



our SUPPLIERS



SUPPLIER DEVELOPMENT

RESPONSIBLE SOURCING

PRODUCT RESPONSIBILITY

WE ARE CONVINCED THAT BY PROMOTING DIVERSITY WITHIN THE SUPPLY CHAIN WE CAN GENERATE OPPORTUNITIES FOR OUR SUPPLIERS, MAKING THEIR PRODUCTS AVAILABLE EVERY DAY IN OUR STORES AND CLUBS. **G4-LA9**

22,597

SUPPLIERS

93%

OF MERCHANDISE IS
PURCHASED IN MEXICO

93%

OF MERCHANDISE IS
PURCHASED IN CENTRAL AMERICA



supplier

DEVELOPMENT

G4-EC8, EC9

17,629
SMALL SUPPLIERS
DEVELOPED

87%
ARE SME SUPPLIERS
IN MEXICO

64%
OF OUR SUPPLIERS FOR CENTRAL
AMERICA ARE FROM THE REGION

We offer development opportunities for local farmers and we help small companies grow. Access to any formal market requires installed capacity, capital, and compliance with specific requisites.



WE HAVE DIFFERENT SUPPLY CHAIN PROGRAMS
THAT PROMOTE ECONOMIC MOBILITY.

Our development platforms are designed according to the nature of the suppliers, so as to equip them with the know-how and experience needed to become suppliers, to achieve permanence and sustainable growth with us, and to increase their capacity to grow into other markets.

EXPENSE PERCENTAGE REGARDING LOCAL SUPPLIERS G4-EC9

OUR BRANDS	SELF-SERVICE		SAM'S CLUB
	MEXICO	CAM	MEXICO
Products	1,971	1,728	292
Suppliers	387	232	115
% domestic/ regional suppliers	70	85	82
% sale domestic/ regional suppliers	94	95	59
% sales of Our Brands	5	10	12

	PRODUCE		MEAT		FISH & SEAFOOD		POULTRY
	MEXICO	CAM	MEXICO	CAM	MEXICO	CAM	CAM
Purchases from domestic/ regional suppliers	80	76	91	90	80	80	98
Purchases of domestic/ regional products	73	64	87	73	51	50	NA
Purchases directly from local growers	46	59	84	55	46	50	87



Women-Owned Businesses is a global initiative launched in 2011 whose purpose is to empower businesswomen, provide them greater access to markets, and give them the tools they need to grow their enterprises. In 2016, in Mexico we met our objective of doubling the number of purchases from 109 female entrepreneurs, 11 of which participated in a program with Endeavor Mexico; it included mentoring to strengthen financial, administrative, operating, and commercial skills.

Adopt an SME in Mexico and A Growing Hand in Central America are programs that seek to support businesses through our Merchandising and Supplier Development departments. The Programs are a form of temporary support so as to help small-sized businesses increase their productivity, competitiveness, sales, and product positioning in our self-service units. There are currently 115 suppliers participating in the 2nd generation of Adopt an SME, whose purpose is to help them grow their sales by 50% within 18 months.





Small Farm in Mexico, and Fertile Soil in Central America are social programs with business ties and whose purpose is to assist low-income farmers facing considerable difficulties, thus we help them develop diversified cropping techniques based on real market needs.

We assisted over 1,800 low-income growers this year by providing consultancy services on seed quality, soil use, crop yield and quality, efficient use of agrochemicals, and crop rotation, as well as matters regarding logistics and other things needed to reinforce their transition from farmer to businessmen.

Each year we survey our large, medium, and small-sized suppliers in Mexico with a third-party questionnaire, thereby obtaining an annual indicator that ranks the self-service and Sam's Club divisions in the market. This survey helps us to identify key points for improving dialogue and commercial relationships, increasing efficiency, and achieving better execution in our units. **G4-PR5**

The Supplier Advisory Board has allowed us to extend the dialogue with our commercial partners, especially regarding the Consumer, Grocery, Perishables, and General Merchandise divisions. The Board encompasses 13 companies in Mexico and 67 in Central America; the primary goal is to foster the exchange of ideas and establish collaborative working models that help to increase the competitiveness of our suppliers, with the purpose of benefiting our customers.



responsible

SOURCING

G4-EN32, EN33, LA14, LA15, HR1, HR4, HR5, HR6, HR9, HR10, HR11, SO9, SO10, SO11

100%

OF AGREEMENTS CONTAIN
STANDARDS FOR SUPPLIERS

1,173

ENVIRONMENTAL, SOCIAL
AND SAFETY AUDITS

OBJECTIVE

ENSURE

THAT SUPPLIERS HAVE
RESPONSIBLE PRACTICES

We are committed to working with our suppliers so we can continue driving responsibility in our supply chain.



OUR RESPONSIBLE SOURCING PROGRAM ESTABLISHES EXPECTATIONS AND ACCOUNTABILITY, AND PROVIDES THE RESOURCES AND TRAINING FOR OUR ASSOCIATES AND SUPPLIERS.

SUPPLIER STANDARDS

By including in our supply chain the values of respect for the individual, the implication is social and environmental responsibility in the performance of our suppliers. We thereby challenge them to commit to the highest standards of responsibility, compliance with audits, and conducting comprehensive evaluations so we can meet the objective of responsible sourcing throughout the entire supply chain.

For this reason we have a manual -Supplier Standards- which outlines the minimum operating standards expected of our suppliers and their factories, as pertains to the ethical treatment of workers, occupational safety, environmental responsibility, and proper operating practices in the language of the employees, displayed in a visible spot within the workplace.

These standards are parallel to auditing standards used by us to measure the extent of compliance by suppliers of Our Brands. If any manufacturing establishment fails to comply with our labor, environmental or ethical standards, corrective measures must be performed to rectify said performance. Otherwise, said vendor shall no longer be allowed to supply us with merchandise.

In general, the Responsible Sourcing audits are not announced, and they are conducted by third parties. The frequency of the repetition of an audit is based on the seriousness of previous findings. Results are assigned a color-based score, as per the seriousness of the issues found. These scores are used to assist in decision-making processes. It is the responsibility of the supplier to work with the factories so as to correct issues outlined in audit findings.

supplier **STANDARDS**

COMPLIANCE WITH ALL

national and international laws and regulations

Granting **TIME OFF** and work schedules that are **NOT EXCESSIVE**

Provide workers with a safe and healthy **WORK ENVIRONMENT**

NO TRANSACTIONS

with associates that could constitute conflicts of interest

ZERO TOLERANCE

for slavery, the employment of minors, and forced labor

SATISFACTORY WAGES paid to workers

Ensure their **FACILITIES AND PROCESSES** are in full compliance with environmental legislation

ZERO TOLERANCE

for bribery, corruption and unethical practices

Respect **FREEDOM TO ASSEMBLE**

THE OFFERING OF GIFTS

to associates is forbidden

ACCURATE RECORDS

kept on matters related to the Company

RISK MANAGEMENT WITHIN THE SUPPLY CHAIN

In early 2015, we began to evolve our Responsible Sourcing Program, so as to center it around areas presenting the greatest potential risks for society, safety, and environmental compliance.

We evaluate how the effectiveness and stability of the corresponding government, the rule of law, and corruption control affect the risk of non-compliance in supplier facilities of each country.

For risk management in the supply chain beyond our own audits, programs, and training, we have established alliances with other companies, governments, and NGOs to approach complex matters that no company can accomplish alone. We believe this collaborative approach will foster greater impact on our supply chain, making it even more effective.

audits CLASSIFICATION

LOW RISK

MEDIUM RISK

HIGH RISK

MATERIAL DEVIATION

HIGH LEVEL OF COMPLIANCE
Audited every 2 years

CONSIDERABLE VIOLATIONS, BUT NOT SEVERE
Audited every year

SEVERE VIOLATIONS THAT MUST BE CORRECTED SO AS TO BE ABLE TO CONTINUE AS OUR SUPPLIER
Audited every 6 months

Any factory/plant receiving three orange scores in a two-year period shall be classified as red (not approved), which implies deactivation of the same, and for a full year shall not be allowed to supply us with products

TEMPORARY OR PERMANENT TERMINATION OF THE RELATIONSHIP AS OUR SUPPLIER
Child labor, forced labor, corporal punishment, harassment, bribery

audit **PROCESSES**

COMPLIANCE

in enviromental, social and safety matters

We conducted

1,173 AUDITS

of outsourcing operations for 6,009 suppliers

G4-LA14, LA15, HR10, HR11

VISUAL INSPECTION

of facilities

1,668

Active in-bond factories
throughout the region

A DETAILED REVIEW

of documents, including licenses, permits, and records
regarding work, employment,
and payment practices.

CONFIDENTIAL INTERVIEWS

with workers



product

RESPONSIBILITY

G4-PR1

100%

OF DCS AUDITED IN FOOD
SAFETY IN CENTRAL AMERICA

175

UNITS HAVE
H CERTIFICATION

1,762

LABELS FOR OUR BRANDS
AUDITED PURSUANT TO NOM

Our mission is to offer our customers affordable prices and, at the same time, continuously raise the bar for quality and food safety.





OUR CUSTOMERS ARE INCREASINGLY INTERESTED IN KNOWING THE ORIGIN OF THE PRODUCTS BOUGHT, WHAT THEY CONTAIN, AND HOW THEY ARE PRODUCED.

We conduct rigorous reviews of our supply chain so as to generate and maintain the trust of our customers in the food we sell. In Mexico we have reinforced our Food Safety Program, including the Prevention of Food-Related Fraud, through outside analysis by laboratories accredited in:

- Identifying raw materials in meat and cooking products, with a total of 288 tests conducted.
- Verifying the integrity of Our Brands ingredients, such as honey, milk, olive oil, 100% natural juices, and coffee; with a total of 49 tests conducted.

- Validating certificates for products sold as organic, accrediting a total of 300 products.

A total of 96% in Mexico and 55% in Central America of Our Brands suppliers are certified in norms acknowledged by the GFSI -Global Food Safety Initiative- a worldwide accepted food safety management system. Some 175 businesses in Mexico currently have the H Certificate issued by the Secretary of Tourism to those establishments that accredit compliance with good practices in food preparation and serving hygiene.

OUR BRANDS SUPPLIERS EVALUATED IN MEXICO

	SHOES	JEWELRY AND ACCESSORIES	GENERAL MERCHANDISE	TEXTILES	FOOD	MEDICATIONS
# of suppliers	43	10	113	33	220	ND
# of audits	54	23	464	48	286	30
Not approved	39	2	62	12	0	0

AUDITS TO DISTRIBUTION CENTERS

	MEXICO
Produce	225,588
Shipments	171,152
Processed food	169,977
Textiles and shoes	5,888
Suppliers for imported textiles and shoes, in country of origin	5,060
Unannounced store audits for Food Safety	26,262

HEALTH & WELL-BEING IN MEXICO

ASSOCIATES TRAINED	
Usage and dispensing of medicines training	4,475
Training hours	26,850
Online training	2,670
Training hours	2,614
Distance training	1,968
Training hours	2,943
STORE INTERNAL AUDITS	
Pharmacies	4,551
Vision Centers	297
DISTRIBUTION CENTERS	
Good Storage and Distribution Practices audits	8
Associates trained	1,810
Training hours	4,545
Product analysis of the quality parameters for Medimart by third parties authorized by Cofepris	416

HEALTH & SAFETY INCIDENTS G4-PR2

	MEXICO	CAM
Visits from health and consumer protection authorities	4,538	1,137
Fines or sanctions	364	NA
Warnings	24	NA
Recalls	56	20
Profeco complaints	1,919	NA



LABELING G4-PR3

Our customers need accurate information regarding the impact of products and services so as to make fundamental decisions regarding purchases and so product availability reflects their preferences. Providing information and proper labeling regarding impact is our responsibility.

Our Brands information in Mexico undergoes review and validation by Legal, Product Safety and Quality. During 2016, some 1,762 labels were analyzed, of which 656 were for medical products, and 1,106 for general merchandise, validating the following:

- The origin of product or service components.
- Content, especially pertaining to substances that can cause environmental or social impacts.
- Product or service safety instructions.
- Product elimination and environmental or social impact.

In Central America we provided continuity regarding monitoring, advice, and training in labeling requirements by product category and by country, including Our Brands. We created labeling guidelines for easy identification and use.



Commercial agreements executed with suppliers include the obligation of complying with regulations. Moreover, Food Safety and Product Safety randomly checks Our Brands in the distribution centers, to validate labeling information.

Regarding non-compliance with regulations governing marketing communication and advertising, in Mexico there were 176 issues stemming from the lack of information in advertising materials, which were rectified immediately. When necessary, evidence was filed with the Mexican Consumer Protection Agency -Profeco- in addition to paying a total of 22 fines concerning advertising in general. There were no cases reported in Central America. Compliance continuously trains key areas and sends communiques to stores to remind them of the comparative advertising guidelines, among others. **G4-PR7**

In 2016, we received no significant fines due to non-compliance with regulations governing the supply and use of products and services in the region. **G4-PR9**

Pursuant to requirements set forth by the OFAC -Office of Foreign Assets Control- in Central America we declare the marketing of any product originating from any of the countries included in the sanction lists. **G4-PR6**

LABELING INCIDENTS G4-PR4

	MEXICO	CAM
Total	68	150
Fines or sanctions	40	0
Warnings or non-compliance with voluntary codes	0	NA
Non-compliance processes by the authorities	68	5
Cases with Our Brands	7	NA