

# AUDIT AND CORPORATE GOVERNANCE COMMITTEES REPORT WAL-MART DE MÉXICO, S.A.B. DE C.V. ANNUAL REPORT

## BOARD OF DIRECTORS OF WAL-MART DE MÉXICO, S.A.B. DE C.V.

Dear Sirs,

In accordance with the current Securities Market Law ("LMV", as per its initials in Spanish), article 43 and the internal regulations approved by the Board of Directors of Wal-Mart de México, S.A.B. (jointly with its subsidiaries, the "Company"), we hereby inform you of the activities undertaken during fiscal year ended December 31, 2015 .

In the performance of our duties we have maintained strict compliance not only with the LMV, but we have also considered the recommendations contained in the Code of Corporate Best Practices issued by Consejo Coordinador Empresarial, A.C, the Company's Code of Ethics, the General Internal Rules of the Mexican Stock Exchange and general provisions derived from the LMV.

In order to comply with our surveillance process, the Audit and Corporate Practices committees conducted ordinary quarterly meetings to analyze the overall situation in material matters related to accounting, legal, operational, and ethical subjects within the Company. These were supplemented by our participation in monthly meetings with the CEO and Legal; with reports provided by relevant officers as requested by us; and with extraordinary meetings called to discuss specific issues, as warranted, including the following:

### I. Corporate Governance:

- a) We were informed by Management, with no observations made, on:
  - 1. Performance evaluation processes for relevant executive officers and authorized replacement plans, as well as the process to determine the complete remuneration package for the Chief Executive and the remuneration packages for the other relevant executive officers, as mentioned under note 11, paragraph c) of the consolidated financial statements for the Company.
  - 2. Policies and procedures followed during the period in the execution of transaction with related parties, and the corresponding analysis of transfer prices, as per the concepts mentioned under note 11 of the financial statements.
  - 3. Transactions related to the sale of Banco Walmart Adelante, S.A., as mentioned under note 1, paragraph b) number I; and the sale of the restaurant division owned by Wal-Mart de México S.A.B. de C.V., as per that mentioned under note 1, paragraph b) number II of the financial statements.
  - 4. Lastly, we were periodically informed of the Company's situation in terms of Ethics and Compliance and of measures taken by the Company to reinforce these areas.
- b) The Board of Directors granted no exemption to any director, relevant officer, or any person with the power of authority, whatsoever, as stated in LMV, art. 28, Section III, paragraph f).
- c) During 2015, the Company's management has been continuously informing us of the progress of the investigations conducted by the Walmart Stores, Inc.'s Audit Committee with support from independent lawyers and other advisors, on corrupt practices, and of all measures taken by the Company to reinforce its internal organization by training directors, managing executives and associates and strengthening processes to be leaders in compliance globally, as explained in detail in paragraph c), Note 13 to the financial statements of Wal-Mart de México, S. A. B. de C.V. and Subsidiaries as of December 31, 2015. Additionally, it is our belief that cooperating with the above mentioned investigations is in the best interest of the Company and every shareholder, without distinction whatsoever.

## II. Auditing:

- a) We analyzed the status of the internal control system and were informed in detail of the internal and independent audit programs and work performed in this regard, as well as of the main aspects requiring improvement and follow-up on preventive and corrective measures implemented by management. Therefore, in our opinion, the Company is able to operate within the proper control environment.
- b) We evaluated the performance of the independent auditors who are responsible for rendering an opinion on the reasonability of the Company's financial statements and their compliance with International Financial Reporting Standards. We consider that the partners at Mancera, S.C. firm (a member of EY Global) meet the necessary requirements of professional qualifications and independence for intellectual and financial action and we, therefore, recommended them to be appointment to examine, and issue a report on, the financial statements of Wal-Mart de México, S. A. B. de C.V. and Subsidiaries as of December 31, 2015. On another subject, any additional or complementary services provided to the Company by the above mentioned auditors during 2015 did not interfere with their independence and were not substantial.
- c) We attended several meetings to review the annual and quarterly financial statements of the Company and recommended to release such financial information at that time.
- d) We were informed of the accounting policies that were approved and implemented during 2015, and any modifications, including the elimination of the accounting policies for Banco Walmart Adelante, S.A., as a result of the sale of the same; and the adoption of the accounting policy related to the exchange rate coverage, as per that mentioned under note X, paragraph f) of the financial statements.
- e) We followed up on relevant observations made by shareholders, directors, relevant officers, associates and in general any third party in regards to accounting, internal controls and matters pertaining to internal and external audits.

- f) We followed up on the agreements reached during the Company's Shareholders and Board of Directors meetings.
- g) We were informed of the status of the investment plan and the impact on results that were filed with the MSE, pursuant to adjustments made to processes for the opening of units.

Based on work performed and the opinion issued by the independent auditors, we consider that the accounting policies, criteria, and information used by the Company adequate and sufficient, and have been consistently applied. As a result, the information submitted by the Chief Executive Officer reasonably reflects the Company's financial position and results.

Therefore, we recommend that the Board of Directors submit the financial statements for Wal-Mart de México, S.A.B. de C.V. and Subsidiaries for the year ended December 31, 2015, for approval by the General Ordinary Shareholders' Assembly.

Sincerely,



**Adolfo Cerezo, Eng.**  
**Chairman Audit and Corporate Governance Committees**

Mexico City, February 15, 2016.