

Annual and Sustainability Report **2010**

 *Grupo Pão de Açúcar*



MAIN INDICATORS EC1/2.8

ECONOMIC-FINANCIAL	2006	2007	2008	2009	2010
Economic Indicators (R\$ millions)					
Gross sales	16,460.3	17,642.6	20,856.8	26,219.1	36,144.4
Net sales	13,880.4	14,902.9	18,033.1	23,250.3	32,091.7
Cost of goods sold	(9,963.0)	(10,724.5)	(13,279.5)	(17,493.8)	(24,241.5)
Gross profit	3,917.4	4,178.4	4,753.6	5,756.5	7,850.2
EBITDA ⁽¹⁾	886.4	992.4	1,322.5	1,504.1	2,068.1
Net financial result	(220.6)	(201.8)	(316.8)	(251.2)	(823.0)
Net income	85.5	185.7	260.4	644.7	722.4
Profitability					
Gross margin	28.2%	28.0%	26.4%	24.8%	24.5%
EBITDA margin	6.4%	6.7%	7.3%	6.5%	6.4%
Net margin	0.6%	1.3%	1.4%	2.8%	2.3%
Financial indicators (R\$ millions)					
Total assets	11,600.4	12,750.3	13,544.0	18,439.6	28,704.9
Shareholders' equity	4,842.1	4,949.7	5,407.7	6,537.1	7,019.2
Investments	854.3	980.6	503.1	723.1	1,191.2
Gross debt	1,934.1	2,394.4	2,484.7	3,015.2	4,651.4
Net debt	652.6	1,330.2	859.1	672.0	1,253.4
Net debt/EBITDA (x)	0.7	1.3	0.6	0.4	0.6
Shares					
Number of shares (thousands)	227,543	227,771	235,249	254,482	257,541
Net income per thousand shares (R\$)	0.8109	0.8151	1.1070	2.5333	2.8051
Average price per Preferred share (R\$)	36.36	32.36	34.60	41.74	62.08
Average price per ADR (US\$)	16.70	16.61	19.28	21.96	35.62
Market value at period-end (R\$ billions)	8.5	7.8	7.3	16.5	17.8
Distribution of proceeds per Preferred share (R\$)	0.18594	0.228841	0.2739	0.587932	0.690501
Dividends distributed (R\$ millions)	20.3	50.1	61.9	140.5	171.6
OPERATIONAL	2006	2007	2008	2009	2010
Total stores (number)	549	575	597	1,080	1,647
Same-store growth (%)	-0.1%	2.8%	8.5%	9.6%	12.1%
Sales space (m ²)	1,217,984	1,338,329	1,360,706	1,744,653	2,811,103
Gross sales per m ² /month (R\$)	1,147	1,135	1,300	1,407	1,555 ⁽²⁾
Gross sales per employee/month (R\$)	26,587	27,003	30,652	33,488	37,404 ⁽²⁾
Gross sales per check-out/month (R\$)	151,186	156,935	185,525	211,769	239,927 ⁽²⁾
Average Ticket (R\$)	32.1	32.6	37.8	45.9	56.5 ⁽²⁾
Number of transactions (thousands)	511,947	516,747	551,482	564,755	592,816
Number of employees	63,607	66,165	70,656	85,244	144,914
SUSTAINABILITY	2006	2007	2008	2009	2010
Statement of Value Added (R\$ millions)	3,065	3,364	3,393	4,958	7,149
Investments in the environment (R\$ millions)	N/A	N/A	N/A	3.6	4.8
Water Consumption (l)	N/A	N/A	2,064,034	3,212,843	3,216,195
Electricity Consumption (Kwh) ⁽³⁾	N/A	N/A	783,968,752	747,248,371	747,826,597
Volume of recycled material (tons) ⁽⁴⁾	N/A	N/A	6,625	7,816	9,050

(1) EBITDA means earnings before interest, taxes, depreciation and amortization. It is a non-GAAP measure, but is widely used by financial analysts to analyze companies.

(2) Because revenue from Casas Bahia was only consolidated in November and December 2010, the Company presents this indicator without said transaction in order not to distort the analysis and provide a better understanding of its business.

(3) Refers to stores/Distribution Centers (DC)/headquarters

(4) Refers to GPA's Recycling Centers

2010 HIGHLIGHTS

- CONSOLIDATED GROSS SALES OF R\$36.1 BILLION
- GROWTH OF 12.1% IN SAME-STORE GROSS SALES
- CONSOLIDATED EBITDA OF R\$2.1 BILLION
- NET INCOME OF R\$722.4 MILLION
- FINALIZATION OF THE ASSOCIATION WITH CASAS BAHIA
- CREATION OF A HIGH-PERFORMANCE MODEL FOCUSED ON THE GROUP'S VALUES: HUMBLINESS; DISCIPLINE; DETERMINATION AND GRIT; AND EMOTIONAL BALANCE
- CEMENTING A NEW CENTRALIZED MANAGEMENT MODEL, FORMED BY A MULTIBUSINESS STRUCTURE
- REORGANIZATION OF THE PORTFOLIO, WITH 117 STORE CONVERSIONS AND 41 OPENINGS
- CREATION OF THE VICE-PRESIDENCY OF CORPORATE RELATIONS, WHICH COORDINATES THE SUSTAINABILITY AREA, AMONG OTHER AREAS
- INCLUSION OF SUSTAINABILITY AS ANOTHER STRATEGIC PILLAR FOR THE GROUP
- CREATION OF SUSTAINABILITY POLICIES AND GUIDELINES
- INAUGURATION OF THE FIRST GREEN DISTRIBUTION CENTER, IN BRASÍLIA

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OUR
GROUP



OUR GROUP

> INTRODUCTION

THIS IS THE ANNUAL AND SUSTAINABILITY REPORT OF GRUPO PÃO DE AÇÚCAR (GPA), WHICH FOR THE THIRD CONSECUTIVE YEAR DISCLOSES ITS PERFORMANCE IN THE ECONOMIC-FINANCIAL, SOCIAL AND ENVIRONMENTAL SPHERES IN ACCORDANCE WITH GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES, APPLIED AT LEVEL B. THIS YEAR, THERE ARE 52 PERFORMANCE INDICATORS – 12 MORE THAN IN 2009. IN APPLYING THIS MODEL, THE COMPANY SEEKS TO REINFORCE THE RELATIONSHIP WITH ALL ITS CONSTITUENCIES: SHAREHOLDERS, INVESTORS, MARKET ANALYSTS, EMPLOYEES, CLIENTS, SUPPLIERS, THE GOVERNMENT AND SOCIETY.

GPA, which has published an annual report since 1999, published its last Annual and Sustainability Report in June 2010.

GRI 3.2, 3.3

The information herein covers the Group's operating results in Brazil, as of and for the period from January 1, 2010 to December 31, 2010. *GRI 3.1*

Except where otherwise indicated, the operating and financial information, as well as the comparisons to 2009, is presented based on consolidated figures in reais, in accordance with applicable corporate law. The discussion of the numbers relating to the Group's operating performance is divided into Consolidated (which include in full the operating and financial results of Sendas Distribuidora, Assaí Atacadista and Globex Utilidades

S.A., together with the results of Casas Bahia, which have been consolidated as of November 2010) and GPA Food (which completely excludes the operating and financial results of Globex Utilidades S.A.).

GRI 3.7, 3.8, 3.9, 3.10, 3.11

The process of developing and defining the content of this Report was coordinated by the Investor Relations department and Sustainability management and relies on the involvement of employees from a variety of departments and levels, as well as the participation of the offices of the CEO, Vice-Presidents and Board of Executive Officers. *GRI 3.5*

The GRI indicators have been cross-referenced with the Global Compact Principles signed by the Group, and with the ISO 26000 guidelines.



ISO 26000 is an international standard for corporate responsibility developed by the International Organization for Standardization. Grupo Pão de Açúcar stands out as one of the first Brazilian companies to use it as a reference in preparing its Sustainability Report.

> MESSAGE FROM THE CHIEF EXECUTIVE OFFICER *GRI 1.1, 1.2*

The year 2010 was very positive for Grupo Pão de Açúcar, due to a series of advances and conquests, highlighted by the finalization of the association with Casas Bahia. This important transaction reaffirmed GPA's position as the largest retailing company in Latin America, becoming one of the 10 largest companies in the world in the electronics and appliances segment.

Notwithstanding this transaction, we have not changed our focus. We continue to be primarily a food distribution company, but we ensure significant balance in this mix, lead by professionals who are specialized in each of the businesses.

This year was also marked by the restructuring of our management model. In less than two years, we ceased to be a multiformat company, and transformed ourselves into a multibusiness group. Accordingly, we find ourselves with the challenge of seeking synergies and integrating the businesses in light of the corporate governance, while ensuring that each keeps its specificity and expertise, to continue presenting positive results in its segment.

To be able to make this change without losing the benefits of centralized management, we thoroughly reorganized our management model. Guided by the idea of having the right people in the right places, we appointed professionals dedicated to each business and strengthened the corporate teams responsible for capturing synergies and ensuring integration, while preserving the characteristics and identity of each segment.

Mindful of the importance of a united and cohesive team capable of overcoming challenges and delivering the results expected of each of the businesses and activities, we created a high performance model focused on the Group's values: humbleness; discipline; determination and grit; and emotional balance.

In the retail food operations, some achievements are important for ensuring the continued growth of the Group and the increasing creation of value, particularly the process of converting the CompreBem and Sendas banners to Extra Supermercado, which strengthens our position in this important format with broad appeal to middle class consumers, which grew most in recent years, as well as the rationalization of brands and the synergy of communications.

In cash-and-carry, we fomented strong organic expansion, which permitted Assaí to jump from 14 stores in 2007 to a total of 57 units at the end of 2010, and ensured robust positioning in this segment in Brazil.

In our e-commerce operations, which culminated in the creation of Nova Pontocom at the beginning of 2010, we have an example of a business that brings together the best

fundamentals in its segment: experienced management, a platform integrated with the latest generation e-commerce, a broad portfolio of brands (Extra.com.br, Pontofrio.com.br and CasasBahia.com.br) and a strong connection with the bricks-and-mortar world, all supported by GPA's large size and outstanding logistics and IT.

The repercussions of this results-oriented posture have ensured the attainment of all the planned guidance. I must emphasize that the most important aspect of these numbers is the quality of the result, which is sustainable, the fruit of work begun nearly three years ago when we started the process of improving the gross margin through better cost management – and we had a direct impact on the prices charged while maintaining GPA Food's EBITDA margin. Thus, we achieved efficiency, gained competitiveness in all formats, and cemented an image of fair prices, which translates into client traffic and increased average ticket.

The good times GPA enjoys also reflect positive prospects in the national environment. Brazil is no longer just a promise. Going forward, many factors – such as the World Cup, the Olympics, the strength of the real estate sector, and even governmental programs – will heat up the consumer market, which in practice means increasing purchasing power and the arrival of more consumers in the middle class.

The favorable economic context in 2010, highlighted by the social ascension of an important portion of the Brazilian consumer market, also had a direct positive impact on the Group's performance. This climb drove consumption of higher value-added products. We have also glimpsed a more balanced competitive market, wherein full deployment of the ICMS Excise Tax Replacement program in several Brazilian states has attenuated the informal market.

In 2010, we also made important strides in sustainability, having included this theme among the Group's strategic pillars, policies and guidelines with respect to sustainable management, which represents an evolution of who we are and what we want for all our employees, clients and chain of value. Furthermore, we have kept our promise with the Global Compact, seeking in our daily endeavors to consolidate fundamental values in the areas of human rights, labor relations, environmental protection and the fight against corruption.

For 2011, we continue to be confident in the Group's growth. It will be a year of consolidating the Electronics business and capturing synergies from the integration of Ponto Frio and Casas Bahia, and continuing the expansion of GPA Food. Our outlook for good results reflects positive expectations of the performance of the Brazilian economy, and reaffirms our commitment to generate new jobs and contribute to the country's growth, thus reinforcing our PRIDE IN BEING BRAZILIAN.

Enéas Pestana
Chief Executive Officer

> CORPORATE PROFILE

In September 1948, Grupo Pão de Açúcar began its history as a pioneer in the retail food sector in Brazil. Today, it is the largest national distribution company, with diversified activities in several business segments: supermarkets (Pão de Açúcar and Extra Supermercado), hypermarkets (Extra Hipermercado), cash-and-carry (Assaí), proximity (Extra Fácil), electronics and appliances (Ponto Frio and Casas Bahia), e-commerce (Pontofrio.com.br, Casasbahia.com.br, Extra.com.br), drugstores and gas stations. [GRI 2.1, 2.2, 2.3, 2.6, 2.7, 2.8](#)

Headquartered in São Paulo, GPA's 1,647 stores in 20 states throughout Brazil and in the Federal District have more than 2.8 million square meters of sales space. These numbers include the operations of Casas Bahia, resulting from the association finalized in the second half of 2010 that permitted the Group to reaffirm its position as the largest retail company in Latin America and become the largest private employer in the country, with approximately 145,000 employees*. [GRI 2.4, 2.5, 2.7, 2.8, 2.9, 3.6](#)

In 2010, gross sales from all formats operated by the Group, including Casas Bahia (which has been consolidated as of November 2010), totaled R\$36.1 billion. Over the course of the year, 41 stores were inaugurated and 526 units of Casas Bahia were added, representing sales area growth of 61.1% compared to 2009. [GRI 2.8, 2.9](#)

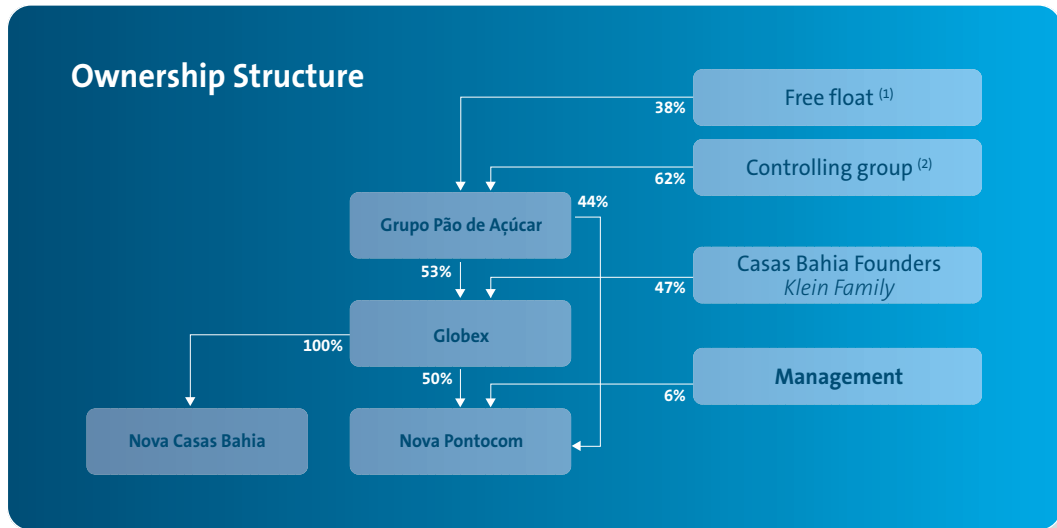
Control of Grupo Pão de Açúcar is shared with the second largest retail company in France, the Casino Group, in a strategic partnership initiated in 1999 that ensures an interchange of know-how and synergies between important areas like global sourcing and exclusive brands. GPA's shares have been listed on the Bovespa since October 1995, and its Level III ADR program has been listed on the New York Stock Exchange since May 1997. [GRI 2.3, 2.8](#)

In 2010, GPA took important steps in strengthening its socioenvironmental efforts, developing and establishing sustainability policies and guidelines, which have been disseminated Company-wide. In furtherance of its efforts to promote sustainability, it inaugurated the first Green Distribution Center, in Brasília, where it was able to apply effective practices to rationalize the use of water and electricity. [GRI 2.9](#)

The Group also acts directly or through associations that represent the supermarket sector, such as the *Associação Brasileira de Supermercados* (Abras), the *Federação do Comércio de Bens, Serviços e Turismo do Estado de São Paulo* (Fecomércio) and the *Associação Paulista de Supermercados* (Apas). [GRI 4.13](#)

** This number refers to the employees of Grupo Pão de Açúcar, including Casas Bahia and Ponto Frio.*

> GRUPO PÃO DE AÇÚCAR CORPORATE CHART



⁽¹⁾ Refers to all the shares representing the capital of the company not owned by the controlling shareholder.

⁽²⁾ Refers to the Wilkes shareholders (the company of Abilio Diniz and the Casino Group, in which each party holds 50% of the capital), the Casino Group, Abilio Diniz, and the Diniz Family.



OUR STRATEGY

OUR STRATEGY

> MISSION, VISION, VALUES AND PILLARS *GRI 4.8*

MINDFUL OF THE IMPORTANCE TO THE BUSINESS' PERFORMANCE OF A UNITED AND COHESIVE TEAM, IN 2010, GRUPO PÃO DE AÇÚCAR CONCEIVED OF THE VALUES OF THE COMPANY AS HUMBLINESS, DISCIPLINE, DETERMINATION AND GRIT, AND EMOTIONAL BALANCE. THESE VALUES ARE THE ESSENCE OF THE COMPANY'S PHILOSOPHY AND SERVE AS TOUCHSTONES FOR MOLDING THE DAILY CONDUCT OF ALL EMPLOYEES.

Over the course of the year, approximately 20 workshops with the CEO, officers and managers were held focusing on training and raising the consciousness of the leadership. The goal is to expand this process to all employees in 2011.

In 2010, the Group also advanced in its socioenvironmental activities, by including Sustainability as another strategic pillar for the business, and setting sustainability policies and guidelines. This new push represents an evolution in what the Company is and wants to be for its customers, and is aligned with the Company's four pillars that sustain its reason for being: the customer.

> MISSION

Guarantee the best buying experience for all our customers, at each of our stores.

The Mission represents a company's reason for being, and at GPA, it places the customer at the center of all work. Our objective is to awaken client interest and enchant them, so that they remain satisfied and return.

> VISION

Grupo Pão de Açúcar aims to expand its share of the Brazilian retail market and become the most admired company for its profitability, innovation, efficiency, sustainability and contribution to the development of Brazil.

GPA's objectives are expressed in its vision, which represents where the Company intends to go: being the sales leader, but with efficiency, productivity and profitability, offering innovative products and services, with attention to sustainability in three spheres: economic, social and environmental.

> VALUES

Humbleness

Always being open to listening, learning and pursuing increasingly higher levels of excellence in managing the Company.

Discipline

Capacity to guarantee planned results on schedule, despite the velocity that is characteristic of retail.

Determination and grit

Part of the Company's DNA, it helps to overcome the challenges and obstacles in the day-to-day of the business.

Emotional balance

Ability to work in good and bad moments, with the same level of happiness and motivation.

> PILLARS

The customer: our reason for being

Grupo Pão de Açúcar is oriented toward its customers, taking care so that all contact they have with its brands translates into the best experience and nourishes a long and loyal relationship.

The Company works tirelessly and continuously to ensure the satisfaction of its customers. Thus, all actions are oriented toward the customer being satisfied, and returning.

Our people

People who display technical excellence, are well prepared and motivated to confront challenges and take risks, and who have innovative attitudes. People who like to serve, who value respect in their internal relations with clients, suppliers and partners, and who engage regardless of the circumstances.

Since it believes that the potential of its employees is an important competitive advantage, GPA invests in the personal and professional development of its team members, concerning itself with the motivation and quality of life of its employees, who understand the importance of contributing to better service for all: clients, suppliers and society.

Mastery of technology

Attention to all that happens in the world, evaluating its utility and its return for our business, to extract the most from the available technologies.

The pursuit of new knowledge is part of the Company's culture, which is proactive in incorporating the techniques, methodologies, systems, processes, equipment and tools applied in retail.

Solid capital structure

A capital structure that permits investments in our company, our people and our country, operating efficiently to provide returns to shareholders and growth that is sustainable over the long term.

GPA strives to maintain a balanced capital structure that permits efficiency and robust growth, ensuring a return for shareholders and the appreciation of the Company.

The inclusion of sustainability among GPA's pillars involves comprehending the Group's economic, social and environmental impacts on its stakeholders, as well as adopting programs, projects, practices and actions that assure and facilitate the balance of these three aspects in the present and in the future.

Sustainability GRI 1.2

Sustainability is in the Group's DNA, it is the way we do business; we pursue perennality, maximize efficiency and align our interests with the entire chain of value.

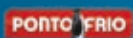




> MULTIBUSINESS STRUCTURE

In a process initiated two years ago, Grupo Pão de Açúcar ceased to be exclusively a retail food business, to quicken as a multibusiness group, with a structure that ensures operational efficiency and lets the Group meet the different demands for consumption in the Brazilian market:

Business	Banner	Concept	Share of total sales in 2010	Number of stores (Dec/2010)
SUPERMARKETS		Modern neighborhood supermarket offering the best customer service, quality and variety of products, in a practical and cozy environment. Values the relationship with clients and encourages conscientious consumption and a healthy lifestyle.	13.0%	149
		Complete neighborhood supermarket with highlights for the bakery and butcher, where families supply their households economically and quickly, and can find other household items, all in an agreeable, easily accessible environment with helpful service.	13.5%	101
HYPERMARKET		Hypermarket for the Brazilian family, offering exceptional service, a modern and pleasant environment, a great variety of food and other products at competitive prices.	37.2%	110
CASH-AND-CARRY		Grocery store focused on serving institutional consumers like processors, retailers and users, offering highly competitive prices and quality products.	9.0%	57
PROXIMITY		Local market for convenience purchases between the home and work, where the client can quickly and economically find products that are used on a daily basis. Highlights for the categories: fast food, beverage and sweets. All this in a nice space with close and personable attention.	(A)	68

A) – The contribution of Extra Fácil sales is consolidated under the Extra Hipermercado banner.

Business	Banner	Concept	Share of total sales in 2010	Number of stores (Dec/2010)
ELECTRONICS AND APPLIANCES		Focused on promoting the best purchasing experience for electronics, appliances, and household products, Ponto Frio stores have a large variety of items and services, and offer personalized and specialized attention both during and after sales.	13.6%	506
		Casas Bahia stores stand out for their facilitated access to credit and their adoption of a management model focused on simplicity, respect and total dedication to customers, suppliers and commercial partners.	7.4%	526
E-COMMERCE		A virtual store offering the best purchasing experience with agility, practicality and the most complete mix of products, which include categories like electronics, small and large appliances, video & photo, telephones & cell phones, computers, games, furniture, beauty and health products, sports and leisure products, etc..	6.8%	N/A
		A perfect e-commerce solution for the family, with a great variety of products and efficient and outstanding service.		N/A
		Website where customers find furniture, cell phones, household items and a broad range of products. There are more than 17 categories for purchasing on a modern, fast and secure site.		N/A
SPECIALIZED BUSINESSES	Drugstores	Located within the Group's supermarkets and hypermarkets, the drugstores complement the customer convenience concept and offer a broad assortment of quality, competitively priced medications and related products ethically, in the guaranteed presence of a pharmacist to attend to and advise clients.	0.7%	153
	Gas stations	Installations in parking facilities or in locations next to stores, they bear the branding seal of the banner and stand out for their offering of quality products at competitive prices.	2.8%	81



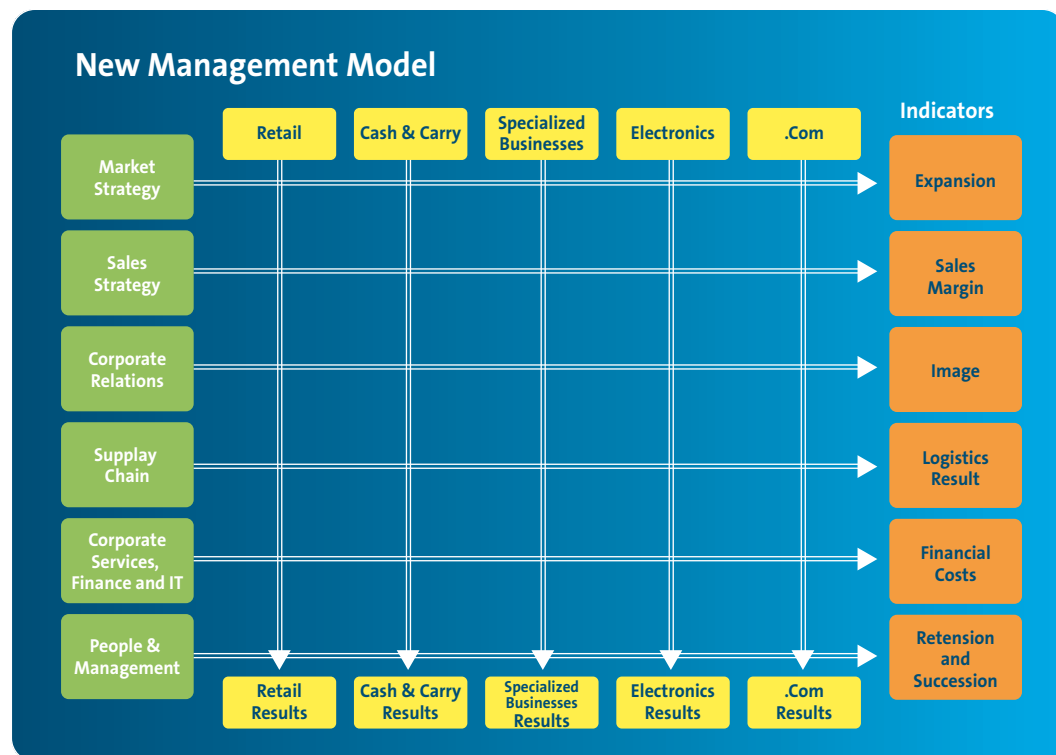
> NEW MANAGEMENT MODEL

To take advantage of the opportunities, synergies, cost savings and best practices of each of these businesses, GPA has evolved to a new integrated management model, which assures the positioning of each business while maintaining the corporate vision of the processes, with centralization and administration in the context of the Group.

To accommodate this change, without losing the benefit of centralized management, responsible parties were named for each business (Retail, Cash-and-carry, Specialized Businesses, Electronics and Appliances and E-commerce) and so-called corporate departments were created (Market Strategy; Commercial Strategy; Corporate Relations; Supply Chain;

Corporate Services, Finance and IT; and People and Management), which became responsible for capturing synergies and assuring integration, while preserving the characteristics and identity of each business.

In this new model, the highlights were the creation of two new departments: Corporate Relations, which encompasses the areas of investor relations, sustainability and PA Publicidade, responsible for the graphic project of this report; and Market Strategy, which is responsible for coordinating the Group's strategy and monitoring it by business. Moreover, the human resources department was renamed People and Management, becoming responsible for managing the performance indicators of the Company's employees.



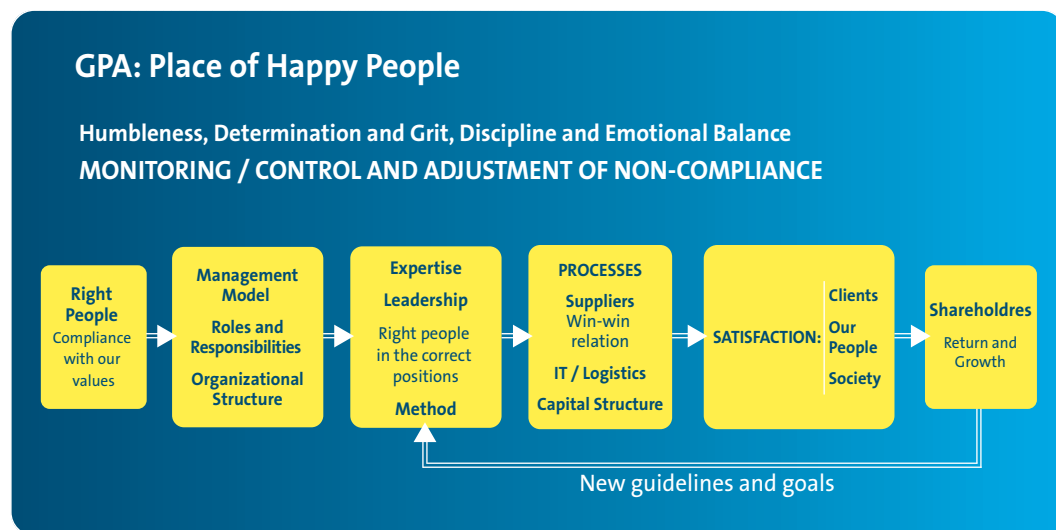
> INTEGRATED MANAGEMENT OF HIGH PERFORMANCE

With the adoption of the new management model, the competencies required for each position were reviewed, which contributed to identifying adherence to the profile of the executives in the posts. Toward this end, a high performance model capable of providing for the Group's new strategic positioning was created.

It starts with having the right people in the right place, which, with the adoption of a management model, of roles and responsibilities and an organizational structure, result in focused leadership, with the proper tools, which are technical knowledge and method.

Next, the Group's processes for fostering client satisfaction, and thus the satisfaction of our people and the society and, in the end, our shareholders, is highlighted, which cycles through in returns and business growth. There is a feedback loop: to attain the results and shareholder satisfaction, new guidelines and goals are established. And all this is done in a happy environment, which is part of the Group's DNA.

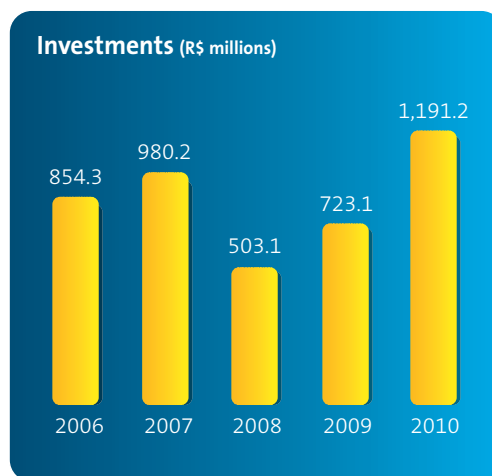
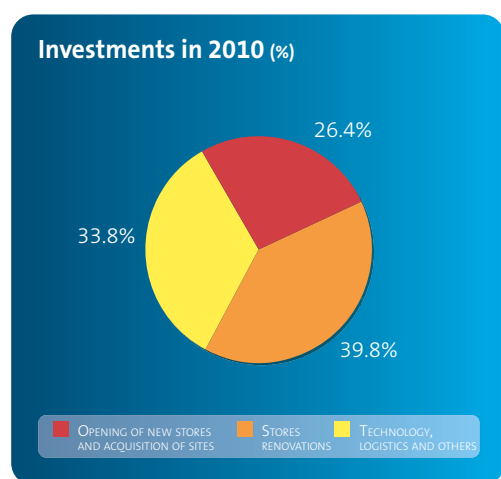
In this context, the variable compensation system, which ratifies the Group's meritocracy, was improved by clear weighting and balancing between individual and collective indicators.



> INVESTMENTS

GPA invested R\$1,191.2 million in 2010, an increase of 64.7% compared to 2009 (R\$723.1 million). Of this total, R\$315.0 million went toward opening and building stores and acquiring strategic land. During the year, 41 new stores were opened: 7 Extra Hipermercado, 17 Assaí, 55 Extra Supermercado and 4 Pão de Açúcar.

The Company earmarked R\$473.7 million for converting and remodeling stores. In all, there were 117 conversions, highlighted by the conversion of 43 CompreBem and 50 Sendas stores to the Extra Supermercado format. Furthermore, R\$402.5 million was earmarked for other investments in infrastructure (information technology and distribution).



> 2011 PROSPECTS AND GUIDANCE

GRI 1.2

For 2011, the Group should invest in the opening of new stores, remodeling and updating stores, acquiring land in strategic locations, and in infrastructure directed towards the information technology and distribution departments.

Guidance for the electronics/household appliance operation, represented by the Ponto Frio and Casas Bahia bricks-and-mortar stores, is as follows:

- Gross sales of more than R\$20 billion.
- Gross margin above 25.5%.
- EBITDA margin of between 4.5% and 6%.
- Financial result of between 3.5% and 4.5% of net revenue.
- Investments (Capex) of between R\$100 million and R\$120 million, with the opening of 30 new stores under two formats.

In the case of e-commerce operations (Nova Pontocom), the Company's guidance is as follows:

- Gross sales growth of at least 30% to 50% above the market (e-bit) between 2011 and 2013, with wholesale growth outpacing inflation.
- EBITDA margin of between 6.0% and 7.0% in 2011, and between 8.0% and 10.0% in 2013.
- In terms of working capital, to maintain a gap of at least 20 days between suppliers and inventories.
- Expenses from receivables discount (for 100% of receivables) should represent between 3.5% and 4.5% of net sales.
- Capex of up to 2.0% of net revenue.

> STRATEGIC AXES

The change in the positioning of GPA, which ceased to be a multiformat company to quicken as a multibusiness group, was also decisive in defining the Group's strategy of pursuing absolute leadership in the Brazilian retail market.

This orientation is the fruit of GPA's Annual Strategic Planning Cycle, with the direct and active participation of the Board of Executive Officers and of the Executive Committee, which includes the main external shareholders and directors. This cycle starts with the definition of guidelines for growth and return for the next three years. From there, strategic axes

are defined, toward complying with the guidelines established by the shareholders and reinforcing the Company's Mission and Vision. They include:

• *Retail food*

Expand the percentage of foods in the Group's portfolio and maintain the lead ranking of the Abras (*Associação Brasileira de Supermercados*).

• *Integrated diversification*

Invest in non-food businesses to synergistically leverage retail food.

• *Virtual channels*

Lead the e-commerce business.

• *Real estate businesses*

Sustain GPA's growth and generate value through leveraging real estate assets.

• *Sustainability*

Be recognized as an agent for change in educating Brazilian society on sustainability matters.

> COMPETITIVE ADVANTAGES

A significant part of the value of Grupo Pão de Açúcar is in its intangible attributes that, although they cannot be measured, are perceived by a variety of strategic constituencies as important competitive differentials that contribute to attaining the Company's strategic goals.

Financeira Itaú CBD, or FIC

Due to the characteristics of the business, which brings together two large partners (GPA and Itaú Unibanco), which in turn contribute technology and expertise in their respective areas (retail and financial services), FIC has gelled as an important competitive advantage for the Group, with significant growth potential and the capacity to attract and produce loyal clients.

The operation's numbers in 2010 reinforce this positioning: 14.0% of the Group's sales, 7.8 million clients and revenue of R\$47.4 million, compared to R\$17.6 million recorded in 2009.

One of the highlights of the year was incorporating *Banco Investcred* (Globex's finance arm), which unified four platforms into a single system, with the challenge of maintaining the level of services and products for consumers, and permitted FIC to attain positive results through actions developed in Ponto Frio stores, where the financing unit accounts for 22.6% of sales.

During the year, teams dedicated to meeting the demands and particularities of each business were constituted and

began to operate in the e-commerce, electronics and appliances (Ponto Frio), hypermarket, cash-and-carry and supermarket (Extra Supermercado) businesses, developing specific actions and creating exclusive benefits for clients.

Supply chain

Centralization potential of 85%, capacity to support the Group's growth and to administer the predictability of existing demand along the chain, adjusting the assortment appropriate for each cluster and for each banner. These are some of the characteristics that make the supply chain one of GPA's main competitive advantages.

In 2010, there was significant progress in expanding area, which will support the Company's growth through mid-2012, with the inauguration of seven distribution centers: one DC with 40,000 square meters in São Paulo (Ring road - *Rodoanel*); two seafood operations, one in Rio de Janeiro and the other in São Paulo (Ring road - *Rodoanel*); two DCs dedicated to cash-and-carry operations (*Assaí*); unification of three existing operations in Brasília into a single DC; and one for perishables in Rio de Janeiro. As of 2011, the strategy is to review the logistics network for the entire Group, covering all businesses, optimizing the points in common, while assuring the specificities of each business.

In seeking productivity gains, the Company invested in technological advances, using a radio signal in the course of departing from the DCs, which has increased accuracy, certainty and productivity.

During the year, there were also advances in the distribution and productivity platforms, due to the implementation of a new system and adoption of Oracle – Retail, which were fundamental in the advance of the ERP in the demand management platform. In 2011, with the inauguration of the supply module, the expectation is to capture gains by reducing breakage and working capital.

IT

Mastery of technology is one of the pillars of Grupo Pão de Açúcar, which invests constantly in IT initiatives. In 2010, the Company was oriented toward the continuity of the projects initiated in 2009, highlighted by the conclusion of Oracle – Retail, the Company's largest investment in technology in recent years. All the stages of deployment were finalized during the year and the roll-out, by category, to all the stores and DCs will commence in 2011. With the application of this supply tool, the expectation is to appreciably reduce the levels of inventory and breakage in the stores, optimizing the work of employees (since statistical calculations and adjustments in requests will be done automatically) and consumer perception in relation to the lack of products on the shelves.

The other initiatives developed during the year were:

SAP – Began operating in all areas of GPA's financial back-office. Since the strategy is that SAP will be the platform for integrating all the companies in the Group, as of 2011, the system will be expanded to the other companies, starting with Assaí and then Globex (with the integration of Ponto Frio and Casas Bahia being complete). Among the benefits of adopting a single platform, the following stand out: better control, integrity, and the uniformity of processes among the companies.

DemandTec – The tool was deployed at all of the Company's supermarkets, hypermarkets and proximity retail outlets, with the expected results: DemandTec was fundamental to facilitating the studies of price elasticity for many of the products sold, and thus made it possible to maximize the supply at the best price and an improved margin.

Datacenter – During the year, the process of outsourcing the Group's datacenter, which started in 2009, was concluded.

Citrix – The prerequisites for deploying Citrix, a technology that replaces the desktop and is highlighted by lower energy consumption and heat generation, were reviewed during the year, and is envisioned for future deployment.

Personal shopper – The project, in which clients themselves use a scanner to purchase products without going by the register, was expanded to two Pão de Açúcar stores in 2010.

Electronic labels – The project, which provides for deploying electronic price tags on the shelves, was deployed in two Extra Hipermercado stores and one Pão de Açúcar store during the year, facilitating greater flexibility in these stores' commercial strategy, by adding dynamism to the lightning promotions and offers of the day, among other advantages.

Exclusive brands

In constantly seeking to build customer loyalty, Grupo Pão de Açúcar has bet on the so-called transversal exclusive brands (present under all the banners) that carry the guarantee and exclusivity of the Group, and thus have become an important competitive advantage, reinforcing the Company's image and increasing the profitability of sales. In 2010, more than 400 products under the Group's exclusive brands, like Taeq, Qualitá, Casino and Club des Sommeliers, among others, were launched. In 2010, the sale of exclusive brands accounted for 6.9% of the Group's total supermarket and hypermarket sales.

Taeq – Present in 3.3% of all the Company's sale tickets during the year, Taeq – which now has more than 1,000 items focused principally on foods and

textiles – added more than 40 new products in 17 separate projects, as well as Taeq Sport's Spring/Summer and Fall/Winter collections, which each has more than 50 new items. Among the launches, highlights include "zero" gelatins; quinoa flours, flakes, and cookies; filled cereal bars, light cream cheese, and a variety of new organic products. For 2011, the objective is to attain the threshold of approximately 15% sale growth, with gains in margin.



Qualitá – Sales under the Qualitá brand grew 30%. Over the course of the year, new product categories like cookware, utensils for barbequing, organizer boxes, accessories for cleaning clothes and poles were introduced.

Casino – With 14.7% of the section for imported products, sales of the exclusive brand of the French partner Casino grew 34.6% compared to 2009.

Club des Sommeliers – The Club des Sommeliers wine brand increased 24% compared to 2009, closing the year with 13.3% of the wine category.

Global sourcing

GPA's strategic positioning in global sourcing has strengthened from year to year. With expertise in international negotiation strategies, the department focuses on developing international suppliers and unique products that bring value and profitability, increasing the Group's competitiveness.

In 2010, import and export volumes totaled US\$269.3 million and US\$10.5 million, respectively, growing 52.1% and 23.5% compared to 2009. Besides the increase in the export index, which remained above Brazilian exports, one of the highlights was the cementing of GPA's image as a provider of unique products at competitive prices.

During the year, the Group continued to look worldwide for unique and exclusive articles at prices to attract consumers and compete in the retail market. The synergy with Casino was intensified by the increase in the volume of the entire existing line and by the introduction of lines for salads, pastas, seasonal products for Christmas and the Casino Délice line, with premium positioning.

Among the variety of initiatives employed in 2010, highlights included: in-and-out actions for promotional products;

battling the competition during the seasons for Children's Day and Christmas; exclusive imports like toys; negotiation with the Inter-American Development Bank for international freight for all the operations of the year.

Knowledge of the consumer

The knowledge GPA has acquired over the years regarding its consumers, whether through surveys or internal studies, is one of the Group's intangible assets, which stands out in a retail segment that is traditionally marked by more empirical and less analytical activity.

In 2010, a survey on knowledge of the cultures and habits of the regions where the Company is active was conducted, which contributed to updating the stores to fit the regional client profile. Another highlight was the partnership signed with Dunnhumby, a company specializing in marketing solutions for consumer goods, which gave GPA access to the most up-to-date concepts of management intelligence in global retail.

Consumers were also polled for their opinions, including more than 715,000 clients surveyed in 16,000 quantitative interviews, more than 700,000 approaches in stores, close to 100 in-depth qualitative interviews and 77 focus groups. Analyzing receipts also provides knowledge about clients and sales conditions. This year, more than 541 million receipts issued by the Group were studied. [PR 5](#).

The *Programa Mais* gained an important channel for Pão de Açúcar clients, with the launch of a website where they can register, update their data, monitor and/or redeem their points by exchanging them for shopping vouchers. In 2010 alone, more than 219,000 points were redeemed, totaling R\$13.5 million in vouchers used in Pão de Açúcar stores. Other program highlights during the year included registering 170,000 new clients; increasing the active client base by 13%; and the 49.1% share of sales under the banner.

Human capital

GPA's employees constitute one of its strategic pillars. The Company employs professionals with recognized experience in each segment, while encouraging a diversified and harmonious corporate culture formed by people from diverse races, religions and ethnicities.

To conserve this patrimony, the Group invests continuously in technical and behavioral training for its teams, promoting employee access to technologies and processes that aid in individual and collective development.

In 2010, embracing the new centralized management model involved reviewing the roles and responsibilities of leadership, which, beyond the significant importance of running the business, also became responsible for Company-wide dissemination of the Group's values.

Brand

Grupo Pão de Açúcar's 63 years of tradition is a strategic factor that strengthens the Company's image and functions as an important driver in its expansion process. Add to this the various brands in the Group's portfolio, each with a significant share in their respective segments: Pão de Açúcar (neighborhood supermarket, focused on the upper and upper-middle classes), Extra (umbrella brand covering a variety of formats and types of businesses), Assaí (cash-and-carry), Ponto Frio (electronics and appliance stores for the upper- and upper-middle classes) and Casas Bahia (electronics and appliance stores for the lower-middle and poor classes).

Sustainability

Since it is integrated in managing the business, sustainability – which is one of the Group's strategic axes – is one of GPA's important intangible assets. As of 2010, with the definition of sustainability policies and guidelines and the inclusion of the theme as another strategic pillar of the business, the Group redoubled its efforts in this area.

As one of GPA's pillars, sustainability involves understanding the economic, social and environmental impacts on its stakeholders, as well as adopting programs, projects, practices and actions that ensure and enable the balance of these three aspects in the present and in the future. This new orientation represents an evolution of what the Company is, and what it wants to be for its stakeholders.

OUR GOVERNANCE

> GPA'S CORPORATE GOVERNANCE MODEL

GRUPO PÃO DE AÇÚCAR HAS ADOPTED A CORPORATE GOVERNANCE MODEL GUIDED BY AGILE AND SURE DISCLOSURE, A COMMITMENT TO THE CAPITAL MARKET, AND RESPECT FOR SHAREHOLDERS AND INVESTORS.

The Company complies with all rules for publicly held companies, such as the adoption of national accounting standards and maintaining its registration as a publicly held company with the Brazilian Securities Commission (*Comissão de Valores Mobiliários – CVM*). Outside Brazil, it complies with the determinations of the United States Securities and Exchange Commission and the New York Stock Exchange for foreign companies listed in the United States.

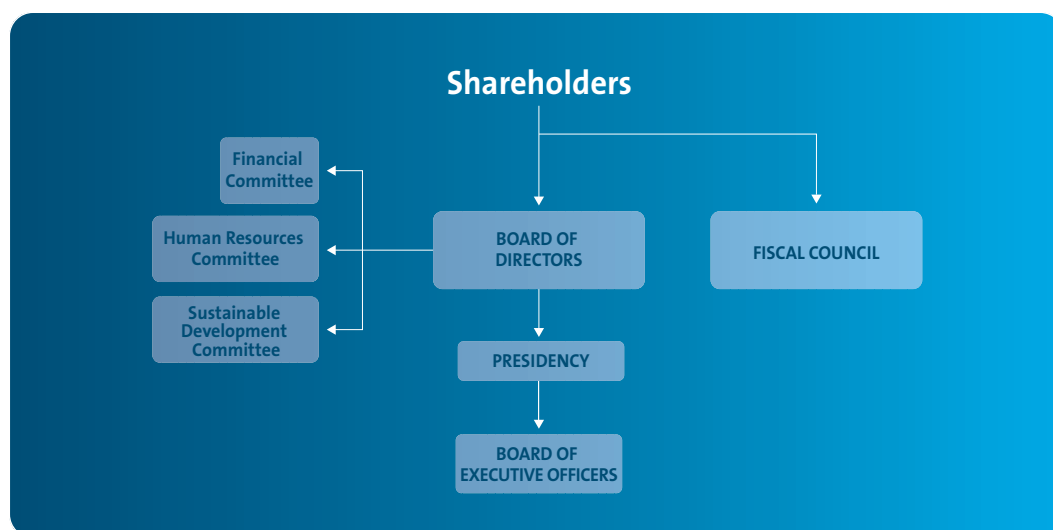
Although it is listed on Level 1 of the Corporate Governance segments of the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo – BMF&Bovespa*), GPA has adopted heightened governance practices required of companies listed on Level 2 and the *Novo Mercado* segments, and stands out for its participation in the main market indexes:

- A Board of Directors with four independent members.
- Three committees to advise the Board of Directors.

- A permanent Fiscal Council, with the functions of an Audit Committee.
 - A Dividend Policy.
 - An annual self-evaluation by the members of the Board of Directors (as of 2011).
 - A manual for participating in Shareholders' Meetings (as of 2011).
- GRI 4.10*

In GPA's model of corporate governance, the Board of Directors and the Board of Executive Officers have defined and fundamental responsibilities for the proper conduct of the businesses, as well as a Fiscal Council to monitor the accounts, and the committees to advise the Board of Directors.

The roles of each body are detailed below. The composition of these bodies is detailed in the "Corporate Information" section on page 123 and the CVs of the members are available at the website: www.grupopaodeacucar.com.br/investor.



> BOARD OF DIRECTORS

The highest authority in the Group's governance model is formed of 14 members, including 10 representatives of the controlling shareholders (5 representing the Diniz family and 5 representing Casino) and 4 independent directors, of whom one represents minority shareholders. Its members have a mandate of three years, with reelection permitted.

The Board also invites the following specialists in their respective areas to the meetings to provide their expertise: Maria Silvia Bastos Marques, Pedro Malan and Samuel Elia.

Its main powers are: to elect the executive officers, conduct the corporate governance process, supervise the conduct of the business, define strategies and

monitor their execution. This body is also responsible for approving the financial statements, the annual budget and investments and the issuance of new shares under the existing stock option plan.

The meetings are held bimonthly or when needed. In line with the best governance practices, the Chairman of the Board of Directors is not a member of the Board of Executive Officers. In 2010, six in-person meetings were held, and director compensation, which is predicated on their participation in the meetings, totaled R\$7.3 million. *GRI 4.1, 4.2, 4.3, 4.5, 4.9*

> BOARD OF EXECUTIVE OFFICERS

It is composed of 11 market professionals, including a CEO, 5 Vice-Presidents and 5 executive officers, each elected by the Board of Directors and with variable compensation pegged to results. In 2010, the total compensation of the Board of Executive Officers was R\$53.4 million. *GRI 4.1, 4.5*

It is responsible for managing the Company's day-to-day operations, in line with the guidelines relating to managing the business as established by the Board of Directors.

With the adoption of the new management model during the year, the organizational structure of the Board of Executive Officers was reformulated, highlighted by the creation of the Vice-Presidency of Corporate Relations, which now coordinates, among other areas, the Sustainability department, in a position that strengthens the importance of the theme within the Company; and of the Vice-Presidency of Market Strategy, with the appointment of an interlocutor specific to the theme.



From the left to the right (standing up): Paulo Gualtieri, Caio Mattar, Marcelo Lopes and Belmiro. Sitting: Tambasco, Filippo, Sylvia Leão, Raphael Klein, Enéas Pestana, Ramatis, Claudia Elisa, Quiroga and Hugo Bethlem. Ahead: Abilio Diniz.

> ADVISORY COUNCIL

The principal attribute of the Advisory Council is to act as a committee to advise the Board of Directors, especially in matters linked to the economy and politics, with the objective of recommending measures that would help develop the Company's businesses and activities. *GRI 4.1, 4.4*

It is formed by 8 members, all independent, of renown in the market, elected by the shareholders. Councilmember compensation, which is conditioned on their participation in the meetings, totaled R\$192,000 in 2010. The meetings are held twice a year, and accordingly this year, the Advisory Council met twice. *GRI 4.5*

> FISCAL COUNCIL

Composed of 3 members and 3 alternates, elected at the Shareholders' Meeting; they receive fixed monthly compensation (R\$432,000 – total amount in 2010). *GRI 4.1, 4.5*

Installed in 2009, it is permanent, with activity independent of the Management and of the Company's external auditors. It also exercises the functions of an Audit Committee, in line with the terms of U.S. law. *GRI 4.4*

Its main responsibilities are to check the quality and integrity of financial reports and information; check the qualification and independence of the independent auditors;

monitor the work of the internal auditors; evaluate and manage risks; accompany and monitor internal controls; and investigate claims or allegations.

> COMMITTEES

In its corporate governance model, GPA prioritizes the maximum administrative efficiency and professionalization of its managers. In this structure, the committees have a central role in liaising between the Board of Directors and the Board of Executive Officers. *GRI 4.1*

The Company has three special committees, which prepare proposals and furnish recommendations in their specific areas to the Board of Directors. The members of each committee are named by the Board of Directors from among its members. *GRI 4.4*

Human Resources and Compensation Committee

Formed by 5 members, including one independent member elected in 2010, it is responsible for evaluating the candidates for the Board of Directors and the Board of Executive Officers; reviewing and discussing the compensation of the administration; monitoring the executive performance evaluations; and reviewing the Company's recruitment and contracting methods; among other activities. Meetings are held every two months. In 2010, the Committee met six times. *GRI 4.7*

Finance Committee

It is composed of 5 members, including one independent member elected in 2010. Its main attributes are to accompany and supervise the implementation and realization of the annual investment plan; review and recommend opportunities related to financing transactions to improve the capital structure; and review cash flow. Meetings occur at least every two months. In 2010, there were six meetings.

Sustainable Development Committee

Created in 2009 with the objective of intensifying relations between the Company's businesses and matters pertaining to sustainable development and socioenvironmental responsibility, it is formed by 5 official members and 3 invitees.

Its attributes are to establish sustainable practices based on economic, environmental and social dimensions, to promote sustainable development and disseminate it in all activities, strategies and relationships; evaluate and approve projects, proposals and institutional campaigns focusing on involving the organization in socioenvironmental matters, including the allocation of resources; evaluate Company investment proposals and projects in light of sustainability; apprise and approve balance sheets and the sustainability report. *GRI 4.9*

Meetings take place at least every two months. In 2010, the Committee met six times.

> CODE OF ETHICS

Created in 2000, the Group's Code of Ethics – which orders the conduct of its employees in the relationship with the company, clients, suppliers, competitors and the general public – is being reformulated and updated, with disclosure expected for 2011. *GRI 4.8*

> DISCLOSURE POLICY

The Group has a Policy for Disclosure, the Use of Material Information, and the Preservation of Secrecy, which establishes rules for disclosure and keeping material information secret. Moreover, any transaction that involves companies linked to shareholders and related parties, is analyzed in the Shareholders' Meeting, by the Board of Directors. *GRI 4.6*

> SARBANES-OXLEY

GPA has certified since 2007 its compliance with 100% of the requirements of the Sarbanes-Oxley Act and follows the standards applicable to the conduct of its managers, for recording and controlling financial and accounting information, as well as access to confidential and non-public information and data. In 2010, the Group received an unqualified Consolidated Attestation Report on Internal Controls over Financial Reporting for 2009, as noted in the independent auditors' opinion.

> INDEPENDENT AUDITOR

As required by the Brazilian Securities Commission (CVM), GPA has adopted a system for rotating independent auditors every five years. The Financial Statements as of and for 2010 were audited by Ernst & Young Terco.

> RISK MANAGEMENT *GRI 1.2*

Grupo Pão de Açúcar has adopted risk management practices with the objective of minimizing or eliminating losses from market or operational contingencies. Since 2003, it has maintained a working group that analyzes the internal procedures and controls that could affect the Company's results. This team is advised by external consultants and integrates key employees from a variety of the Company's departments. Actions focus on evaluating any risks and irregular situations, which are addressed with specific action plans to improve the internal processes.

> OPERATING RISKS

Product

The safety of the food sold in GPA stores is ensured by a series of initiatives, from certifying all suppliers of perishables, to transporting and storing these products in cold rooms with total temperature and humidity control. The Quality Control Department's team is focused on qualifying and developing several

kinds of suppliers, and conducted 256 evaluations, 1,983 lot inspections in the countries of origin and more than 2,200 - microbiological and physio-chemical analyses in external labs in 2010. Furthermore, the Group is the only retailer to have an agreement with the Biological Institute of the University of São Paulo (*Instituto Biológico da Universidade de São Paulo*), which attests to the quality and origin of the fruits and vegetables furnished by its main base of suppliers. This precaution is also reinforced in the product lines of exclusive brands, which have a rigorous system for qualifying and approving suppliers. In 2010, close to 200 audits and 460 consumer taste tests were conducted. *GRI PR1*

Market

To protect the performance of its sales from the effects of the highly competitive market and oscillations in the national economy, GPA has some differentials that allow it to overcome these risks: the multibusiness structure, which permits attention to different consumer demands; the pricing policy with national negotiations and greater autonomy in the regions; a broad distribution network, which ensures agility and efficiency; economies of scale, which entails better negotiating conditions; a diversified line of products sold under exclusive brands; and outstanding client service.

Technological

Mastery of technology is one of the pillars of GPA, which invests in updating and modernizing its technological infrastructure to maximize returns and control the business' various operations. The continuity of this complex process in stores and offices is buttressed by back-up infrastructure capable of maintaining fully functioning technological operations even when there is a breakdown.

Structural

Besides maintaining insurance coverage for its installations and equipment, the Group continuously monitors the condition of each unit, with strict control of all operations. The physical safety of clients and employees in the stores is assured by an Engineering Risks department responsible for identifying possible risks and prioritizing actions to mitigate them. Specialized companies also conduct inspections each 18-24 months and corrective and preventive actions are taken based on their reports. GPA also has a Preventive Maintenance department, which covers all the store equipment.

> FINANCIAL RISKS

Credit and defaults

GPA is not directly exposed to credit risks: installment sales are effected through third-party cards (without credit risk for the Group) or cards issued by FIC, the joint venture with Itaú Unibanco, which administers the company and uses its own models to analyze and grant credit. One of these tools is the RAROC (Risk-Adjusted Return On Capital), which permits adjustments to the risk of conceding credit. The performance of the FIC credit card is among the best of Itaú Unibanco's cards.

Liquidity

At GPA, fundraising and the use of proceeds follow the Sarbanes-Oxley Act guidelines, with control of the maximum permitted leverage, prohibitions on exchange rate risks and maintenance of elevated cash reserves invested in Brazil's largest financial institutions with proven strength, with daily liquidity and rates as a percentage of the overnight interbank deposit rate (CDI).

Credit card receivable securitizations and some client food vouchers are funded by the *Pão de Açúcar Fundo de Investimentos em Direitos Creditórios* (PAFIDC), with set conditions through December 2012.

The expectation is to maintain or lengthen the Group's debt profile during 2011.

Indebtedness

The Group's consolidated net debt in 2010 was R\$1,253.4 million and the ratio of net debt/EBITDA reached 0.6x, less than 1x EBITDA, and in line with the leverage permitted by Company policies.

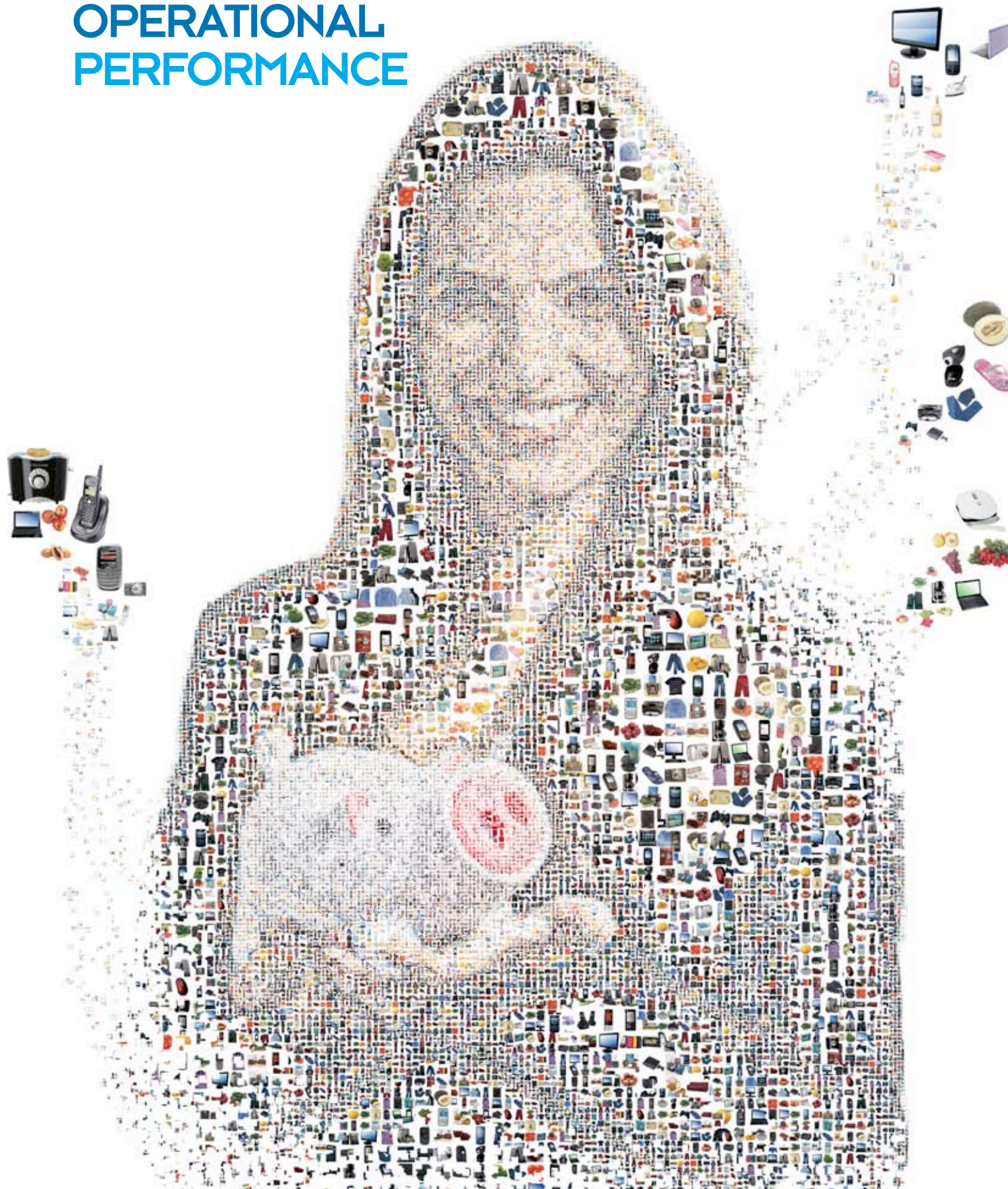
The funds are obtained through capital market operations such as debenture issuances and securitizations, or through bank loans in *reais*, with interest rates pegged to the overnight interbank deposit rate (DI); financings in foreign currency, fully hedged by swap transactions for reais and interest rates pegged to DI; and financings from the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES), of which part is in reais and part pegged to a basket of foreign currencies (also hedged by swap contracts for *reais*/CDI), plus annual interest.

The Group's total gross debt without FIDC increased from R\$3.0 billion at December 31, 2009 to R\$4.7 billion at the end of 2010, primarily due to investments over the year in Ponto Frio in order to improve its operations and equity situation, and the increased opening of retail food stores.

Exchange rate

GPA is not exposed to exchange rate risks and does not arbitrage in its debt transactions or financial investments. All transactions are effected in *reais* (R\$) or are fully hedged by swap contracts for *real*/CDI.

OUR ECONOMIC- OPERATIONAL PERFORMANCE



OUR ECONOMIC- OPERATIONAL PERFORMANCE

THE FAVORABLE ECONOMIC ENVIRONMENT SEEN IN 2010, HIGHLIGHTED BY THE RISE OF THE BRAZILIAN CONSUMER MARKET, HAD A DIRECT POSITIVE IMPACT ON THE GROUP'S BUSINESSES.

The middle classes (categories B and C), which in 2001 represented 48.5% of Brazil's population, expanded to 74.2% in 2009. Consequently, the percentage classified as poor (class D) diminished from 33.8% to 19.5% over the same period, and class E nearly vanished, falling from 13.2% to 1.8%.

This shift was also significant in relation to the total volume of income, which has increased more than 40% over eight years, from R\$976 billion in 2002 to R\$1.38 trillion in 2010. The lower-middle class (class C), which was the second largest with 28% of all income, rose in 2010 to 31%, or R\$428 billion of all income available for consumption. At the same time, class D jumped from 15% to 28%, reaching R\$330 billion of disposable income.

This social migration reinforces consumption of higher-value-added products, and in the case of the lower income groups, its first access to computers, freezers, new furniture, yogurts, household appliances, flat-screen TVs, among other products.

Present for more than 60 years in the lives of Brazilians, GPA closely followed this recovery, which had a direct impact on sales and contributed to the increasing basket of purchases by consumers, strengthening the average ticket resulting from greater acquisition of leading products and brands.

> SALES PERFORMANCE

In light of the social ascension of the Brazilian consumer, GPA recorded gross sales growth of 37.9% and net sales growth of 38.0% compared to 2009; gross sales totaled R\$36.1 billion and net sales totaled R\$32.1 billion.

Same-store gross sales increased 12.1% in the year, or a real increase of 6.4% when deflated by the IPCA consumer price index. Same-store net sales increased 13.2%. On a same-store basis, food products grew 9.3% over 2009, and non-food sales grew 10.2%.

With rising market shares in a number of food and non-food categories, the year was particularly positive for food sales, which recorded double-digit growth, above the market average. The highlight was the increased consumption in certain categories, like complementary perishables (yogurts, cheeses), as well as for high-value-added products, imports and exclusive brands. A reflection of the entrance of new consumers in the market, the experimentation also marked presence, contributing to the good sales performance.

The fruit of the business model adopted in 2008, the Group has remained focused on the strategic pillars that generate sales (assortment, pricing, communication and client services), with evolution in the supply, updated assortment, clustering, competitive pricing policy, store display (the strategy of enchanting the client) and strong activity in promotions.

The Group's positive performance in the year was also influenced by the following factors:

- Improved assortment of merchandise – particularly with the global sourcing of products for the general merchandise.
- Repositioning of textiles – assortment appropriate for each region, with 20% growth in the category.

- Remodeling stores in the hypermarkets – more practical new layouts with greater product visibility. All the stores remodeled in 2010 now have this new layout, which will be continued in 2011.

- Electronics and appliances – better display, more interactivity with the consumer and investment in the sales team.

- Credit – better control over the cost of granting credit. Evolution in the balance of better credit extension and lower cost to the client. Creation of differentials for the FIC (joint venture with Banco Itaú) card, to strengthen the base and build client loyalty through the card, offering the best practices for granting credit and becoming the best financing option in the Group's stores.

- Redefinition of the supermarket model – conversion of the Sendas and CompreBem banners to Extra Supermercado, not only to pursue synergy with the Extra brand (like reduced communications costs, etc.), but also to attend to the new consumption habits of classes C and D. The big trend is in updating the store: stores with strong presence in the refrigerated area (perishables), better environment, comfort.

> PERFORMANCE OF THE BUSINESSES

Supermarkets



Pão de Açúcar

For the fourth consecutive year, the Pão de Açúcar banner maintained sales growth, closing 2010 with gross sales of R\$4,762.1 million, 13.2% higher than in 2009.

This performance is mainly due to the policy of regular prices with little variation from day to day and close to the average charged by the competition, and also to the constant challenge of maintaining and guaranteeing the quality of client service that is characteristic of the banner.

So that the excellence in service is not diminished over time, Pão de Açúcar runs a training program for new employees, and promotes on-going training for its team, enhanced by actions encouraging knowledge of the products in the “Pão de Açúcar Way of Being and Serving” program, with the efforts of the Store Committees formed by the employees themselves.

Other actions also contribute to the good performance of the brand, such as the launch of the magazine *Pão de Açúcar Mais* as an exclusive vehicle for 200,000 clients of the banner’s relationship program and the development of the PA Delivery Mobile, with strong acceptance and use by iPhone and iPad users.





In 2010, the process of consolidating Extra as an umbrella brand continued; Extra covers a variety of formats and types of business, including supermarkets.

Redefining the model was focused on converting Sendas and CompreBem stores to Extra Supermercado, to pursue synergies with the Extra brand, such as reduced costs for communication, marketing, etc. Another point in the evolution was updating the stores to meet customer demand for stores with strong presence in the refrigerated area (perishables), a more pleasant environment, and more comfort.

More than 80 stores were converted during the year, and the expectation is that, by the end of 2011, the conversion process will be done, with the consolidation of this close-by and convenient format supported by the force of the Extra brand, focused on prices and promotions.



Hypermarkets



The performance of Extra Hipermercado was marked by gaining market share and by strengthening the main characteristics of the format: its strength in promotions (especially on Wednesdays and weekends), seasonal events (Easter, World Cup, Anniversary and Christmas) and the robust sales performance of non-food products throughout Brazil.

The continuous focus on competitiveness, with promotional and regular prices, was one of the main tools setting it apart in the year, and that assured significant gains in market share.

In 2010, 24 stores were remodeled and adapted to the new layout marked by the more practical and visible assortment, and this will continue in 2011. The year was also positive with respect to shrinkage, reversing a negative trend and involving changes in management control of internal and accounting procedures, as well as inventory management.



Proximity



The expansion of the Extra Fácil model, which had been planned for 2010, was postponed due to the development of a process for repositioning the stores, to adapt them to the new consumer needs.



During the year, the product mix was updated, emphasizing daily purchases like breads, meats, and cold items. The new model was tested at six pilot stores, and in light of the results, the expectation is that the expansion process will resume in 2011/2012.

Cash-and-Carry



In line with the restructuring of the Group's management model, the Assaí banner became a business in 2010, with a focus on the cash-and-carry segment. Sales rose 48.2% compared to 2009, highlighted by the 18% increase in same-store sales.

During the year, 17 stores were inaugurated, raising the total number to 57, highlighted by Assaí's entry into Brasília

and new states: Tocantins, Goiânia and Pernambuco. The geographic growth, focusing on regions other than São Paulo state, attends to GPA's strategic premise of cementing the brand as one method for expanding the Group.

The process of capturing synergies continued, with robust gains in expansion work and logistics, which now has dedicated distribution operated by GPA. The inauguration of a new DC with 20,000 square meters of space also contributed to assuring better productivity and reduced shrinkage in the stores.

At first, centralizing distribution contributed to automated processes and attendance to the stores. The second phase envisions adapting the operation to the wholesale model, concentrating in the DC only higher-value-added products, whose logistical costs do not prevent their distribution. Less valuable items continue to be delivered directly at the stores.



With the hiring at the end of the year of an executive from the market specializing in attending to other segments of the cash-and-carry market, Assai's business model will be reformulated in 2011, with the objective of expanding the activity of the brand among resellers and users.

Electronics and appliances



Globex

For Globex, 2010 was marked by two main events: the incipient integration of the operations of Ponto Frio, in July; and the finalization of the association with Casas Bahia, in November.

Initiated in the second half of the year, the integration process covered the departments for logistics, IT, commerce (which includes marketing, purchase and sales) and operations, which fed back

into results, sales growth and significant performance in regions where the brand was already the leader, like Rio de Janeiro and Minas Gerais. In the same period, Ponto Frio's logistical and furniture assembly structure came to be managed by Casas Bahia, with significant gains in quality.

The integration is being realized with a focus on identifying the best practices and processes of both companies. There is no paradigm. The idea is to create something new with the best of each business, in all areas. Besides ensuring compliance with the provisional operating permit (*Acordo Provisório de Reversibilidade da Operação – APRO*) executed with the Brazilian antitrust authority (*Conselho Administrativo de Defesa Econômica – CADE*), the objective is to take advantage of synergies, with correct decision making, which do not affect customer service.





Toward this end, a Project Management Office was created with the participation of market consultants, responsible for planning, executing, controlling and finalizing integration projects, in a variety of specialty areas. In 2010, initiatives on three fronts were implemented: negotiation with suppliers, store operation, and store marketing. The actions focus on quick wins, but with the customer first. In relation to GPA, the main synergies to be captured are in the commercial, operations (back office: logistics, IT, HR, maintenance, etc.) and marketing departments.

Among the main initiatives promoted during the year, highlights included the following:

- conversion of 44 stores from Extra Eletro to Ponto Frio;
- inauguration of a Ponto Frio concept store and conversion of a standard store to a concept store;
- updating Ponto Frio's marketing to the Casas Bahia positioning model;
- rebalancing the Ponto Frio product mix;
- integrating the sales force for both brands;
- opening a Casas Bahia store in Sergipe and inaugurating a DC in Camaçari (BA), to serve the Northeast region.

In 2011, the focus will be on the continuity of capturing synergies and cementing the brand positioning for Ponto Frio (stores in shopping centers oriented towards the upper and upper-middle classes) and Casas Bahia (stores on the street focused on the lower-middle class on down), in their respective market niches.

E-commerce



In line with the strategic positioning of expanding the share of sales of electronics and appliances via e-commerce, GPA consolidated its e-commerce operations by creating a new company called Nova Pontocom.

Besides maintaining operations focused exclusively on virtual sales, the main differentials at the new company are: a better portfolio of brands (Extra.com.br, PontoFrio.com.br and CasasBahia.com.br), leading group of the market in the rearguard; people and business model; technological platform; marketing synergies, commercial conditions and gains with the bricks-and-mortar; and exploration of multiple channels.

The beginning of the year was marked by the unification of the operations of Extra.com.br and PontoFrio.com.br, which three months later (in April), were completely integrated.

In November, upon the finalization of the corporate agreement between GPA and Casas Bahia, the challenge was to integrate, in record time, the operations of CasasBahia.com.br, which in December were fully integrated into the new company.

In practice, this means that the three operations use a single technological, logistics and personnel platform, which assures synergistic gains, cost reductions, better commercial conditions, an outstanding assortment, and permits operations focused on meeting the demands and characteristics specific to e-commerce.

One of the main highlights of Nova Pontocom in its first months of operation is that the company was able to absorb the new operations in record time, maintaining sales growth, gains in profitability and EBITDA margin (which reached the same level as the bricks-and-mortar), closing 2010 with significant numbers:

- 215 million visits, not including CasasBahia.com.br
- 3.5 million requests approved (1.1 million in 2009)
- Growth of 70%, with gains in market share, even as the market grew 40%
- Annualized revenue (on a comparable basis) of R\$2.7 billion, which represents 7% of the Group's gross sales.

Specialized businesses

Drugstores

To cement its positioning as one of the largest operators of drugstores in Brazilian retail food, GPA promoted a series of changes in the format during the year. The results of a study on the operation showed the necessity of expanding the average size of the stores, to include perfume items in the product mix. Thus, 17 stores were inaugurated and another 17 units were remodeled, and each now has a larger sales area and a new mix of perfumes.



Gas Stations

With its fuel station operations, GPA reinforced its market positioning with 81 units with important competitive advantages: a trustworthy brand, better bargaining with distributors, the best regional prices, transfer of the low-price image to the store, increased client flow and security.

The highlight for the period was the expanded supply of products and services offered in this format, which until last year was only focused on selling fuel. Currently, the chain offers clients complementary first need products, like lubricants, additives, flavorings, ice and coal.



GPA Malls & Properties

With a little more than one year of operations, GPA Malls & Properties continued its strategy of facilitating the Group's growth through real estate development.

To ensure greater profitability, it kept its focus on the sweat-the-assets concept, launching three real estate developments (São Paulo, Guarulhos and Santo André), which will be presented to the market in 2011.

Also under the administration of GPA Malls & Properties, the number of contracts for commercial spaces installed in the Group's stores increased 3.3% compared to 2009.

Indirect Purchase Center (CCI)

Since 2007, the Group has had an Indirect Purchase Center, which administers the processes of buying and contracting services and products that are not for sale (office materials, cleaning and security services, telephone, health plans, etc.).

Besides being realized more rationally, without duplication of tasks and with greater productivity, the centralization permits synergistic gains, cost reductions and better conditions with the suppliers, due to the Group's bargaining power.

Responsible for total businesses with a value above R\$1 billion, the Indirect Purchase Center is being structured to operate as an independent business offering services to clients other than GPA's internal departments.

> ECONOMIC-FINANCIAL PERFORMANCE (MD&A)

Gross sales

In 2010, Grupo Pão de Açúcar's gross sales totaled R\$36,144.4 million, an increase of 37.9% over 2009 – achieving the guidance of revenue in excess of R\$33 billion. Even excluding Nova Casas Bahia operations, gross sales reached R\$33,172.1 million, an increase of 26.5% over 2009.

Net sales reached R\$32,091.7 million in the year, an increase of 38.0% over 2009. Excluding Nova Casas Bahia, net sales totaled R\$29,644.0 million, an increase of 27.5% over 2009.

On a same-store basis, gross sales increased 12.1% in relation to 2009 and 6.4% in real terms (i.e., deflated by the IPCA price index). This performance exceeded the guidance for real sales growth of 4-5% that was announced at the beginning of the year. Nominal same-store net sales increased 13.2% compared to the prior year.

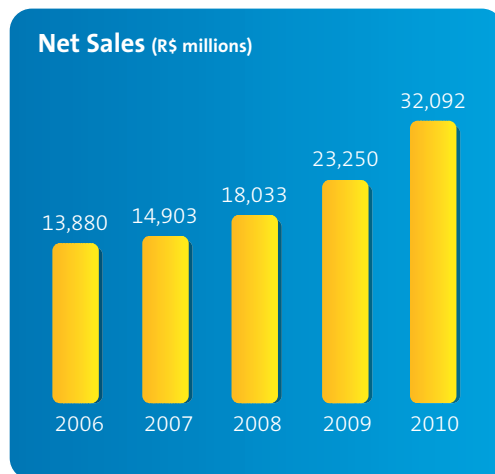


Net sales revenue

Net sales revenue increased 38.0%, from R\$23,250.3 million in 2009 to R\$32,091.7 million in 2010.

Among the factors that contributed to this increase, highlights include: the

opening of 47 stores and conversion of 93 CompreBem and Sendas stores; the acquisition in July 2009 of Ponto Frio, whose revenue was fully consolidated in 2010; and the association in December 2010 with Casas Bahia, whose revenue for the last two months was consolidated in the year.

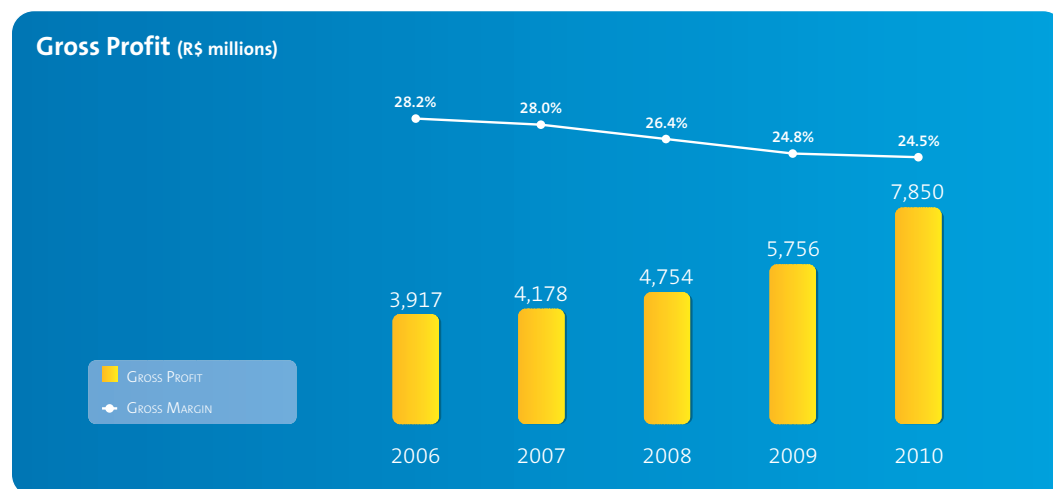


Gross profit

Gross profit increased 36.4% to R\$7,850.2 million in 2010, with gross margin of 24.5%. This performance was attained principally due to better negotiations with suppliers; improved commercial and operational

management; and application of the DemandTec pricing management tool.

One of the highlights is that this gross margin was achieved despite the increased share in the product mix of electronics, which have lower margins than food.



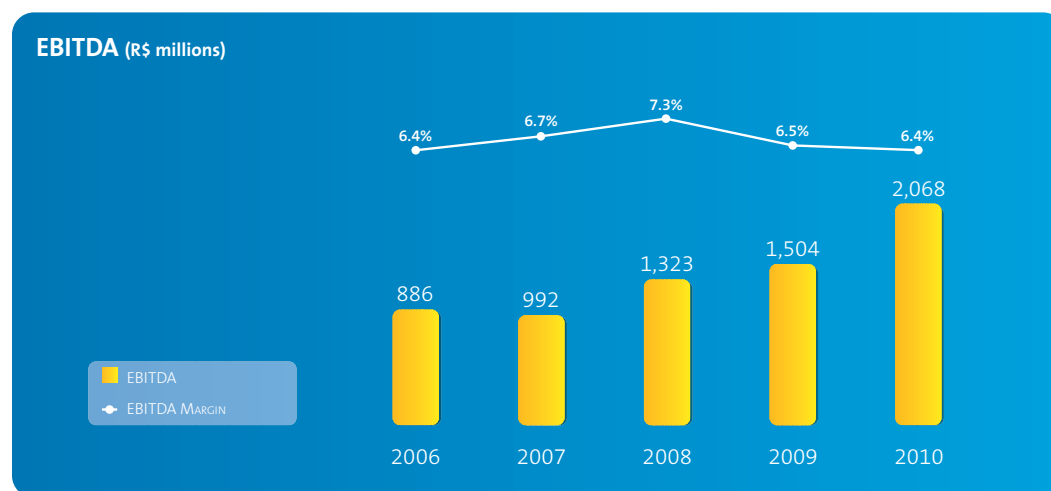
Operating expenses

The Group's total operating expenses increased 36.0%, from R\$4,252.4 million in 2009 to R\$5,782.1 million in 2010, due to the increase in personnel expense and payroll charges; the increase in IT expenses to support expansion; and 47 new stores inaugurated during the year.

As a percentage of net sales, expenses decreased 30 basis points as compared to the prior year, to 18.0% in 2010.

EBITDA

In 2010, EBITDA was R\$2,068.1 million, with EBITDA margin of 6.4%. EBITDA without Nova Casas Bahia was R\$1,972.0 million, above the 2010 guidance presented at the beginning of the year to exceed EBITDA of R\$1.8 billion.



Depreciation and amortization

Depreciation and amortization decreased 3.4%, from R\$455.5 million in 2009 to R\$440.1 million in 2010, mainly due to application of the International Financial Reporting Standards (IFRS), which increased the estimated useful life of property and equipment from 30 years to 40 years.

In 2010, with the adoption of the IFRS for some fixed assets, the respective useful lives were extended. Thus, consolidated depreciation totaled R\$440.1 million, a decrease of 2.2% compared to 2009.

Financial revenues/expenses

The net financial expense increased 227.7%, from R\$251.2 million in 2009 to R\$823.0 million in 2010, due to the following factors: increased debt to finance the growth of the business; increased discounting of receivables due to the growth of the business; and indexing other liabilities and assets to CDI.

Furthermore, in 2010, the Group had Globex's non-recurring expense of R\$68.0 million due to the change in criteria for recognizing the cost of discounting receivables, which is now recognized in the month of the discount.

Net debt in particular increased in the last quarter of the year, mainly due to extraordinary investments, like R\$313 million in acquisitions, including R\$290 million to capitalize Globex; R\$186 million in investments to expand Assaí; and close to R\$348 million of interest on existing and unamortized debt.

Operating result

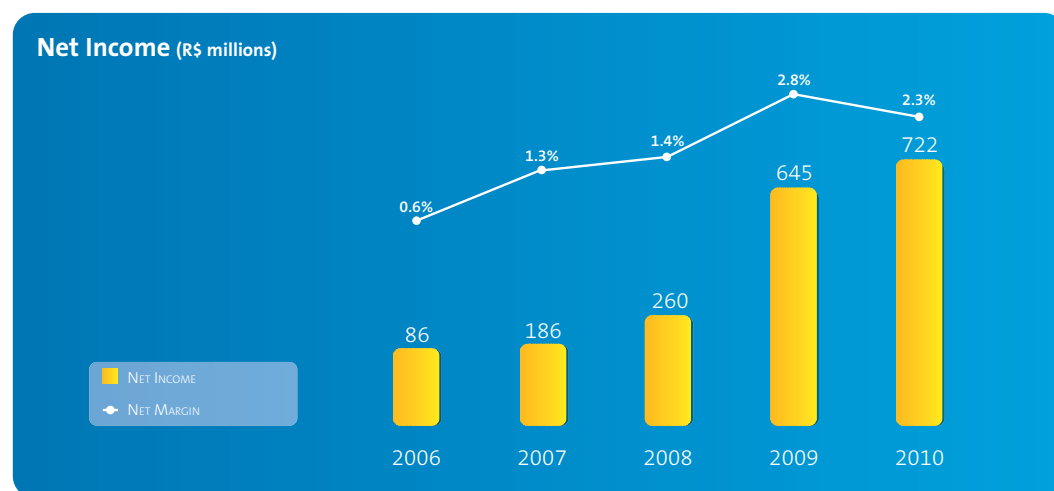
The operating result increased 55.2%, from R\$1,049.0 million in 2009 to R\$1,627.9 million in 2010, largely due to a 38.0% increase in net sales revenue, and control of expenses to a lower level than revenues.

Income tax

The income tax expense increased from R\$28.6 million in 2009 to R\$86.6 million in 2010, primarily due to the impact of deferred taxes on the adjustments needed in adopting the accounting pronouncements of the Brazilian Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or CPCs.

Net income

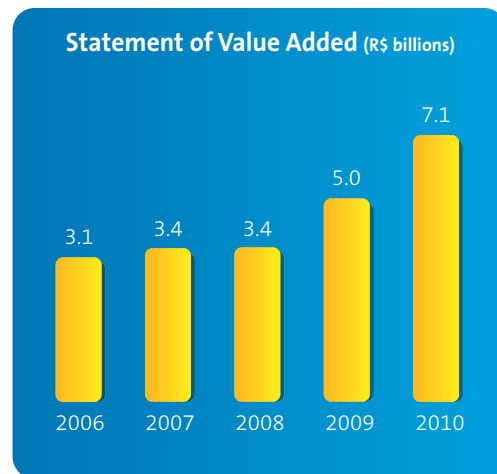
For the reasons described above, GPA's net income increased 12.1%, from R\$644.7 million in 2009 to R\$722.4 million in 2010.



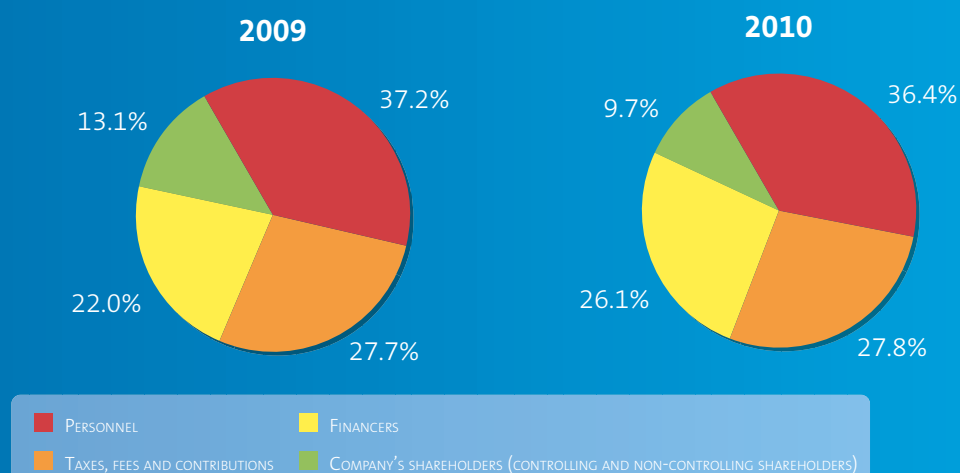
Statement of value added GRI EC1

The added value generated by the Grupo Pão de Açúcar in 2010 totaled R\$7,149 million, an increase of 44.2% over 2009 (R\$4,958 million). These resources were distributed as follows:

- Personnel: 36.4% (R\$2,603 million) – for compensation for labor, with the generation of jobs and investments in training.
- Taxes: 27.8% (R\$1,985 million) – for payments to the government, through taxes, fees and contributions;
- Financers: 26.1% (R\$1,870 million) – to compensate banks through the payment of interest on loans; the government by updating tax installments and contingencies; and lessors, through the payment of rent;
- Shareholders: 9.7% (R\$692 million) – in retained amounts, which were incorporated into shareholders' equity.



Value Added Composition



Cash Flow

Consolidated Cash Flow (R\$ thousand)

	December 31	
	2010 (including Globex)	2009 (including Globex)
Cash Flow from Operating Activities		
Net Income for the Period	691,735	651,399
Adjustment to reconcile net income		
Depreciation and Amortization	440,139	455,465
Equity Income Results	(34,499)	7,985
Deferred Income Tax and Social Contribution	34,058	(31,233)
Current Income Tax and Social Contribution	52,058	-
Adjustment to present value	(83,950)	-
Financial charges provisioned	277,050	398,040
Provision for Contingencies, net	298,406	81,327
Provision for Compensation in Shares	27,920	26,577
Provision for Write-off and Losses	55,505	-
Gain from advantageous purchase	(453,569)	-
Provisions for losses and the write-off of fixed and intangible assets	-	(7,878)
Write-off of permanent assets	73,517	23,288
Others	(66,189)	-
	1,312,181	1,604,969

Cash Flow (continued)

	December 31	
	2010 (including Globex)	2009 (including Globex)
(Increase) Decrease in Assets		
Accounts Receivable	874,367	(166,916)
Recoverable Taxes	(189,816)	116,392
Inventories	(694,827)	(849,380)
Marketable securities	60,748	-
Judicial Deposits	(105,105)	(99,419)
Other Assets	83,674	(93,273)
	29,041	(1,092,596)
(Increase) Decrease in Liabilities		
Suppliers	245,297	1,052,761
Payroll and Related Charges	(146,763)	283,486
Other liabilities	(1,018,501)	(5,776)
	(919,967)	1,330,470
Net Cash Flow Generated (Used) in Operating Activities	421,255	1,842,844
Net Cash from Investing activities		
Restricted cash	58,798	-
Cash, net of Acquisitions	-	79,331
Acquisition of Companies	-	(963,128)
Property and Equipment and Intangible	(1,439,342)	(746,694)
Capital transfer to subsidiary	-	(9,318)
Sales of Property and Equipment	39,243	4,330
Net Cash Flow Generated (Used) in Investing Activities	(1,341,301)	(1,635,479)
Cash Flow from Financing Activities		
Loans and financing		
Additions	3,833,326	736,805
Amortization	(1,204,381)	(393,129)
Payment of Interest	(182,813)	(209,301)
Capital Increase	35,120	487,144
Cash from capital increase in subsidiaries	64,957	-
Payment of Dividends	(151,412)	(109,157)
Net Cash Flow Generated (Used) in Financing Activities	2,394,797	512,362
Cash, Banks and Marketable Securities at beginning of the period	2,343,243	1,623,516
Cash, Banks and Marketable Securities at end of the period	3,817,994	2,343,243
Changes in cash and cash equivalent	1,474,751	719,727

> CAPITAL MARKET

The relationship of Grupo Pão de Açúcar with its shareholders and investors is guided by the transparency and fairness in the disclosure of information and by commitment to the capital market.

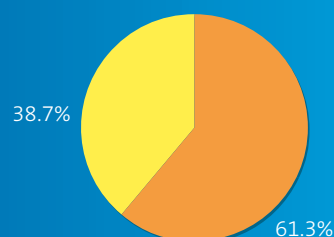
The Group has had shares listed on the BM&FBovespa since 1995, when it went public. In 1997, with the objective of approaching international shareholders, GPA's shares also began to be traded on the New York Stock Exchange, under the ticker CBD, through an American Depositary Receipt (ADR) program.

The Company has two classes of shares:

- Common: confers on the holder the essential shareholder rights, especially participation in the Company's results and the right to vote in Shareholders' Meetings. Each common share corresponds to one vote in the deliberations of the Shareholders' Meeting.

- Preferred: confers on the holder priority in the distribution of fixed or minimum dividends; priority in the reimbursement of the capital, with or without a premium; and the possibility of electing members to the Fiscal Council.

Participation of the Classes of Shares



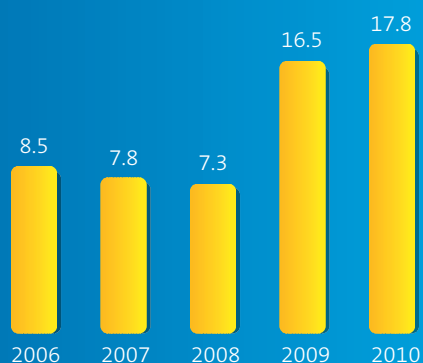
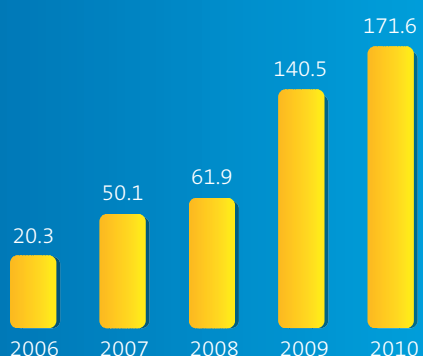
At the end of 2010, the Group had 38.2% of the shares in circulation. Control of the Company is shared by the Casino Group and Abilio Diniz, the current Chairman of the Board of Directors, in the proportions shown below.

GPA's Main Shareholders (millions of shares)

12/31/2010

Shareholders	Common	%	Preferred	%	Total	%
Wilkes ⁽¹⁾	65.4	65.6	0.0	0.0	65.4	25.4
Casino Group	34.2	34.3	7.6	4.8	41.8	16.2
Abilio Diniz	0.0	0.0	35.2	22.3	35.2	13.7
Diniz Family	0.0	0.0	16.6	10.7	16.6	6.4
Shares in Treasury	0.0	0.0	0.2	0.1	0.2	0.1
Free Float	0.1	0.1	98.5	62.3	98.5	38.2%
Total	99.7	100.0	158.1	100.0	257.8	100.0

⁽¹⁾ Wilkes is a company between Abilio Diniz and the Casino Group, in which each party holds 50% of the capital.

Market Cap (R\$ billions)

Dividends (R\$ millions)

Dividends

In accordance with the terms of its Bylaws, after subtracting cumulative losses and the provision for income taxes, and subtracting the amount to be distributed as employee profit-sharing, the Group's profits are earmarked as follows: 5% to form the legal reserve; an amount earmarked for reserves for contingencies; and 25% for paying the mandatory dividend.

Starting with the net income recorded in 2010, of R\$722.4 million, GPA's Board of Directors approved aggregate dividend payments to shareholders of R\$171.6 million. This amount is equal to R\$627.73 per thousand common shares and R\$690.50 per thousand preferred shares.

Also, since 2009, the Company has adopted the differentiated practice, benefitting its shareholders, of paying intermediate dividends on a quarterly basis. In 2010, the advances on dividends totaled R\$58.4 million.

Total Dividends Distributed

	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010
Total to be distributed (R\$ thousand):	50,084	61,851	140,500	19,215	19,609	19,609	113,167	171,575
R\$ per common share	0.208037	0.248593	0.534483	0.072727	0.072727	0.072727	0.409546	0.627728
R\$ per class A preferred share	0.228841	0.273452	0.587932	0.080000	0.080000	0.080000	0.458273	0.690501
R\$ per class B preferred share	-	-	0.01	-	-	-	-	-

BMF&Bovespa

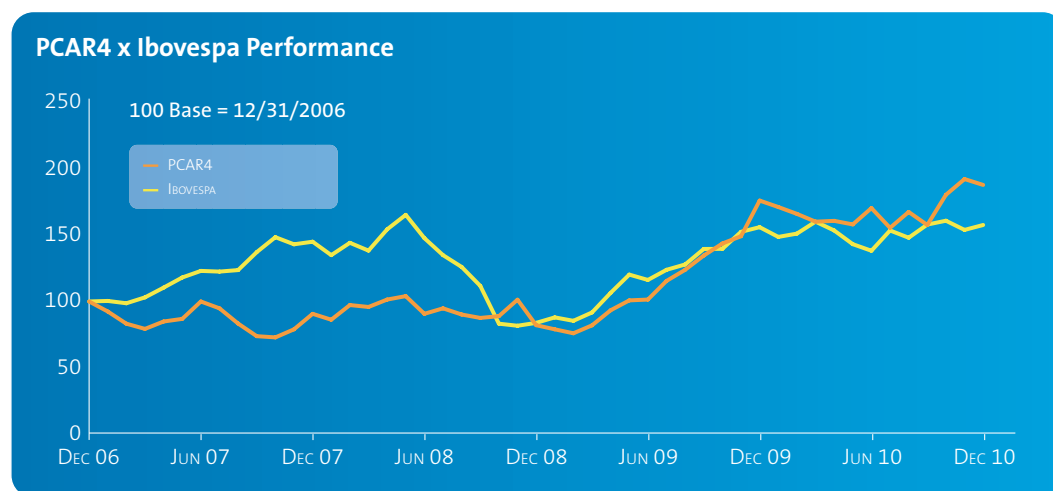
GPA follows the Level 1 corporate governance rules of the BM&FBovespa, where it is listed under PCAR3 for the common shares and PCAR4 for the preferred.

The Company's preferred shares (PCAR4) closed the year trading at R\$69.30, having appreciated 6.6% during the year. In the same period, the Bovespa index, which is the principal index of the Brazilian stock exchange, appreciated 1.0%.

The average daily financial volume traded for PCAR4 in this market in 2010 was R\$51 million, 100% higher than in 2009. The shares were traded in 100% of the trading sessions.

The Group is represented in the following portfolios:

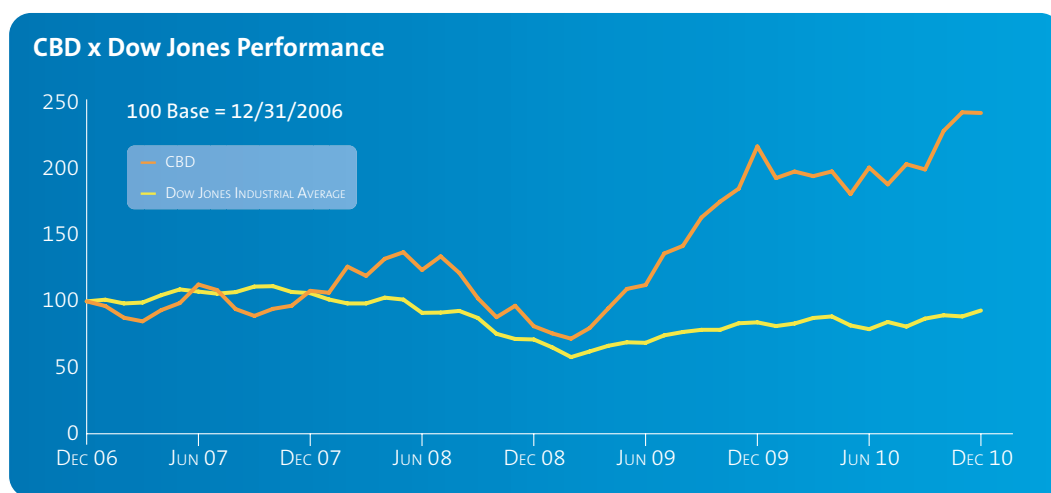
- Ibovespa (Bovespa Index)
- IBrX (Brazil Index)
- IBrX-50 (Brazil 50 Index)
- IGC (Index for shares with differentiated Corporate Governance)
- ICO2 (Carbon Efficient Index)
- ICON (Consumption Index)
- IGCT (Index for Corporate Governance Trade)
- MLCX (Mid-Large Cap Index)
- IBVX-2 (Value BM&FBOVESPA Index)



New York Stock Exchange – NYSE

On the NYSE, the Group has Level III ADRs trading under CBD, which represent one preferred share each. The Company's ADRs closed the year trading at R\$41.98, appreciating 11.8%.

The average daily financial volume traded in this market in 2010 was US\$25.5 million, an amount 119% higher than in 2009. The ADRs were traded on all session days.



Investor relations GRI 4.4

Through the Department of Investor Relations, GPA offers personalized attention to its shareholders, investors and market analysts, providing reliable and comprehensive information and always maintaining the principle of fairness.

The Group maintains a variety of permanent channels of communication with this constituency:

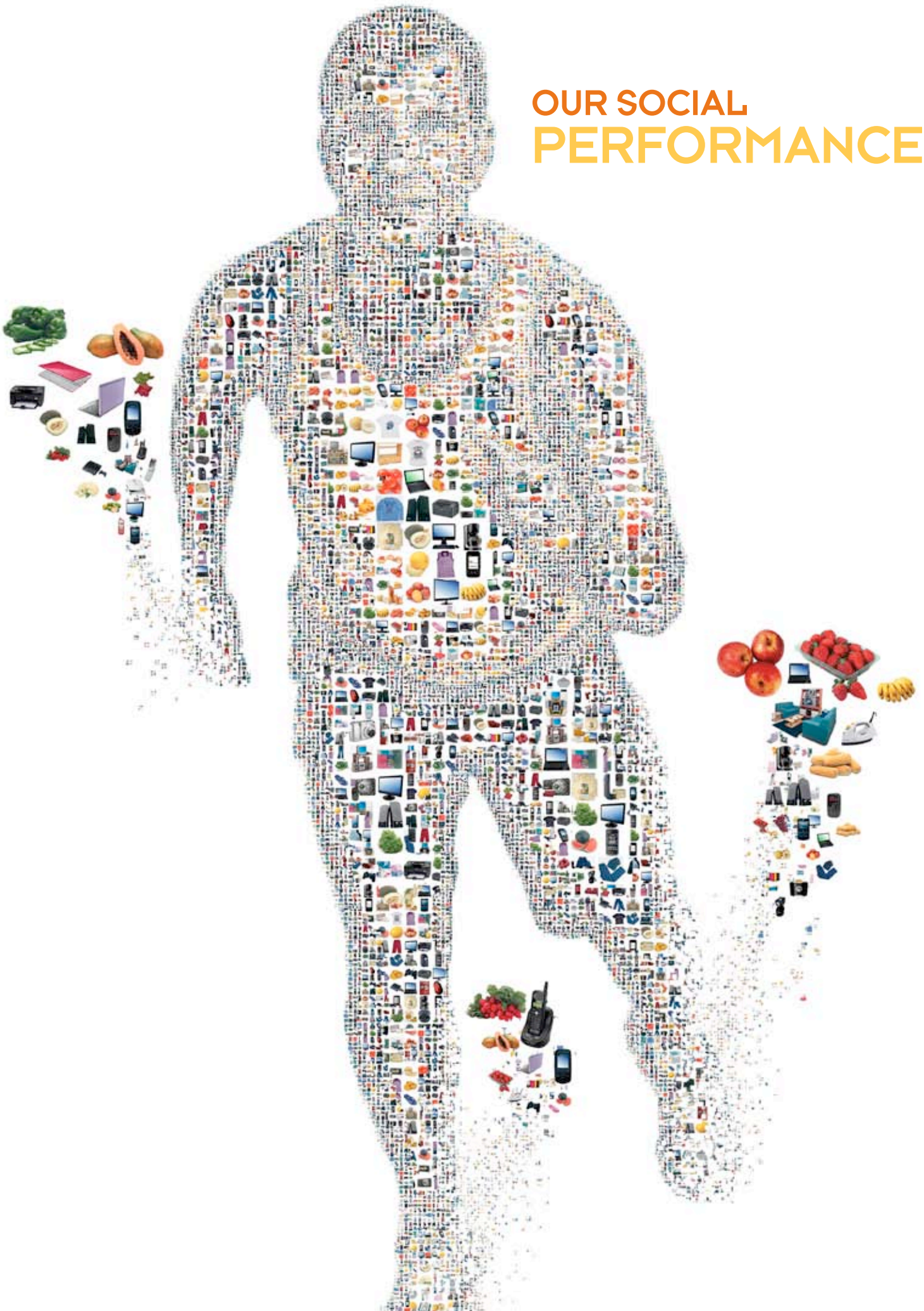
- Teleconferences and publication of releases with each quarterly disclosure of results;
- Telephone and e-mail contact and meetings at the Company's headquarters;
- Company Day, oriented toward analysts and other capital market professionals. In 2010, there were two of these GPA Days;

- Presentations at public events in Brazil and at events sponsored by financial institutions in the national and international markets. In 2010, the Group participated in 19 events;

- Maintenance of an updated website and a specific Internet website to meet demand for Company information.

Moreover, valuing the fairness, uniformity and equality of the information disclosed, all disclosure materials and website publications are presented in Portuguese and English. The teleconferences are also translated simultaneously and a complete transcript is made available afterward. GPA's communications are done simultaneously in the two markets where the Company is listed and strictly complies with all applicable determinations and legislation in these markets.

OUR SOCIAL PERFORMANCE



OUR SOCIAL PERFORMANCE

AT GRUPO PÃO DE AÇÚCAR, THE CONCEPT OF SUSTAINABILITY IS PART OF THE STRATEGIC MANAGEMENT, CONTRIBUTING TO THE WAY OF DOING BUSINESS, ENSURING ITS PERENNIALITY, MAXIMIZING ITS EFFICIENCY AND RELATING WITH THE CHAIN OF VALUE.

It is a principle that involves two basic actions: evaluating the impacts of the Group's activity on its stakeholders and surroundings, in the economic, social and environmental spheres; and implementing programs and practices that would assure and enable the balance of these three aspects, in the present and in the future.

It is with this perspective that GPA invests continuously in analyzing its stakeholders and engaging to establish and maintain a transparent and objective relationship aligned with its principles and values. *GRI 4.16*

In 2010, to cement this positioning, sustainability policies and guidelines oriented towards the main strategic constituencies (employees, clients and suppliers) were established. Another significant action was the inclusion of sustainability as one of the business' strategic pillars, reinforcing the Group's efforts in this area. *GRI 4.14, 4.15*

Besides the strategic guidelines established in 2010, initiatives were maintained throughout the year, in which the Group participated in favor of the society, including representations at the

Programa Conexões Sustentáveis de Carne, Soja e Madeira and in the Climate Forum sponsored by the Ethos Institute; in the *Programa de Qualificação de Fornecedores para o Varejo*, of the *Associação Brasileira do Varejo Têxtil* (ABVTEX); and in the United Nations' Global Compact and its Pact for the Eradication of Slave Labor. *GRI 4.12*

> SUSTAINABILITY GUIDELINES *GRI 4.17*

Corporate and personnel

For Grupo Pão de Açúcar, sustainability is not an isolated area of effort, but an essential principle in managing the businesses, which engenders its model of relationships and communication in all the departments and with all constituencies.

Policy 1: All GPA employees should be made aware and trained to think and act sustainably.

Policy 2: Sustainability at GPA should be a practice shared by all employees in their jobs and professional responsibilities.

Policy 3: GPA encourages a sustainable approach by all employees in their personal lives and other social roles.

Clients

Raise consciousness, educate and stimulate our clients and consumers regarding sustainability.

Policy 1: GPA should be transparent with its clients and consumers about its role and responsibilities in sustainability.

Policy 2: GPA should be an agent for change in conscientious consumption.

Policy 3: GPA should embrace sustainability as a model of excellence in its relationships with clients and consumers.

Chain

Strengthen the economic, social and environmental results and the reputation of the entire chain.

Policy 1: The practice of sustainability throughout each chain in which GPA acts should result in efficiency gains (with reduced cost, waste and risk), new business opportunities, and positive social and environmental impact.

Policy 2: Sustainability should build and protect the reputation of the chains in which GPA acts.

Policy 3: GPA as an integrator of the client-chain relation should influence the sustainable transformation of the chains in which it acts.

> EMPLOYEES

To be recognized as a strategic partner capable of influencing the main decisions of the business, making GPA the best company to work for and grow. This is the vision of the human resources department, which in 2010, was reformulated and renamed “People & Management.” Besides reporting to management regarding the entire Company’s performance indicators, the department’s efforts remained focused on four main guidelines:

- Ensuring that the right people are in the right place, to meet the challenges of growing and diversifying the Group.
- Being a company admired for the practice of the corporate diversity and social inclusion and for the encouragement of social inclusion.
- Ensuring a performance-driven management culture, providing methodologies and processes.
- Inculcating pride in belonging, respecting the cultures and particularities of the businesses.

With this new positioning, GPA seeks to ensure the sustained growth of each individual, with a participatory management focused on encouraging the personal and professional development of its 76,637 employees*, whose dedication and teamwork contributed to the achievements of 2010. *GRI HR4*

* This number only refers to employees of Grupo Pão de Açúcar, and thus does not include Assaí, Casas Bahia and Ponto Frio.



Pride in belonging GRI LA1

Diversity is one of the outstanding characteristics of the internal constituency of Grupo Pão de Açúcar. And this aspect has proven advantageous to the business: with a team composed of people of different ages, races and cultures, the Company can count on diverse perspectives, which frequently gives rise to new solutions and opportunities.

With respect to gender diversity, at the end of 2010, there were 37,217 female employees (or 49% of the total), balanced by 39,420 men (51%), revealing a balanced team regarding gender.

The distribution by age group also deserves mention: in the same period, 58% were up to 29 years old; 38% between 30-49; and 4% older than 50, which reflected increases of 4%, 8% and 12%, respectively, in the number of employees in each age band, compared to 2009.

The Group also has 183 interns, of whom 146 had more than 90 days since admission, and 37 with less; 919 young apprentices with more than 90 days since admission – 38 at Distribution Centers, 848 at stores and 33 at the Company's headquarters; and 204 young apprentices with less than 90 days since admission – 2 at Distribution Centers, 200 at stores and 2 at headquarters.

Total Employees GRI LA1

2008	68,463
2009	72,122
2010	76,637*

* This number only refers to employees of Grupo Pão de Açúcar, and thus does not include Assaf, Casas Bahia and Ponto Frio.

Employees by Businesses Unit GRI LA1

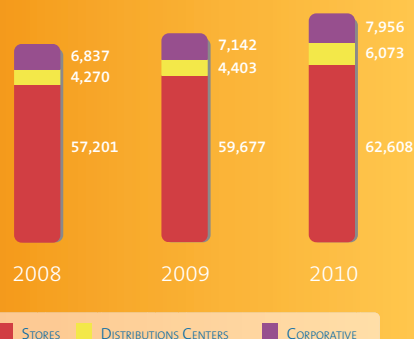


Table of Employees, by Age Group* GRI LA1

Age	2008	2009	2010
Up to 29	41,915	43,066	44,721
30-49	24,002	26,468	28,920
Above 50	2,546	2,588	2,996

* Counting interns and young apprentices.

Table of Employees, by Gender GRI LA1

Gender and position	2008		2009		2010	
	Women	Men	Women	Men	Women	Men
Directors	07	43	08	45	10	61
General managers	171	745	182	703	15	159
Departmental managers and coordinators	692	2,028	722	1,927	348	804
Supervisors	1,087	2,318	1,218	2,478	2,083	4,638
Specialists	577	496	462	455	834	684
Operational Technicians	29,222	31,099	31,321	32,601	33,927	33,074
Total	31,756	36,729	33,913	38,209	37,217	39,420

Social inclusion

GPA promotes a series of initiatives oriented toward diversity and social inclusion. The theme of Diversity is treated as an attitude of valuing people - men and women of different races/ethnicities, cultures, sexual orientation, generations, lifestyles, socio-economic levels and physical characteristics - who contribute their best to developing the Group. In 2010, actions to improve the following five programs with this focus were developed:

- **Young Apprentice:** Promotes the inclusion of young people once they have been professionally trained, in partnership with the *Serviço Nacional de Aprendizagem Comercial* (Senac). The program accounts for 5% of the employees whose functions at the Company require professional training. In 2010, the project was restructured, and in 2011 will be relaunched with a career plan for the participants.
- **First Employment:** Contributed to including youth aged 16 and up in the labor market, providing their first inscription for Work and Social Security. The initiative seeks to prepare youth who have difficulty finding a first opportunity in the market, to build a career at the Company.

- **People of the Future:** Through professional inclusion and development strategies that minimize their social vulnerability, it contributes to the reintegration of youth under the tutelage of the *Fundação Casa*.

Inclusion of people with special needs

- **GPA for All:** Promotes the inclusion of people with special needs throughout the Group, which involves their becoming full participants in social, economic and political life, assuring respect for their rights and citizenship.

Age diversity

- **Third Age:** The program offers professionals aged 55 and up an opportunity to work, and values the enormous contribution of this group throughout the business.

During the year, the theme was addressed internally through the normal channels of communication, reinforcing existing programs, and as a new initiative, there was a gesture to applaud women. For 2011, an Internal Diversity Campaign will be launched to sensitize and raise employee awareness of the matter, to awaken admiration and achieve one of the strategic guidelines of the department for People & Management.



Compensation and benefits GRI 4.11; EC3; LA3, LA4, LA5

Both the salary policy and the benefits offered to employees are important matters for GPA, which helps in each individual's development. Among the benefits offered by the Group, both to full-time and temporary employees, highlights include: life insurance (with coverage for incapacitation/disability), health plan and dental care; a *Multicheque* card

(for discounts at the Group's stores); funeral aid; food subsidies (vouchers or cafeteria); and baby clothes.

GPA also offers a private retirement plan to employees whose salaries are above the floor established by the *Instituto Nacional do Seguro Social* (INSS): the employee invests proportionally in accordance with the wage band and the Company contributes the compatible percentage.

Average Salary by Position and Gender (R\$) GRI LA14

Function	2008		2009		2010	
	Women	Men	Women	Men	Women	Men
General managers	7,637	7,113	8,687	8,010	12,104	13,104
Departmental managers and coordinators	2,428	2,107	2,543	2,351	7,781	7,018
Supervisors	1,339	1,254	1,258	1,286	1,508	1,649
Specialists	3,034	3,591	3,798	3,994	3,657	3,950
Operational technicians	620	648	703	750	740	798

Proportion between the Wages of Male and Female Employees, by Position GRI LA14

	2010
General managers	1.08
Departmental managers and coordinators	0.90
Supervisors	1.09
Specialists	1.08
Operational technicians	1.08

Ratio between the Company's Lowest Wage and the Local Minimum Wage GRI EC5

	Lowest wage practiced by the Company	Minimum wage (in local currency at December 31)	Proportion between the lowest wage practiced by the Company and the minimum wage
2008	R\$ 368.55	R\$ 415.00	0.89
2009	R\$ 337.60	R\$ 465.00	0.73
2010	R\$ 510.00*	R\$ 510.00	1

* Salary for a 220-hour work month. For an 80-hour work month, the salary is R\$280.73.

Recruitment and retention of talent GRI EC7

GPA's personnel management prioritizes internal personnel for filling vacancies, which only later are opened to market candidates. In 2010, a new development in the process of managing people was the articulation, in the analysis of employee turnover, of the distribution by gender, age band and work unit. With this improvement in data output, it will be

possible to better understand the factors that impact the churn rate for different groups of employees.

In 2010, the churn rate for temporary employees was also calculated by gender – 0.59% for males and 0.65% for females; age group – 0.02% for above 50; 0.32% for 30-49; and 0.9% for up to 29; and units – 1.03% for stores, 0.14% at Distribution Centers and 0.08% at Corporate.

Employee Turnover in 2010 GRI LA2**Permanent or indefinite term contract**

	2008	2009	2010
Gender			
Male	20.12%	16.08%	18.94%
Female	16.67%	13.73%	17.07%
Age group			
Up to 29 years old	27.45%	20.97%	26.43%
30-49	8.65%	8.37%	9.00%
More than 50 years old	0.68%	0.47%	0.58%
Units			
Stores	30.95%	25.43%	30.96%
Distribution Centers	3.52%	2.02%	2.30%
Corporate	2.31%	2.53%	2.71%

Training GRI LA10

To ensure employees' professional preparation for performing their functions, besides stimulating the quest for continuing learning, Grupo Pão de Açúcar promotes continuing training for all categories of employees.

In 2010, the average training load was 22 hours for directors, general managers and departmental managers and coordinators; 28 for supervisors; and 10 for specialists and operational technicians.

During the year, sustainability was a central theme at the national meeting of

Pão de Açúcar managers. The event included discussions of a variety of initiatives that can be implemented at stores, such as: zeroing the carbon footprint, using only recyclable materials, and presenting as giveaways organic products and returnable bags, among other initiatives.

As a result of this meeting, over/almost 126 Pão de Açúcar managers participated in a cycle of workshops on sustainability in partnership with the *Instituto Akatu* (a non-governmental organization that works to raise awareness and mobilize society towards conscientious consumption); each employee participated in an 8-hour session.

Total Hours of Training GRI LA10

Position	2009	2010
Directors		
General Managers		
Departmental Managers and Coordinators	32,100	30,419
Supervisors	208,863	190,882
Specialists / Operational Technicians	725,714	710,114

Management of competencies GRI LA11, LA12

The Group also believes that to develop and stimulate its employees, it is not

enough to just offer training; what's needed is periodic monitoring of the performance of the teams. In 2010, several efforts were developed in this area:

Monitoring Performance in 2010

Actions	People involved
Manager training, facilitating better comprehension of the competencies.	5,132 managers, between stores and corporate.
Realization of the Individual Development Plan, aligned with the competencies of the Group.	73% of those eligible among stores and corporate.
Realization of referrals, through the career and succession committees.	1,584 employees (100%), among managers, buyers and higher posts.
Updating the "My File" data on the "My GPA Career" website.	86% of the employees, among managers from stores and corporate.
Utilization of the "My GPA Career" website, which consolidates information from the feedback stages of results, evaluation of competencies and potential, career and succession committees, feedback on competencies, the Individual Development Plan and appointment of successors.	238,512 accesses realized by over/almost 13,517 employees, among store managers and corporate, who have access to the site.

Goals for 2011 - Focus on Stores and Corporate

Actions	Objective
Review of competencies in light of the Group's new values and attributes.	Review in partnership with the provider in the development department.
More structuring of the career and succession procedures.	Review of the procedures, taking into consideration the Group's current needs.
Better utilization of the Individual Development Plan information for planning actions and budgeting.	More structuring of the information and adjusting the timetable for making the information available during the period for preparing the budget and plan.

The Evaluation of Competencies and Potential covered 87% of employees from stores and corporate; 93% of the professionals from stores and corporate were evaluated and received feedback (recorded in the system); there were 47 career and succession committee meetings

held, covering 1,584 employees, including managers, buyers and higher posts; and for 2011, the Group expects to consolidate the process of the Cycle of People, and improve the disclosure and the preparation of the leadership for giving feedback.

Occupational Health and Safety GRI LA6, LA8

GPA invests in adopting practices and programs to protect the physical and mental integrity of its team. Currently, 80% of the employees of the Group are represented in formal health and safety committees operating in over/almost 462 units with more than 50 employees. This effort will continue in 2011.

The controls to minimize the effects of the work on employee health are described

in a series of materials – the Program to Prevent Environmental Risks, the Program for Medical Management of Occupational Health, Internal Standards and Procedures and Ergonomic and Environmental Assessments – and highlighted by the following actions: updating check-outs; regularizing the position of the forklift operator; a specific contract for preventive and corrective maintenance of forklifts/pallet movers/elevators; and control of medically caused absenteeism, through periodic preventive exams.



Rates of Injuries, Occupational Ailments, Days Lost, Absenteeism and Deaths Related to Work *GRI LA7*

Indicators	2008	2009	2010
Total number of workers	68,463	72,122	76,637
Injury rate (number of injuries per person-hour worked)	0.00007	0.00008	0.00009
Number of injuries	806	1,336	1,553
Person-hours worked	10,500,000	16,698,000	17,531,775
Rate of occupational ailment	0.00001	0.00002	0.000006
Number of occupational ailments	129	302	109
Lost day rate	0.01	0.01	0.003
Number of days lost	258,988	288,437	54,505
Planned person-hours	113,000,000	182,160,000	159,066,600
Rate of absenteeism	1.50%	1.30%	1.32%
Days programmed for work	18,000,000	20,000,000	20,000,000
Number of deaths	03	03	02

Data reported by SSO with a margin of error of 10% (given the turnover).

> COMMUNITY

To tighten the institution's relationship with the community, as well as strengthen the presence of its brands in the day-to-day of all its constituencies, GPA develops planned actions related to sport and social responsibility.

Sports Program *GRI SO1; LA8*

Grupo Pão de Açúcar values the well being and the health of the people, supporting a variety of initiatives toward this end, highlighted by sponsoring sports.

The year 2010 was marked by the unification of the initiatives related to this theme in the Sports Program. Previously, the initiatives had been divided between Sport for Employees (linked to the human resources department), Sports Marketing (races, marathons and investment in professional athletes) and Pão de Açúcar

Esporte Clube (PAEC, linked to the institutional department).

With the creation of the Sports Program, the Group now has a department with a structured mission and vision, responsible for centralizing all actions relating to sports, health and well being.

• **Sport for Employees**

The program, which offers employees all the preparation and monitoring needed to begin physical activity, includes the following initiatives:

- **GPA Clube:** the first company club in Brazil, founded in 1993 and present in São Paulo, Campinas, Brasília, Rio de Janeiro, Fortaleza and Recife. Its racing groups involve 2,500 employees in 48 races per year.

- **GPA Academy:** this program has 1,200 employees registered at gyms located in the headquarters in São Paulo and Rio de Janeiro, and 15 units present in stores and Distribution Centers (totaling 2,000 members). The expectation going forward is to expand access to all employees.

- **Sports medicine and nutrition:** at the Group's headquarters, employees are monitored by a specialist physician five times a week (in one period), and by two nutritionists.

Sports Marketing

Involves supporting and sponsoring high-level athletes, as well as organizing races and marathons oriented towards clients and society:



• **Investment in high performing**

athletes: composed of 23 athletes, the Pão de Açúcar team shined in 2010 with the victories of pole vaulter Fabiana Murer – champion of the Diamond League and South American record holder, and long-distance runner Marilson Gomes – champion of the Troféu Brasil and three-time winner of the *Corrida de São Silvestre*.



- **Pão de Açúcar Relay Marathon:** run by teams of 2, 4 or 8 athletes, who each run 42,200 meters. Its objective is to attract the best runners and promote the fraternization of the participants, thus linking sport, health and leisure. In 2010, thousands of people participated directly in the

event, in several parts of the country: 32,000 in São Paulo; 12,000 in Rio de Janeiro; 10,000 in Fortaleza; and 7,000 in Brasília; an increase of 15% in the number of participants compared to 2009. Indirectly, the event maintained the same numbers from 2009: reaching 90,000 people in São Paulo; 30,000 in Rio de Janeiro; 24,000 in Fortaleza; and 15,000 in Brasília.



- **Pão de Açúcar Kids Run:** encourages nascent sporting, through kids races of 50-400 meters. In 2010, 10,000 kids participated in the event, and 40,000 family members and friends were involved.



- **Extra Bike Ride:** promotes family-oriented physical activity. The first ride took place in 2003, passing through various Brazilian state capitals, and bringing together more than 100,000 cyclists over the years. In 2010, 50,000 people participated in the initiative.

- **Friends of the Bike Club:** launched in 2009, the program sponsors the club with the idea of supporting the sustainable transport initiative and encouraging better quality of life. In 2010, there were 9 bike rides, involving 15,000 people.

- **Pão de Açúcar Esporte Clube (PAEC) and Sendas Esporte Clube:** the year 2010 was marked by the victories of the PAEC, São Paulo champion in the under-14 category, and of the Sendas Esporte Clube, champion of the *Copa Light* in the under-14 category and of the *Copa da Juventude Espírito Santo* in the Under-15 class and two-time state winner of the 2nd division in the under-20 group.



- **Sponsorship Extra:** Extra's sponsorship contract of the Brazilian soccer team was renewed through 2014, when Brazil will host the World Cup.

Going forward, the expectation is to launch the Grupo Pão de Açúcar Center for High Performance Sports, which will be formed by two complementary pillars:

High Performance Center: oriented towards neuromuscular assessment of Olympic and high performance athletes, the center will offer more accurate evaluations and diagnostics with respect to the potency, force and velocity needed for different sports. From these data, specific training for the athletes can be prescribed, emphasizing movement for each sport and competitions.

Upper Level Education Center: focused on educating and training experts, physical trainers and members of the technical commission of Olympic athletes and teams, its objective is to supply a scientific basis for the training regimes of Brazilian athletes.

The Center for High Performance Sports will be the first center oriented entirely on studying and developing neuromuscular ability in Brazil. It will have nearly 7,000 square meters of space in São Paulo, with renowned professionals in the science of sport and modern equipment.

Social outreach GRI SO1

To further its positioning in relation to social responsibility, GPA promotes social actions to integrate and engage employees and the community. In what follows, the main initiatives developed in 2010 are highlighted:

Educational programs

- **Music and Orchestra Program:** administered by the Instituto Grupo Pão de Açúcar under the slogan "Education for ethics, leadership and autonomy," the program works on the personal, social and cultural levels to promote the musical education of youth. The work is developed in the Casa educational centers located in the Group's stores and elsewhere, which have classrooms, computer labs and social areas. Over the program's decade in existence, there have been more than 650 concerts played for audiences totaling more than 300,000 people. In 2010, the orchestra performed in its second international tour, to Argentina and



the United States. During the year, 600 participants were involved in the music program and 175 in the orchestra.

• **Advanced Center for Food Technology Education and Cooperative**

Management: in partnership with the Government of the State of Rio de Janeiro, the secretariats of Education and Agriculture, Fishing and Supply, and the Central Cooperative for Milk Products, GPA invests in a new educational model oriented toward promoting knowledge and professional opportunity for youth who have recently completed Elementary School. It is a complex with three units: the Escola Comendador Valentim dos

Santos Diniz, which offers complete Secondary Education, linking the disciplines of the normal grade curriculum with technical-professional material; the Food Associated Unit; and the Applied Food Research Unit. The structure, with capacity for 600 students, has the objective of educating technicians in Milk and Milk Products, Baking, Cold Cuts and Vegetable Handling, preparing them to work in industries, cooperatives and in retail. In 2010, the program involved 240 youth, their families and the surrounding communities. Among the goals for 2011, highlights include the opening of another 120 spots, including 60 spots for the milk and milk products course and 60 spots



for the baking course, and the roll out of the mandatory internship in Rio de Janeiro stores for third (final)-year students in four classes.

Social campaigns

- **Campaigns to collect books, warm clothes and toys:** every year, GPA lets its stores be used as collection sites for donations that are sent to close to 500 institutions in the surrounding communities. In 2010, Pão de Açúcar, Extra and CompreBem stores collected 561,000 books, 323,000 pieces of warm clothing and 77,000 toys. In 2010, Assaí participated for the first time in collecting warm clothes.

- **Emergency campaigns:** the Group also participates and involves its clients in initiatives in favor of communities affected by natural disasters. In 2010, there were three actions to help those affected by the earthquake in Haiti, the floods in São Luiz do Paraitinga and the rains in Angra dos Reis, with robust results:

Haiti: R\$2 million (involving all constituencies); R\$873,173.42 (regarding part of the revenue from TAEQ and Qualitá products); R\$673.00 (employee deposits in an account); 27 tons of donations (water and canned food donated by clients).

São Luiz do Paraitinga: 20 tons of water, non-perishable food, cleaning products and clothes, at 30 participating stores in Vale do Paraíba, and 500 baskets of basics donated by GPA.

Angra dos Reis: 336 tons of water, non-perishable food, cleaning products and clothes, at 93 participating stores in Rio de Janeiro, and 1,000 baskets of basics donated by GPA.

- **Polio Vaccination Campaign (first and second dose):** in 2010, 4,500 children from 0-5 years old were vaccinated at stores of the Group, which are utilized as a community asset in support of public policies.

- **Cause Marketing:** with this initiative, GPA tries to mobilize clients to buy its own products and those of partner suppliers, sending part of the income to social institutions.

The continuing campaigns in 2010 were: the *Associação de Assistência à Criança Deficiente* – AACD's *Corrente do Bem*; the CdO Food Collection Campaign; *Panetone Fabricação Própria*; *Campanha Mundo*



Nada é mais gostoso no Natal que o sorriso de uma criança.

Você compra o panetone feito na nossa padaria e uma fatia da renda vai direto para a AACD.

Grupo Pão de Açúcar

AACD

dos Sonhos Extra in favor of the *Fundação Abrinq*; *Campanha Automotiva Extra* – in favor of the *Instituto Ayrton Senna* and the *Instituto Ingo Hoffmann*; and the *Campanha Nota Fiscal Paulista*, in benefit of the *Hospital do Câncer de Barretos*.

• Well Fed Program

Since 2006, Grupo Pão de Açúcar has offered its customers the Well Fed Program, whose main objective is to supply information about healthy nutrition from the better use of daily foods (handling, hygiene, recipes, and food pyramid, among others). The great advantage of the program is that it does not propose a change to the client upon purchase, but rather a change in consumption habits. In four years, the Program has benefited 15,000 people.

Food donations

• *Partnership against waste:*

the program promotes donations of products that are good for consumption, but not for sale, for aesthetic reasons. Currently benefits 700 institutions.

Relationship actions

• *Outreach bazaar, disease prevention and sponsorship of institutional efforts:* actions with the objective of improving relations between stores, the community and local institutions, generating resources for participating institutions, and strengthening awareness of the brand's social commitment.

> SOCIETY

Respect for the society is also one of the Group's areas of focus, which values socioenvironmental responsibility, sustainable development and transparency in all its forms of business.

Human Rights GRI HR6, HR7

Having signed the Global Compact in 2001, it participates in private sector engagement in the fundamental values in the areas of human rights, labor relations, environment and combating corruption, as consolidated in 10 principles. All contracts between the Group and its employees, suppliers or service providers bar human rights abuses.

In 2010, none of Grupo Pão de Açúcar's operations were identified as having a significant risk of forced, child, or slave labor.

Public policy work GRI SO5

Based on its strategic business vision, GPA actively participates, with the support of its Legal Department, in the preparation, coordination and monitoring of legislative bills, decrees, ordinances and terms of technical cooperation, commitment and behavior change, among others. The objective of this positioning is to identify and understand possible public demands, establishing dialog and ethical and proactive efforts in conjunction with government initiatives.

In this context, the Group may act directly or through associations that represent the sector, such as the *Associação Brasileira de Supermercados* (Abrás), the *Associação Comercial de São Paulo* (ACSP), the *Associação Paulista de Supermercados* (Apas), the *Instituto para Desenvolvimento do Varejo* (IDV) and the *Associação Brasileira das Indústrias de Equipamentos para Panificação, Biscoitos e Massas Alimentícias* (Abiepan).

Communications and marketing

GRI PR6, PR7

PA Publicidade, the Group's communications agency, stands out for its specialized work in the retail segment and for an important competitive advantage: deep knowledge of consumers and the brand. All its work is based on surveys and market studies worldwide, which assures clear mapping of the target public and knowledge of its lifestyles and consumption patterns. From 2008-2010, besides developing materials and publicity, the agency was responsible for conceptualizing the packaging and labeling for over 1,700 products, among which, Grupo Pão de Açúcar's Annual Report.

With respect to legislation, the Group fully complies with all the laws and standards applicable to means of communication. Promotional activities are always realized in compliance with the two Brazilian regulators – the *Caixa Econômica Federal* (CEF) and the *Secretaria de Acompanhamento Econômico* (Seae) – pursuant to Law 5,768 of December 20, 1971 and Law 10,683 of May 28, 2003, which regulate commercial promotions involving the free distribution of prizes.

Pursuant to Law 9,610 of February 19, 1998, the Group reported all its events involving music to the *Escritório Central de Arrecadação e Distribuição de Direitos Autorais* (Ecad), and paid the applicable royalties, and all its production, purchase or rental of photos respecting the rights of the author, work and image. Contracts with minors are always signed by the parents.



The Company is also attentive to the standards that govern electronic production for radio, cinema and television, and is constantly updating in step with the legal requirements, both in terms of adhering to applicable law, and communicating campaigns and products. All that is conveyed by PA Publicidade obeys the *Código Brasileiro de Autorregulamentação Publicitária - Conar* (Brazilian Self-Regulating Advertising Code) and the *Normas de Padrão da Atividade Publicitária* (Rules Governing Advertising Standards). Due to this careful positioning, in 2010, Grupo Pão de Açúcar was not cited in any suits regarding its publicity campaigns, and there were only a few errors due to failures in the review process.

Anticorruption practices *GRI SO2, SO3, SO4*

To reinforce the fight against all forms of corruption in its chain of value, GPA maintains ongoing initiatives and actions like monthly internal whistle-blowing violations by type and banner, always withholding the name of the employee. The effort stimulates conscientiousness by example. This is one of the practices provided for in the Group's Code of Ethics, which has a series of guidelines and standards regarding the Company's relationship with its diverse constituencies. All employees are oriented on the standards of conduct provided in the document and the procedures for complaints. Moreover, any form of discrimination is treated seriously and respectfully by the Company, which in 2010, registered 68 cases through the Complaint Channel.

> CLIENTS

Besides respecting its clients, GPA tries to better understand their demands and needs by applying methodologies and tools to know them better, creating personalized strategies for building loyalty.

Satisfaction survey *GRI PR5*

Among the projects realized in 2010, highlights include the regional knowledge survey and the analysis of loss of receipts. The first sought to probe the knowledge of each Brazilian state, through partnerships with universities, academics and specialists. The second diagnosed the factors led to the loss of receipts, facilitating more assertive action in this area.

There were more than 16,000 quantitative interviews with consumers, more than 700,000 clients approached at points of sale, close to 100 in-depth qualitative interviews and 77 focus groups. In all, close to 715,000 consumer opinions were gathered.

Besides the usual opinion research tools, surveys with end consumers were conducted via internet, and there was work with the academic community to identify latent opportunities that could benefit consumers and society overall.

Programa Mais



The *Programa Mais* is the locus of client loyalty building under the Pão de Açúcar banner. In 2010, 170,000 new clients were added to a registered client base now numbering close to 670,000 people, an increase of 13% over 2009. Thus, the banner's share of sales reached 49.1% and the number of clients who make all their purchases at Pão de Açúcar reached 150,000. During the year, important initiatives were promoted, such as:

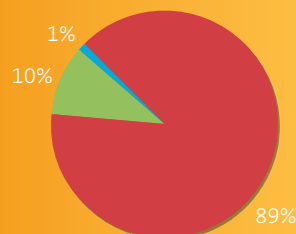
- More publicity on the importance of reusable bags, offering extra points to Mais clients: over the course of the year, the number of users of environmentally friendly bags jumped by 40,000, to 97,000;
- A birthday campaign, with the distribution of a tsuru (Japanese origami) to clients in the month of their birthday. These tsurus were produced by homeless people working with the *NGO Mães do Brasil*, and the proceeds were used to build housing.

For 2011, the expectation is to increase the quantity of campaigns in partnership with industry, in order to offer even more benefits to clients. The sustainable aspects of the campaigns also will be buttressed in accordance with the positioning of the Pão de Açúcar banner.

Casa do Cliente (Client House) GRI PR4, PR9

The Casa do Cliente initiative stands out for the Group's commitment to and respect for its clients. It is an interactive channel for contact with the public, oriented toward continually improving products and services. In 2010, there were 46,488 client contacts through the several channels. Of this total, 36% were questioned about satisfaction with the service. Regarding legal and regulatory compliance in the supply and use of products and services, the cases opened in 2010 are still being analyzed by the administrative bodies. Nonetheless, until the conclusion of the administrative process, there are no fines or significant amounts at stake.

Contact through the Available Channels



■ TOLL-FREE/E-MAIL/CHAT/TWITTER ■ PROCON ■ PRESS



Client consultants

Present in approximately 75 Pão de Açúcar stores, the client consultants are dedicated to excellence in attending to client demands, questions and suggestions.

Demand for sustainable products

Attentive to the needs of the consumer seeking a healthier and more sustainable lifestyle, GPA has structured itself to meet the growing demand for healthy, organic and sustainable products, without ceasing to offer options to consumers who are still in the learning process.

As a retailer, the Group respects different preferences, trying to offer the most appropriate and varied assortment possible. Although demand for sustainable products is still relatively low, this market has grown markedly in recent years, especially for organic products. Currently, Grupo Pão de Açúcar sells 6 times more of these products than it did in 2003, or an annual increase of roughly 30%.

> SUPPLIERS *GRI HR1, HR2*

GPA ensures the commitment to ethics and human rights in its relationships with suppliers, which are audited. Their chain of production may not include any child or slave labor, as set forth in law. The diligence is ongoing, and in 2010, 16 of the Group's 294 suppliers were audited. In this same year, 48% of all suppliers signed contracts containing requirements to respect human rights.

Responsibility for the product: sustainable chain *GRI EC6, EC9*

Grupo Pão de Açúcar views the supply chain strategically. Through policies, channels of relationships and practices, the Company strives to advance in structuring and consolidating a more sustainable chain of value, from the local producer to the largest companies of the most diverse sectors, in search of financial, social and environmental balance.

To strengthen regional markets, the Group invests in programs with local producers, lending a hand in ways ranging from structuring the business to making sales space available in its stores. Toward this end, it requires that the merchandise offered follow the fair market precepts, even without formal certification, guaranteeing respect for the environment and the sustainable development of the locales of origin.

Project Pirarucu

The *Pirarucu* Project – named after the Amazonian species fished by river communities – is realized in partnership with the Ibama (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*). Using a technique to count the fish in reserves it controls, it is possible to calculate the volume of fish that can be extracted without compromising the ecosystem. In this way, the project reduces environmental impacts and promotes the generation and distribution of income. Moreover, selling the fish in the Group's stores publicizes the *pirarucu* in several Brazilian cities. The entire negotiation between the local producers and GPA was conducted with an open spreadsheet, i.e., sharing the analysis of expenses and revenues.

Bovine tracing *GRI PR1*

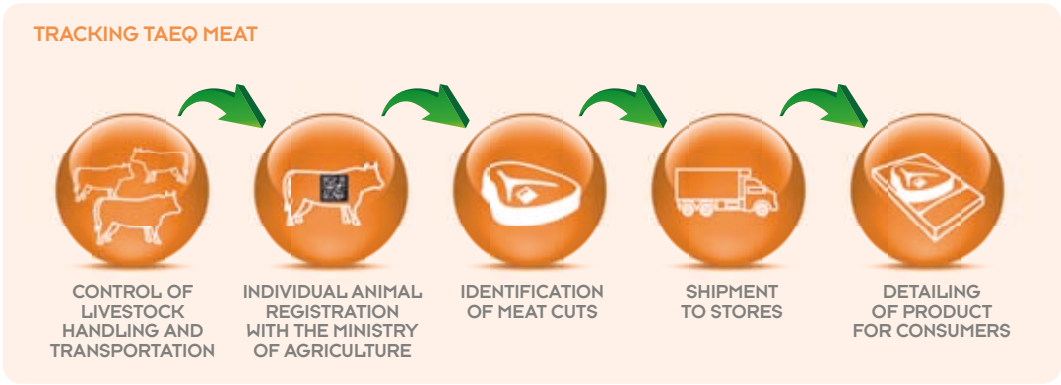
Since 2006, Grupo Pão de Açúcar has maintained a pioneering program for producing quality meat under the Taeq brand. The initiative, which is oriented toward food security and reducing public health risks, permits the identification of the origin of the product and its entire production process, ensuring that it is in accordance with sustainable practices.



Another highlight of the meats is that the entire chain of production is oriented toward economic, social and environmental sustainability. GPA, in partnership with the Ethos Institute, within the TEAR program, developed on ranches in 2006 and 2007 a sustainable management concept that encompasses indicators of ethical values, transparency in the management and governance of the business, respect

for the environment and a responsible relationship with the public where the business is located.

The Group makes tracking information available over the Internet, and the tracing can be done from an application for smart phones with a 2D reader. In 2010, 1,700,000 kilograms of Taeq meat was sold.



Quality from the source program

GRI PR3

To guarantee more reliable quality of the fruits, legumes and greens sold in its stores, GPA developed the Quality from the Source program. The initiative, in place since 2008, is supported by important groups like the *Associação Nacional de Defesa Vegetal* (Andef), which contributes by offering basic training directly to suppliers in the field.

Since it is a program for developing the chain of production, the Group invests both in controls and in corrective actions. In 2010, 90% of the volume of fruits, legumes and greens sold in its stores had a tracking code. During the program's two years, there have been 5,800 analyses, with investments of R\$4 million.

The program is also aligned technically with the *Programa de Análise de Resíduos de Agrotóxicos* (Para), of the *Agência Nacional de Vigilância Sanitária* (Anvisa), which continuously assesses the levels of agrottoxins that reach the consumer's table. The analyses are realized in the lab by the *Instituto Nacional de Metrologia, Normalização e Qualidade Industrial* (Inmetro), through rigorous periodic inspections and monitoring. Approximately 250 products are submitted to analysis – going beyond the Anvisa requirement – and a single product analysis involves 243 surveys.

The Group pays attention to its socioenvironmental praxis with suppliers, controlling or helping in the control of a variety of matters, including: the use of agrottoxins and CO₂ emissions; returns of packaging for agrottoxins, avoiding environmental contamination and preserving the health of the worker and of the rural community; economic waste from the rejection of lots in the Distribution Centers and stores; and utilizing any form of child labor.

GPA is also preoccupied with developing local communities, and it offers continuing education to workers, education for youth, adult literacy, and promotes vaccination campaigns and first aid training.

Faces of Brazil GRI EC6; SO1

Now eight years old, the Group-wide initiative seeks to enhance the appreciation of local cultures, with product displays (foods, decorative objects and artisanal pieces) developed by communities and organized throughout Brazil. The program makes it possible to sell merchandise from small producers who embrace sustainability, encouraging ethical commerce and solidarity, income generation, respect for the environment, and social inclusion.

In all, there are more than 177 products from close to 58 suppliers, most of which are NGOs throughout the country, sold at 56 stores in Brasília, São Paulo (capital and the interior), Rio de Janeiro and Curitiba.

For 2011, the expectation is to register a broader range of typical and regional products; develop the Program to Train Suppliers; transfer 5-10% of the suppliers participating in the project to the group of traditional suppliers; register suppliers

from states that have not been accessed; conduct a study for the use of e-commerce, and for future years, develop a concept store focused on valuing local production and redeeming the origins.



Program to Qualify Suppliers for Retail

Grupo Pão de Açúcar is one of the participants in the Program to Qualify Suppliers for Retail, of the *Associação Brasileira do Varejo Têxtil* (ABVTEX). The initiative aims to accredit and monitor best practices in social responsibility and labor relations for textile suppliers (clothing and for the home) and their subcontractors in Brazil, that are included in the supply chain for the companies participating in the program.

Toward this end, independent audits will be conducted to monitor practices, commitments and aspects of management linked to the following themes: child, forced, or analogous-to-slave labor; undocumented alien labor; liberty of association; discrimination, abuse and harassment; occupational health and safety; monitoring and documentation; compensation; work hours; benefits; monitoring of the chain of production; and the environment. The initiative also promotes professional training, supporting suppliers and their subcontractors to conform to the program.

GPA, together with the other signatory companies, expects all of its suppliers to have adapted to the program by 2012 (in the case of São Paulo) or 2013 (Brazil-wide).

Product quality GRI PR1, PR2; HR2

The preoccupation and constant concern with the quality of the products sold in its stores are part of the value of respect for the client fostered by GPA, which values transparency in all its processes. To ensure health and safety at all phases of the life cycle of its products, the Company maintains the following initiatives:

- Audits of Quality: starting with initiatives like the Good Manufacturing Practices program, the Group tries to identify the standards developed by its suppliers, to maintain the quality of the products from the source to final consumption.
- Analyses of Dangers and Critical Control Points: detailed studies permit the preparation of procedures with

the objective of avoiding potential risks and critical hazards during the processes, from receipt through display of the products.

- British Retail Consortium: the Group has adopted the international certification standard of supplier audits used by the large British retail chains, which seeks also consider the potential environmental impact, the utilization of slave and/or child labor, and the comfort and well being of the animal (for evaluating slaughterhouses).

With respect to product displays in the store, their quality is monitored through audits that assess each product in the phases of receipt, storage, handling and display. Matters such as the applicable legal standards, unit structures, and the cold chain are also considered.

TOP LOG

In 2010, 144 suppliers participated in the Top Log Program, and were evaluated with respect to the level of service, client friendliness and integration. They were also asked 16 questions on areas of sustainability like reductions in emissions of pollutants, route optimization and reverse logistics – focused on discarding packaging.

OUR ENVIRONMENTAL PERFORMANCE



OUR ENVIRONMENTAL PERFORMANCE

RESPECT FOR THE ENVIRONMENT IS PART OF THE STRATEGIC MANAGEMENT OF GRUPO PÃO DE AÇÚCAR, WHICH FOLLOWS ALL THE ENVIRONMENTAL STANDARDS REGULATING THE SECTOR AND CONSTANTLY SEEKS TO IMPROVE ITS PROCESSES. BESIDES INVESTING IN THE ECOEFFICIENCY OF ITS UNDERTAKINGS AND DAILY ACTIVITIES, THE GROUP TRIES TO IMPROVE ITS METHODOLOGIES AND TOOLS FOR ANALYZING ENVIRONMENTAL PERFORMANCE INDICATORS. *GRI EN30*



Green Stores GRI EN6

After the 2008 launch of its first green store, in Indaiatuba (SP), GPA received in the following year the certification for Leadership in Energy and Environmental Design (Leed)¹. Since then, the construction of a large part of the stores inaugurated has included sustainability concepts, like responsible resource management of energy and water, sensors of presence in administrative areas, and skylights to enhance the natural light in the stores. At the end of 2010, in the green concept, the Group had three stores without certification and two certified stores.



The highlight of the year was the construction of a Green Distribution Center, in Brasília, whose conception included aspects like the efficient use of energy (with natural lighting); reuse of rainwater; employee uniforms made of polyethylene terephthalate (PET) from recycled bottles; and ecological parking that facilitates rainwater runoff, since it is not covered with cement.

¹ Leadership in Energy and Environmental Design (Leed): certification that evaluates buildings that purport to be sustainable, based on requirements like energy efficiency and water consumption, reduced socioenvironmental impact in the process of construction, and responsible application and use of materials.

Recycling centers *GRI EN26, PR1*

The Company promotes initiatives oriented towards raising final consumer awareness of the importance of sustainability in their day-to-day, and how to put it in practice. The Recycling

Centers installed in Pão de Açúcar, Extra and CompreBem stores are examples of the successful business partnership in favor of social and environmental benefits, which helps raise the civic awareness of each client.



- Pão de Açúcar Unilever Recycling Centers: developed in partnership with Unilever, the initiative provides voluntary drop-off points for recyclable wastes (paper, plastic, metal, glass and used cooking oil) in Pão de Açúcar parking lots, so that they can be correctly disposed of.



Present at 110 stores, in 2010 they collected more than 8.3 thousand tons of recyclable materials. Since the initiative was launched at 12 sites in 2001, the posts have gathered close to 41,000 tons of material. Besides, with the collect material, such as PET bottles and oil cans, flowers mandalas, angels and christmas trees were made and used to decorate 12 stores in the chain at 2010 christmastime. *GRI EN27*

- **Extra H2OH! Recycling Centers:** present at 110 Extra stores, in 2010 the stations collected more than 1,300 tons of recyclable materials. Since 2008, more than 2,200 tons of material has been gathered. Developed in partnership with Pepsico, through its brand H2OH!, the program began in 2007 with just five collection sites; in 2010, another 33 were inaugurated. All collected material is donated to recycling cooperatives that have partnered with the program.

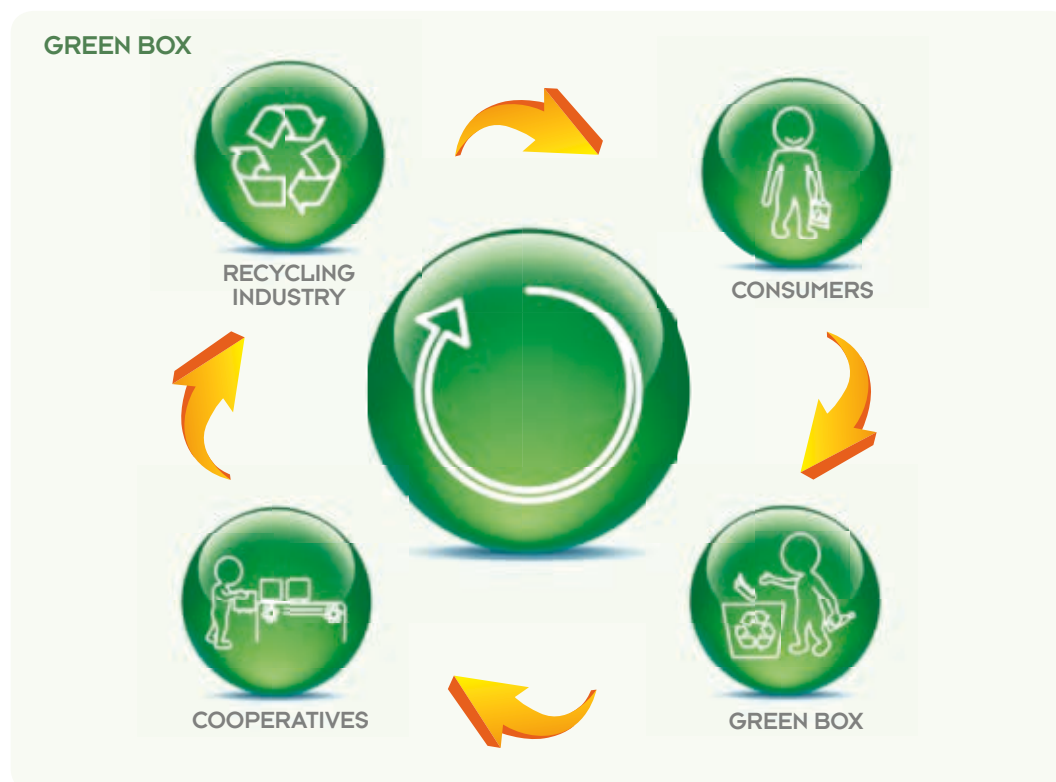


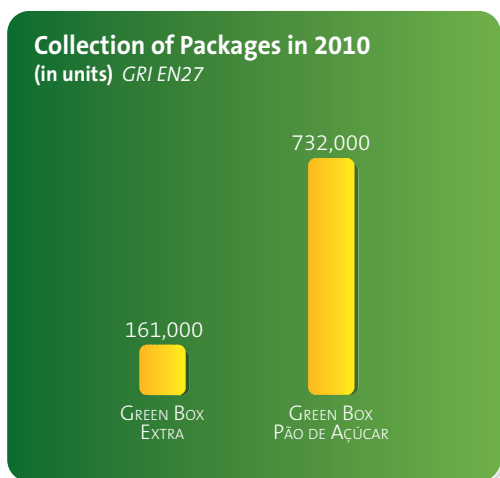
- **CompreBem Recycling Centers:** present at 7 CompreBem stores, in 2010 the posts collected more than 156 tons of recyclable materials. Since 2008, when the program was implemented, the stations have collected almost 500 tons of material.
- **CompreBem Oil Collection:** in 2010, oil collectors installed at 18 CompreBem stores collected more than 17,400 liters of oil. Since its beginnings in 2008, over 41,800 liters have been collected. All collected oil is donated to recycling cooperatives, which resell to companies that produce biofuels.

Green Box Program GRI EN26

In the Green Box Program, GPA places a receptacle by the cash registers at Pão de Açúcar and Extra stores for pre-consumption disposal of packaging: besides collecting material, the initiative promotes raising the consciousness of consumers with respect to the correct disposal of wastes from purchases.

At Pão de Açúcar stores, the program began in 2008 with 38 receptacles; in 2010, there are now 67. Since the beginning of the program, close to 1.17 million packages have been collected, including more than 732,000 in 2010 alone. At Extra, the initiative commenced in 2009 with 10 receptacles – currently there are 65, which gathered more than 161,000 packages in 2010. All the collected material is donated to recycling cooperatives that partner with the Group.





Campaign for the correct disposal of medications/Correct Disposal of Medications

In a pioneering initiative in 2010, Grupo Pão de Açúcar and Eurofarma Laboratórios launched the Correct Disposal of Medications project. The initiative seeks to alert the consumer to the importance of appropriate disposal of expired or out-of-use medications, as well as packaging and sharp articles like needles and ampoules. The project – which is not restricted to collecting Eurofarma medications – has been rolled out at drugstores inside two Pão de Açúcar and three Extra stores in the city of São Paulo. The expectation as of 2011 is to extend it to the Group's drugstores throughout the city of São Paulo.

To ensure the safety of clients and employees, items are collected in appropriately marked receptacles. The drugstore teams were trained to help clients when they are disposing items, to answer questions and encourage proper disposal.

A partner in the project, the *Departamento de Limpeza Urbana* (Limpurb), through its concessionaires Loga and Ecourbis, is responsible for the collection, transport, treatment and final disposal of the waste stored at the participating establishments.



Cell phone, batteries and its accessories recycling campaign | Alô Recycle

The Alô Recycle campaign was also launched in 2010 in partnership with Nokia do Brasil, to recycle cell phones, batteries and accessories. There are 41 collection sites installed in the State of São Paulo and the cities of Salvador and Fortaleza, in Pão de Açúcar supermarkets and Extra hypermarkets.

To encourage public participation, there was a month-long Exchange with Change campaign, which offered a bonus on

exchanging an old cell phone – sending it for recycling – in return for a new one.

To ensure consumer understanding and engagement, the two companies also developed an informational campaign about the importance and impact of recycling, showing how consumers could contribute, and avoiding improper disposal of the phones. This demonstrated the importance of caring for the environment, highlighted by the conservation of the groundwater, soils and rivers that are highly compromised by contamination with wastes like polyvinyl chloride (PVC) and bromine.

In 2011, the Company expects to expand the program to more stores, to have a total of 300 collection sites in Brazil, by the end of the year.



Batteries Recycling Program

Besides the Recycling Centers, there are also available collectors for small batteries in all Pão de Açúcar, Extra Hypermarket, Extra Supermarket, Extra Fácil, Compre

Bem, Sendas and Assaí stores.

The material collected is sent to a recycling partner (company).



Conscientious plastic bag use GRI EN26

In line with consumer demand and the legislation on the conscientious use of plastic bags, Grupo Pão de Açúcar has its own initiatives oriented toward the theme, developed by its several brands.

Pão de Açúcar began to offer clients points on the *Mais* loyalty card for declining to use plastic bags. At Assaí, plastic bags are sold for R\$0.12 and the income goes to charitable institutions.

The Group's mobilization stimulated efforts by the government and the productive sector for the conscientious consumption of packaging, in line with

Brazil's commitments in the Action Plan for Sustainable Production and Consumption linked to the United Nations' Marrakech Process, in which the country has participated since 2007.

In Jundiaí (SP), the Company participated in a cooperation agreement among the city's retailers, which abolished the distribution of plastic bags in commercial establishments in the municipality as of August 2010. Besides communicating and orienting consumers regarding the importance of this initiative, bags with the campaign layout made of biodegradable material and TNT were sold for R\$0.19.

Pursuant to the implementing regulation of Law 5.502/09, in the State of Rio de Janeiro, commercial establishments had to concede, as of July 15, 2010, a discount of R\$0.03 to clients that do not use plastic bags. GPA also took on this initiative at its stores, with a communication and orientation campaign for clients.

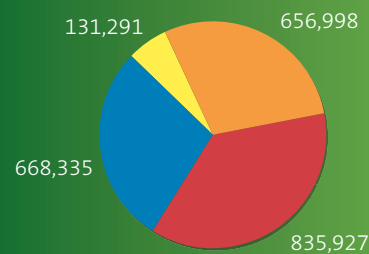
Returnable bags GRI EN26

Besides encouraging reduced plastic bag use, all the Company's banners also provide client incentives to utilize returnable bags to carry purchases. A variety of models and layouts are offered, at amounts adaptable to the public of each store.

One highlight of the Group's initiative is the partnership signed by the banners with social entities, through which they donate part of the revenue from bag sales. Extra donates some of the money raised through bag sales to Hope House in São Paulo. At CompreBem, the

resources are sent to the *Associação de Assistência à Criança Deficiente – AACD*. At Pão de Açúcar, the project is developed in partnership with the *Fundação SOS Mata Atlântica*, which invests the money in projects focused on environmental conservation. In 2010, new models of bags made entirely of PET were launched in three colors (yellow, green and blue) with patterns that relate to the biodiversity of the *Mata Atlântica*: butterflies, birds and monkeys

Total Sales of Returnable Bags among the Group's Banners



■ PÃO DE AÇÚCAR
 ■ EXTRA
 ■ COMPRESBEM
 ■ OTHERS



TAEQ Green Cycle

Launched in 2009, the program promotes the utilization of recycled paper in the production of cardboard packaging for Taeq products, applying the concept of reverse logistics in managing the chain of production of the cardboard. In partnership with the companies in the Taeq production cycle and segregated collection cooperatives, a collection tracking system was developed to facilitate production of an exclusive recycled cardboard.

It all starts with the collection of the raw materials at the Recycling Centers and at the Green Cash Registers of Grupo Pão de Açúcar. This material is then segregated by the recycling cooperative and sold to the recycling company that manufactures the cardboard and in turn sells it to the printer that produces Taeq packaging. With this program, the Group now monitors the entire chain of production of the packaging, which includes: collecting recyclable material,

segregating it, producing recyclable cardboard, producing the packaging, printing the shells, and supplier use in the final stage of manufacture.

Financially and environmentally, the project stands out for obtaining a final product without increased costs, while ensuring the movement of approximately 30 tons of post-consumption paper packaging per month. In the social context, the highlight lies in generating income through recycling.

As proof of its success, the initiative won two awards in 2010, from the *Associação Brasileira de Embalagem (Abre)*, in the Sustainability category, and from the *Fundação Getúlio Vargas (FGV-EAESP)*, in the *5º Prêmio de Responsabilidade Social e Sustentabilidade no Varejo*, in the large company category.

THE ABRE PRIZE

The Abre Prize for Brazilian Packaging brings together all the links in the chain of industrial production in Brazil, with the support of the World Packaging Organization (WPO) and the Brazilian Design Program of the *Ministério da Indústria, Desenvolvimento e Comércio Exterior*.

5th PRIZE FOR SOCIAL RESPONSIBILITY AND SUSTAINABLE RETAIL

This prize, organized by the *Fundação Getúlio Vargas*, is oriented toward small, medium and large companies in the retail sector that develop socioenvironmental initiatives. The finalists receive certificates and their projects are published in the *Banco de Práticas de Responsabilidade Social e Sustentabilidade no Varejo*.

TAEQ GREEN CYCLE

**Materials** GRI EN1

The mapping and analysis of environmental impacts are ever in view at Grupo Pão de Açúcar, with the constant improvement in data collection and the presentation of results, and the consequent fine tuning in establishing goals.

One of the great highlights is the management realized by the exclusive brands TAEQ and Qualitá, which involves meticulous analysis of each material used (especially in packaging), prioritizing recyclables wherever possible.

Materials utilized by TAEQ and Qualitá

Material	Percentage	Type	2009	2010
Taeq				
Paper	44.0%	Virgin	46.0%	45.0%
Corrugated Paperboard		Recycled	1.0%	1.0%
			30.0%	30.0%
Paper Carton		Certified by the Forest Stewardship Council (FSC)	9.0%	9.0%
		Without FSC certification	14.0%	14.0%
		Recycled	1.0%	1.0%
Plastic	51.8%	1 – Polyethylene terephthalate (PET)	3.0%	3.0%
		2 – High Density Polyethylene	3.0%	3.0%
		3 – Polyvinyl Chloride (PVC)	33.0%	33.0%
		4 – Low Density Polyethylene	2.0%	3.0%
		5 – Polypropylene (PP)	24.0%	24.0%
		6 – Polystyrene (PS)	28.0%	28.0%
		7 – Others	6.0%	6.0%
Metal	3.7%	Steel	30.0%	30.0%
		Aluminum	70.0%	70.0%
Glass	0.5%		100.0%	100.0%
QUALITÁ				
Paper	38.0%	Virgin	65.0%	65.0%
Corrugated Paperboard		Recycled	4.0%	4.0%
			28.0%	28.0%
Paper Carton		Certified by the Forest Stewardship Council (FSC)	1.0%	1.0%
		Without FSC certification	3.0%	3.0%
		Recycled	0.0%	0.0%
Plastic	58.3%	1 – Polyethylene terephthalate (PET)	4.0%	4.0%
		2 – High Density Polyethylene	2.0%	3.0%
		3 – Polyvinyl Chloride (PVC)	32.0%	31.0%
		4 – Low Density Polyethylene	5.0%	6.0%
		5 – Polypropylene (PP)	25.0%	25.0%
		6 – Polystyrene (PS)	31.0%	30.0%
		7 – Others	1.0%	1.0%
Metal	2.0%	Steel	93.0%	93.0%
		Aluminum	7.0%	7.0%
Glass	1.3%		100.0%	100.0%

Percentage of Materials from Recycling | TAEQ GRI EN2

Material	2009	2010
Paper / paper carton	2.0%	2.4%
Plastic / polyethylene terephthalate (PET)	0.0%	1.0%
TOTAL	2.0%	3.4%

Energy GRI EN3, EN4, EN5, EN6

Energy consumption is an indicator regularly monitored by the Group, which analyzes the data by source (renewable and non-renewable). In 2010, the stores, DCs and headquarters consumed 115,761,715 kWh of natural gas, 129,348,731 kWh of hydroelectric energy and 133,118,110 kWh from biomass – these latter two energy sources being renewable.

Over the course of the year, the Company developed a series of initiatives oriented towards reducing energy consumption at its stores, Distribution Centers and administrative headquarters, highlighted by:

- Changing engine rooms, reworking refrigeration units and replacing lighting systems for store sales space. Results: savings of 17,093,088 kWh.
- Operating a generator at peak hours at the Distribution Centers in São Paulo and Recife. Results: a monthly

decrease of approximately R\$100,000 on the electricity bills of the DCs.

- Installing translucent tiles on the Non-Food Distribution Center. Results: monthly savings of approximately 10% of the total electricity bill.
- Installing translucent tiles on the Distribution Center in Fortaleza. Results: monthly savings of approximately 5% of the total electricity bill.
- Including six stores in the free market for 100% renewable energy (biomass). Results: reducing carbon dioxide emissions by 40,000 tons per year – the equivalent of reforesting 264,000 trees.

The Group's goal for 2011 and thereafter is to install solar heaters for bathrooms and LED lighting at the DCs and stores, and to install a system for cogenerating natural gas.

Primary Direct Energy Consumption (kWh) GRI EN3

	2008	2009	2010
Non-renewable sources			
Diesel – stores/DCs/headquarters	6,697,915	11,397,793	15,289,767*

* The increase in direct and indirect energy consumption was the result of the expansion of the Group in 2010, with the inauguration of 65 stores and the realization of close to 100 remodelings.

Indirect Energy Consumption (kWh) *GRI EN4*

	2008	2009	2010
Non-renewable sources			
Electricity - stores/DCs/headquarters	783,968,752	747,248,371	747,826,597

Water *GRI EN8, EN10, EN21*

Water consumption at stores and Distribution Centers is another important indicator for GPA. The main sources for consumption in 2010 were municipal supply networks, as described below:

In this year, the stores also consumed 262,157 liters of water from subterranean sources. The system for monitoring daily consumption at the stores was maintained,

which facilitated the prevention and efficient detection and containment of leaks, when necessary. Moreover, 70% of the water from defrosting the Distribution Center in Osasco (SP) was treated and reutilized, which signified consumption of 30,000 liters of recycled water.

Water disposal is also one of the Company's preoccupations, and each year it tries to perfect the forms of disposal.

Water Draw *GRI EN8*

Municipal or other supply	2008	2009	2010
Stores/DCs/headquarters	2,064,034	3,212,843	3,216,195

Water Disposal by Destination (m³) *GRI EN21*

Destination	2008	2009	2010
Sewage network of the supply company – stores/DCs/headquarters	1,082,743	1,406,856	2,044,223*
Sewage treatment (Sewage Treatment Station) - stores/DCs/headquarters	193,570	236,034	367,287*
Discharge directly into rivers or other bodies of water - stores/DCs/headquarters	1,439,858**	1,776,627**	2,611,279

* The increase in water disposal was the result of the expansion of the Group in 2010, with the inauguration of 65 stores and the realization of close to 100 remodelings.

** The data refer only to the stores in São Paulo and some stores in Rio de Janeiro.

Waste management GRI EN26

Ahead of Brazil's new National Solid Waste Policy, Grupo Pão de Açúcar had two Waste Management initiatives to try to minimize the impact of its operations on the environment.

Waste management – Avangard Innovative

The first of them was a partnership with Avangard Innovative (an international company specializing in recycling service solutions), to optimize the exploitation of recyclable wastes and mitigate the generation of byproducts in its operations. The initiative gave rise to a pilot project at 6 Distribution Centers in São Paulo and an Extra store, lasting seven months. The initiative's objective is to map risks, evaluate operational impacts and measure the real financial benefit of the initiative.

The project was divided into two steps: the first began in September 2010, focusing on recyclable and non-recyclable wastes from the Distribution Centers and the hypermarket. The second step, predicted to start in 2011, involves analyzing the recyclable, non-recyclable and organic parts of the waste generated in another 5 Pão de Açúcar stores, besides the DC's and store already contemplated by the Pilot. The project is based on reverse logistics in order to send the least amount of waste to the landfills, diminishing its environmental impact.

Waste management – GMV

The other initiative is a partnership with GMV. In all, 31 stores have a system to manage organic and recyclable waste, which are duly segregated and treated. For this process to happen, all employees who work in the stores receive special training on recycling and waste management. All sectors of the store have specific collectors to efficiently segregate the wastes into different kinds of organics and recyclables. The result in 2011 is an evolution of the work at 23 of the Group's stores in 2010.

As a result of this effort, just 7% of the total waste produced at the stores is sent to landfills. The remaining 93% is reused in an environmentally appropriate way.



Volume of Waste Generated by 31 Group Stores and Respective Disposal (in tons)

	Composting/ Organic Compost	Disposal in sanitary landfills	Recyclable	Total waste generated by stores
2009 *	7,764	3,840	3,924	11,604
2010 **	9,146	4,080	4,800	18,026

*Data from 23 stores. **Data from 31 stores.

Segregated collection

To alert its employees to the importance of their participation in efforts that contribute to environmental conservation, the Group re-launched, in June 2010, the segregated collection program at its administrative headquarters in São Paulo.

To ensure everyone's involvement, there were several efforts, like training the janitorial team on the collection,

separation and control of the material; changing the waste baskets on all floors and at each employee work station; and a quiz on the topic posted in the entranceway of the building.

Since the re-launch, the program has contributed to increasing collection of paper, plastic, glass and metal, as shown in the table.

Segregated Collection*

	2009	2010
Period	Tons	Tons
January	2.9	3.4
February	2.5	2.4
March	3.7	2.9
April	2.7	2.8
May	3.2	3.1
June	3.1	8.0
July	2.8	5.3
August	2.6	4.6
September	2.6	6.4
October	2.4	6.4
November	2.6	6.9
December	21.4	7.4
Total	52.9	60.0
Average/month	4.4	5.0

* Data for material collected at the Company's administrative headquarters, in São Paulo.



Emissions GRI EN16, EN19

GPA maintains a series of initiatives oriented towards mitigating its emissions, like reducing the periods between preventive maintenance of the refrigeration installations from 60 to 30 days; increasing hours spent on preventive maintenance tasks; and improving its refrigeration installations, reducing the utilization of coolant gas – in all, the method now applied in green stores and that will expand to the others.

Grupo Pão de Açúcar still utilizes HCFC-22 (R22) at the majority of its stores – to cool compressors, expansion

valves, evaporators, condensers, air conditioners, freezers and cold rooms – although this gas is being replaced at green stores by R404, which has less of an environmental impact.

In 2010, the Group participated in the Carbon Efficient Index (ICO2), launched by the BM&FBovespa in partnership with the BNDES, which measures the return on a hypothetical portfolio consisting of shares of companies in the IBrX-50 (composed of the 50 most traded shares on the Exchange) that joined in the initiative. With this, it presented the following inventory of Greenhouse Gas emissions.

Utilization of Substances that Destroy the Ozone Layer (kg)	2008	2009	2010
R22 Gas - Distribution Centers	2,317	2,317	3,357

Scope	Total (in tons of CO ₂ e)
Scope 1*	405,737
Scope 2 **	17,599
Total	423,336

* Scope 1: Direct emissions of greenhouse gases. These come from stationary and moving sources that belong to or are controlled by the company. Examples: boilers and vehicles. (Source: GHG Protocol.)

** Scope 2: Indirect emissions of greenhouse gases. Accounts for emissions of greenhouse gases from suppliers of electricity. (Source: GHG Protocol.)

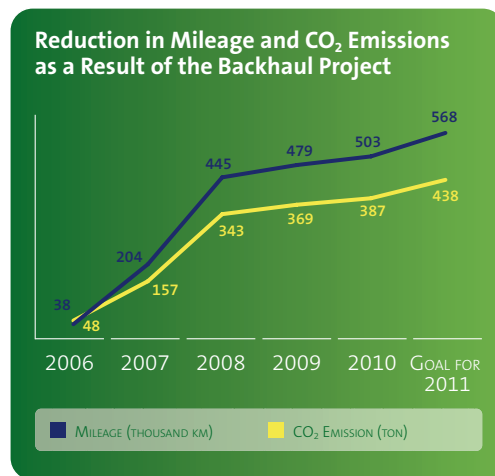
Transportation GRI EN18

The Backhaul project arose from the need to meld the supply chain (focused on the commercial relationship) with the chain of values (focused on engaging and transmitting values). Toward this end, Grupo Pão de Açúcar restructured its logistics network, processes and systems to ensure greater productivity of the fleet.

What makes this project stand out is the management of the logistics fleet, which permits trucks to return carrying products from some supplier, rather than returning empty after delivering products. It is a win-win process, since all parties benefit: GPA wins through revenue generation, greater fleet productivity, synergy with suppliers and contributions to sustainability; the suppliers win through cost reductions, exclusivity in delivery, priority in the receipt of cargo and management of the reverse logistics; and the transporters have an extra gain

from the extra freight and optimization of vehicles, which formerly returned empty from the drop points.

The project also benefits the environment, since one of the main results is the reduced CO₂ emissions and kilometers travelled. The graphic below permits analysis of these savings since 2006, when the project was launched, through 2010.

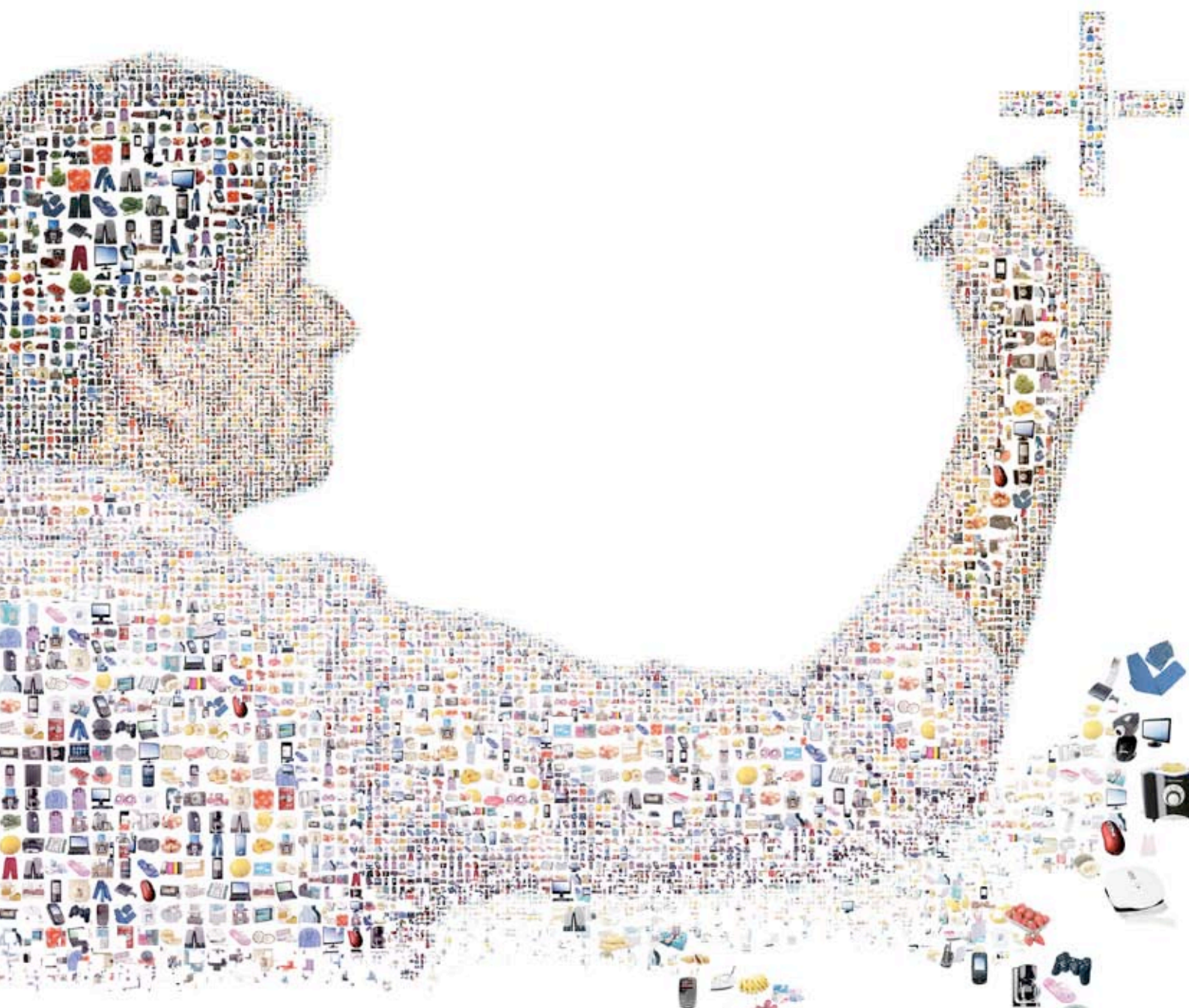


RECOGNITION

IN 2010, GRUPO PÃO DE AÇÚCAR RECEIVED IMPORTANT PRIZES THAT REFLECT THE MARKET RECOGNITION OF ITS EFFORTS AND THE GROUP'S COMMITMENT TO SUSTAINABILITY. *GRI 2.10*

AWARD	AWARDED BY	CATEGORY
<i>Carta Capital</i> Award	<i>Carta Capital</i> magazine	Most Admired Business Leaders in the Country – Abilio Diniz
The Most Important in Retail	<i>GS&MD Gouvêa de Souza e Grupo Padrão</i>	Personality in Retail – Abilio Diniz
2010 Lide Award	<i>Lide – Grupo de Líderes Empresariais</i>	Businessman of the Year – Abilio Diniz
<i>Evolucionários</i> – 2010 Modern Consumer	<i>Consumidor Moderno</i> magazine	Evolutionaries of consumer relations in Brazil – Grupo Pão de Açúcar
2010 Trophées Les Clés de l'Esprit Casino	<i>Casino Group</i>	Category for <i>Comunidade Nata</i> – Casino: Projeto de Casos Internacionais
2010 Top Environmental Award	ADVB (Associação dos Dirigentes de Vendas e Marketing do Brasil - Brazilian Sales and Marketing Management Association)	Category for Environmental Actions – Grupo Pão de Açúcar
<i>I Casa Hope</i> Award of Social Responsibility	<i>Casa Hope</i> (a philanthropic institution)	Category for Social Responsibility
2010 Trusted Brands	<i>Seleções</i> magazine from Reader's Digest	Category for Supermarkets – Extra brand
Top of Brands 2010 – The Most Remembered Brands in the ABC	Metodista University	Category for Supermarkets – Extra
<i>Folha</i> Top Of Mind	<i>Jornal Folha de S. Paulo</i>	Category for Supermarkets – Extra brand
ABRE Award of Design&Packing	ABRE (Associação Brasileira de Embalagem - Brazilian Packing Association)	Category Sustainability – TAEQ Green Cycle Packaging
2010 Award of Social Responsibility and Sustainability in Retail	GVcev - Centro de Excelência em Varejo da Fundação Getúlio Vargas (FGV-EAESP)	Category for large companies – Project: TAEQ - generation of chain value
The Best of Agribusiness 2010	<i>Globo Rural</i> magazine	Category for Best Company in the Wholesale and Retail Sector
The Best of <i>Dinheiro</i> 2010	<i>Dinheiro</i> magazine	Category for Social Responsibility
Intangible Brazil Award	DOM Strategy Partners and Grupo Padrão (<i>Consumidor Moderno</i> magazine)	Category for Assets: Clients and Consumers Category for Sectors: Retail
Aiarec Summit 2010	Asociación Iberoamericana de Relaciones Empresa Cliente	Category for Commerce – Pão de Açúcar
DCI Award – 2010 Companies of the Year	<i>Jornal DCI</i>	Most Admired Companies – Commercial Category
The 100 Most Prestigious Companies in Brazil	<i>Época Negócios</i> magazine	Category for Super and Hypermarkets

SUSTAINABILITY INDICATORS



ANNUAL SOCIAL REPORT / 2010

SUSTAINABILITY INDICATORS

1 - Basis	2010 (thousand reais)			2009 (thousand reais)		
Net Revenue (NR)	32,091,674			23,250,264		
Operating result (OR)	813,402			712,473		
Gross payroll (GP)	1,607,101			1,356,991		
2 - Internal social indicators	Amount (thousand)	% of GP	% of NR	Amount (thousand)	% of GP	% of NR
2.1. Food	260,161	16%	1%	226,462	17%	1%
2.2. Mandatory social taxes	407,334	25%	1%	321,786	24%	1%
2.3. Private pension plan	2,350	-	-	1,960	-	-
2.4. Health	87,144	5%	-	76,679	6%	-
2.5. Labor safety and medical care	3,038	-	-	8,158	1%	-
2.6. Education	2,463	-	-	2,294	-	-
2.7. Culture	-	-	-	-	-	-
2.8. Skills and professional development	11,642	1%	-	28,160	2%	-
2.9. Day care or day care allowances	548	-	-	535	-	-
2.10. Profit or result sharing	35,110	2%	-	32,505	2%	-
2.11. Other	151,360	9%	-	125,563	9%	1%
Total - Internal social indicators	961,150	60%	3%	822,142	61%	4%
3 - External social indicators	Amount (thousand)	% of OR	% of NR	Amount (thousand)	% of OR	% of NR
3.1. Education	6,914	-	-	4,347	1%	-
3.2. Culture	5,134	1%	-	2,790	-	-
3.3. Health and sanitation	429	-	-	357	-	-
3.4. Sports	6,700	-	-	6,063	1%	-
3.5. Food safety and fighting hunger	8,152	1%	-	7,456	1%	-
3.6. Other	-	-	-	391	-	-
Total contributions to society	27,329	3%	-	21,404	3%	-
3.7. Taxation (excepting social taxes)	2,551,055	314%	8%	2,212,908	344%	10%
Total - External social indicators	2,578,384	316%	8%	2,234,311	347%	10%
4 - Environmental indicators	Amount (thousand)	% of OR	% of NR	Amount (thousand)	% of OR	% of NR
4.1. Investments related to Company's production/operation	-	-	-	-	-	-
4.2. Investments in external programs/projects	4,857	1%	-	3,612	1%	-

	Amount (thousand)	% of OR	% of NR	Amount (thousand)	% of OR	% of NR
Total environmental investments	4,857	1%	-	3,612	1%	-
Regarding the definition of “annual goals” to minimize residues, the general consumption in the production/operation and to increase the efficiency in using natural resources, the Company:	<input type="checkbox"/> (X) does not have goals <input type="checkbox"/> () complies with 0 to 50% <input type="checkbox"/> () complies with 51 to 75% <input type="checkbox"/> () complies with 76 to 100%			<input type="checkbox"/> (X) does not have goals <input type="checkbox"/> () complies with 0 to 50% <input type="checkbox"/> () complies with 51 to 75% <input type="checkbox"/> () complies with 76 to 100%		
5 - Work Force Indicators	2010			2007		
Number of employees at the end of the year	96,662*			85,244		
Number of employees admitted over the year	38,370			28,272		
Number of outsourced employees	NA			NA		
Number of interns	203			165		
Number of employees over age 45	8,166			5,415		
Number of female employees	46,781			33,908		
% of female executive officers and managers	29.94%			29.15%		
Number of African-Brazilians employees	52,927			43,235		
% of African-Brazilian executive officers and managers	37.39%			48.65%		
Number of disabled people or with special needs	1,346			570		
6 - Relevant information related to corporate citizenship	2010			2011 Goals		
Largest compensation over smallest compensation ratio (within the Company)	150 times			150 times		
Number of work related accidents	371			528		
Social and environmental projects undertaken by the Company were determined by:	<input type="checkbox"/> () executive officers	<input checked="" type="checkbox"/> (x) executive officers and managers	<input type="checkbox"/> () all employees	<input type="checkbox"/> () executive officers	<input checked="" type="checkbox"/> (x) executive officers and managers	<input type="checkbox"/> () all employees
Safety and hazard free conditions standards at work are defined by:	<input checked="" type="checkbox"/> (x) executive officers and managers	<input type="checkbox"/> () all employees	<input type="checkbox"/> () all employees + Cipa	<input type="checkbox"/> () executive officers and managers	<input type="checkbox"/> () all employees	<input checked="" type="checkbox"/> (x) all employees + Cipa
Regarding union freedom, right to collective labor negotiations and internal representation of employees, the Company:	<input type="checkbox"/> () has no involvement	<input checked="" type="checkbox"/> (x) follows the rules of the ILO	<input type="checkbox"/> () fosters and follows the rules of the ILO	<input type="checkbox"/> () has no involvement	<input checked="" type="checkbox"/> (x) follows the rules of the ILO	<input type="checkbox"/> () fosters and follows the rules of the ILO
Private pension plan includes:	<input type="checkbox"/> () executive officers	<input type="checkbox"/> () executive officers and managers	<input checked="" type="checkbox"/> (x) all employees	<input type="checkbox"/> () executive officers	<input type="checkbox"/> () executive officers and managers	<input checked="" type="checkbox"/> (x) all employees
Profit sharing plan includes:	<input type="checkbox"/> () executive officers	<input type="checkbox"/> () executive officers and managers	<input checked="" type="checkbox"/> (x) all employees	<input type="checkbox"/> () executive officers	<input type="checkbox"/> () executive officers and managers	<input checked="" type="checkbox"/> (x) all employees
For suppliers selection, they should follow the same ethical, social responsibility and environmental protection standards adopted by the Company:	<input type="checkbox"/> () this is not a relevant consideration	<input checked="" type="checkbox"/> (x) they are advised	<input type="checkbox"/> () they are required	<input type="checkbox"/> () this is not relevant consideration	<input checked="" type="checkbox"/> (x) they are advised	<input type="checkbox"/> () they are required

* This number relates to the employees of GPA, Assaí and Ponto Frio.

	2010			2011 Goals		
Regarding employees' participation in volunteering work, the Company:	(x) does not get involved	() supports initiatives	() organizes and provides incentives	(x) does not get involved	() supports initiatives	() organizes and provides incentives
Number of consumers' complaints and comments:	in the Company 44,192	in Procon 2,810	in courts 5,500	in the Company 71,684	in Procon 4,602	in courts 4,020
% of complaints and criticisms received or solved:	in the Company 98%	in Procon 95%	in courts 100%	in the Company 98%	in Procon 96%	in courts 100%
Total added value distribution (in R\$ thousand):	In 2010: 7,149,489			In 2009: 4,957,529		
Distribution of Added Value (DAV):	27.8 % government 36.4% employees 2.4 % shareholders 26.2 % third parties 10.1 % retained			27.7 % government 37.2% employees 3.1% shareholders 22.0 % third parties 13.0% retained		

7 - Other information

Grupo Pão de Açúcar is not involved with child labor or slavery, nor is it involved with prostitution or child and adolescent sexual exploration or corruption. Our company values and respects internal and external diversity.

> ISO 26000 – CORE SUBJECTS AND ISSUES OF SOCIAL RESPONSIBILITY

Core subjects and issues	Addressed in sub-clause
Core subject: Organizational governance	6.2
Core subject: Human rights	6.3
Issue 1: Due diligence	6.3.3
Issue 2: Human rights risk situations	6.3.4
Issue 3: Avoidance of complicity	6.3.5
Issue 4: Resolving grievances	6.3.6
Issue 5: Discrimination and vulnerable groups	6.3.7
Issue 6: Civil and political rights	6.3.8
Issue 7: Economic, social and cultural rights	6.3.9
Issue 8: Fundamental rights at work	6.3.10
Core subject: Labour practices	6.4
Issue 1: Employment and employment relationships	6.4.3
Issue 2: Conditions of work and social protection	6.4.4
Issue 3: Social dialogue	6.4.5
Issue 4: Health and safety at work	6.4.6
Issue 5: Human development and training in the workplace	6.4.7
Core subject: The environment	6.5
Issue 1: Prevention of pollution	6.5.3

Core subjects and issues	Addressed in sub-clause
Issue 2: Sustainable resource use	6.5.4
Issue 3: Climate change mitigation and adaptation	6.5.5
Issue 4: Protection and restoration of the natural environment	6.5.6
Core subject: Fair operating practices	6.6
Issue 1: Anti-corruption	6.6.3
Issue 2: Responsible political involvement	6.6.4
Issue 3: Fair competition	6.6.5
Issue 4: Promoting social responsibility in the sphere of influence	6.6.6
Issue 5: Respect for property rights	6.6.7
Core subject: Consumer issues	6.7
Issue 1: Fair marketing, information and contractual practices	6.7.3
Issue 2: Protecting consumers' health and safety	6.7.4
Issue 3: Sustainable consumption	6.7.5
Issue 4: Consumer service, support, and dispute resolution	6.7.6
Issue 5: Consumer data protection and privacy	6.7.7
Issue 6: Access to essential services	6.7.8
Issue 7: Education and awareness	6.7.9

Core subjects and issues	Addressed in sub-clause
Core subject: Community involvement and development	6.8
Issue 1: Community involvement	6.8.3
Issue 2: Education and culture	6.8.4
Issue 3: Employment creation and skills development	6.8.5
Issue 4: Technology development	6.8.6
Issue 5: Wealth and income creation	6.8.7
Issue 6: Health	6.8.8
Issue 7: Social investment	6.8.9

> UNITED NATIONS GLOBAL COMPACT PRINCIPLES

<i>Principle</i>	<i>Theme</i>	<i>Description</i>
1	Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence
2	Human Rights	Make sure they are not complicit in human rights abuses
3	Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4	Labour	The elimination of all forms of forced and compulsory labour
5	Labour	The effective abolition of child labour
6	Labour	Eliminate discrimination in respect of employment and occupation
7	Environment	Businesses should support a precautionary approach to environmental challenges
8	Environment	Undertake initiatives to promote greater environmental responsibility
9	Environment	Encourage the development and diffusion of environmentally friendly technologies
10	Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery

> GRI REMISSION INDEX - CORRELATION WITH GLOBAL COMPACT AND ISO 26000 *GRI 3.12*

	GRI INDICATORS	Global Compact	ISO 26000	Pages
1	STRATEGY AND ANALYSIS			
1.1	Statement from the President Director.		6.2	6
1.2	Description of key impacts, risks, and opportunities.		6.2	6; 13; 19; 32
2	ORGANIZATIONAL PROFILE			
2.1	Name of the organization.			8
2.2	Primary brands, products, and/or services.			8
2.3	Operational structure of the organization.		6.2	8
2.4	Location of organization's headquarters.			8
2.5	Number of countries where the organization operates.			8
2.6	Nature of ownership and legal form.			8
2.7	Markets served.			8
2.8	Scale of the reporting organization.			8; inside cover
2.9	Significant changes during the reporting period regarding size, structure, or ownership.			8
2.10	Awards received.			103
3	REPORT PARAMETERS			
3.1	Reporting period.			4
3.2	Date of most recent previous report.			4
3.3	Reporting cycle.			4

	GRI INDICATORS	Global Compact	ISO 26000	Pages
3.4	Contact point for questions regarding the report or its contents.			126
3.5	Process for defining report content.			4
3.6	Boundary of the report.			8
3.7	State any specific limitations on the scope or boundary of the report.			4
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.			4
3.9	Data measurement techniques and the bases of calculations.			4
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.			4
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			4
3.12	Table identifying the location of the Standard Disclosures in the report.			112
3.13	Policy and current practice with regard to seeking external assurance for the report.		7.5.3*	Sustainability information was not subjected to external verification.
4	GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
4.1	Governance structure of the organization.			28; 29; 30
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.			28

*Refers to the social responsibility communication types.

	GRI INDICATORS	Global Compact	ISO 26000	Pages
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body.			28
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.			30; 55
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.			28; 29; 30
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.			31
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.			30
4.8	Internally developed statements of mission or values, codes of conduct, and principles.			11; 31
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.			28; 31
4.10	Processes for evaluating the highest governance body's own performance.			27
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.			62

	GRI INDICATORS	Global Compact	ISO 26000	Pages
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorse.			57
4.13	Memberships in associations and/or national/ international advocacy organizations.			8
4.14	List of stakeholder groups engaged by the organization.			57
4.15	Basis for identification and selection of stakeholders with whom to engage.			57
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.			57
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded.			57
	ECONOMIC PERFORMANCE			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		6.8 6.8.3 6.8.7 6.8.9	Inside cover; 49
EC3	Coverage of the organization's defined benefit plan obligations.			62
EC4	Significant financial assistance received from government.			> Prodepe – CBD: R\$ 170,249.85 > Assumed credit TO – Novasoc: R\$ 865,666.30

	GRI INDICATORS	Global Compact	ISO 26000	Pages
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Principle 1	6.4.4 6.8	63
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		6.6.6 6.8 6.8.5 6.8.7	80; 82
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Principle 6	6.8 6.8.5 6.8.7	63
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9	80
	ENVIRONMENTAL PERFORMANCE	Principle 8		
EN1	Materials used by weight or volume.	Principle 8	6.5 6.5.4	95
EN2	Percentage of materials used that are recycled input materials.	Principle 8 Principle 9		97
EN3	Direct energy consumption by primary energy.	Principle 8		97
EN4	Indirect energy consumption by primary source.			97; 98
EN5	Energy saved due to conservation and efficiency improvements.	Principle 8 Principle 9		97
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Principle 8 Principle 9		86; 97
EN8	Total water withdrawal by source.	Principle 8		98
EN10	Percentage and total volume of water recycled and reused.	Principle 8 Principle 9		98

	GRI INDICATORS	Global Compact	ISO 26000	Pages
EN16	Total direct and indirect greenhouse gas emissions by weight.	Principle 8	6.5 6.5.5	101
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Principle 7 Principle 8 Principle 9		102
EN19	Emissions of ozone-depleting substances by weight.	Principle 8	6.5 6.5.3	101
EN21	Total water discharge by quality and destination.			98
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Principle 7 Principle 8 Principle 9	6.5 6.5.4 6.6.6 6.7.5	87; 89; 92; 93; 99
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Principle 8 Principle 9	6.5 6.5.4 6.7.5	88; 90
EN30	Total environmental protection expenditures and investments by type.	Principle 7 Principle 8 Principle 9	6.5	86
	SOCIAL PERFORMANCE – LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region.		6.4 6.4.3	59; 60
LA2	Total number and rate of employee turnover by age group, gender, and region.	Principle 6		64
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		6.4 6.4.3 6.4.4	62
LA4	Percentage of employees covered by collective bargaining agreements.	Principle 1 Principle 3	6.4 6.4.3 6.4.4 6.4.5 6.3.10	62
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Principle 3	6.4 6.4.3 6.4.4 6.4.5	62

	GRI INDICATORS	Global Compact	ISO 26000	Pages
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Principle 1	6.4 6.4.6	66
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region			67
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8	67
LA10	Average hours of training per year per employee by employee category.		6.4 6.4.7	64
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		6.4 6.4.7 6.8.5	65
LA12	Percentage of employees receiving regular performance and career development reviews.		6.4 6.4.7	65
LA14	Ratio of basic salary of men to women by employee category.	Principle 1 Principle 6	6.3.7 6.3.10 6.4 6.4.3 6.4.4	63
	SOCIAL PERFORMANCE HUMAN RIGHTS			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6	6.3 6.3.3 6.3.5 6.6.6	80
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		6.3 6.3.3 6.3.5 6.4.3 6.6.6	80; 84

	GRI INDICATORS	Global Compact	ISO 26000	Pages
HR4	Total number of incidents of discrimination and actions taken.	Principle 1 Principle 2 Principle 6	6.3 6.3.6 6.3.7 6.3.10 6.4.3	58
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Principle 1 Principle 2 Principle 5	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10	75
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Principle 1 Principle 2 Principle 4		75
SOCIAL PERFORMANCE SOCIETY				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.		6.3.9 6.8 6.8.5 6.6.7	67; 71; 82
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Principle 10	6.6 6.6.3	77
SO3	Percentage of employees trained in organization's anticorruption policies and procedures.			77
SO4	Actions taken in response to incidents of corruption.			77

	GRI INDICATORS	Global Compact	ISO 26000	Pages
S05	Public policy positions and participation in public policy development and lobbying.	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6 Principle 7 Principle 8 Principle 9 Principle 10	75	75
	SOCIAL PERFORMANCE PRODUCT RESPONSIBILITY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	Principle 1	6.3.9 6.6.6 6.7 6.7.4 6.7.5	32; 80; 84; 87
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.			84
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Principle 8	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	82
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			78

	GRI INDICATORS	Global Compact	ISO 26000	Pages
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	24; 77
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.		6.7 6.7.3 6.7.6 6.7.9	76
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.			76
PR9	Monetary value of the fines (significant) for non-compliance to laws and regulations related to the supply and use of products and services.	6.7 6.7.6		78



CORPORATE INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Abilio dos Santos Diniz

Board Members

Ana Maria Falleiros dos Santos Diniz D'Ávila
Antoine Marie Remi Lazars Giscard d'Estaing
Arnaud Strasser
Candido Botelho Bracher
Fábio Schvartsman
Geyze Marchesi Diniz
Guilherme Affonso Ferreira
Jean-Charles Henri Naouri
Jean Louis Bourgier
João Paulo Falleiros dos Santos Diniz
Pedro Henrique Chermont de Miranda
Pedro Paulo Falleiros dos Santos Diniz
Ulisses Kameyama

BOARD OF EXECUTIVE OFFICERS

CEO

Enéas César Pestana Neto

Vice Executive President Officers

Caio Racy Mattar – Specialized Businesses
Claudia Elisa – Market Strategy
Hugo A. Jordão Bethlem – Corporate Relations
José Roberto Coimbra Tambasco – Retail Businesses
Antonio Ramatis Fernandes Rodrigues – Commercial Strategy

Executive Officers

José Antônio de Almeida Filippo – Corporate Services, Finances and Information Technology
Marcelo Lopes – Supply Chain
Paulo Gualtieri – Food Commercial and Loss Prevention
Sylvia de Souza Leão Wanderley – People & Management

Advisory Council

José Roberto Mendonça de Barros
Luiz Carlos Bresser Gonçalves Pereira
Luiz Felipe Chaves D'Ávila
Luiz Marcelo Dias Sales
Máilson Ferreira da Nóbrega
Manuel Carlos Teixeira de Abreu
Roberto Teixeira da Costa
Yoshiaki Nakano

Fiscal Council

Fernando Maida Dall'Acqua (chairman)
Mario Probst
Raimundo Lourenço Maria Christians

Financial Committee

Ana Maria Falleiros dos Santos Diniz D'Ávila
Antoine Marie Remi Lazars Giscard d'Estaing
Arnaud Strasser
Geyze Marchesi Diniz
Jean-Charles Henri Naouri
João Paulo Falleiros dos Santos Diniz

Human Resources and Compensation Committee

Ana Maria Falleiros dos Santos Diniz D'Ávila
Arnaud Strasser
Geyze Marchesi Diniz
Jean Louis Bourgier

Sustainable Development Committee

Arnaud Strasser
Guilherme Affonso Ferreira
Jean Louis Bourgier
João Paulo Falleiros dos Santos Diniz
Pedro Paulo Falleiros dos Santos Diniz

INVESTOR RELATIONS AND SUSTAINABILITY

Vice President

Hugo A. Jordão Bethlem

Investor Relations Office

Vitor Fagá de Almeida

Bruno Fernandes Jardim

Bruno Salem Brasil

Kate Tiemi Ueda Murano

Marcel Rodrigues da Silva

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