

Developing a responsible and inclusive supply chain





35,089
Suppliers



94%
of merchandise
sold in Mexico is
purchased nationally



1st SME
Seminar with the
purpose of driving
entrepreneurship



15,966
Small suppliers
developed



Responsible Sourcing

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

Through our Responsible Sourcing global program, we set expectations of suppliers and the facilities they use; assess supply chain risks; monitor supply chain conditions through audits and investigations; provide training and tools for our associates and suppliers; and collaborate with others to improve progress.



We allocate audits based on the risk level of the country in which a facility is located so we can drive the biggest impact in our broad and diverse supply chain. We classified the facilities into one of three risk categories. The risk category of a facility determines the requirements of that facility under our Responsible Sourcing audit program. We currently use data compiled by the World Bank to determine the risk category of a facility based on indicators of good governance in the country where the facility is located.

We are always looking for ways to refine our risk-based audit program. In addition to a facility's country, we may look at other variables, including industry-specific risks, supplier compliance management systems and other factors as we evaluate the risk of facilities over time.

Category 1

Lower Risk: Facilities located in Category 1 countries will not be required to complete an audit on a regular schedule. Rather, each year the Company will select a sample of facilities to receive an audit.

Category 2

Medium Risk: Facilities in Category 2 countries will be required to complete an audit and follow-up audits.

Category 3

Higher Risk: Same requirements as for Category 2 countries, plus new facilities in Category 3 countries will be required to receive an audit with a Green or Yellow rating prior to providing product for sale at Walmart.

These audits seek to verify that, among other things:



Workers are properly **paid** for the work they do



Labor is **voluntary**



Facilities comply with employment age **laws and standards**



Working hours are not excessive and are consistent with local laws and standards



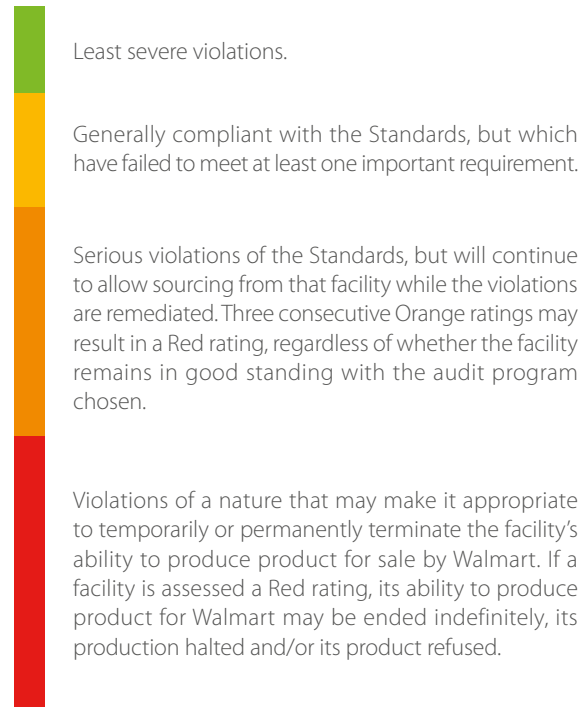
Facilities meet **health and safety** laws and regulations

Where an audit is required, we instruct our suppliers to obtain an audit from a Walmart-approved third-party social compliance audit program so that we can evaluate the facility's compliance with Standards for Suppliers. We currently accept audits from internationally recognized third-party programs.

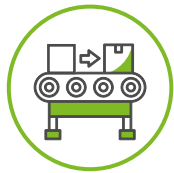
We review the third-party audit reports that suppliers submit, looking for higher-risk non-compliances with Standards for Suppliers and issues that may be escalated for possible investigation. It will assign the audited facility a color rating based on the third-party program's evaluation of the facility and our review of the report.

Through the Responsible Sourcing Academy Training Portal, suppliers can access training resources, best practices guidance, and educational materials developed by third parties and by Walmart. Our hope is that placing relevant and robust content in a centralized location will increase the use of these resources for the benefit of the entire supply chain.

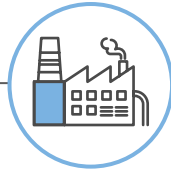
Audits rating



6,037 suppliers with active vendor agreements for the Mexico and Central America Markets



1,028 total active facilities in Mexico and Central America supplying various Walmart retail markets



8,244 Audits conducted at facilities physically located in Mexico or Central America

4,631
Mexico

15%
59%
16%
1%
9%

3,613
Central America

14%
60%
15%
1%
10%

•Others



Developing a **local and inclusive** supply chain

G4-EC8, G4-EC9

We create economic opportunities for people and businesses all along our supply chains. We support programs that advance women's economic mobility, create advancement opportunities for people in retail and related sectors, promote local manufacturing, champion supplier diversity and help suppliers and small businesses grow.



Purchases directly from local suppliers of Our Brands



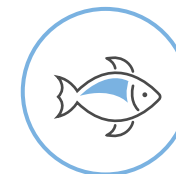
Produce

Mexico	CAM
Purchases from domestic/ regional suppliers	
80%	76%
Purchases of domestic/ regional products	
80%	74%
Purchases directly from local growers	
68%	57%
Purchases directly from imports	
20%	21%



Meat

Mexico	CAM
Purchases from domestic/ regional suppliers	
94%	100%
Purchases of domestic/ regional products	
88%	100%
Purchases directly from local growers	
87%	100%
Purchases directly from imports	
6%	0%



Fish & seafood

Mexico	CAM
Purchases from domestic/ regional suppliers	
73%	49%
Purchases of domestic/ regional products	
55%	44%
Purchases directly from local growers	
46%	40%
Purchases directly from imports	
60%	51%

Small Supplier

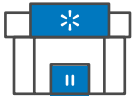
(Mexico)

15,622 Small suppliers developed



135% Average increase in income for suppliers of manufactured goods

2,228 Suppliers sell in our stores



Agricultural Development program

9,300 Farmers trained since 2011



5,000 New small farmers

Eight companies were invited to be supplementary buyers with inclusive practices so as to diversify sales channels for farmers.

Four NGOs were incorporated to replicate the model through a training program cascaded down to new groups of farmers.

Results 2017

40% More agro-enterprises created

A **79%** increase, amounting to 78.3 MXN Million

1,795 New direct jobs created

Manufacturing program



Redesigned to broaden scale and impact

64% growth in the number of developing companies

541 stores as points of sale





Fertile Soil

(Central America)

Through the direct sale program supporting **475** small and medium-sized farms



+619 MXN Million
in purchases

Representing **76%**
in produce and
grains sold

Continued training in good agricultural practices (GAP) is given to farmers so as to reduce environmental impact and enhance productivity.

We held **agro-industry fairs**, wherein the work of our suppliers received recognition in each county. In addition, informative sessions were held regarding good manufacturing practices and market trends.

Adopt an SME

(Mexico & Central America)

This program seeks to help a group of SMEs increase their sales and develop their operating, financial and logistics capacities through our Merchandising division.



In Mexico, the 3rd generation of **128 SMEs**

+2 MXN Billion in sales

+19% Growth in sales vs. 2016



In Central America, **146 SMEs** participated in this program

A Helping Hand to Grow

(Central America)

The program fosters the development of small and medium-sized enterprises (SMEs), regardless of whether they are agricultural/livestock or manufacturing companies. Special focus is placed on the economic empowerment of women.



444 SMEs, of which **37% are headed by women**

The aim is for SMEs who work with Walmart to increase their sales through growth of the business

The first SME Seminar, with the purpose of driving entrepreneurship

	Sales growth
Costa Rica and Guatemala	50% of suppliers
El Salvador and Nicaragua	49% of suppliers
Honduras	62% of suppliers





Offering trusted products

Our customers are increasingly interested in knowing the origin of the products bought, what they contain, and how they are produced. Our mission is to offer our customers affordable prices and, at the same time, continuously raise the bar for quality and food safety.

Guaranteeing quality and food safety

Our Brands and food product suppliers must have GFSI certification



96% in Mexico and **81%** in Central America of Our Brands suppliers are certified in norms acknowledged by the GFSI - Global Food Safety Initiative

196 Units have H Certification



The Company developed the food safety system known as **SPARK** (Sustainable Paperless Automated Record Keeping) so these efforts may be more efficient and effective. SPARK employs electronic hand-held devices to record food temperatures. Since results are digital, the Company is able to identify trends and correct problems before they become serious. SPARK also allows for immediate training for associates using the device. For example, when an associate is measuring the temperature of any given food item, the device immediately displays the correct range of temperature.

To guarantee the protection of our customers, Central America implemented the **Food Safety Champions** program so associates can choose to participate and become the champions of their areas; in addition to their daily tasks, this includes disseminating different subjects and controls on Food Safety, with the purpose of improving quality and safety standards. Likewise, online courses were made available on Cleanliness, Pest Control, and Food Safety; **100% of field associates** completed this training. During the year, the **program of third-party audits was completed 100%** in the subjects of Food Safety and Pest Control.

Global Food Safety Initiative



We are one of the founders of GFSI



Global effort with multiple stakeholders



International Recognition

14 Audits performed on DCs and redistribution centers, regarding Storage and Distribution Best Practices (S&DBP)

34,899 Audits performed in-storage, regarding food safety

201 Participants in courses free-of-charge for food suppliers offered by the Walmart University

100% of Our Brands products are continuously monitored in quality

Health & safety incidents

G4-PR2

	Mexico	CAM
Visits from health and consumer protection authorities	4,640	931
Fines or sanctions	303	NA
Warnings	7	NA
Recalls	108	4
Profeco complaints	2,146	NA



We constantly evaluate our suppliers

Our Brands suppliers evaluated in Mexico



Shoes



Jewelry and accessories



General merchandise



Textiles



Food



Medications



Suppliers Audits Not approved

Medimart

31 Suppliers

90 Facilities

13 Completed audits

95 Product analysis of the quality parameters by laboratories authorized by Cofepris

Pharmacies

5,284 Store internal audits

988 External audits by Cofepris

In-store doctor's office

437 Internal audits

6 External audits

Distribution Centers

11 Internal audits

0 External audits

Enhancing healthier choices

We offer products with the health of our customers in mind, and therefore at Superama we increased the offering of healthy products, such as:



Gluten free



Sugar free



Organic



Kosher



Free of trans fat



Low sodium

Prevention of Food-Related Fraud program

Through outside analysis by laboratories accredited in:



Identifying raw materials in meat and cooking products, with a total of **160 tests** conducted



Verifying the integrity of Our Brands ingredients, such as honey, milk, olive oil, 100% natural juices, and coffee; with a total of **53 tests** conducted



Validating certificates for products sold as organic, accrediting a total of **217 products**

Responsible labeling and marketing

G4-PR3, G4-PR4, G4-PR7

When reviewing the product labels for Our Brands, we ensure that the nutrition information complies with all Mexican National Standards (NOMs) applicable to each product.

Compliance consistently offers training to key areas and sends information to all our units on customer communication guidelines and on comparative advertising.

839 Labels were analyzed

301 Visits from health and consumer protection authorities

25% Reduction in labeling incidents



6,680 Associates trained in Mexico in consumer-protection issues

91% Reduction in marketing incidents

