-owned brands (in millions of R\$)

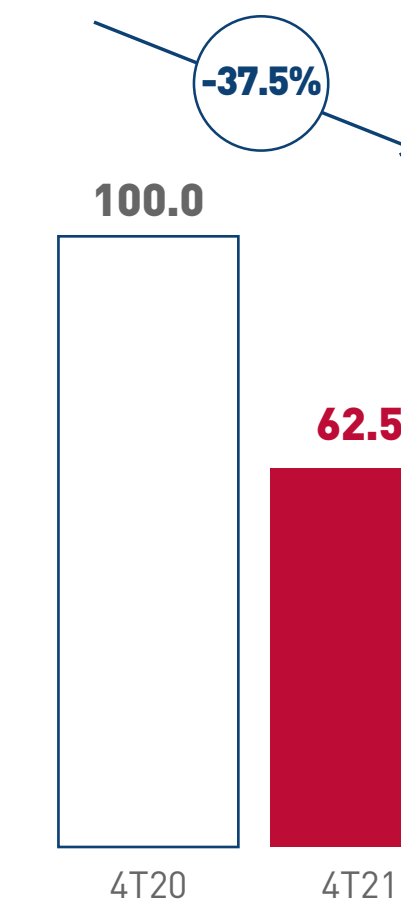


## Assortment

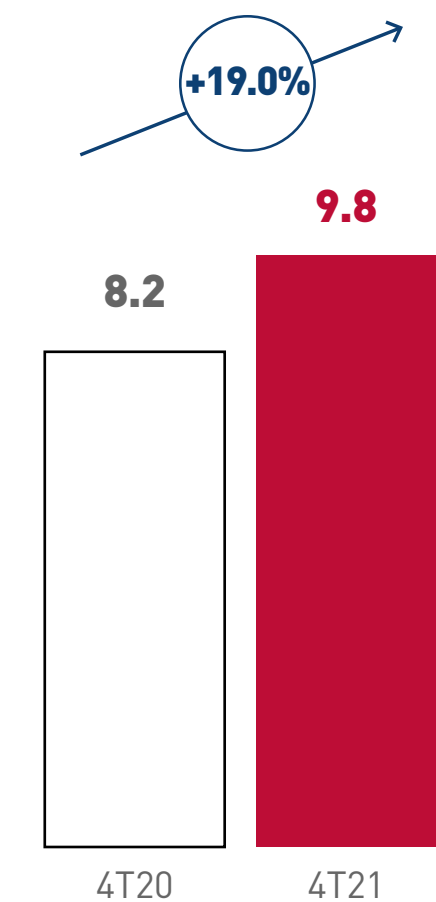
In recent years, we have invested in a product category management strategy. The improvement in the availability of in-store products is an equation that involves the quantity of products (assortment), rupture, loss ratio, and working capital. We ended 2021 with an average of 9.8 thousand active products, an increase of 19% compared to the end of 2020. We also reduced the level of ruptures and loss ratio, keeping the cash cycle at a controlled level.

In the fourth quarter of 2021, we recorded a rupture rate that was 37.5% lower than in the same period of the previous year.

Stock shortages (base 100)



Average assortment per store (Active SKUs, in thousands)



## Health Hub

We also expanded the number of Farma Clinic units from 809 in 2020 to 879 by the end of 2021 — and the portfolio of services from 31 to 57, which positions our pharmaceutical clinics as a practical and convenient solution for the primary care of health issues, both acute and chronic. Thus, they contribute directly to the health and well-being of our customers. See more about the Health Hub in the chapter 'The Company' on Page 10.

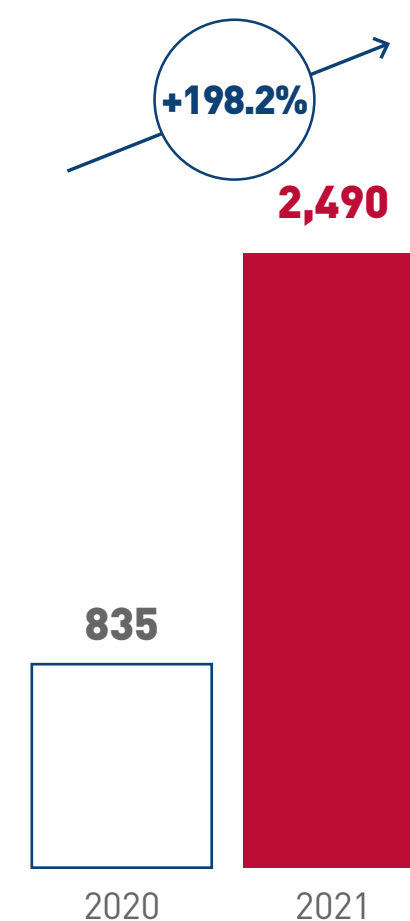
### Attendance and adherence to Clinic Farma

The amount of consultations carried out by Clinic Farma has practically tripled during the year and provided indications of becoming a relevant revenue line. The growth was driven by the demand for Covid-19 testing and also by the beginning of the habit changes of the population, which has begun to recognize our pharmaceutical clinics as a practical and convenient solution for the primary care of health issues, both acute and chronic, contributing directly to the health and well-being of the population.

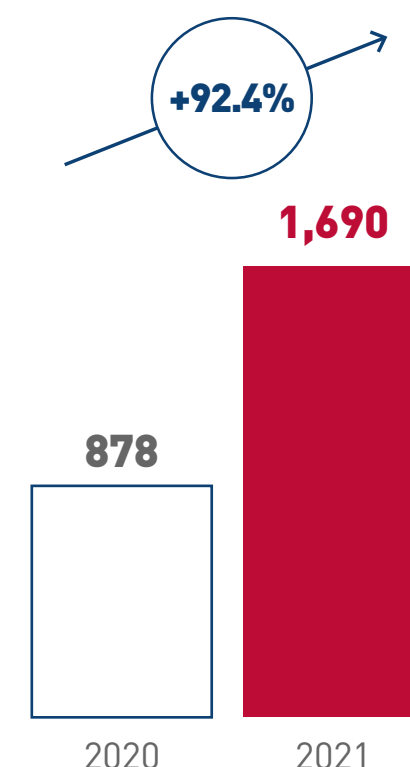
### Sales via agreements and memberships

Revenues from agreements and memberships signed with health operators and companies reached a new record at the end of 2021, reaching 26,7% of total sales. In 2021 alone, more than 200 new contracts were signed, incorporating 20.5 million lives into our ecosystem. These customers, with average spending habits and an above-average degree of loyalty, have been impacted by a more aggressive promotional strategy.

Attendance and adherence to Clinic Farma (in thousands)



Sales via agreements and memberships (in R\$ million)



**AME, OUR SPECIALTY PHARMACEUTICAL DRUGS CHANNEL, CONTINUES TO DEVELOP AT A RAPID PACE. IN 2021, THIS CHANNEL PRESENTED A GROWTH OF 171%, LEVERAGED BY A STRATEGY OF EXPANDING THE PORTFOLIO, MEDICAL VISITATION, AND THE DEVELOPMENT OF THE PATIENT SUPPORT PROGRAM (PSP), WHICH CLOSED THE YEAR WITH MORE THAN 5 THOUSAND CLIENTS SERVED.**

## Key figures of the Health Hub

**2.5 MILLION**

CLIENTS SERVED  
(196% VS. 2020)

**5.5 %**

MEMBERSHIPS FROM CUSTOMER BASE  
(+3.9P.P. VS. 2020)

**879**

CLINIC FARMA UNITS  
(+8.7% VS. 2020)

**57**

HEALTH CARE PROTOCOLS  
(83.4% VS 2020)

**+ 171%**

GROWTH IN SPECIALTY MEDICINES (AME)

**26.7 %**

OF TOTAL SALES THROUGH AGREEMENTS AND MEMBERSHIPS

**Important B2B2C partnerships**

(HAPVIDA, BANCO PAN, DASA)

**AROUND 1.7 MILLION**

COVID-19 TESTS CARRIED OUT

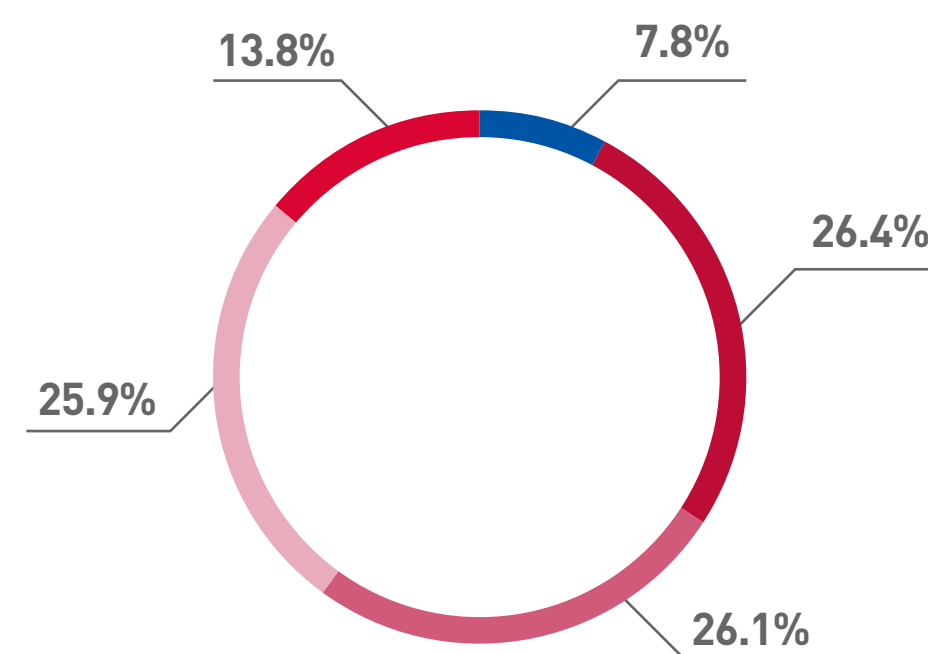
## Digital growth

The year 2021 was especially important for our digital strategy, with the evolution of our omnichannel platform. Increasingly customer-centric, it enables an integrated, fluid, and convenient purchasing journey.

Sales originating from our digital channels totaled R\$ 623.4 million in 2021, registering a growth of 85.3% compared to the previous year, well above the growth of the digital pharmaceutical retail market.

### Sales by digital channel

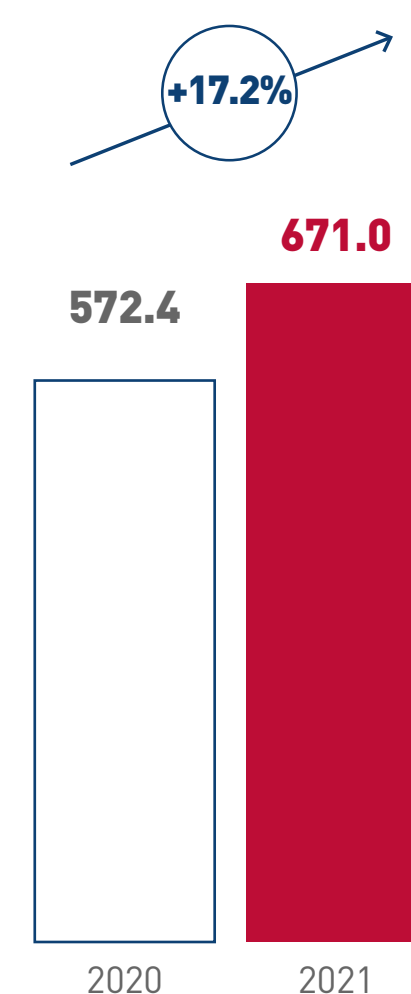
- Infinite Shelf
- Click & Collect E-commerce
- Telesales
- Ship from Store E-commerce
- Superapps



## Adjusted EBITDA

In 2021, adjusted EBITDA totaled R\$ 671.0 million, an increase of 17.2% compared to 2020. Adjusted EBITDA margin reached 8.3% of gross revenue, expanding 0.5 p.p. over the previous year. The margin expansion reflects our commitment to increasing profitability, balancing the new expansion cycle with the multiple levers of ongoing value generation.

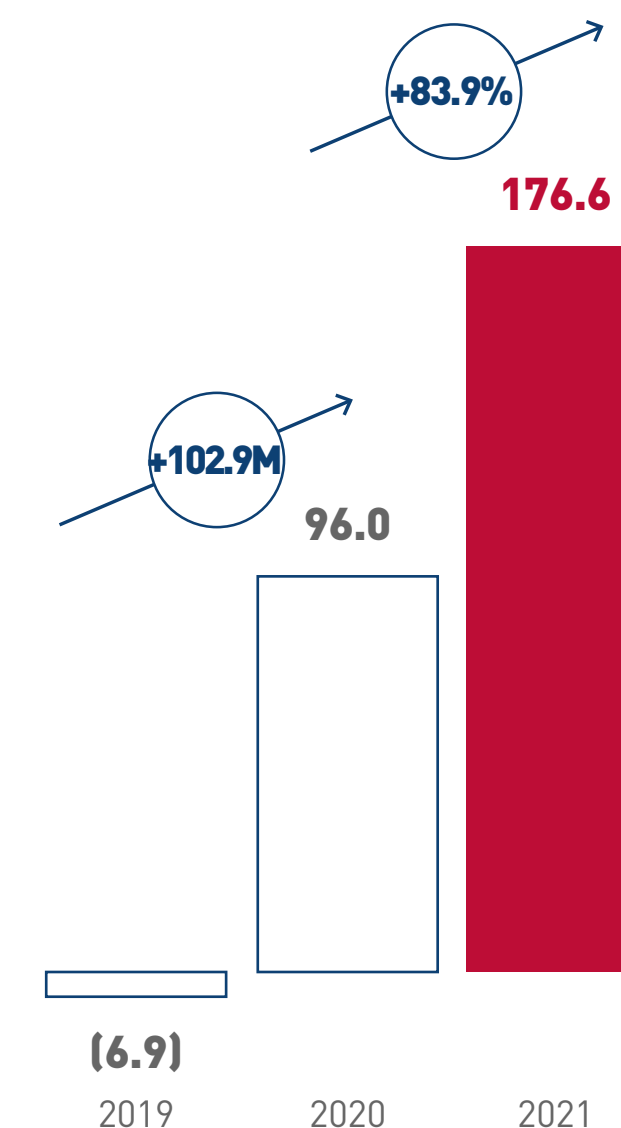
### Adjusted EBITDA (in R\$ million)



## Net income

We concluded 2021 with adjusted net income of R\$ 176.6 million, up 83.9% compared to the previous year. The significant growth in annual profit is the result of the combination of sales growth, a new expansion cycle, and financial deleveraging.

### Adjusted net income (in R\$ million)



**GRI  
201-1**

## Investments

In 2021, we invested R\$ 241.5 million mainly in the organic expansion and renovations of our stores. R\$ 25.5 million was also invested in technology and store infrastructure.

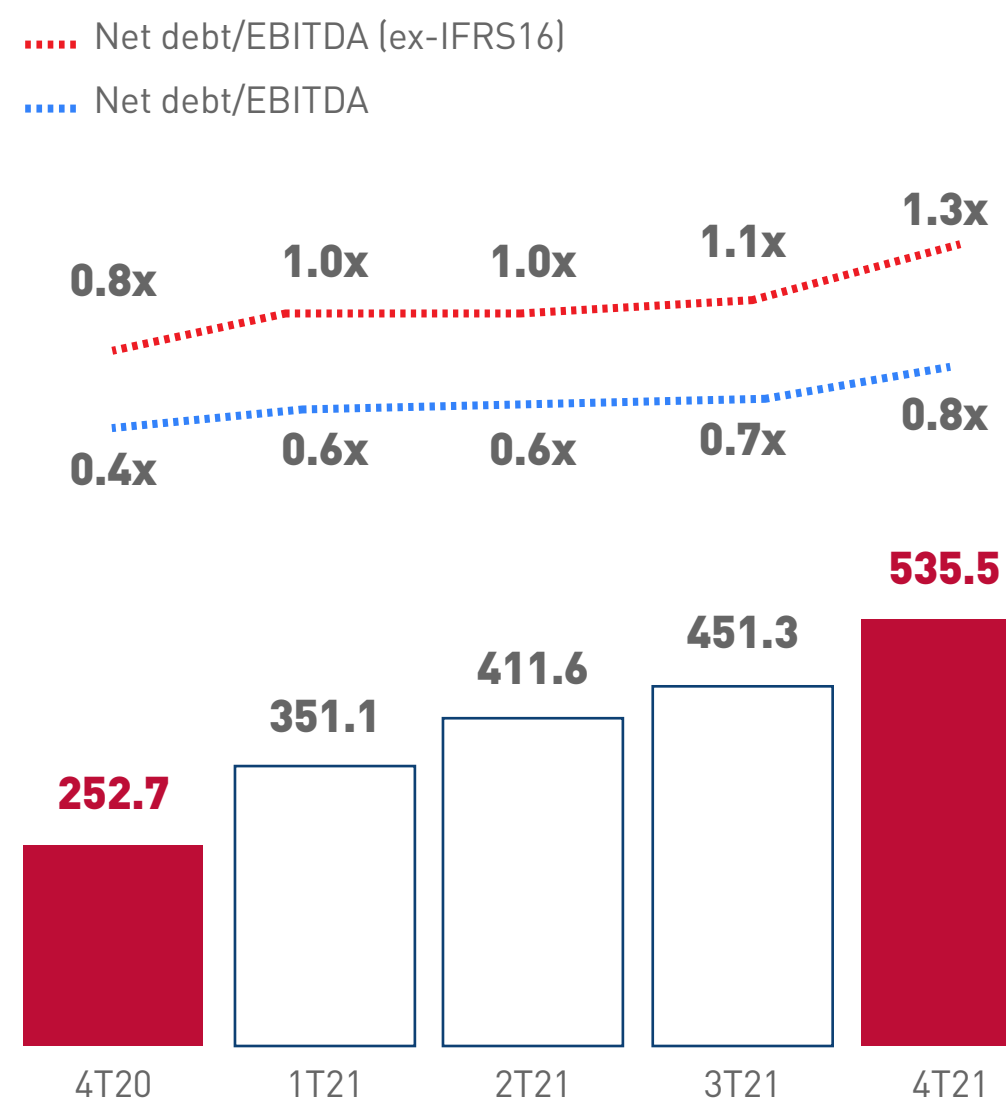
Capex (R\$ million)	2020	%	2021	%
Expansion	1,7	4%	116,3	48%
Renovation of stores	19,3	42%	69,1	29%
Technology	15	33%	25,4	11%
Infrastructure of stores, DCs and offices	10	22%	30,7	13%
<b>Total</b>	<b>45,9</b>	<b>100%</b>	<b>241,5</b>	<b>100%</b>

## Net debt

As a multiple of EBITDA (ex-IFRS16), net debt ended the year at 1.3 times. Net debt totaled R\$ 549.4 million, an increase of R \$ 296.6 million compared to the end of 2020.

The increase in the level of indebtedness observed throughout the year is mainly a result of the resumption of investments in organic expansion and strategic investments in inventories (assortment and reduction in rupture levels), which are contributing significantly to the company's sales growth.

### Net debt (in R\$ million and Ebitda multiple)



## Economic value generated and distributed (in thousands)

Economic value generated	
Revenue	R\$ 7,981,799.00
Distributed economic value	
Operating costs	R\$ 5,757,622.00
Employee wages and benefits	R\$ 917,165.00
Payments to the government	R\$ 924,989.00
Payments to capital providers	R\$ 217,566.00
<b>Total</b>	<b>R\$ 7,817,342.00</b>
Retained economic value (calculated as "direct economic value generated" minus "distributed economic value")	
<b>Total</b>	<b>R\$ 164,457.00</b>



**OUR TEAM**

# A great place to work



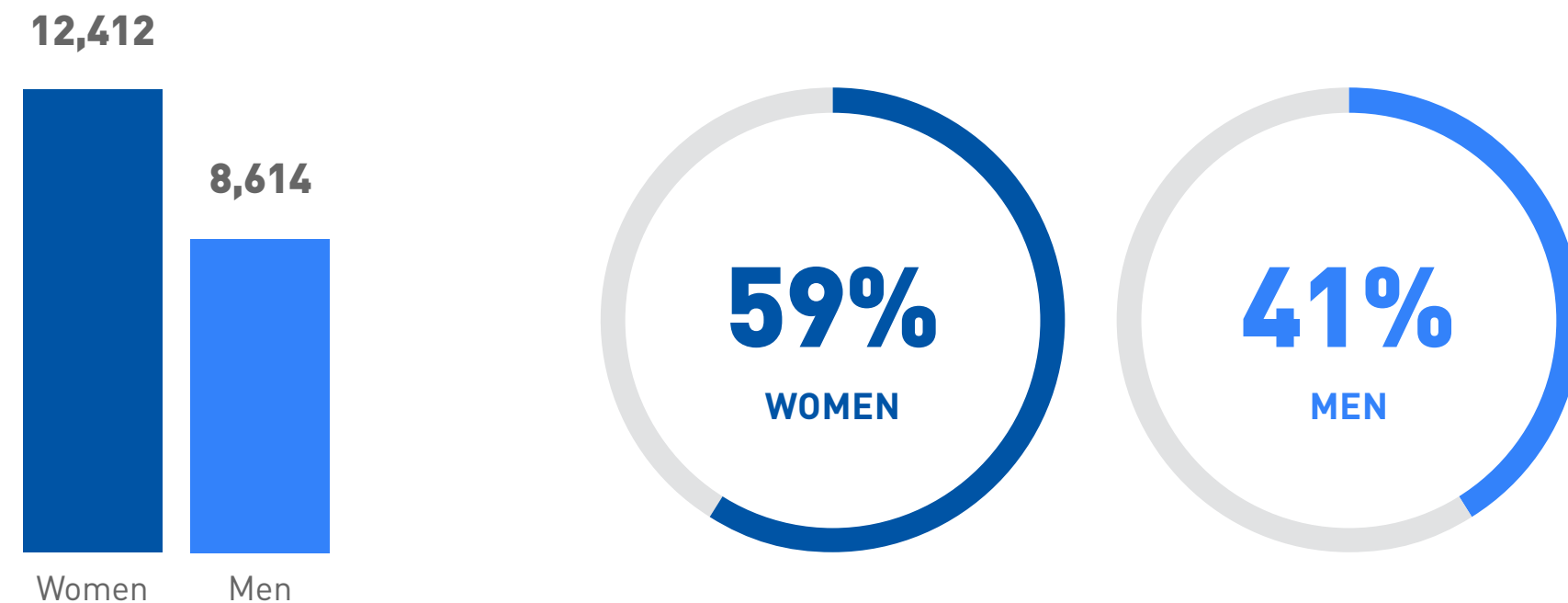
# Team Profile

**GRI**  
102-8  
102-41  
401-1  
405-1  
404-3

IN THE 348 BRAZILIAN CITIES WHERE WE OPERATE, WE HAVE A TEAM OF 21,026 EMPLOYEES WHO REGARD CARING FOR PEOPLE AS THE MAIN PURPOSE OF THEIR WORK. THE MAJORITY OF OUR STAFF IS MADE UP OF WOMEN, WHO MAKE UP 59% OF OUR WORKFORCE. ABOUT 80% OF OUR TEAM IS CONCENTRATED IN THE NORTHEAST AND SOUTHEAST REGIONS OF THE COUNTRY. WE ALSO HAVE ABOUT 1,200 INDIRECT EMPLOYEES.

In 2021, there were 6,107 admissions to our team, versus 4,769 dismissals — with special emphasis on our annual turnover, which is stabilized at around 20% per year. All (100%) employees are covered by contracts or collective bargaining agreements.

Number of direct employees, by gender



Employees, by age group	Women	Men
Up to age 29	5,493	4,288
Between 30 and 50	6,472	3,927
Over 50	447	399
<b>Total</b>	<b>12,412</b>	<b>8,614</b>

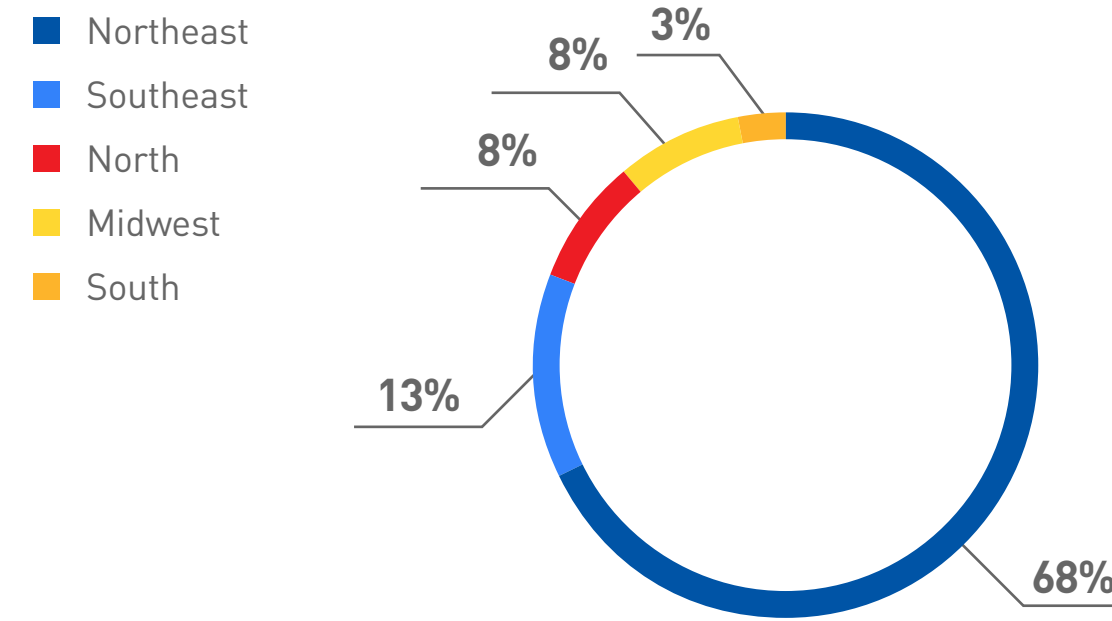




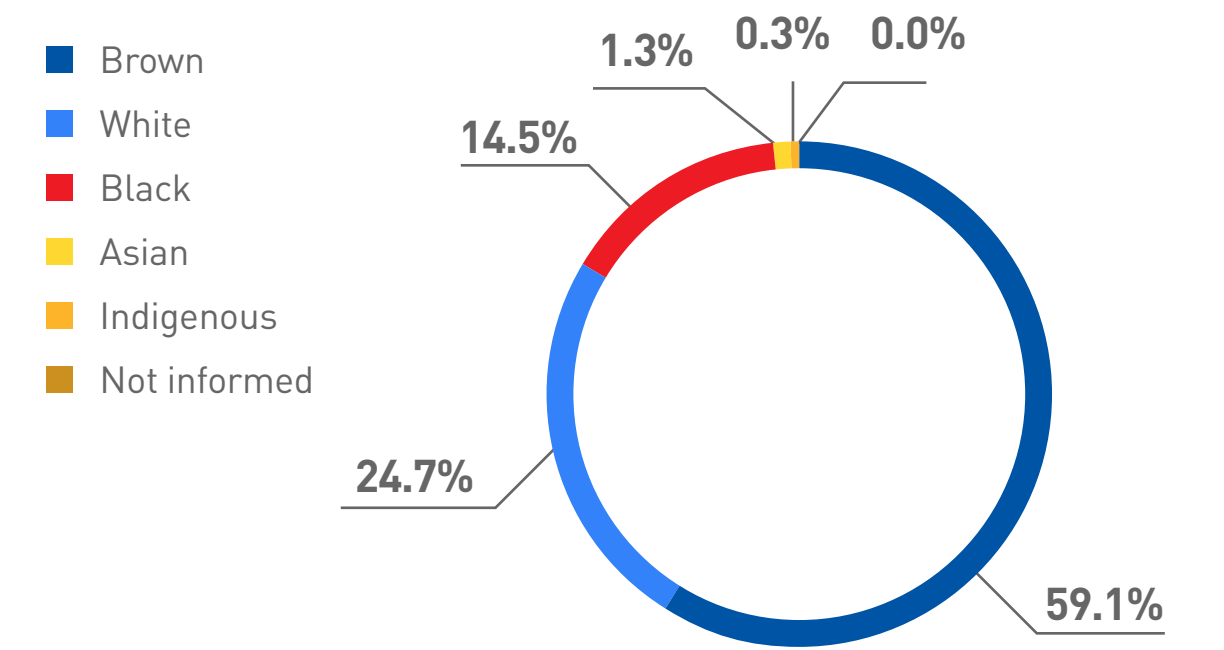
**OF THE TOTAL EMPLOYEES, 931 PEOPLE HAVE SOME TYPE OF DISABILITY.**

**IN LEADERSHIP POSITIONS, WOMEN ALSO STAND OUT, OCCUPYING 58% OF MANAGEMENT POSITIONS.**

**Employees by region**



**Percentage of employees by race/ethnicity**



**Direct employees, by functional category**

Functional categories	Women	Men
Director	1	21
Broad Directorate	2	10
Management	74	104
Store management	759	434
Executive management	8	34
Coordinator	61	61
Technical	2,434	1,003
Administrative	358	475
Maintenance	1	18
Operating	8,129	6,082
Trainees	435	299
Interns	150	73
<b>Total</b>	<b>12,412</b>	<b>8,614</b>

## Hiring and dismissals

Although 2021 was a challenging year, we were able to maintain our organic growth and generate 1,338 new jobs.

In all, there were 6,107 admissions, versus 4,769 dismissals, as follows:

Number of admissions, by gender



Number of dismissals, by gender



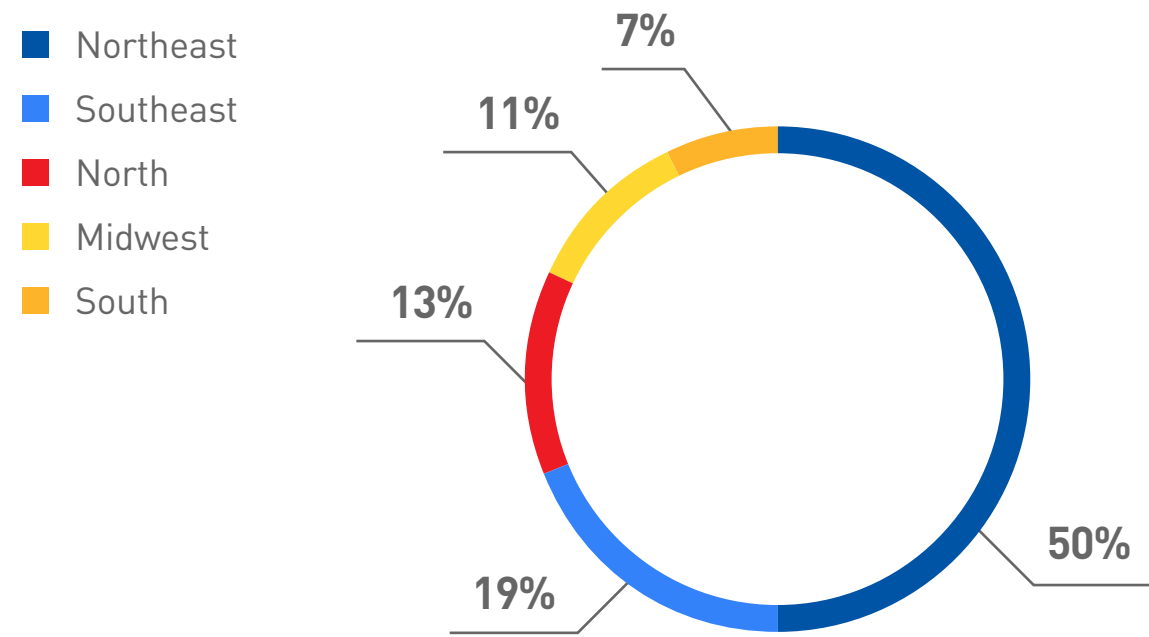
### NUMBER OF ADMISSIONS, BY AGE GROUP



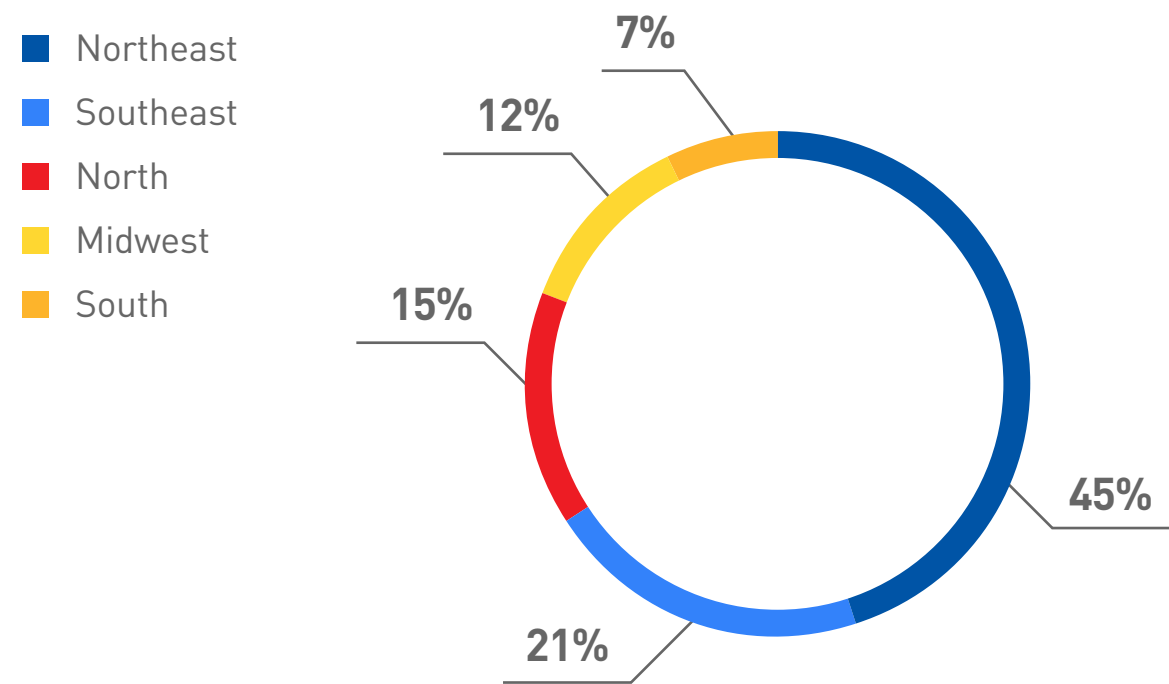
### NUMBER OF DISMISSALS, BY AGE GROUP



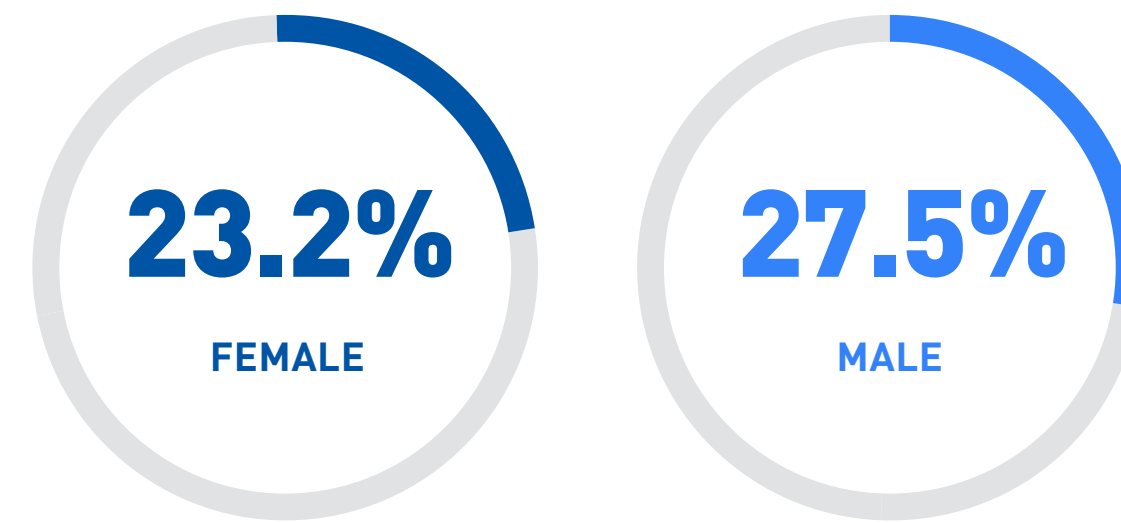
Percentage of admissions by region



Percentage of dismissals by region



Turnover rate by gender



TURNOVER RATE, BY AGE GROUP



We closely monitor the company's admission and dismissal indicators in order to ensure and maintain a lower turnover rate than the average of the retail pharmaceutical market.

People management is one of our priorities and one of the main strategic axes of our business. An example of this is the development groups (DG): when we identify employees with lower performance in stores, we implement a development plan focusing on technical and behavioral skills. Thus, these employees have the chance to improve their skills, consequently improving their performance and productivity. See more about employee development on Page 63.

# Smart work shift

In October, we adopted the "Smart Work Shift" in all stores of the service network, controlling store schedules according to the largest flow of customers and adjusting in the shifts of employees. Thus, we were able to organize and optimize the work shift management of operators in stores and meet the demand of each unit according to its reality, thus ensuring even better customer service and providing more quality of life to employees.

# Diversity and inclusion

GRI  
102-8  
405-1

**WE ARE A COMPANY PRESENT IN ALL BRAZILIAN STATES THAT VALUES HUMAN PLURALITY. THEREFORE, WE PROMOTE A DIVERSE, INCLUSIVE, SAFE AND HEALTHY WORK ENVIRONMENT.**

We strive each day to ensure that we are a company that offers ever greater opportunities for personal and professional development, free of all forms of distinction or discrimination.

In 2021, with the creation of our Diversity and Inclusion Coordination, we strengthened our commitment to the theme. As a result, we carried out the diversity and inclusion diagnosis, part of the first social profile project carried out in the company — which had the participation of 86% of our employees. In addition, we started monitoring strategic inclusion indicators and started raising awareness of the entire team (with a focus on leaders) on the topic.

This project resulted in the definition of our five priority fronts as well as in the definition of how to operate in terms of:

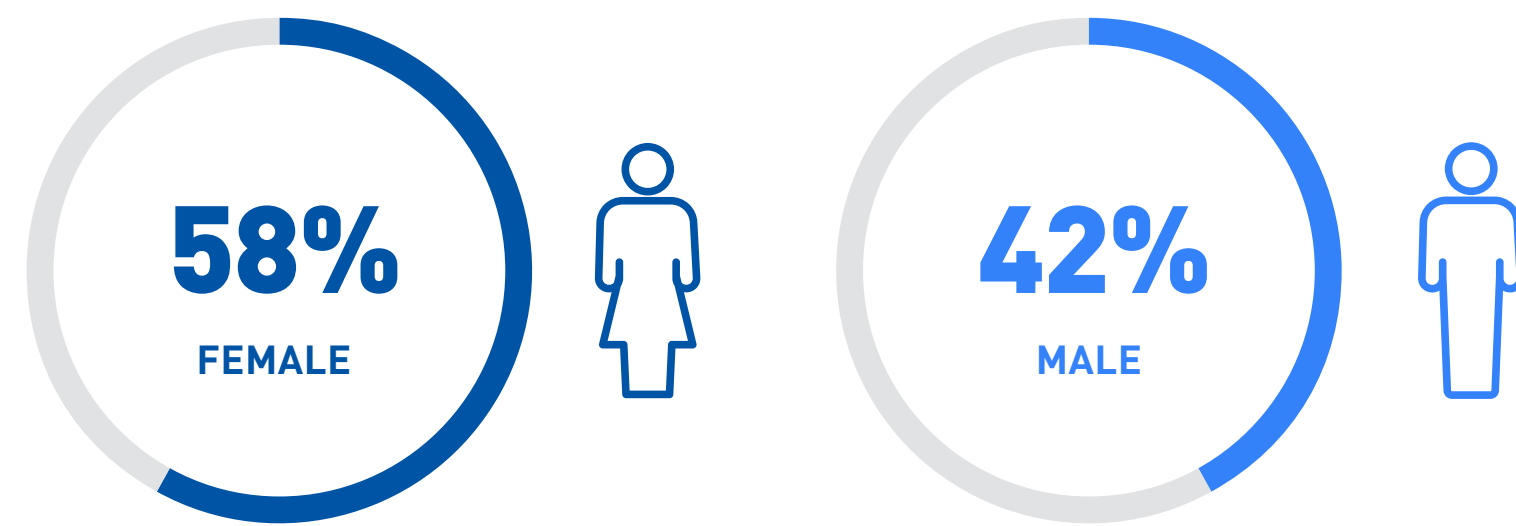
- 1. Gender equity**  
Empowerment and promotion of a safe, healthy, and welcoming environment.
- 2. Inclusion of people with disabilities**  
Accessibility and compliance with the principles of universal design.
- 3. Racial equality**  
Respect and representativeness.
- 4. Integration of different generations**  
Valorization and integration.
- 5. LGBTQIAP+ equal opportunities**  
Opportunities for all.



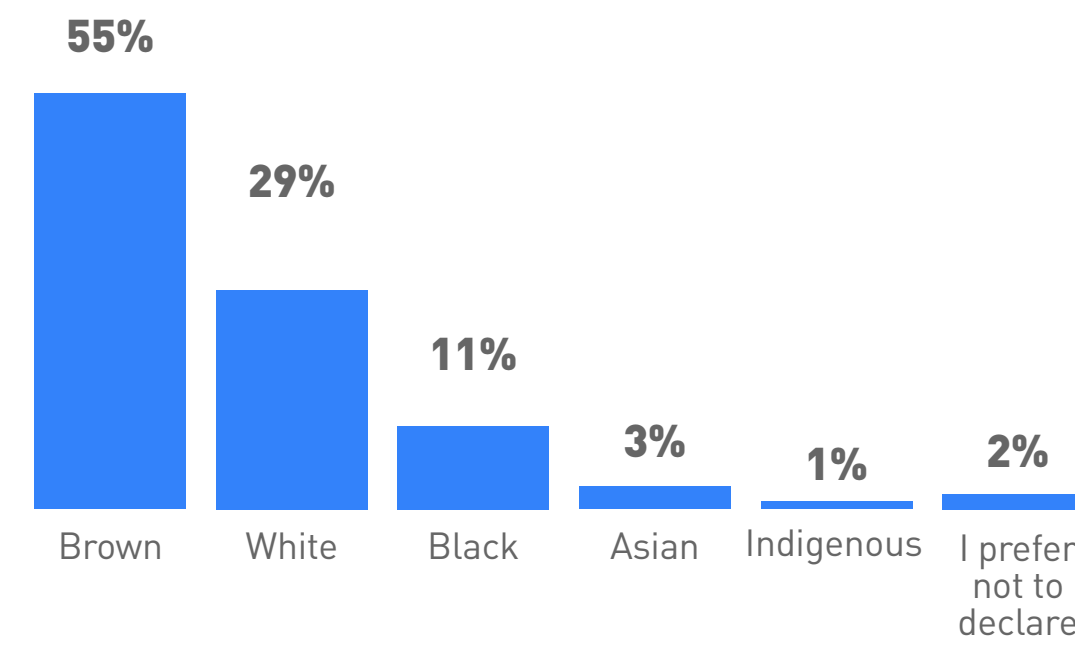
## Diversity diagnosis

IN 2021, WE CONDUCTED THE FIRST SOCIAL PROFILE OF THE COMPANY. THE SURVEY COMPREHENDED 86% OF OUR EMPLOYEES. SEE THE RESULTS IN THE FOLLOWING GRAPHS.

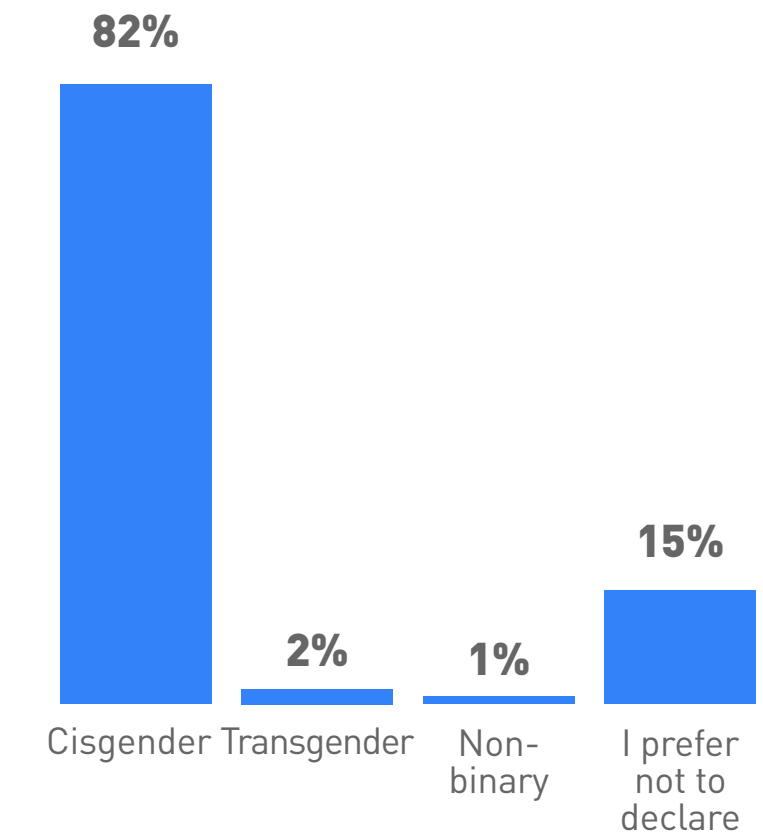
### Biological Sex



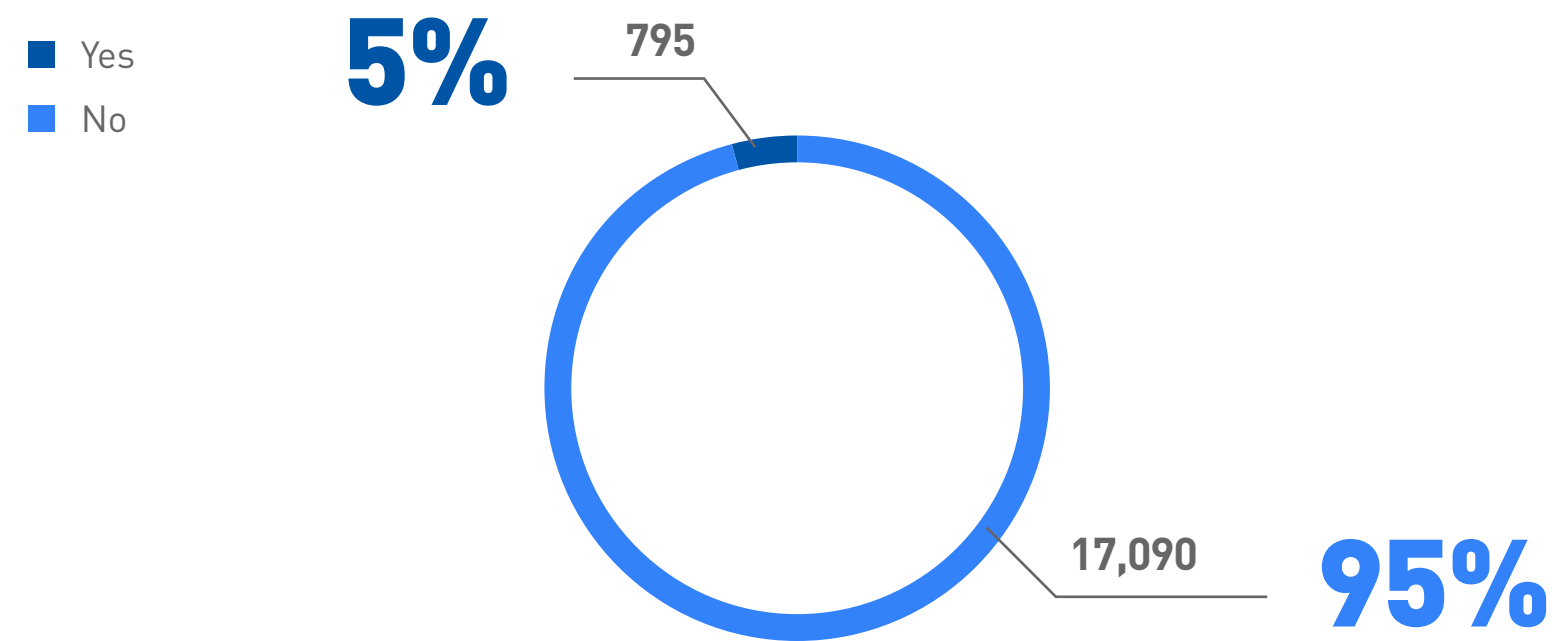
### Ethnicity



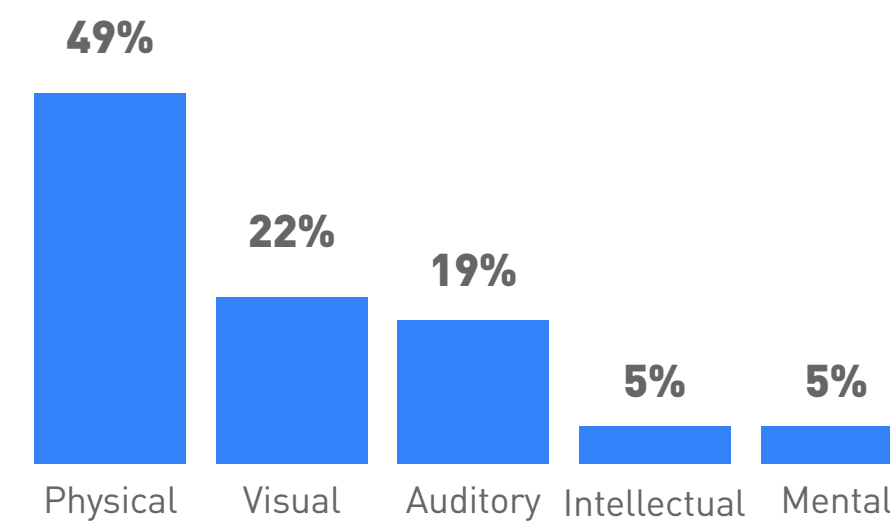
### Gender identity



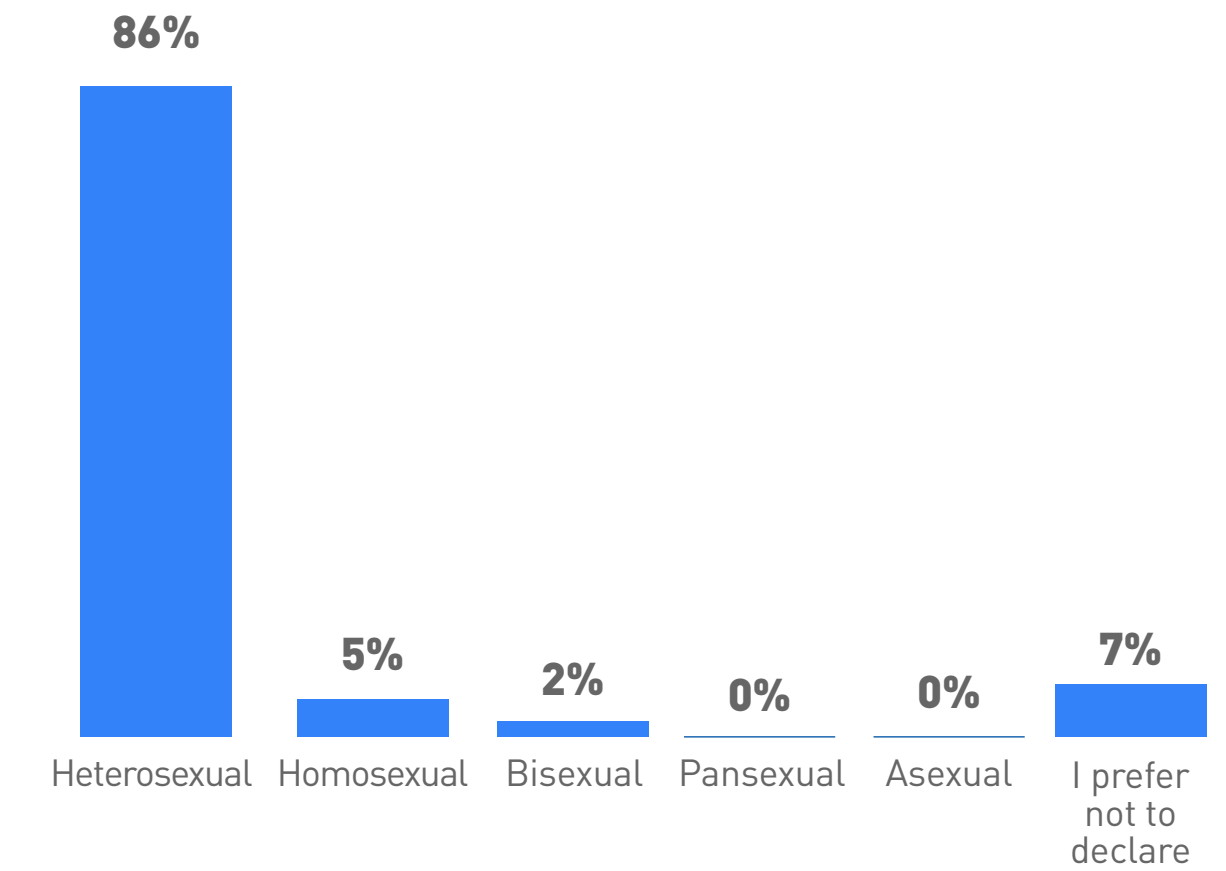
### Do you have any kind of disability?



### Physical disability



### Sexual Orientation



In addition to this work, we have structured our **Diversity and Inclusion Policy**, formalizing it for all stakeholders, establishing the following commitments:

### Diversity Policy Commitments

1

Build a respectful and welcoming environment in all our business units;

2

Fight all types of discrimination and unconscious biases;

3

Have a diverse and representative corporate environment at all our management levels, through hiring and commissioning processes, with a focus on the fronts of gender and racial equality;

4

Promote an inclusive environment for all our employees following the principles of universal design;

5

Train, sensitize, and raise awareness of all our employees in all our business units regarding issues of gender equality and that of race and sexual orientation, gender identity, inclusion of people with disabilities and of different generations;

6

Formalize and recognize our journey of diversity and inclusion, throughout our operations, through the adhesion of seals, movements, and networks related to this cause;

7

Carry out fully inclusive selection processes through the training of the entire human resources team, leaders, and other direct representatives responsible for this process regarding the theme of diversity and inclusion, unconscious biases, and affirmative action;

8

Widely publicize the Pague Menos Diversity and Inclusion Manifesto — our official position on diversity and inclusion — with all our stakeholders; and

9

Widely publicize the Diversity and Inclusion Policy in all our business units and to all our stakeholders, especially employees, suppliers, and investors.

## Committed to caring

Our communication content developed throughout 2021 presented and disseminated the commitments made in our Diversity and Inclusion Policy, as well as promoted awareness of our stakeholders on the topic in order to engage all people in building a more inclusive society.



**CLICK  
HERE**  
TO ACCESS THE  
VIDEO MANIFESTO.



**GRI**  
**102-12**

## Seals and movements

Seeking to reaffirm our position on each front of diversity and inclusion, in 2021 we joined and began to integrate the following movements and business commitments:



### WOB Seal

We received the Women on Board (WOB) seal, for the presence of three women on our Board of Directors.



### UN Women

We join the movement in defense of women's human rights.



### Business Coalition For Racial and Gender Equality

We are part of the union of several companies for the promotion and encouragement of equality, led by the Ethos Institute.



### Social Inclusion Business Network for the Employability of People with Disabilities (REIS)

We are part of REIS, a network of companies that seeks to promote the inclusion of people with disabilities in the labor market through qualification, hiring, and retention.



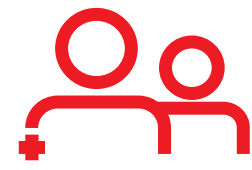
### Selo Engaja Sênior (Seniors Engagement Seal)

This seal recognizes organizations that have 5% or more of the total workforce composed of people over 50 years of age, as well as those committed to the workforce integration of the population in this age group.



## Diversity programs

In 2021, we launched five programs that aim to accelerate the inclusion of diversity in the company. Learn more below:



**THE REPRESENTATIVENESS PROGRAM:** comprised of our Diversity and Inclusion Committee and our five affinity groups (one for each priority front);



**ACCELERATED PDI PROGRAM:** more robust and accelerated methodology and professional development journeys for people of our diversity and inclusion fronts;



**OPERATIONS TRAINEE PROGRAM:** affirmative selection for our internal talents, seeking to increase the percentages of inclusion in management positions, especially in company stores;



**INCLUSIVE ATTRACTION AND SELECTION PROGRAM:** structuring a more inclusive selection process, from the job advertisement and description to the return and post-hiring feedback; and



**ACCESSIBILITY PROGRAM:** adaptation of the psychosocial structure of Pague Menos to the principles of Universal Design.



# Occupational health and safety

**GRI**  
403-1  
403-2  
403-3  
403-4  
403-5  
403-6  
403-9

**THE WELL-BEING AND PHYSICAL INTEGRITY OF OUR EMPLOYEES ARE PRIORITIES OF OURS, ALIGNED WITH THE PURPOSE OF PROMOTING A FULLER LIFE FOR ALL. THUS, WE HAVE DEVELOPED A SERIES OF CARE PROTOCOLS AND PROCEDURES TO PREVENT ACCIDENTS AND MAINTAIN ADEQUATE HEALTH AND SAFETY CONDITIONS IN OUR WORK ENVIRONMENTS.**

We have specialized teams composed of doctors, nurses, and nursing technicians who assist in the implementation of the Occupational Health Medical Control Program, monitoring and supervising the activities developed.

The internal Accident Prevention Commission (APC) plays an important role in identifying and minimizing risks. This structure is supported by the Health and Safety Committee, which is responsible for drawing up the risk map, organizing the Internal Week for Work Accident Prevention and inspecting working conditions, among other duties.

The Specialized Service in Safety Engineering and Occupational Medicine operates in all areas of the company, in the most diverse locations, from the admission of employees to the performance of occupational exams, mandatory training, and integrations.

Our goal is to identify, prevent, and reduce risks and hazards such as accidents on the way to work or in the store due to sharp objects, falls, and torsions. Our processes of identifying risks and hazards occur through:

### Technical inspection visits

scheduled for each unit;

### Data collection

regarding risk factors and hazards, through checklists;

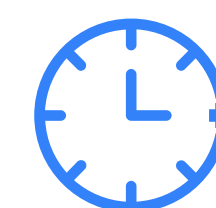
### Data evaluation

categorized according to frequency, severity, risk level, control measures, and effects of exposure according to parameters of the Integrated Occupational Health and Safety Management System (SOC); and

### The calibration of the integrated management system

with the data considered relevant.

## HEALTH AND SAFETY INDICATORS



**4,620,000**  
NUMBER OF HOURS  
WORKED



**456** NUMBER OF DAYS  
LOST - WORK ACCIDENTS WITH  
LEAVE



**47** TOTAL NUMBER OF  
ACCIDENTS (TYPICAL AND ON-  
ROUTE TO WORK)

Accidents	With leave	Without leave	Total
Number of accidents at work (typical)	22	1	23
Number of road accidents	23	1	24



**The main types of accidents identified are:**

**Commuting:**

on the way to work, involving motorcycles;

**Typical:**

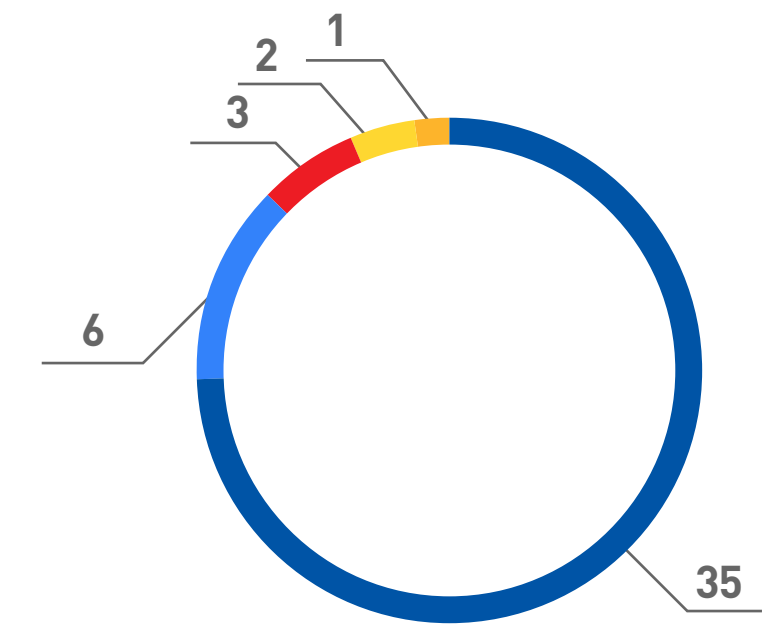
in store, related to sharp objects, falls, and torsions.

**Some of the measures taken to eliminate or minimize risks involve:**

- 1 Implementation of checklists for internal audit and standard operating procedures (POP);
- 2 Technical visits to stores, with reports and technical reports seeking to resolve any possible non-conformities;
- 3 Hiring a specialized company to manage workplace safety and health;
- 4 Training of all APC members;
- 5 Annual inspections in all branches;
- 6 Monthly meetings focused on safe ways of performing tasks and avoiding accidents.

**Number of accidents by region**

- Northeast
- Southeast
- Midwest
- North
- South



Accident frequency and severity rate	2021
Attendance rate (TF) <sup>9</sup> of company employees	10,17
Severity rate (TG) <sup>10</sup> of company employees	197,40

<sup>9</sup>TF = No. of accidents X 1,000,000 / HHT

<sup>10</sup>TG= (No. of days lost + days debited) X 1,000,000 / HHT

## Improvements adopted based on **health and safety** assessments

- Changes to more ergonomic furniture.
- The provision by our corporate university of various contents on health and safety for our employees.
- Conducting professional training programs.
- Beginning of the construction of an ambulatory structure in the distribution center of Bahia.



## Covid-19: caring for our people

The Covid-19 pandemic has enhanced the zeal for the health and safety of our team, especially those who have been on the front lines of fighting the pandemic, directly serving our customers.

To ensure the protection of all, we have prepared a **manual of procedures, prevention, and protocol for Covid-19**, compiled with guidelines on protocols and good practices for pharmaceutical retail.

In 2021, when Brazil faced the most acute phase of the pandemic, care was intensified, with frequent communication campaigns on actions to prevent contagion of the new coronavirus as well as ways to relieve stress, with a focus on promoting mental health.



# Benefits and quality of life

**GRI**  
401-2  
403-6

**IN ADDITION TO LEGAL OBLIGATIONS, WE OFFER COMPLEMENTARY BENEFITS IN ORDER TO PROVIDE EMPLOYEES WITH MORE SAFETY AND COMFORT IN TERMS OF HEALTH AND FAMILY CARE.**

- Medical assistance;
- Dental care;
- Funeral aid and disability coverage;
- Gym pass with full membership;
- Variable remuneration;
- Group life Insurance;
- Payroll loans;
- Sempre Bem Saúde health care membership card;
- E-pharma — a credit program for purchases within the network;
- Discounts on medicines and services from Clinic Farma, plus free weekly blood pressure and blood sugar tests.

Due to the adaptations resulting from the Covid-19 pandemic and with a humanized perspective for our team, in 2021 we implemented a department dedicated to the quality of life of employees. The team analyzed data collected from the Social Profile, internal absenteeism rates, health insurance claims, as well as information derived from the diagnosis of climate research to outline its action strategy. The department has three pillars as a priority. Check out related info on the side.

## 01 Programa Viver Bem (Live Well Program)

55% of our employees characterized their quality of life as “good” in their Social Profile, which indicates a space and a demand for improvement within Pague Menos. Thus, this pillar acts according to five axes:

- **Mental health**
- **Physical health**
- **Financial health**
- **Social health**
- **Health education**

In 2021, we started the implementation of the program with two important initiatives. The first is our Pregnancy Program for follow-ups during the gestational and postpartum periods, with coverage for 100% of our employees, which extends to dependents. Secondly, robust health education campaigns on self-care and disease prevention.

## 02 Social aid

Developed with the support of the Human Resources Department, focused on the specific demands of employees such as employees on leave due to health reasons, the monitoring of family members who require life insurance, and providing aid in disaster situations such as floods and others.

## 03 Volunteering

Our social survey revealed that 68% of our employees are interested in participating in volunteer programs. A volunteer program is being structured and will be further developed from 2022. In 2021, it featured the following initiatives:

### a) Christmas Solidarity

As one of the first initiatives, the program mobilized employees to contribute with donations of clothing, shoes, and toys in a Christmas-themed campaign. About 800 children from nine institutions in eight Brazilian cities benefited.

### b) Donation Campaigns

volunteers also joined a campaign for blood donation and registered for donations of bone marrow cells. About 80 employees of the headquarters in Fortaleza (CE) participated.

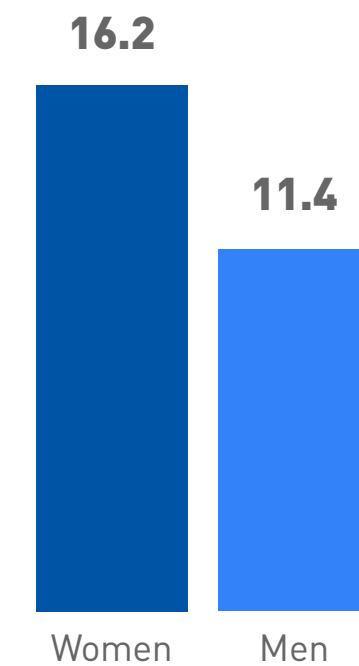
# Professional training and **development**

**GRI**  
404-1;  
404-2

**OUR FOCUS IS TO EMPOWER EMPLOYEES AT ALL LEVELS OF PERFORMANCE THROUGH TRAINING PROGRAMS BECAUSE WE BELIEVE THAT PROFESSIONAL DEVELOPMENT AND KNOWLEDGE TRANSFORM PEOPLE AND BUSINESSES.**

In 2021, 304.3 thousand hours of training were recorded: 202.9 thousand dedicated to women and 101.4 to men.

**Average training hours, by gender**



About 42% of our employees have completed high school, while 20% are undergraduates and 14% have reached graduate school (master's, doctorate, or specialization).

In 2019, we trained more than 18 thousand employees in our sales service method and invested in our leadership through excellence and management programs. More recently, in 2020 we developed and launched UP Farma, our corporate university, an educational branch of our development pillar.

We have professional development paths, which include — in addition to our sales service method — training on Pague Menos brands, processes, integration, systems, and others.





## UP Farma



The Corporate University of Pague Menos offers training programs for employees from all operational areas. The initiative has virtual and face-to-face training programs, a campus structure, and store-schools, which help in the dissemination of knowledge and the professional development journey of our employees.

The initiative reduces the time of the learning curve, with the aim of ensuring more technical safety and operational quality. In addition, the project makes our process of integrating new employees more structured and exciting.

**IN JUST FOUR MONTHS,  
WE HAVE IMPLEMENTED  
67 STORE-SCHOOL  
CENTERS THROUGHOUT  
THE NATIONAL  
TERRITORY.**

UP Farma promotes professional training and qualification through six technical training schools:

### School of Leaders

Focused on technical and behavioral skills and disseminating the company's culture.

### Educafarma

Deals with pharmacological and regulatory issues, focused on clinical training of our pharmacists.

### School of Health Care Excellence

Trains and develops our teams within Pague Menos service standards, with a focus on customer experience.

### School of Operational Excellence

With a focus on productivity, it promotes technical knowledge and creates processes that are more efficient.

### School of Technology

It seeks innovative solutions to improve and modernize our retail routine.

### Retail School of the Future

Promotes practices of inclusion, diversity, and sustainability.

In addition to combining theory and practice, UP Farma also develops social responsibility projects in order to train qualified labor in retail, investing in the careers of our people and Brazil.

Currently, the project already has some courses open to the general public, allowing the development of the communities in which we are inserted.

**WE WANT TO BE THE LARGEST  
REFERENCE IN TRAINING  
PROGRAMS FOR PHARMACEUTICAL  
RETAIL IN BRAZIL.**



## Develop and evolve

Through sponsorship and partnerships with other brands, we are able to provide the professional development and training of our employees. In 2021 alone, we reached important milestones:

A RECORDED  
**103 THOUSAND**  
CERTIFICATES ISSUED AND 301 THOUSAND HOURS OF TRAINING

THROUGH OUR PARTNERSHIP WITH THE KROTON GROUP. WE ALSO OFFER DISCOUNTS

UP TO **60 %**  
IN TUITION FEES AT VARIOUS COLLEGES ACROSS THE COUNTRY.

WE PROVIDE MORE THAN  
**230 SCHOLARSHIPS**  
FOR OUR LEADERS.

WE LAUNCHED OUR DEVELOPER TRAINING PROGRAM TO WORK IN THE COMPANY'S TECHNOLOGY AREA.



## Performance Evaluation

Also throughout 2021, we implemented our Performance, Career and Succession area of the company. Our evaluation process is structured based on the flow of:



The process is done through a reference platform in performance evaluation and has established practices in the market such as feedback, the definition of individual development plans (IDP), talent mapping, and succession plans for key positions.

In the year of implementation alone, 3,640 employees had their performance evaluated, including directors, management, coordination, and technical, administrative, and operational staff.

# Organizational culture

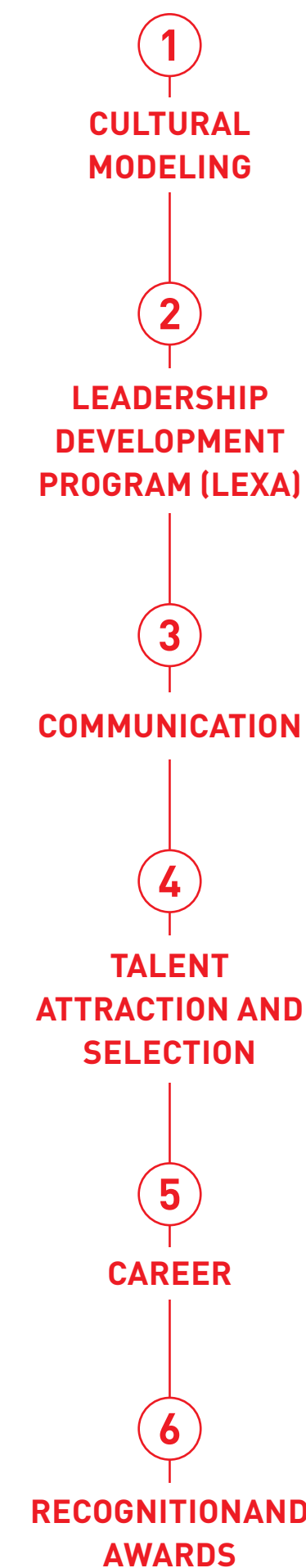
**WE HAVE MORE THAN 40 YEARS OF HISTORY AND A VERY PROSPEROUS FUTURE. RECENTLY, WE STRUCTURED AN EXPANSION PLAN THAT WILL CONTRIBUTE TO THE RAPID EXPANSION OF THE COMPANY.**

With the commitments made on the ESG fronts, and with a focus on innovation to boost this growth, we have great and important challenges ahead of us. Therefore, we understand that it is necessary to take care of and enhance our organizational culture, the foundation that has maintained us for four decades in promoting health for all Brazilians.

In 2021, we started 'Sou Gigante', a Pague Menos culture empowerment project. Through a thorough diagnosis, which was supported by consulting firms, research, and the participation of more than 50% of our team, we listened to the opinion of our employees about different aspects of our company.

Our employees presented their views on the company's day-to-day, processes, systems, and perceived behaviors that display potential opportunities for improvement. The diagnostic result was developed with 70 focus groups, individual interviews with all senior management, and crossing data collected from the Great Place to Work survey (GPTW).

After this immersion, we directed our sights to the future, prioritizing for 2022 six fronts of action:



## The desired culture of Pague Menos

We want to leverage the strengths of our culture, becoming more and more an innovative company, with a strong employer brand — whose focus is on people. We also want our employees to be able to truly experience our organizational values in an environment of high-level performance and solid and sustainable results. We aim to form inspiring and cooperative leadership in an environment where everyone feels a great sense of belonging, which will propel us to great achievements.

# Climate management

**OUR GROWTH AND RESULTS ARE ALSO LINKED TO THE SATISFACTION OF OUR EMPLOYEES.**

Our leading cultural climate indicator is the Great Place to Work (GPTW) survey, which recognizes the best companies to work at according to the best people management practices in the market.



## Highlights of the Cultural Climate

According to the 2021 GPTW survey, Pague Menos employees are motivated in their vast majority by the opportunity for growth.

In 2021, in the national ranking, we were among the 10 best retail companies in the “Super Large” category. In addition to this important recognition, we are also GPTW in the North region and in Rio Grande do Norte and we have won the newly created IGPTW-B3 seal — a theoretical portfolio of assets, prepared according to certified companies and the best companies to work for.



## A reference in Excellence in People Management

We are among the 10 best-rated companies in the Human Capital Investment Index (ICH) for the second consecutive year, according to a survey by the magazine Gestão RH, carried out with the support of Fundação Getúlio Vargas (FGV).

The mapping evaluated people management practices and the degree of investment in human capital, as well as identified strategies and trends by correlating employee management practices, employee engagement degree, and company performance,

detecting corporations with best HR management.

In all, about 250 companies were evaluated in the following dimensions: human and organizational development, corporate citizenship, people management practices, and psychologically healthy work environment. The management practices of Pague Menos received excellent evaluation scores, totaling 872 points.



**SOCIAL AND ENVIRONMENTAL**

# Health for all and the planet



As part of the pharmaceutical sector, with wide capillarity throughout the country, **Pague Menos** maintains **relationships** with various publics. In addition to customers and other members of the **communities** where we are inserted, we seek to maintain **solid connections**, guided by ethics and cooperation, with suppliers, investors, and government authorities, among others.

Another important pillar of our ESG strategy, the health of the planet, gains special attention from the company's management.



# Clients

**GRI**  
103-1  
103-2  
103-3

**OUR MAIN CONCERN IS TO PROVIDE HIGH-QUALITY AND SAFE PRODUCTS AND SERVICES, WHICH ARE WITHIN THE LEGAL, REGULATORY, AND INTERNAL REQUIREMENTS (SUCH AS THOSE REQUIRED BY AUDITS CARRIED OUT BY PAGUE MENOS ITSELF). THUS, WE GUARANTEE ABSOLUTE RESPECT FOR OUR CUSTOMERS, WHO ARE AT THE HEART OF OUR BUSINESS.**

We focus on the expanded middle class, which encompasses the social classes B2, C and D. In this universe, our main customer is people over 55 years of age, who make an average of one purchase per month.

In addition to offering quality, we want our consumers to live fully, having their needs met when and in the way they need. Therefore, in 2021 we followed through with our plan to increase inventory management, seeking to ensure that our customers find the products they seek.

Throughout the year, we also invested in personalized promotions for the more than 32 million participants in our Always Loyal Program, demonstrating that we truly know our customer base.

## Health for all

As a way to guarantee access to medicine to the low-income population, Pague Menos participates in the 'Aqui Tem Farmácia Popular' program of the Federal Government. Thus, our customers find the best discounts — up to 90% — on contraceptives, medications for rhinitis, osteoporosis, Parkinson's, and other medical conditions, and free medicine for diabetes, hypertension, and asthma. To guarantee the benefit, you only need to present a prescription, social security number, and an original photo ID. In 2021, 890,723 people were served by the program in our stores.



**CHECK OUT IN THIS VIDEO PAGUE MENOS' INITIATIVES TO ALWAYS GUARANTEE THE BEST PRICES FOR OUR CUSTOMERS.**

## Always Loyal Program

There are two membership categories of the program, each with special benefits and exclusive discounts. Upgrading membership category happens through the accumulation of value through purchases. With a minimum of R\$ 1.2 thousand during a semester, the customer becomes a gold member.

### Blue Client

- Differentiated prices;
- Exclusive offers through the All Mine Discount Program;
- Personalized communications.

### Gold Client

- Free monthly appointments and discounts on other Clinic Farma services;
- Discounts on drugs of continuous use;
- Exclusive discount coupon for use on the website;
- Preferential service at SAC Farma;
- Free Shipping on website purchases and telesales, valid for four monthly deliveries;
- Exclusive offers on Pague Menos private label products.

In the second half of 2021, we strengthened our performance with the Treatment Adherence Plan, which reminds our customers of their health care treatments, through reminders about medications that need to be repurchased monthly.

Another important relationship aspect with this public relates to our digital channels, which complement in-store sales. Our omnichannel platform enables a better shopping experience for products and services for customers, who can choose the purchase channel and delivery method.

## Customer satisfaction

To measure customer satisfaction, we monitor our Net Promoter Score (NPS). We obtained an average score of 74 throughout the year — a level of excellence.

In Reclame Aqui, a website that measures the reputation of companies, we achieved 8.5 points — an index considered excellent, which guaranteed the maintenance of the RA 1000 SEAL (delivered to companies that stand out for their excellent service index).

## Company Brands

We not only want to retain our customers, but also provide more accessibility to the products we offer. Our company-owned product line is an important part of this action: Pague Menos brand products are priced between 10 and 15% lower than products from partner suppliers.

The brands Dauf, Amorável, Power Vita, Pague Menos, Ativday, Choices Beauty, and Moringa Brasil offer cosmetics, personal hygiene, perfumery, first aid, and dietary supplement products are of the quality that our customers are already familiar with, at more affordable prices.



**74**  
NET PROMOTER SCORE.

**8,5**  
POINTS ON RECLAME AQUI, ENSURING THE MAINTENANCE OF THE RA 1000 SEAL.





	<p>It offers a wide range of cosmetic and hygiene products ranging from moisturizers and deodorants to sunscreen, skin creams, and even ginger pills and pregnancy tests.</p>
	<p>A product line dedicated to moms and babies, with items for the care of pregnant women and children — everything from development to hygiene. In 2021, we launched the company-owned brand of children’s diapers.</p>
	<p>A brand of vitamins and dietary supplements designed to bring more quality of life to consumers of different age groups.</p>
	<p>It offers items for health treatments such as inhalation equipment, scales and thermometers, and first aid items such as gases and others.</p>
	<p>A brand that offers technology in nutrition, with vitamins and minerals produced with a focus on supplementation, either for day-to-day or sports activities.</p>
	<p>A more cosmetic line, with items ranging from shampoos and conditioners to hair care accessories.</p>
	<p>The newest brand, it offers natural beauty care options and products with natural oils and extracts, for example.</p>
	<p>See more below on our sustainable products brand.</p>

## ECO Pague Menos

We also have a brand focused on ecologically sustainable products, aligned with our commitment to the environment. The items are 100% vegan, not tested on animals, and with recyclable packaging. It includes straws, cups, bottles, eco-bags, shampoo and conditioner bars, and bamboo toothbrushes.



A big highlight of 2021 was the launch of our hair care bar products, with great acceptance and positive repercussions among our customers.

With the ECO line, we support the NGO Eco Natural Museum of the Sabiaguaba Mangrove (EcoMuNaM), which promotes environmental education and contributes to the recovery of mangrove forests. A portion of the profits obtained from the sale of the products is allocated to this institution, located in Ceará, but with operations throughout Brazil.

### Moisturizing Body Kit + Vegan Liquid Soap

A cream formulated with vegetable emollient from sugar cane and soap made with vegetable glycerin. Free of petrolatum, silicones, parabens and preservatives.

### Flexible q-tips

This version of the Pague Menos flexible q-tip is produced entirely from paper, so it has the decomposition time reduced from an average of 450 years, when compared to those made of plastic, to less than 1 year, preventing the product from being discarded in rivers, oceans or landfills. An eco-friendly choice that preserves the environment.

### Eco bag

An ecological product, returnable, reusable, recyclable, and extremely durable. It has a reinforced finish that makes it quite robust and beautiful, with excellent cost-benefit.

### Biodegradable straws

Made of paper, they are completely odorless



and tasteless, with high durability for use in any type of beverage. They have quality and non-toxicity certificates that meet the criteria established by regulatory agencies.

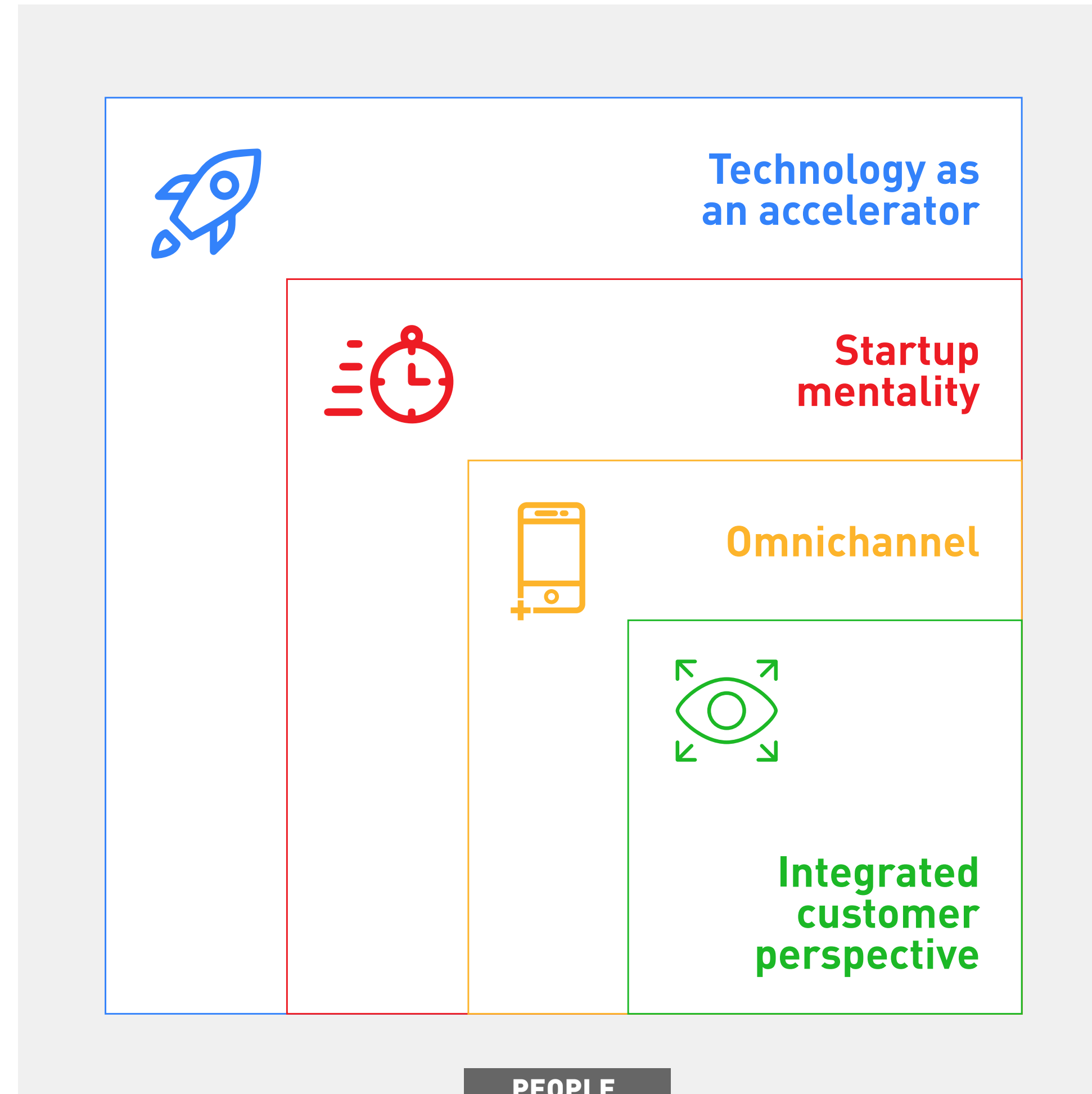
### Stainless steel straws kit

Composed of a straight model, a curved one, a cleaning sponge, and an accessory to store them in. These products contribute to the replacement of plastic straws, which today account for 4% of all garbage of this type of material in the world.

# Innovation

**EMBEDDED IN OUR DNA, INNOVATION HAS BECOME AN INCREASINGLY IMPORTANT PRIORITY FOR THE CONTINUOUS IMPROVEMENT OF CUSTOMER RELATIONSHIPS. WE UNDERSTAND THAT TECHNOLOGY CAN AND SHOULD BE USED TO PROMOTE HEALTH.**

At Pague Menos, innovation helps us delight our audience by offering a unique perspective of each person who buys or uses our products and services — as demonstrated in the following infographic:



We ensure our customers have an integrated and consistent experience across all our channels.

- + 170 thousand online appointments
- Teams dedicated to omnichannel products
- + 7% of sales from digital channels



We want to offer an engaging work environment, focused on results and that has agility as a central pillar of its culture.



Technology as an accelerator. Our IT department is a business partner, present in everything we do, and contributes to our competitive differential.

## pmenosLab

An innovation and digital transformation initiative created to assist Pague Menos in the dissemination of an agile culture.

PmenosLab has its own space in Fortaleza to house the team dedicated to the area, in an open environment that encourages collaborative work and the development of innovative solutions.



**WATCH THE  
VIDEO ABOUT  
PMENOSLAB.**



In 2021, pmenosLab was the cradle of two initiatives focused on innovation:

• **Fast Dating**

A networking program with startups offered through partnerships. In 2021, we signed agreements and began to internally implement solutions from 19 startups, 17 of them within the Health Hub concept, one in the administrative area, and the other in our stores. Regardless of the area, the goal is to optimize network activities

In the end, the three best proposals were elected, which will receive direct investment from the company. The winner was Loja Sustentável, an initiative aligned with one of our goals of the ESG Agenda, which is the construction of our first 100% sustainable store by 2025.

• **Garage of ideas**

An intrapreneurship program that functions as a repository and curation of ideals. In 2021 alone, 20 thousand employees were involved in a process that resulted in the consolidation of 164 pitches. All received mentoring, in which the creators were developed and trained to present their advantages and strengths, and how to defend them.

To maintain the protagonism and autonomy of the employee creators of the chosen proposals, the final objective of the project was to transform them into entrepreneurs of their own ideas.

This movement resulted in our recognition as the top 10 Most Innovative Companies in the 2021 Startup Awards, an award from the Brazilian Association of Startups (Abstartups).

**DIGITALIZATION OF THE HEALTH HUB**

In 2021, we launched the Customer Service Portal on our e-commerce platform, with relevant improvements in the customer journey. Through the website, clients can get to know the wide portfolio of services offered at Clinic Farma in each region. They can schedule the application of vaccines, rapid tests and pharmaceutical

procedures, request quotes for special drugs and manipulated formulas, in addition to providing teleconsultation marketplace options. All this is integrated into the Sempre Bem content platform, which offers tips on health and well-being generated by specialists from the most diverse medical areas.



**New app**

Launched in test mode in 2021, our new app enables a much more personalized experience for our customers. It is possible to make a favorites list of products, consult which stores have the desired items in stock, and schedule exams at Clinic Farma. In addition, the new app brings more integration between the purchase channels, since in-store purchases are also part of the digital showcase.



**Virtual Service Vida**

Also in 2021, we launched an artificial intelligence-based customer service channel that increases the efficiency of the teleshopping system and our digital channels. In addition to scheduling appointments, our clients receive information about the services requested and can even identify the nearest unit to perform procedures.

The service, focused especially on Covid-19 tests, is the first in the pharmaceutical retail sector to use Alexa technology, Amazon's virtual assistant, as a basis. The solution was developed by pmenosLab. When installed on a device, it is easy to use. Just say "Alexa, start Pague Menos".

# Community

GRI  
103-1  
413-1

**WE WANT TO GIVE BACK TO SOCIETY BY REINVESTING IN THE MOST VULNERABLE COMMUNITIES IN WHICH WE OPERATE. OUR SOCIAL RESPONSIBILITY COMMITMENTS ARE QUITE BROAD AND CARRY OUT EVERYTHING FROM ACTIONS AIMED AT THE HEALTH AND WELL-BEING OF POPULATIONS TO EDUCATION AND DEVELOPMENT INITIATIVES SUCH AS OUR CORPORATE UNIVERSITY, UP FARMA.**

## UP Code

Our training program for system developers focusing on the process of the digital acceleration of our network. The first class had 26 youths selected — one third of them in situations of social vulnerability in Fortaleza (CE).

The purpose of the program is to promote professional development, not only for the company's internal workforce, but to train other people for the labor market. At the end of the six-month training period, half of the class received full scholarships for undergraduate courses in systems technologist/developer at UP Farma. In addition to the scholarships, participants receive food stamps, meal vouchers, and medical insurance throughout the course.

UP Code has a long-term purpose, with a journey that began in 2021 with the

offer of undergraduate courses through a partnership with Kroton. After the selection process, participants undertake a broad curriculum of theoretical and practical studies, which will be completed in 2022 with the presentation of an end-of-course project.

For the next class, we will have affirmative vacancies for the priority fronts of diversity and inclusion, among them black people, persons with disabilities, the over-50 age group, women, and LGBTQIAP+ people. The idea is to further align the program with the ESG Agenda commitments of Pague Menos.

## Continual Training Course in Retail Operations (CFC)

Through a fully online course, we promote the training of professionals for customer

service in retail. Aimed at the most vulnerable portion of the population, 100 students were selected in 2021, most of them youths between 16 and 24 years old, self-declared brown, with only high school-level education.

In 2022, all students will receive a certificate of completion. In addition to classes, the course has face-to-face assessments of each discipline, tutorials, and the presentation of an end-of-course project. Through a fully online course, we promote the training of professionals for customer service in retail. Aimed at the most vulnerable portion of the population, 100 students were selected in 2021, most of them youths between 16 and 24 years old, self-declared brown, with only high school-level education.



## Partnership with the Coca-Cola Institut

In 2021, we became a partner of Instituto Coca-Cola, one of the largest employability programs in Brazil. Through this partnership, we ensure the reach of our job vacancies for youths in situations of social vulnerability, also focusing on increasing the participation of our priority fronts of diversity and inclusion.

Learn more about other traditional initiatives and events of the company that involve local communities, which unfortunately were not held in 2021 due to the Covid-19

### **Pague Menos Racing Circuit**

The event has already passed through 18 cities and was attended by more than 320 thousand runners. In addition to the races, we carry out actions designed for cultural, social, ecological, and health promotion.

### **Donation of wheelchairs**

Thousands of Brazilians with disabilities and reduced mobility gain a fuller life through donations, which guarantee the exercise of the right to come and go.

### **The Pague Menos Literary Contest**

A publication of 100 poems in a special collection that rewards the authors of the best five.

### **Our People Our Art Contest**

A cultural event, which in its last edition featured more than three thousand submitted paintings, collages, and engravings. It promotes cash prizes and virtual exhibitions of the selected works.

### **Pague Menos ambulance donations**

This campaign mobilized 3.5 million customers and 20 thousand institutions.

### **Pague Menos Ladies' Encounter**

Four days of immersion in courses, workshops, lectures, and a health and beauty mega trade show that brings together about 20 thousand women a day at each edition.

### **Cidade Verde (Green City)**

The project promotes the planting of seedlings, financed by the allocation of profits from the sales of participating products.

### **Bichinhos do Brasil (Pets of Brazil)**

An initiative that guarantees resources for conservational projects of Brazilian fauna.

In 2021, the Pague Menos Employee Volunteer Program was also initiated. Check out more information on page 62 of the chapter 'Our Team'.

# Suppliers

GRI  
102-9  
308-1  
414-1

**TO DEVELOP OUR OPERATIONS, WE ACQUIRE A MULTITUDE OF PRODUCTS, INCLUDING SIMILAR AND GENERIC DRUGS; NON-PRESCRIPTION DRUGS; DIAPERS; CHILDREN'S, HYGIENE AND BEAUTY PRODUCTS; DERMOCOSMETICS; HEALTH PRODUCTS, AND FOODSTUFFS. ALL THESE ITEMS ARE PROVIDED BY KEY PARTNERS FROM DIFFERENT REGIONS OF THE COUNTRY, SIZES, AND SECTORS.**

Our contracts are drawn up according to the Code of Ethics and the policies and commitments of Pague Menos. Therefore, all our suppliers must comply with the terms agreed upon in the formalization of partnerships.

In addition, we have a well-defined selection process, consisting of economic, financial, feasibility, and technical factory audits. In 2021, we started to also consider ESG issues in some inspections.

We require a series of documents such as licenses, certifications, and operating permits, in compliance with regulatory authorities. In 2021, we also conducted in-factory audits for all suppliers and included a return and collection process, integrated into our Supplier Portal. This year alone, there were 47 new registrations — 28

suppliers for company-owned brands and 19 related to the rest of inputs — totaling 1,189 partners registered in our system.

In addition, we understand that the interest of suppliers in linking their products to Pague Menos is due to its distribution and sales potential. Thus, we carry out actions designed for suppliers:

- **Marketing planning**  
We present a breakdown of the actions to be carried out in the following year, allowing partners to participate in promotions and sales.
- **The New Achievements Award**  
In recognition of suppliers who have made the most effort and excelled in generating new business, contributing to the growth of the network.

Throughout the partnership, we maintain a close relationship with suppliers, holding periodic meetings to monitor indicators, goals, and objectives.

Regarding our own brands, our chain focuses on the acquisition of national products such as disposable masks, multivitamin supplements, health care devices, body care items, child and hair hygiene, first aid, incontinence, and sun block. The audit process of these items is more strict, as their production is directly linked to the Pague Menos brand.





## Technology applied to **supplier evaluation**

In 2021, we began implementing software that makes our supplier selection process even more structured and effective. Through the tool, we carry out the economic, financial, feasibility, and technical audit of supplier factories, as well as analyze ESG criteria and standards, taking into account the social, environmental, and governance dimensions of the partners.

Our next step is to expand the implementation of the software to all our suppliers, improving our environmental and social assessment and strengthening our commitments to these pillars of the ESG Agenda.



# Investors

PAGUE MENOS LAUNCHED ITS IPO ON THE B3 STOCK EXCHANGE IN 2020 AND CURRENTLY HAS ABOUT 20% OF ITS SHARES BEING TRADED (FREE FLOAT). AT THE END OF 2021, ITS SHAREHOLDER BASE HAD MORE THAN 20 THOUSAND INDIVIDUAL INVESTORS, AS WELL AS MORE THAN 150 INSTITUTIONAL

Most of the investments are domestic, with 52% of Pague Menos shares in the form of Brazilian investment instruments.

### Investor Day

We held our first Investor Day on September 2, 2021, in order to convey to shareholders and investors transparent information about our activities, strategies and performance.

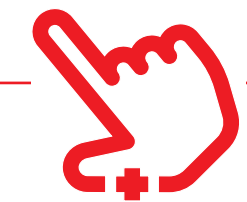
Throughout the virtual event, called 'Pague Menos Day', our executives talked about the progress of our main strategic actions and what the company's next steps are.

IN THIS FIRST EDITION, WE FOCUS ON THREE MESSAGES:

OUR ORGANIC **expansion plan**, WHICH CONTINUES TO FOCUS ON THE NORTH AND NORTHEAST REGIONS.

THE ACQUISITION OF **Extrafama**.

INVESTMENTS **in the Health Hub** AND OMNICHANNEL INITIATIVES TO INCREASE SALES AND CUSTOMER LOYALTY.



CLICK  
HERE

FOR TRANSPARENCY PURPOSES, WE ALSO HAVE A WEBSITE DEDICATED TO INVESTOR RELATIONS, WITH VARIOUS CONTENT ABOUT PAGUE MENOS.

# Environmental Management

**GRI**  
102-11  
103-1  
103-2  
302-1  
303-3  
306-1  
305-1  
305-2

**ONE OF THE THREE MAIN AXES OF PAGUE MENOS' SUSTAINABILITY AGENDA IS ENVIRONMENTAL MANAGEMENT, AS WE RECOGNIZE THAT PEOPLE'S HEALTH IS INTRINSICALLY RELATED TO THE HEALTH OF THE ENVIRONMENT. THEREFORE, WE ARE COMMITTED TO MINIMIZING IMPACTS AND PROMOTING SUSTAINABLE PRACTICES.**

In 2021, the company structured the sustainability area, with the creation of management and coordination, to monitor, among other topics, the management of environmental aspects related to all our activities. Thus, Pague Menos remains committed to the continuous evolution of its policies and practices aimed at environmental conservation.

## Energy

Rational and sustainable energy consumption is among the priorities of the company's environmental agenda, which combines continuous monitoring with the increasing use of renewable energy — also reflecting our commitment to combat climate change. Through data panels on the consumption of our stores, through a system that compiles information originating from the energy

tariffs of all units, we actively monitor our energy performance — contacting the stores when deviations are identified to raise awareness about improving resource management.

In 2021, 303205.2 GJ of energy was consumed in our stores, headquarters, and distribution centers. Of this total, 96% corresponds to the electricity used in our operations.

<b>Consumption of non-renewable fuels</b>		
	Liters	GJ
Diesel	311,371.9	11,053.7
Gasoline	229,1	7.4
<b>Renewable fuel consumption</b>		
Ethanol	1,853.3	39.6
<b>Electricity consumption</b>		
	KWh	GJ
Solar Energy	15,275,839	54,993
Grid electricity	68,947,834	248,212.2
Total electricity consumed	84,223,673	303,205.2



## Solar parks

We prioritize in our strategy the use of clean energy from renewable sources, especially solar. That is why, since 2015, we have invested in the development of solar parks to meet the energy demand in our stores and distribution centers.

In 2021, 734 consumer units were supplied with solar energy, which corresponds to 65.2% of the total units — the headquarters and distribution centers are not covered. Throughout the year, 15.3 MW/h were generated, which generated savings of R\$ 14.1 million and avoided the emission

of 8.8 thousand tons of CO2 into the atmosphere.

Throughout the year, 15.3 MW/h were generated, which generated savings of R\$ 14.1 million and avoided the emission of 8.8 thousand tons of CO2 into the atmosphere.

By the end of 2022, the company aims for 100% of Pague Meno stores, with up to two years of operation or acquisition, to be supplied by renewable energy.

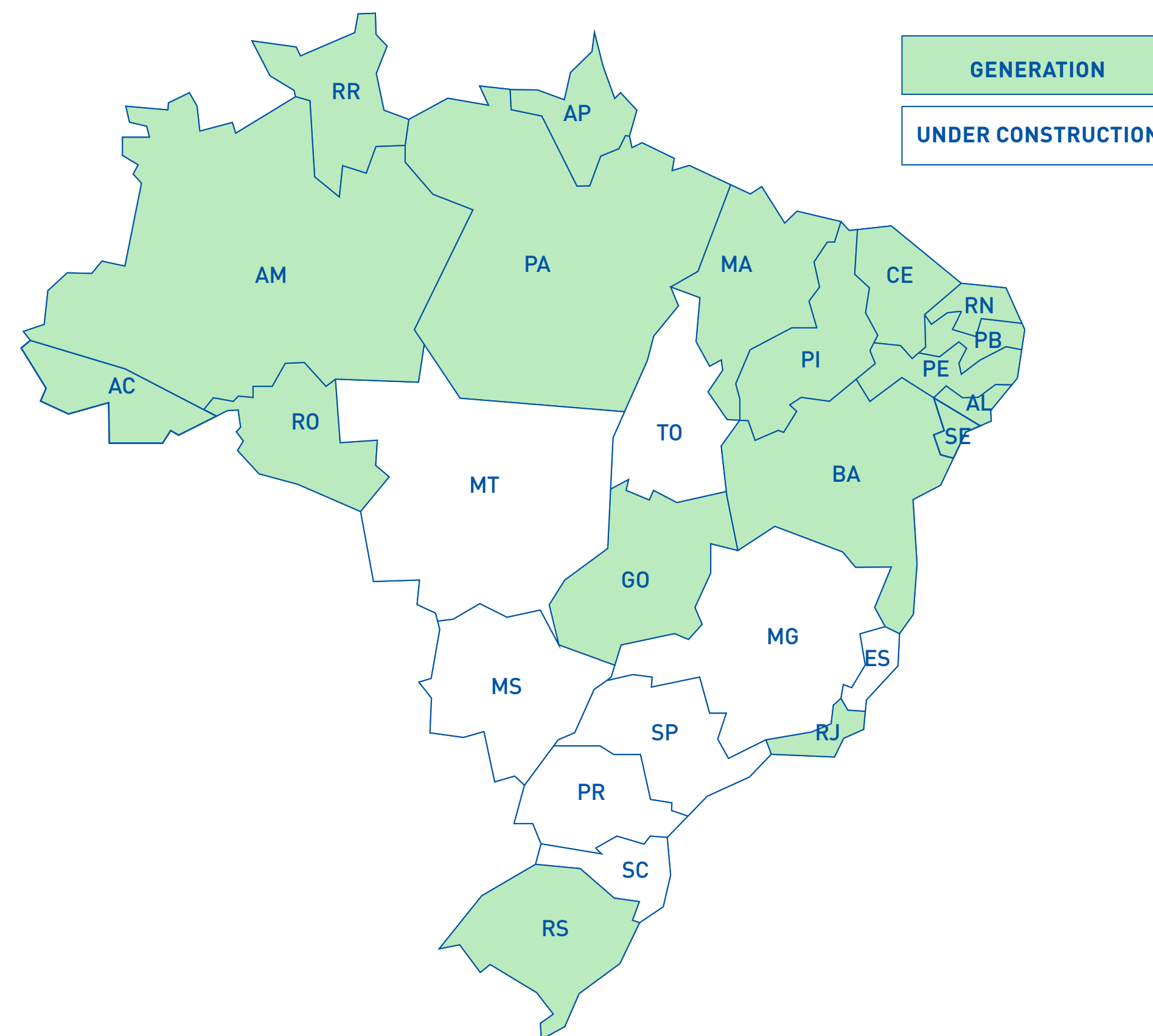
**15.3**  
MW/h

GENERATED IN THE  
COMPANY'S SOLAR PARKS.

### Consumer units of solar generation and coverage

**734** (REPRESENTING 65.2%)  
ALREADY HAVE SOLAR  
GENERATION

#### DEPLOYMENT ACCORDING TO STATE



### Energy efficiency

Throughout 2021, we relied on the training of our teams to act more consciously in the management of resources. As part of these efforts, we developed an energy efficiency booklet, which guides employees to adopt responsible practices in their daily lives. Our Energy Efficiency Policy is set to be published by 2022.



### Water

In 2021, we made progress in water management with the implementation of a system for capturing and reading the company's water consumption in order to effectively monitor the main indicators and be aware of possible deviations.

In all, during the year, 134,413 m3 of water were consumed in the headquarters, distribution centers, and in our stores.

### Waste

Waste management occupies a prominent place in our mapping of environmental aspects and impacts, given the profile of the business, which moves a significant volume of recyclable materials, as well as contaminants and sharp objects. Thus, Pague Menos has been committed to ensuring the segregation and correct disposal of waste generated in operations.

Among these wastes, cardboard and plastic boxes stand out, used to receive medicines and other products in our distribution centers (DC) for later shipment to stores. In DCs, we market these recyclables to partners interested in the material, supporting circular economy. Periodically, these partners collect the waste, weigh it, and remunerate us before recycling or reusing the disassembled boxes.

In addition, at Clinic Farma we generate a series of health care wastes generated from the approximately 60 services offered, especially Covid-19 tests carried out throughout the year and the application of vaccines. The collection and due disposal/incineration of these contaminating and sharp materials is conducted by third-party companies contracted in each region, which hold the appropriate licenses to perform the service.



### Reverse logistics of medicines

We adopt rigorous processes for the control and disposal of medicines, which involve consumer demand — maintaining adequate stock — and negotiation with suppliers, to compensate for the costs involved in the operation of the correct disposal. About six months before the expiration date, medications are taken out of stores and returned to our distribution centers, where they are sent to incineration. The value of the volume discarded by Pague Menos is negotiated with the industry in terms of deadlines and discounts.

As for the waste produced by the customer — i.e., medicine that the consumer has stopped taking, broken, or expired — some of our stores are able to receive them and carry out adequate disposal/destination. At the end of 2021, there were 122 collection points available for this purpose. These medicines are collected by the carriers, along with hazardous waste from our pharmaceutical services, and correctly disposed of.



### Air emissions

Committed to identifying the impact of our activities, we carried out the first inventory of Pague Menos emissions for the 2021 period. The inventory, calculated by specialized consulting firms, consolidates information from the head offices, stores, and distribution centers in all the states in which we operate.

The accounting and quantification of emissions are based on the concepts and guidelines established by the *Intergovernmental Panel on Climate Change* (IPCC) and by reference documents on the subject, especially the Greenhouse Gas Protocol — a *Corporate Accounting and Reporting Standard*.

For the inventory, the five gases and the two families of gases internationally recognized as causes of greenhouse effect were included, in accordance with the Kyoto Protocol:

- ✓ Carbon dioxide (CO<sub>2</sub>)
- ✓ Methane (CH<sub>4</sub>)
- ✓ Nitrous oxide (N<sub>2</sub>O)
- ✓ Sulphur hexafluoride (SF<sub>6</sub>)
- ✓ Nitrogen trifluoride (NF<sub>3</sub>)
- ✓ Hydrofluorocarbons (HFCs)
- ✓ Perfluorocarbons (PFCs)

GHG	In tonnes of gas		In metric tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	
	Scope 1	Scope 2 - Approach Localization	Scope 1	Scope 2 - Approach Localization
CO <sub>2</sub> – Carbon dioxide	22,655.4	8,716.1	22,655.4	8,716.1
CH <sub>4</sub> – Methane	2.7	-	76.6	-
N <sub>2</sub> O – Nitrous oxide	0.9	-	255.1	-
HFC – Hydrofluorocarbons	0.0	-	138.3	-
<b>Total</b>	<b>22,659.1</b>	<b>8,716.1</b>	<b>23,125.6</b>	<b>8,716.1</b>

**WITH THE COMPANY'S SOLAR PARKS, WE AVOIDED THE EMISSION OF 8.8 THOUSAND TONNES OF CO<sub>2</sub> INTO THE ATMOSPHERE IN 2021.**

Scope 1 – Emissions, by category			
Category	Emissions of tCO <sub>2</sub> e	Emissões de biogenic CO <sub>2</sub>	Biogenic CO <sub>2</sub> removals
Mobile combustion	22,920.3	1,465.3	-
Stationary combustion	15.0	1.2	-
Industrial processes	-	-	-
Solid waste and liquid effluents	48.3	-	-
Fugitive emissions	138.4	-	-
Changes in land use	3.4	-	3.1
<b>Total emissions Scope 1</b>	<b>23,125.6</b>	<b>1,466.5</b>	<b>3.1</b>

Scope 2 – Emissions, by category			
Approach based on location	Emissions of tCO <sub>2</sub> e	Biogenic CO <sub>2</sub> emissions	CO <sub>2</sub> removals
Acquisition of electricity	8,716.155	-	-
Acquisition of thermal energy	-	-	-
Losses from transmission and distribution	-	-	-
<b>Total emissions Scope 2 (location)</b>	<b>8,716.155</b>	<b>-</b>	<b>-</b>

## Environmental education

In 2021, we invested in a series of communication campaigns and memos focused on environmental education in our units, such as stores, DCs and the Pague Menos headquarters. The objective is that employees adopt, inside and outside the company, sustainable habits in their daily lives, such as the proper use of items such as air conditioning, faucets, electricity, and correct disposal of materials.

At *Up Farma*, our Corporate University, we offer a specific course on ESG and environmental management and launched the e-book “What is the importance of the SDGs for organizations?”.

Also, on the day of Conscious Consumption, celebrated on October 15, we carried out an action at our headquarters, *call center*, and *pmenosLab* to discontinue the use of plastic cups. We delivered to our employees 1.4 thousand mugs and bottles of the company-owned brand Pague Menos Eco, which has resources reverted to the Manguê Ecomuseum — an entity that operates in the city of Fortaleza, working at the mouth of the Cocó River in the Caça e Pesca and Sabiaguaba neighborhoods.





# Awards and recognitions



**5<sup>th</sup>**  
PRIZE

TRULY *BLACK FRIDAY*, BY  
*PROXY MEDIA*.



**19<sup>th</sup>**  
EDITION

OF THE TOP NATAL MOST  
REMEMBERED BRANDS AWARD,  
IN THE PHARMACY/ DRUGSTORE  
CATEGORY, IN NATAL (RIO  
GRANDE DO NORTE).



GTPW 2021

AMONG THE BEST RETAIL COMPANIES TO  
WORK AT, SUPER LARGE CATEGORY, AND  
THE BEST IN RIO GRANDE DO NORTH AND  
NORTHERN REGION OF THE COUNTRY.



2021  
ABRAPPE  
PRIZE.



**10<sup>th</sup>**  
EDITION

OF ÉPOCA NEGÓCIOS 360 YEARBOOK —  
118TH POSITION IN THE RANKING OF 500  
BEST COMPANIES FOR THE CATEGORIES OF  
FINANCIAL PERFORMANCE, CORPORATE  
GOVERNANCE, SUSTAINABILITY, INNOVATION,  
PEOPLE, AND VISION OF THE FUTURE.



THE BOTICÁRIO FERREIRA  
MEDAL

GRANTED BY THE CITY COUNCIL OF  
FORTALEZA, IN RECOGNITION OF MÁRIO  
QUEIRÓS.



RA1000 STAMP,  
FROM RECLAME AQUI.



STARTUP  
AWARDS 2021

FROM THE BRAZILIAN ASSOCIATION  
OF STARTUPS (ABSTARTUPS).



MOST ADMIRED  
RH  
IN BRAZIL.

# About the report

**GRI**  
102-45  
102-46  
102-50  
102-51  
102-52  
102-53  
102-54

**THIS IS THE FIRST EDITION OF THE PAGUE MENOS SUSTAINABILITY REPORT, A DOCUMENT THAT AIMS TO INFORM OUR STAKEHOLDERS ABOUT THE MANAGEMENT AND PERFORMANCE OF OUR BUSINESS, WITH A SPECIAL FOCUS ON MANAGING RISKS AND OPPORTUNITIES RELATED TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ASPECTS.**

Thus, the publication reinforces the company's commitment to transparency and the continuous evolution of its communication practices with the different audiences with which we relate.

In this sense, this report aligns with the recommendations of the *Global Reporting Initiative* (GRI), one of the main international organizations to establish standards and requirements for the disclosure of information on sustainability.

Considering the scope of the content, the publication follows the guidelines for the 'essential' reporting option.

Based on these guidelines, this report presents information related to the period from January 1 to December 31, 2021, covering Pague Menos Empreendimentos S.A., within the same scope as the company's financial statements for the year 2021.



**QUESTIONS, SUGGESTIONS AND COMMENTS ABOUT THE CONTENT OF THIS REPORT MAY BE SENT BY EMAIL:**

**RI@PMENOS.COM.BR**

## Material Themes

**GRI**  
**102-40**  
**102-42**  
**102-43**  
**102-44**  
**102-47**

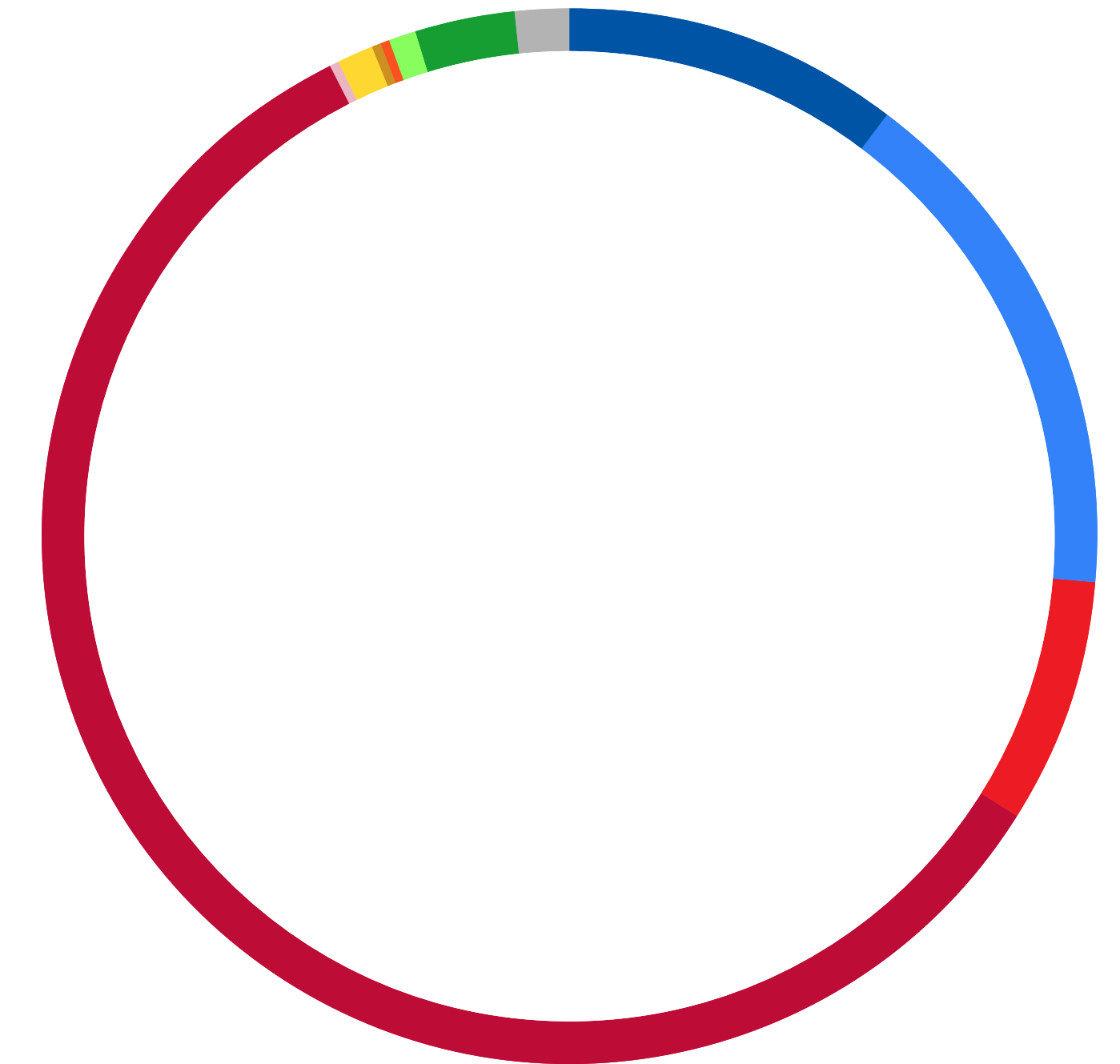
At the beginning of 2021, we conducted an in-depth materiality study, which involved sector diagnosis, consultation with stakeholders-via online research and structured conversations – for subsequent prioritization of the most important topics to be addressed by the company’s management as well as those addressed in the Sustainability Report.


The first stage was the analysis of the sectoral and the business environment of Pague Menos in order to select the topics to be consulted. In addition to the methodology recommended by the GRI, topics suggested by the main institutions related to sustainability and their respective frameworks were identified, such as Globe Scan Radar, RobecoSam: Sustainability Yearbook 2020, SASB – Drug Retailers/Health Care Delivery, and the SDG Industry Matrix – Healthcare & Life.

After selecting the themes, we invited about six thousand people to answer an online survey in order to engage representatives of our stakeholders in defining the material themes. The research sample consisted of customers, employees, investors, suppliers, and regulatory agencies, among other stakeholders of the company. In all, 5.7 thousand people responded to the survey, with significant participation of our team and customers, as detailed in the infographic on the side.

As a result, 12 members of the company’s senior management were interviewed, as well as external sources with extensive experience in the sector. This process led to the consolidation of the ESG themes to be prioritized, as presented in the Materiality Matrix below.

- **0.1%** Board and committee members
- **10.4%** Customers over 55 years of age
- **15.9%** Other customers
- **7.5%** Suppliers and service providers
- **58.7%** Employees
- **0.2%** Institutional investors
- **1.1%** Individual investors
- **0.1%** Analyst research
- **0.2%** Bank
- **0.2%** Regulatory agencies
- **1.0%** Trade associations
- **3.0%** Doctors
- **0.2%** Memberships and agreements
- **0.1%** Insurance providers
- **1.5%** Labor unions
- **0.1%** Others



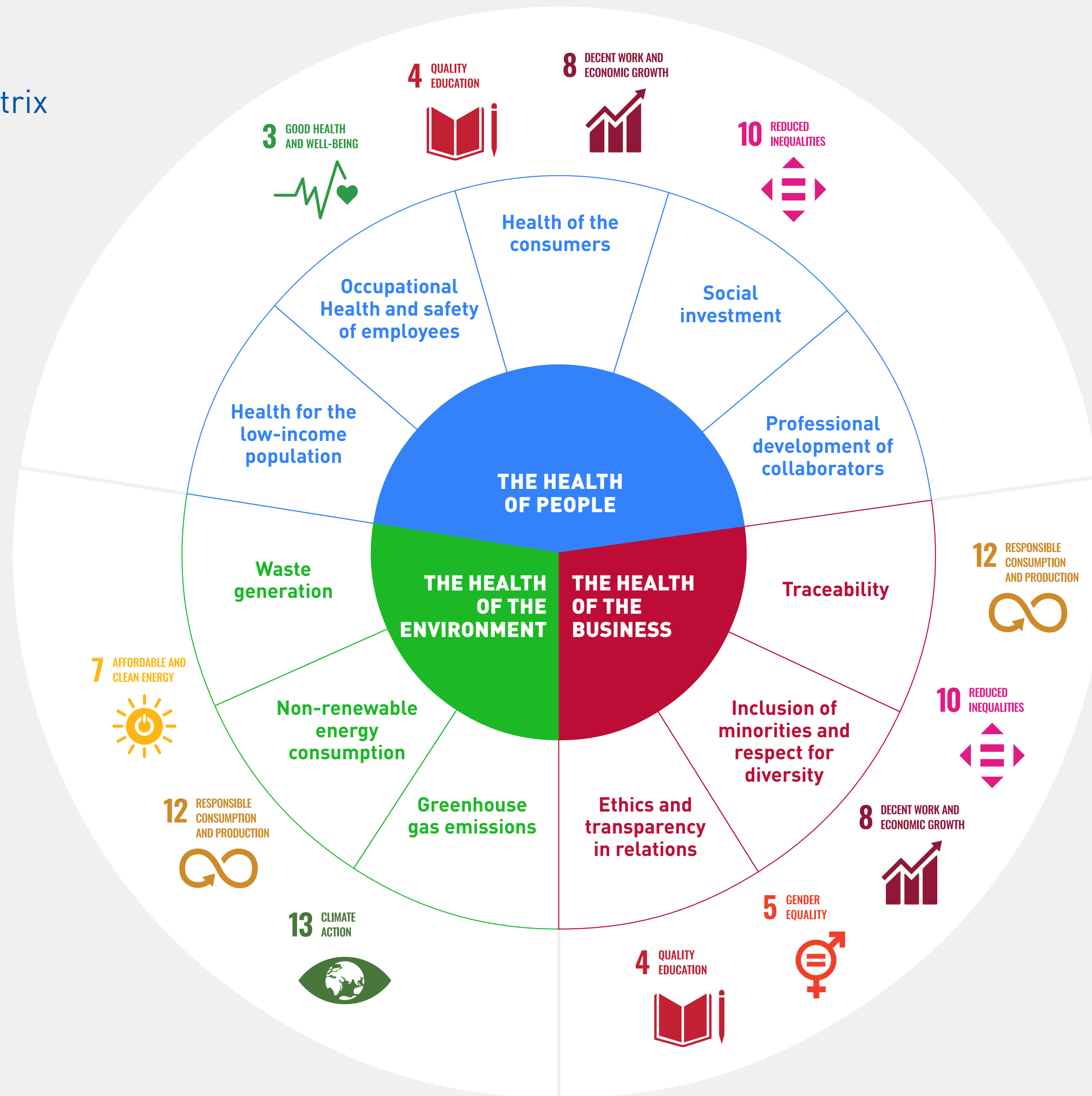


5.7

THOUSAND

PEOPLE RESPONDED  
TO THE SURVEY.

# Materiality Matrix



Below, in the GRI content summary, we present the indicators selected according to topic, based on the relevant themes listed, thus composing the performance indicators to be monitored and reported by the company.

**GRI**  
**102-55**

## Summary of GRI content

Indicator	Description	Page	Justification
<b>GRI 102: General themes 2016 – Organizational Profile</b>			
102-1	Name of organization	8	
102-2	Activities, brands, products, and services	8	
102-3	Location of headquarters	8	
102-4	Location of operations	8 e 12	
102-5	Ownership and legal nature	8 e 24	
102-6	Markets served	8 e 12	
102-7	Organization Size	8	
102-8	Information about employees and other workers	48 e 52	
102-9	Supply chain	80	
102-10	Significant changes in the organization and supply chain	19	
102-11	Adoption of approach or precautionary principle	83	
102-12	External initiatives	56	
<b>GRI 102: General themes 2016 – Strategy</b>			
102-14	Statement of the executive with the greatest decision-making power in the organization	4	
102-15	Main impacts, risks and opportunities.	32	
<b>GRI 102: General themes 2016 – Ethics and Integrity</b>			
102-16	Values, principles, standards, and behavioral rules	8 e 29	
102-17	Mechanisms for consultation and communication on ethics issues	29	
<b>GRI 102: General themes 2016 – Governance</b>			
102-18	Governance structure	24	
<b>GRI 102: General themes 2016 – Stakeholder engagement</b>			
102-40	List of stakeholder groups	91	
102-41	Employees covered by collective bargaining agreements	48	
102-42	Identification and selection of stakeholders	91	
102-43	Approach to engage stakeholders	91	
102-44	Issues and concerns raised by stakeholders	91	

Indicator	Description	Page	Justification
<b>GRI 102: General themes 2016 - reporting practices</b>			
102-45	Entities included in the financial statements	90	
102-46	Definition of content and limits of material topics	90	
102-47	List of material topics	91	
102-48	"Explanation of the consequences of any restatement of information provided in previous reports"	-	This does not apply, as it is the first report published by the company.
102-49	"Significant changes compared to previous years with regard to the list of material topics and the limit of topics covered"	-	This does not apply, as it is the first report published by the company.
102-50	Reporting period	90	
102-51	Date of most recent report	90	
102-52	Reporting cycle	90	
102-53	Contact for questions about the report	90	
102-54	Reporting premises in accordance with GRI standards	90	
102-55	Summary of GRI content	93	
102-56	External verification	-	The report has not been independently verified.
<b>GRI 103: Form of Management 2016</b>			
103-1	Explanation of material topics and their limits	71, 78 e 83	
103-2	Management of the material topic	71 e 83	
103-3	Evolution of management	71	
<b>GRI 201: Economic performance 2016</b>			
201-1	Economic value generated and distributed	56	
<b>GRI 205: Combating Corruption 2016</b>			
205-2	Communication and capabilities regarding anti-corruption policies and procedures	-	
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	83	
<b>GRI 303: Water and Effluents 2018</b>			
303-3	Water withdrawal, by source	83	
<b>GRI 305: Emissions 2016</b>			
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	83	
305-2	Indirect greenhouse gas (GHG) emissions from energy procurement (Scope 2)	83	
<b>GRI 306: Waste 2020</b>			
306-1	Waste generation and significant waste-related impacts	83	
<b>GRI 308: Environmental Assessment of Suppliers 2016</b>			
308-1	New suppliers selected based on environmental criteria	80	

Indicator	Description	Page	Justification
<b>GRI 401: Employment 2016</b>			
401-1	New hires and employee turnover	48	
401-2	Benefits offered to employees	62	
<b>GRI 403: Occupational Health and Safety 2018</b>			
403-1	Occupational health and safety management system	58	
403-2	Hazard identification, risk assessment, and incident investigation	58	
403-3	Occupational health services	58	
403-4	The participation of workers, with consultation, and communication provided to them concerning occupational health and workplace safety	58	
403-6	Promotion of occupational health	58	
403-9	Workplace accidents	58	
<b>GRI 404: Training and education 2016</b>			
404-1	Average number of training hours per employee	63	
404-2	Employee skills development and career transition assistance programs	63	
404-3	Percentage of employees receiving regular performance and career development evaluations	48 e 65	
<b>GRI 405: Diversity and Equal Opportunities 2016</b>			
405-1	Diversity of governance bodies and staff	48 e 52	
405-2	Ratio of the base salary and remuneration received by women to those received by men		
<b>GRI 406: Non-Discrimination 2016</b>			
406-1	Discrimination cases and corrective measures taken	29	
<b>GRI 413: Local communities 2016</b>			
413-1	Operations with local community engagement programs, impact assessment, and local development	78	
<b>GRI 414: Social Assessment of Suppliers 2016</b>			
414-1	New suppliers selected based on social criteria	80	
<b>GRI 418: Customer Privacy 2016</b>			
418-1	Proven complaints regarding breach of privacy and loss of customer data	31	

**SUSTAINABILITY REPORT  
PAGUE MENOS 2021**

**General Coordination**

Pague Menos Communication,  
Culture, Climate and ESG Management

**GRI consulting**

We Sustentabilidade

**Editorial project**

Mar Comunica

**Images**

Pague Menos Stock Photos

**Translation**

Companhia das Traduções