



OUR 10th ANNIVERSARY

WASTES

ENERGY

SUSTAINABLE SUPPLY CHAIN

NATURAL RESOURCES AND BIODIVERSITY

WE HAVE LEARNED THAT ENVIRONMENTAL SUSTAINABILITY IS A PATH PAVED WITH CHALLENGES THAT DEMANDS SUSTAINABLE COMMITMENT, FLEXIBILITY, AND ADAPTABILITY TO NEW CONDITIONS

1,117

MILLION PESOS IN ENERGY

EFFICIENCY INITIATIVES

G4-FN31

360

MILLION PESOS SAVED FROM SUSTAINABLE INITIATIVES 174

MILLION PESOS INVESTED FOR WASTE TREATMENT



our 10th ANNIVERSARY

OBJECTIVES 2025:

GENERATE

7FRO WASTES

100%

ENERGY USE FROM RENEWABLE SOURCES

OFFER

OUR CUSTOMERS
SUSTAINABLE PRODUCTS

Ten years ago we assumed the challenge of operating our business in a more sustainable fashion, seeking to minimize our environmental impact.



WITH SOUND RESULTS THAT HAVE GENERATED VALUE FOR THE BUSINESS AND FOR OUR CUSTOMERS, WE HAVE ALSO CORRECTED CERTAIN ASPECTS OF THE PATH AND DEFINED NEW APPROACHES THAT HELP US RISE TO THE NEW CHALLENGES OF A CHANGING ENVIRONMENT.

72% of our stores in Mexico are supplied with RENEWABLE ENERGY

REDUCED BY 14%
in absolute terms



OVER 73%
OF WASTES
generated are either
RECYCLED
OR REUSED

MORE THAN 2 MILLION TONS OF WASTE

are no longer sent to sanitary landfills or disposal sites

the energy intensity by m² of construction

HAS DROPPED 11%

despite the doubling in size of the sales floor

THIS HAS PRODUCED

an economic value of

ALMOST 3 BILLION PESOS our water use per m² of construction

HAS DROPPED 16%

despite having doubled sales floor footage



WASTES

OBJECTIVE 2025

GENERATE

ZERO WASTES

73%

PROGRESS IN MEXICO 60%

PROGRESS IN CENTRAL AMERICA

It is our aspiration to evolve to a circular economy, where materials may be reincorporated to a new economic cycle instead of being sent to a dump site or sanitary landfill.



REDUCING THE AMOUNT OF WASTE IN OUR OPERATION IS A PRIORITY. WE ARE FULLY AWARE THAT WASTE PRODUCTS ARE POORLY USED RESOURCES THAT INCREASE COSTS FOR OUR BUSINESS. OUR CUSTOMERS AND SOCIETY IN GENERAL. OUR WASTE MANAGEMENT PRIORITIZES THE REUSE. RECYCLING AND, WHERE POSSIBLE, DONATIONS.

which 138,216 tons are solid urban waste, 236,210 tons of Over 13,000 tons less than last year was accomplished, specially handled waste, and 615 tons of hazardous waste. representing some 27%, at comp stores, thanks to joint G4-EN23, EN25

We have continued with our collection program in stores and DCs, for recyclable materials. In 2016 we were able to collect and recycle 6% more than in 2015.

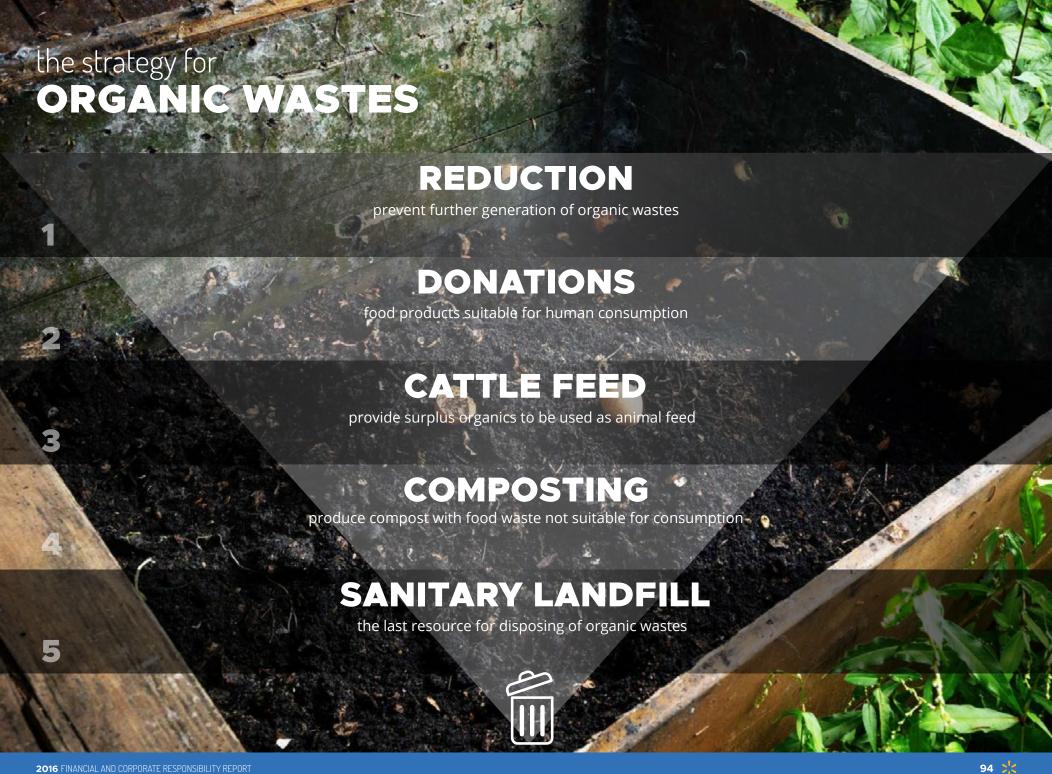
In 2016, we improved waste measurement, adding new waste streams to the inventory.

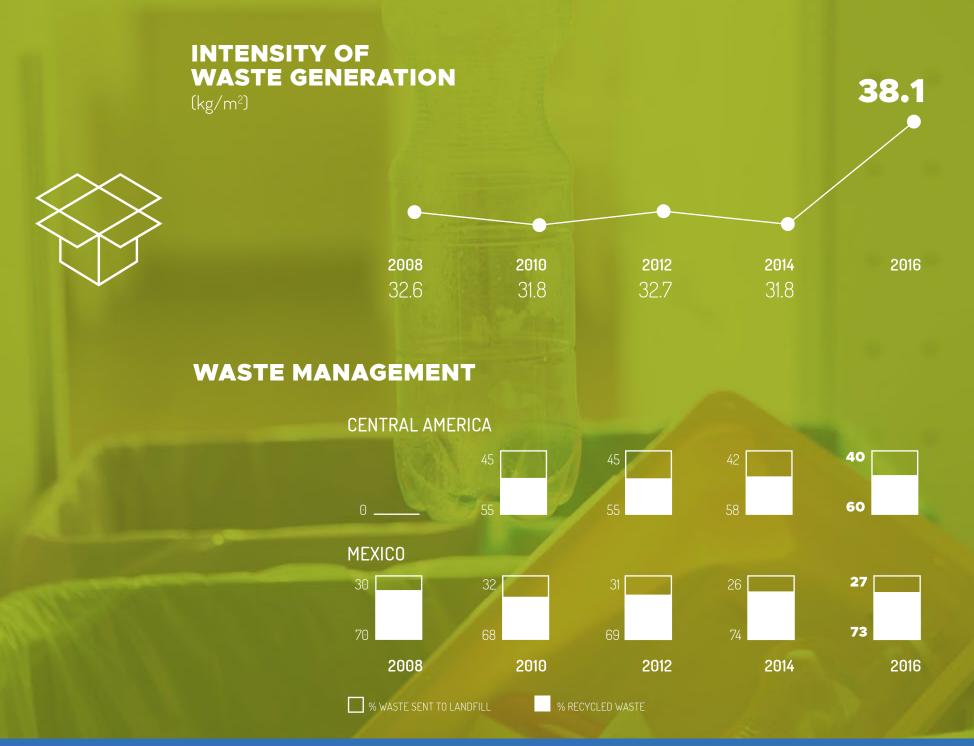
In total, we generated 375,041 tons of wastes in Mexico, of The reduction of food wastes is one of our top priorities. actions undertaken by different areas of the Company, reducing perishable product-shrink in Mexico. There has also been attention paid to products suitable for human consumption, making sure they are properly sent as donations to food banks and so they are not wasted either.

WASTE TREATMENT G4-FN23

TREATMENT	TON
Recycled	294,511
Sent to landfills	120,601
Reused*	6,391
Composted	6,358

^{*}Excluding Central America







ENERGY

5 WIND FARMS

& 2 MINI-HYDROELECTRIC POWER PLANTS 86,326 GJ

IN TOTAL ENERGY SAVINGS **G4-EN6** 1.1%

LESS ENERGY USED IN MEXICO

During 2016 we were supplied with 1,587 GWh of renewable energy, which represents 72% of our total energy use, thus achieving 53% accomplishment towards our goal of 3,000 GWh of renewable energy by 2025.



WE HAVE CONTINUED IMPLEMENTING ENERGY-EFFICIENCY INITIATIVES. WHEN COMPARED TO FIGURES FOR THE PREVIOUS YEAR, AT TOTAL STORES THE ENERGY INTENSITY IN 2016 AMOUNTED TO 227 KWH/M², REPRESENTING A REDUCTION OF 11%. **G4-EN3**

ENERGY-EFFICIENCY G4-EN6, EN7

We were able to reduce our energy consumption due to the Energy Efficiency Program, through the implementation of technological initiatives:

- Secondary measurement. Meters installed for electricity use in refrigeration, lighting, and air conditioning. This initiative obtained 4% savings.
- LED lighting in stores, with approximate savings of 12%.
- Doors installed where open refrigeration existed, achieving an estimated 12% savings.
- Optimization of monitoring levels and control system operation, saving approximately 15%.

• In Central America, a statistical model that correlates seven parameters to determine the ideal electricity use for each business unit. With this tool we were able to focus energy-reduction efforts in a limited number of stores (about 14% of total units) thereby reducing our footprint by 4% in those stores during the second half of the year.

TOTAL NON-RENEWABLE ENERGY CONSUMPTION IN MEXICO G4-EN3

SOURCE	GJ
Electricity	3,329,619
LP Gas	1,327,567
Natural gas	747,804
Diesel	216,754

ENERGY INTENSITY

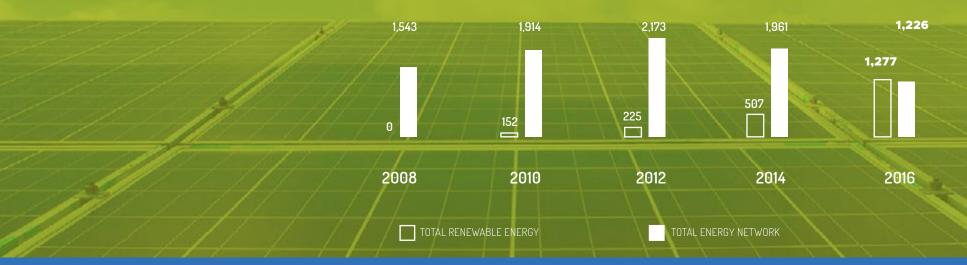
(kWh/m²) **G4-EN5**





ENERGY USE

G4-EN3





We are the

LEADING RETAIL CHAIN IN THE USE OF RENEWABLE ENERGY

OBJECTIVE 2025 3,000 GWH ENERGY USE

from renewable sources

SOME 72% OF OUR STORES

are supplied with renewable energy

3,384,212 GJ of energy consumed G4-EN3

wind FARMS and two
HYDROELECTRIC
PLANTS

EMISSIONS

The emissions profile constitutes Scope 1 emissions, including the burning of fossil fuel such as diesel, LP gas, and natural gas; mobile combustion for automobiles pertaining to the Company; and the escape of refrigerating gas emissions. We also have Scope 2 emissions, such as the purchase of electricity; and Scope 3, which refers to mobile combustion from the subcontracted fleet used to distribute merchandise to the stores and back; air travel by associates for work-related reasons; emissions generated by our goods-for-sale suppliers due to the volume of business they have with us; and emissions stemming from waste generation and disposal.

For the third consecutive year, we reduced scope 1 & 2 emissions through the use of renewable energy and energy efficiency projects. **G4-EN19**

CARBON EMISSIONS SCOPE 3 IN MEXICO G4-EN21

	TONS OF CO ₂ EQ
Air travel	7,890
Merchandise, ground transportation	226,205

SIGNIFICANT ATMOSPHERIC EMISSIONS G4-EN21

	TON
NO_x	3,053.4
SO _x	440.2
PM particles	407.4
VOC	405.3
POC*	0.12
HAP*	0.02

^{*} Excluding Central America

To estimate GHG emissions, the methodology established by WRI/WBCSD for the GHG Protocol is used. The data is obtained from acquired amounts of fuels, coolants, and electricity. Emissions are calculated by using published emission factors. Data on consumption corresponds to comparable units during comparable months. The emission factor stemming from the purchase of electricity corresponds to 2015, as information for 2016 has not been published at the time of producing this report.

This year there were 18,303 kg of chlorofluorocarbon-containing coolant that escaped to the atmosphere R-22. This factor increased by 15%, as compared to 2015. **G4-EN20**

INTENSITY OF GHG EMISSIONS

G4-EN18





CO₂EQ EMISSIONS **SCOPE 1, 2 & 3**

(thousand tons) G4-EN15, EN16, EN17



SCOPE



2





SAVINGS FROM LOGISTICS PROJECTS AND INITIATIVES G4-EN30

MEXICO	TOTAL	BACKHAUL	REVERSE LOGISTICS
Kilometers no longer traveled	38,875,755	15,675,755	23,200,000
Liters saved	26,108,752	8,708,752	17,400,000
Reduction in commutes	251,748	106,748	145,000
Material sent for recycling (tons)	229,867	NA	229,867
Emissions saved (tons of CO ₂ eq)	56,894	22,941	33,953

CENTRAL AMERICA	TOTAL
Kilometers no longer traveled	1,978,920
Liters saved	618,413
Material sent for recycling (tons)	25,659
Emissions saved (tons of CO ₂ eq)	1,680





The risks stemming from climate change include:

- · Increased energy costs.
- · Greater impact and frequency of natural disasters affecting places where we have units, thus affecting operations.
- Disruptions in distribution routes due to natural disasters.
- · Increased costs for raw materials and products due to limited availability of non-renewable resources, such as water and agricultural products.
- Changes in climate change legislation, which could impact the cost for raw materials and/ or overall operation.
- Taxes or regulatory limits for either direct carbon emissions or in the supply chain.

Our opportunities include:

- · Renewable energy supplies which could offer long-term stability in energy costs.
- Economic incentives for reductions in GhG emissions.
- Reduced dependency on water supply from the network and increased use of recycled water.
- · Optimized use of raw materials, especially in packaging.
- Increased logistics network efficiency with less trips needed.
- · Reduced travel by associates through the use of teleconferencing.

G4-EC2



sustainable

SUPPLY CHAIN

1,662

PRODUCTS WITH LOW ENVIRONMENTAL IMPACT

A MEMBER

OF THE CDP SUPPLY CHAIN PROGRAM

THE CREATION

OF AN ALLIANCE FOR THE SUSTAINABILITY
OF CENTRAL AMERICA

We concentrated on reducing the environmental impact of products we sell. Likewise, we consistently communicate to our customers different ways to care for the environment.



SUSTAINABLE FISH AND SEAFOOD

This was the first year that we implemented the policy on the buying process for fishery and aquacultural products, as published in 2015. Sustainable Fisheries Partnership, our partner for this project, offered the first training workshop for suppliers. Throughout this year, fishery operations and farms producing the products with which we are supplied were analyzed. Some 68% suppliers have reported the status of the certification of the species they supply us, of which 8% of the tons purchased are certified as sustainable.

SUSTAINABLE PRODUCTS

We currently have 1,662 products with reduced environmental impact during one or more of their life cycles. Most of them are biodegradable with 35%; followed by organic or hydroponic, some 30%; 22% for energy and water savers; and 11% for those with enhanced or recycled packages. **G4-EN27**

In Mexico, 81% of the cardboard used for product packaging, 5% of shrink wrap and 0.8% of clothes hangers are recycled. **G4-EN28**





CARBON EMISSIONS IN THE SUPPLY CHAIN

We are the only self-service company in Mexico that is a member of the supply chain Carbon Disclosure Project, through which we provide our suppliers with a report on their carbon emissions and subsequent analysis of risks and opportunities by sector. The emissions for 2015 were reported in 2016. Of the 315 suppliers asked to report their emissions, 154 answered the survey. A total of two million tons of CO₂eq emissions were reported.

We promoted the creation of the Alliance for Central American sustainability, supported by 23 local and global suppliers, with the purpose of collaboration among all for Sustainability initiatives with the different companies, thus representing a tangible value recognized by our consumers. With the cooperation of agencies such as the Central American Institute for Business Management, and the Central American Leadership Initiative the group was able to define its governance and priority actions.

natural resources and



BIODIVERSITY

1,058

OBJECTIVE

USE

PALM OIL IN OUR BRANDS CERTIFIED AS SUSTAINABLE 170

PROTECTED TREES WERE REPLANTED

We aspire to natural resource conservation through the mitigation of environmental impact in forests, driving best farming practices.



WE FULLY UNDERSTAND THE NEED FOR COLLABORATION BY COMPANIES AND NGOS IN DEVELOPING INNOVATIVE PROGRAMS IN FAVOR OF SUSTAINABLE USES OF THE WORLD'S NATURAL RESOURCES. THEREFORE, IN 2016 WE WERE INVITED TO BE AMONG THE FOUNDING MEMBERS OF THE MEXICAN ALLIANCE FOR BUSINESS AND BIODIVERSITY.

WATER

Comprehensive plans have been developed to reduce the use of water, in addition to campaigns aimed at detecting and repairing leaks where water is used and distributed in our stores. We continue expanding our Program for Wastewater Treatment Plants; in 2016 we operated 1,058 plants. This permits the reuse of 1,701,676 m³ of water in Mexico. **G4-EN10, EN22**

Risk analysis was conducted on water availability and quality in our country and for our operations, thus enabling us to identify possible impact mitigation measures in the business.

According to corresponding criteria, our regional consumption is not significant, thus water sources have not been negatively affected by water catchment. **G4-EN9**

The efforts in Central America have focused on establishing controls and following up on expenses and use, thereby helping to attack excessive consumption problems, leaks, or spills that would have gone unnoticed due to lack of data.

TOTAL WATER CATCHMENT, ACCORDING TO THE SOURCE IN MEXICO G4-EN8

SOURCE	m³
Municipal supply	6,472,140
Wells	18,173
Total consumption per m ² (m ³ / m ²)	0.68

INTENSITY OF WATER CONSUMPTION

 (l/m^2)





WATER USE AND REUTILIZATION

 (m^3)



SUSTAINABLE PALM OIL

We maintain our commitment to only use palm oil with sustainability certification in all Our Brands requiring such ingredient. Most of the products contain no palm oil in their production; only 8% of the suppliers report using sustainable oil, and 3% are currently undergoing certification. This inititiative helps to reduce the deforestation of tropical forests.

MATERIALS

Our operation employs a wide range of material resources. The following table lists the primary materials by weight. Of these, 13% come from renewable sources and the remainder from non-renewable ones. **G4-EN1**

In Mexico, 5% of total plastic material consumed, contains recycled material. The plastic bags for our customers' merchandise contain 22% post-industrial recycled material; bond paper used for printing documents and commercial flyers contains 24% post-consumption recycled material;

and the sanitary paper used in all our facilities contains 60% post-consumption material. We use over 6,300 tons of recycled material in our operations. **G4-EN2**

PRIMARY MATERIALS USED

TOTAL MATERIALS CONSUMED	TON
Non-renewable	
Plastic (shrink-wrap, bags, and pallets)	75,563
LP Gas	22,699
Natural Gas*	20,946
Diesel	6,288
Chemicals	3,898
Renewable	
Other products derived from cellulose*	9,710
Bond paper (printing, brochures)	7,185
Sanitary paper	2,443
Wood*	308

^{*} Excluding Central America



UNIT CONSTRUCTION AND OPERATION MANAGEMENT

We seek to mitigate negative impact on biodiversity stemming from the construction of new units and their subsequent operation. The policies, procedures and agreement clauses used with those involved in building stores and with developers allow us to protect biodiversity and to use natural resources in a sustainable fashion, from the moment a property is acquired to the design and building of the store by third parties. The following policies implemented are noteworthy:

- Before buying or selling any property, an environmental assessment must be conducted to learn if protected flora or fauna are present, or if there is soil or water contamination. This information will be used to determine the feasibility of the project and any mitigation and compensation measures required.
- Projects must be designed in keeping with the environmental regulations on green areas, permeable areas, use of renewable energy, and vegetation management.

- Environmental measures and compensations throughout the building process related to, among others, proper handling of waste, rescue of flora and fauna, emissions into the atmosphere, noise, and measures determined by the environmental authority.
- Third-party joint responsibility, including agreement clauses and bid guidelines for builders and suppliers to acquire authorized bank material, waste management in compliance with regulations in force, wastewater management, compliance with all responsibilities in these matters.

In 2016 we have two projects with protected species: the Bodega Aurrera Instituto Tecnológico unit, where 170 protected trees were replanted; and the Bodega Aurrera Xilitla unit where trees were replaced as required.

G4-EN11, EN12