

	Corporate Policy	Code:	VRI-DNN-POL01
		Version:	001
	Vice President of Planning, IR and M&A	Target audience:	Corporate
		Created on:	Apr 30, 2021
	Policy for ESG Aspects in M&A	Revised on:	
		Pages:	Page 1 of 6

TABLE OF CONTENTS

1. OBJECTIVE	2
2. REACH.....	2
3. REFERENCES	2
4. DEFINITIONS.....	2
5. GUIDELINES	3
6. DUE DILIGENCE BEFORE THE TRANSACTION	3
6.1. DUE DILIGENCE BEFORE THE TRANSACTION.....	3
6.2. IDENTIFICATION OF SUSTAINABILITY PRACTICES.....	4
6.3. ADOPTION OF PRACTICES AFTER THE TRANSACTION.....	5
7. PERSONAL DATA PROTECTION	5
8. RESPONSIBILITIES.....	5
8.1. IR AND NEW BUSINESSES OFFICER.....	5
8.2. SUSTAINABILITY OFFICER	5
8.3. BOARD OF DIRECTORS.....	5
9. <i>CANAL CONVERSA ÉTICA</i>	5
10. AUTHORITY.....	6
11. RECORD	6

1. OBJECTIVE

This Policy for Environmental, Social and Corporate Governance (ESG) aspects in M&A aims to establish and regulate the application of sustainability practices in the business Mergers & Acquisitions processes, so as to evaluate and map potential compliance risks and opportunities involved, thus enabling the standardization of the environmental, social and corporate governance performance. This policy also seeks to provide a common language between Raia Drogasil S/A ('RD') and its subsidiaries, controlled, investee and associated companies ('Affiliates'), so as to disseminate and enhance the risk management culture in applying ESG criteria in mergers or acquisitions of new businesses.

2. REACH

This document has a corporate nature and is applicable to all the company.

3. REFERENCES

- CVM (Brazilian Securities Commission) Instruction no. 565
- CVM (Brazilian Securities Commission) Instruction no. 547
- Brazilian General Data Protection Law (LGPD) - Act no. 13.709/2018
- Anticorruption Act or Clean Companies Act - Act no. 12.846/2013
- Risk Management Policy - VFA-DCF-POL003
- Environmental and Occupational Health & Safety Policy - VRH-DSU-POL001
- Social Investment and Contributions Policy - VGC-DSS-POL001
- Anti-corruption, Anti-fraud and Relations with Public Entities/Agencies Policy - VRH-DPH-POL 50
- People Code - Ethics and Conduct in RD
- ABNT ISO 14001 - Environmental Management Systems
- ISO 45001:2018 Standard - Occupational Health and Safety Management Systems

4. DEFINITIONS

- **Risk Appetite:** maximum level at which the Company is willing to expose itself in relation to the risk(s) in order to meet its strategic objectives and add value to its business.
- **Compliance:** function that carries out verification of conformity to laws and regulations by pharmacies, Distribution Centers and any other area of the Company.
- **ESG Criteria:** Environmental, Social and Governance aspects that refer to the best practices to incorporate sustainability principles into the organization management model.
- **Integration Teams:** multi-functional teams set up after the execution of final agreements of the transaction and approval by the competitive authority, when necessary, which shall be responsible for introducing the new operations into the RD structure. The need for and structuring of the Integration Teams shall take into account the size, nature and complexity of the transaction.
- **Mergers & Acquisitions:** ownership operations that bring about the transfer of ownership interest, whether for the purchase or sale, between RD or its Affiliates and another company.
- **Risks:** any events that, if materialized, may prevent RD from achieving its purpose, which is to take close

care of people's health and well-being in all moments of life, or yet, that conflict with its values. Risks include, mainly, the following:

- ✓ **Environmental Risk:** event related to the physical, chemical and biological agents in the work environment which, due to their nature, concentration or intensity and exposure time, are capable of causing harm to the worker's health, as well as to society and the environment (land, water and atmosphere).
- ✓ **Legal Risk:** risk arising from non compliance with laws and regulations, with contractual obligations, or derived from court orders.
- ✓ **Reputational Risk:** risk to RD's image and its good reputation in any of its spheres, including institutional, operational, social, financial, commercial, physical or online, among others.
- ✓ **Data Security Risks:** compliance with Federal Act no. 13.709/18, which ensures the users' right to privacy and personal data protection through transparent and secure practices, thus guaranteeing fundamental rights.
- ✓ **OHS (Occupational Health & Safety) Risk:** hazards and risks that may lead to accidents or causes of accidents during the routine of employees and contractors or in exceptional circumstances.
- **Personal Data:** Information related to the natural person identified or identifiable, including Sensitive Personal Data, understood as personal data related to racial or ethnic origin, religious belief, political opinion, affiliation to a union or organization of a religious, philosophical or political nature, data related to health or sexual life, genetic or **biometric** data when related to the natural person.

5. **GUIDELINES**

- a. Including ESG Criteria in the M&A processes, so as to map and enhance the evaluation of compliance risks and opportunities involved, thus enabling the standardization of the environmental, social and corporate governance performance for RD's new businesses.
- b. Providing administrators and shareholders with access to clear and objective information, and informing decision making based on the main risks and opportunities of ESG Criteria in the M&A processes.
- c. Adopting a formal methodology, common language and standard procedures aligned with the best market practices, with the purpose of enabling the understanding of the incorporation of ESG Criteria into the evaluation of new opportunities.
- d. Ensuring the process of mapping risks involved and following, controlling and managing such risks during negotiations and after completion of the merger or acquisition transaction.
- e. RD keeps a long-term strategic planning that considers formal commitments to the sustainability agenda in light of the best market practices and internal guidelines, approved by its Board of Directors. This planning, periodically reviewed, informs the decision-making process in M&A transactions.

6. **DUE DILIGENCE BEFORE THE TRANSACTION**

6.1. **DUE DILIGENCE BEFORE THE TRANSACTION**

The IR and New Businesses Officer, together with the Legal Officer and the Person in Charge of Personal Data Processing, shall evaluate the need for a due diligence before the M&A, focused on ESG Criteria, considering the performance area of the target company and the complexity of the operation.

He/She shall also coordinate the due diligence in the companies under analysis for a potential transaction. The

work shall be developed in conjunction with the various corporate areas of RD, and may or may not include

 Title: Policy for ESG Aspects in M&A	Code:	VRI-DNN-POL01
	Pages:	4 / 6

external consultants, depending on the extent of the scope that must be analyzed.

This prior due diligence to be carried out aims to verify, through documents, interviews with key persons and other evidence, the situation of the company being considered for the Merger or Acquisition operation, and shall include the financial, tax, labor, ownership, regulatory, criminal, civil, operational, commercial, compliance, personal data protection, social and environmental aspects.

The process shall also take into account sustainability practices in the companies under analysis, including minimum requirements as follows:

- a. Analysis of legal documentation related to the environmental and social aspects applicable to the activities developed:
 - Labor practices
 - Environmental constraints
 - Analysis of environmental liabilities (Phase I and Phase II Investigations)
 - Compliance Commitments (TACs) and Terms of Commitment (TCs) for social, environmental and reputational topics.
 - Other reference documents (ISO 14001, ISO 45001, unqualified companies - TCU)
- b. Environmental due diligence to be carried out by independent company specializing in the matters to be investigated, when applicable.
- c. The evaluation of documentation related to environmental and social aspects shall be followed by a representative of the Sustainability Officer.

The prior due diligence phase is indispensable to the M&A processes for several reasons, including:

- (i) Identifying operational problems;
- (ii) Identifying any exposure to acts of corruption;
- (iii) Identifying legal or administrative liabilities due to non compliance with the laws in force;
- (iv) Helping to define the value of the target company;
- (v) Avoiding damage to RD's reputation for wrongdoings on the part of the target company;
- (vi) Enabling negotiations based on sound data/evidence;
- (vii) Helping to define prior conditions and warranties.

The result of this investigation shall produce a descriptive report to be used in the process of evaluating economic and reputational aspects, adherence to RD's short- and long-term objectives, and negotiations with the other parties.

6.2. IDENTIFICATION OF SUSTAINABILITY PRACTICES

In case RD's sustainability practices are applicable to the target company and RD's performance assumptions are not identified, but nevertheless the transaction proves attractive, an action plan to sort it out should be proposed and implemented. Likewise, in case the sustainability criteria are not liable to implementation, the transaction shall be subject to analysis where risks and gains are to be mapped, considering the transaction as a whole, as well the non adoption of sustainability principles. Based on this analysis, a decision on continuing or not with the transaction shall be made.

Just like the potential risks in various areas commonly analyzed in M&A processes, the ESG aspects, risks and criteria identified shall be communicated to the Board of Directors or the Executive Board, as the case may be, so as to inform the decision-making process.

6.3. ADOPTION OF PRACTICES AFTER THE TRANSACTION

The officers involved in the transaction and the nature of the new business, and the Integration Teams when established, shall be responsible for developing and implementing action plans to promote the adjustment of Affiliates' practices to those used internally by RD.

Internal policies, processes and controls, code of ethics and conduct, integrity program, value chain management best practices, and RD's operation standards shall be applicable to the Affiliates. In line with the principle of continuous improvement and in accordance with the organizational culture, best market practices shall also be considered.

The process of welcoming the employees that have joined RD's staff should be respectful, ethical and transparent.

7. PERSONAL DATA PROTECTION

M&A processes shall include evaluation of compliance by the target company with the rules and guidelines for personal data protection. Such evaluation shall take into account the company's level of compliance with the laws in force, especially with Federal Act no. 13.709/2018 ('Brazilian General Data Protection Law'), besides verifying the existence of technical and organizational measures designed to protect personal data from unauthorized access and from accidental or illegal situations of destruction, loss, change, communication or any form of inappropriate or illegal processing.

The Person in Charge of Personal Data Processing, in conjunction with the Privacy Office, shall necessarily participate in the referred evaluation.

8. RESPONSIBILITIES

8.1 IR AND NEW BUSINESSES OFFICER

- a. Ensure compliance with this Policy;
- b. Implement the necessary actions to improve the M&A process.

8.2 SUSTAINABILITY OFFICER

- a. Evaluate the documents related to the environmental and social aspects in the prior due diligence process;
- b. Suggest improvements for the incorporation of ESG Criteria in the methodology, processes and systems, among others, in the M&A processes;
- c. Assist the IR and New Businesses Officer in the M&A processes.

8.3 BOARD OF DIRECTORS

- a. Approve the guidelines for M&A (methodology, policies, processes and systems, among others);
- b. Evaluate and make resolutions on the M&A processes, according to the internal governance rules.

9. CANAL CONVERSA ÉTICA

RD makes available the *Canal Conversa Ética* (anonymous ethics hotline) as a whistleblowing tool to report misconduct and/or wrongdoing that violates the policies of RD and its associated companies, the legislation and People Code - Ethics and Conduct in RD. The channel is available 24/7.

In the event of any situation that may qualify as the violations described, the employee, supplier, partner,

service provider, customer and others may file a report through the following communication channels:

Website: www.conversaetica.com.br
Email: contato@conversaetica.com.br
Telephone: 0800 778 9009

It is a confidential and independent channel, supported by a third-party company that receives the wrongdoing reports, guarantees anonymity and information confidentiality. An employee reporting a wrongdoing shall not be subject to any threat, intimidation or retaliation.

10. **AUTHORITY**

Action / Reason	Person in charge	Approval
Development of the M&A Policy - ESG Criteria and Post Deal	IR and New Businesses Officer	CEO

11. **RECORD**

Version	Created/modified on	Approved on	Access	Maintenance and update	Storage
001	Apr 30, 2021	Jun 17, 2021	Corporate	M&A Manager	Workplace