



# Behind every action, is our commitment to create value

## We Generate Value

Financial Value | Environmental Value | Social Value



**+1 trillion pesos**

market cap on November 1<sup>st</sup>, 2019



**88%** of our stores

are supplied with renewable energy



**1.5 billion pesos**

channeled through social impact programs

# Financial Value

GRI 201: 103-1, 103-2, 103-3, 202-1

2019 was a year of transformation, of investment, and results. We focused on building an even more customer-centric business, better positioned for the future, while delivering solid results within a very challenging macroeconomic environment.

We were able to leverage our capabilities inside and outside the store. We surpassed the number of stores opened in the last five years and continued to accelerate growth in eCommerce sales.

We continue creating value for all of our stakeholders. The Walmart of the Future is happening today.



**Olga González**

Senior Vice President and Chief Financial Officer  
Walmart de México y Centroamérica



Our Business

Agile Transformation

We Generate value

Commitment  
to Honesty

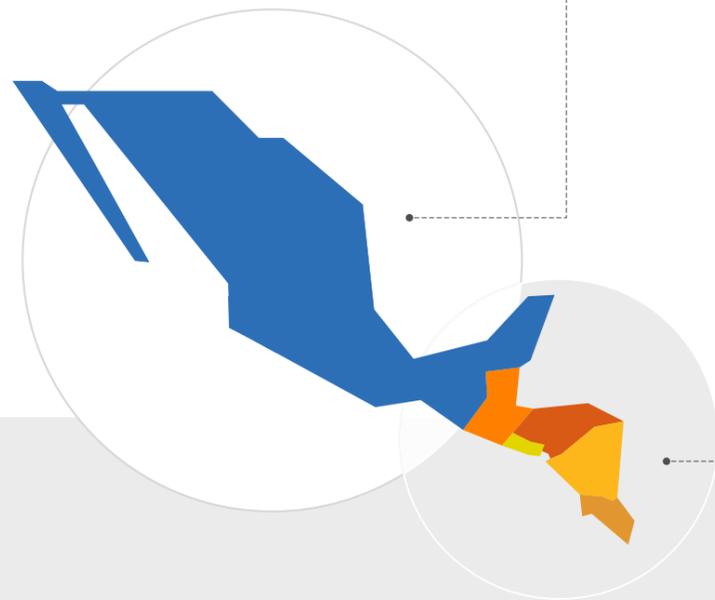
# Performance

In 2019, we achieved solid results and continued to grow steadily and profitably in sales and EBITDA. We invested in expanding our omnichannel coverage, eCommerce, technology, salaries, and logistics to meet our customers' new purchasing habits and preferences. We manage our stores and clubs with discipline, the efficiencies achieved have helped us to generate the necessary resources to keep driving future growth and increase profitability.

## Growth by country, format and division

In Mexico, all regions and formats delivered a positive performance. The North and South regions had the highest same-stores sales growth, followed by the Center and Metro regions, which delivered softer growth due to the competitive dynamics and macro conditions in those regions.

### Same-store sales growth

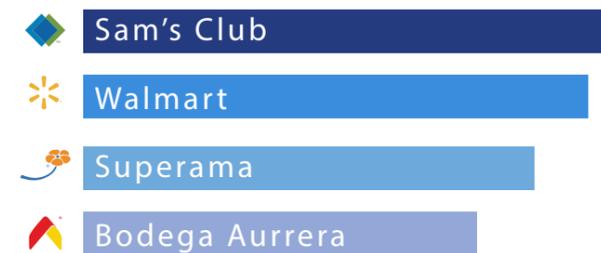


**Mexico**  
**4.4%**

#### By geographic area in Mexico



#### By format in Mexico



#### By division in Mexico



**Central America**  
**0.4%**

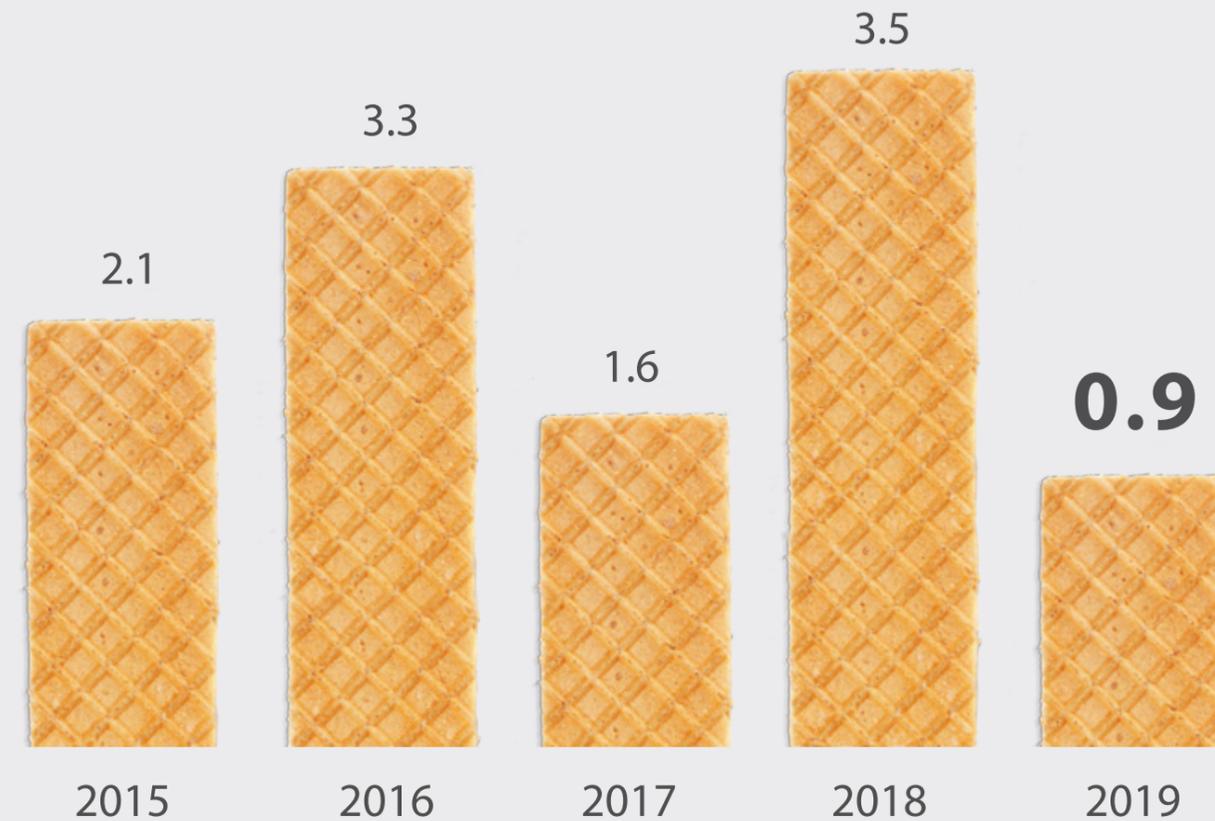
#### By country



## Differential growth in same-store sales Walmex<sup>1</sup> vs ANTAD Self-service and Clubs<sup>2</sup>

Percentage points

In 2019, we surpassed ANTAD's self-service and clubs same-stores sales growth by 90 basis points. With this, we have been able to accumulate five-year higher growth at same-stores than our direct competitors.



1 Self-service and Sam's Club  
2 Excluding Walmex

## In Mexico

Total revenue was 532.2 billion pesos, which represented a 5.7% growth compared to 2018. All formats and regions grew, our largest division, Food and Consumables, grew the fastest.

We continue to accelerate our eCommerce business growth; in 2019 GMV's sales rose by 61%<sup>3</sup>, reflecting the fact that our omnichannel offer is gaining momentum. A 52% online net sales annual growth was reached, this figure is higher than the 40% growth of 2018 and shows the correct execution of our digital transformation strategy along with efficient investments made in logistics network. eCommerce sales represented 1.5% of total sales and contributed 50 basis points to total sales growth.

<sup>3</sup> eCommerce GMV's growth mentioned above excludes call center sales.

Note: In order to provide the investors community a better view of the underlying performance of our business, we are including a retroactive estimation of the effect the adoption of the IFRS 16 would have had on 2018 financial results. These pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effects related to the adoption of the IFRS 16. Please note that all the references that will be done to last year's results are based on 2018 pro-forma figures.

To strengthen our leadership in the market and increase customer transactions, we invested in pricing and widened the price gap with the competition by 20 basis points. These commercial efforts reduced the gross margin by 10 basis points, which this year represented 22.6% of total revenue.

SG&A for the year grew 3.5%, 220 basis points below revenue growth, as a result of our efforts in productivity and operating efficiencies.

Thanks to sales growth, good margin management to maintain competitiveness, along with disciplined expense control, operating income grew 8.3% and represented 8.9% of total revenue, and EBITDA grew 8.6%, representing 11.4% of revenue.



**114.6 billion pesos**  
in Central America of total revenue  
+3.4% vs 2018



**646.8 billion pesos**  
at a consolidated level total revenue  
+4.9% vs 2018

## In Central America

Total revenue reached 114.6 billion pesos increasing 3.4% over the previous year, on a constant currency basis. Looking at performance by country, Honduras had the highest growth, followed by Nicaragua and El Salvador. The lowest sales performance was in Costa Rica and Guatemala, reflecting the unfavorable macroeconomic dynamics in those countries.

Gross margin remained at 24.2%, as the team achieved the right balance of maintaining price leadership without compromising profitability.

Expenses increased 10.8%, impacted by the new intellectual property royalties' agreement between our Central American subsidiaries and Walmart Inc. The agreement came into force in 2019, but the annual charge was recorded in the fourth quarter, affecting expenses in 1.6 billion pesos. Excluding this impact from the annual result, expenses would have grown 2.6%, achieving a leverage of 10 basis points.

Operating income represented 5.8% of total revenue. Without the effect of royalties, it would have been 7.1%, an increase of 20 basis points and a 7.1% growth compared to 2018.

EBITDA represented 9.1% of total revenue. Excluding the effect of royalties, it would be 10.5%, with an increase of 50 basis points and a 7.8% growth compared to 2018.

## Consolidated figures

Consolidated revenue reached 646.8 billion pesos and increased 4.9% compared to 2018. Gross margin of 22.9% was reduced by 10 basis points mainly due to our continued commitment to price investment.

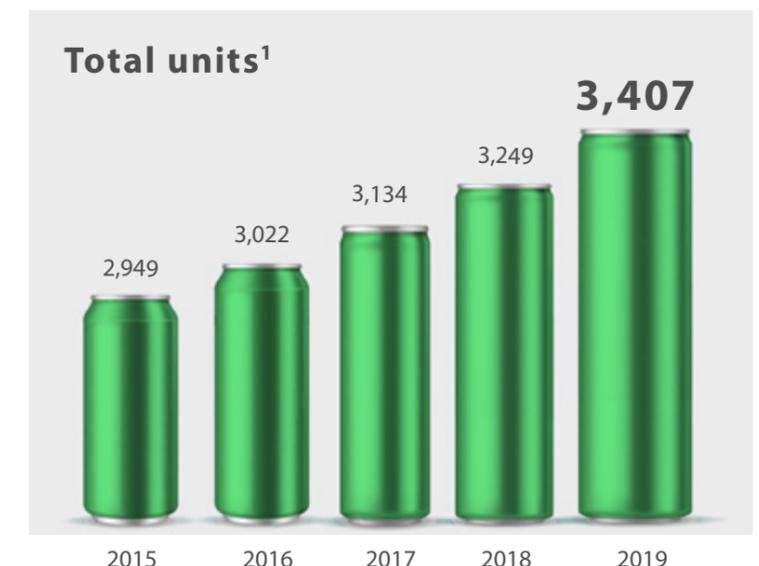
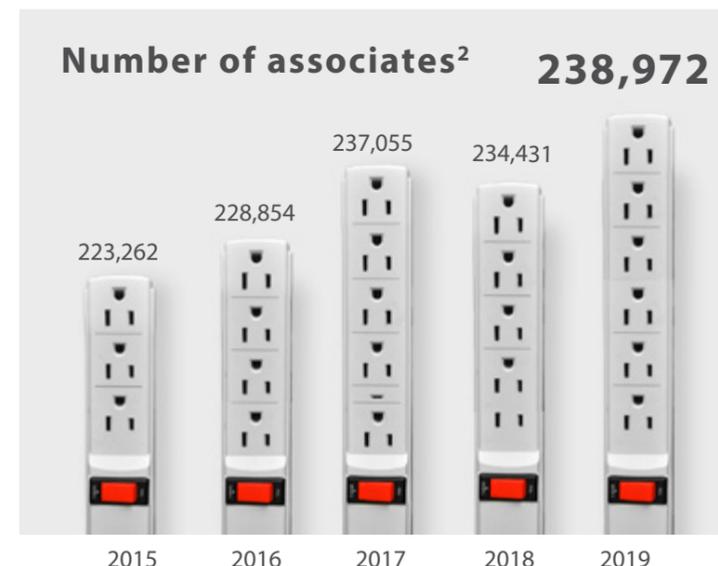
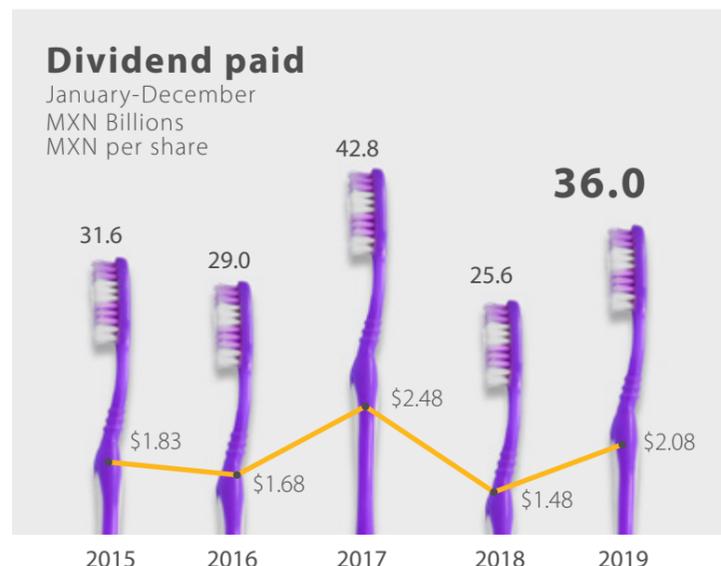
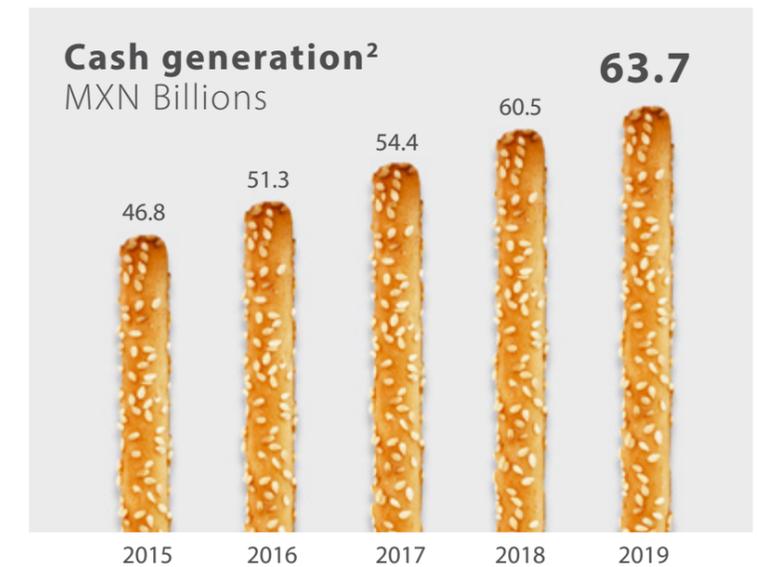
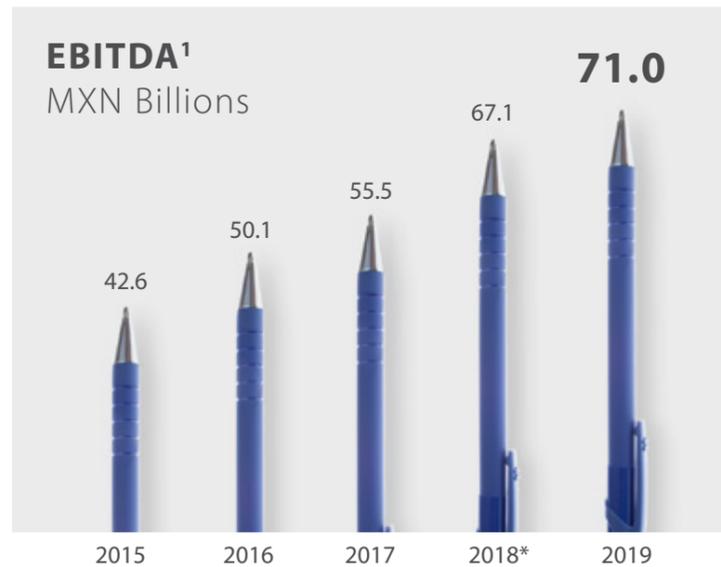
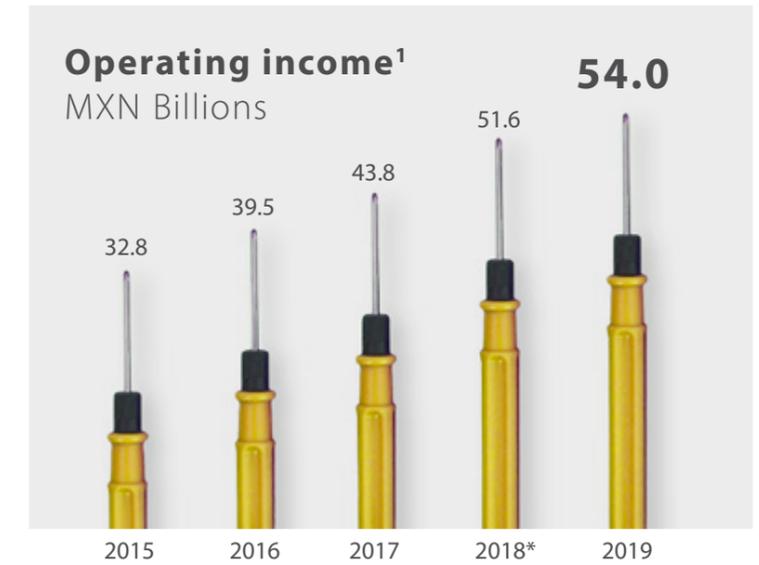
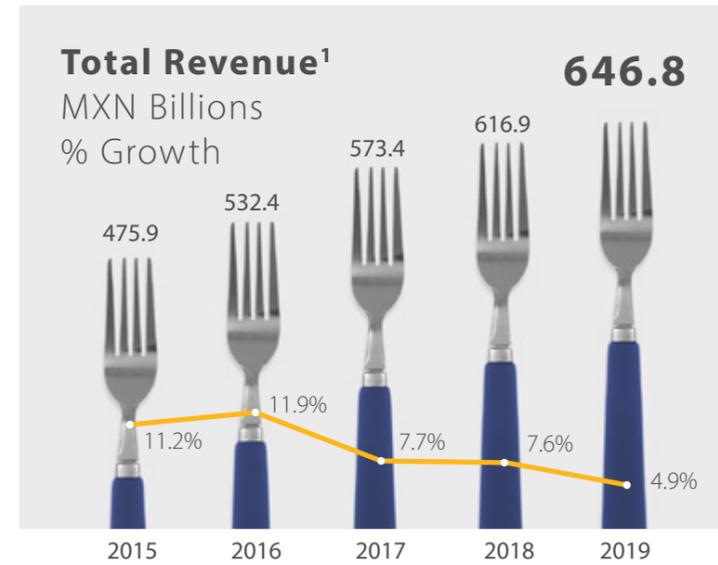
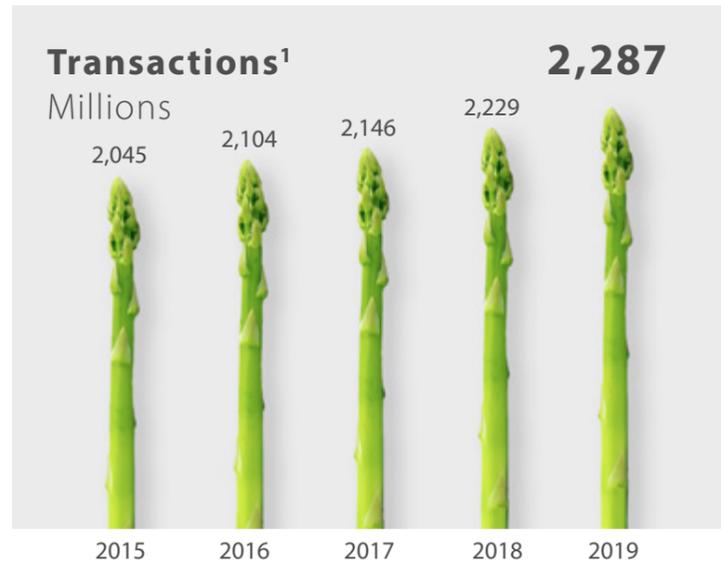
Expenses grew 4.6% compared to 2018, without considering the effect of Central American royalties, growth would be 2.9%, with which we leveraged the expense in 20 basis points. The latter was achieved by exercising an excellent display of discipline in expense control in both regions.

Operating income represented 8.3% of total revenue. Excluding the effect of royalties, it would represent 8.6% with an increase of 20 basis points and a 7.8% growth over the previous year. EBITDA reached 71.0 billion pesos, 11.0% of total revenue. Without considering the effect of royalties, it would be 72.6 billion pesos and a 11.2% margin, with an increase of 30 basis points and an 8.1% growth compared to 2018.

# Key performance indicators

GRI 102-7,102-8

Supported by strong cash flow generation, operating with quality and financial discipline, we keep investing to continue our leadership in the future.



1 Walmex excluding Banco Walmart and Suburbia.

2 Excluding Suburbia since 2016.

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Our Business

Agile Transformation

We Generate value

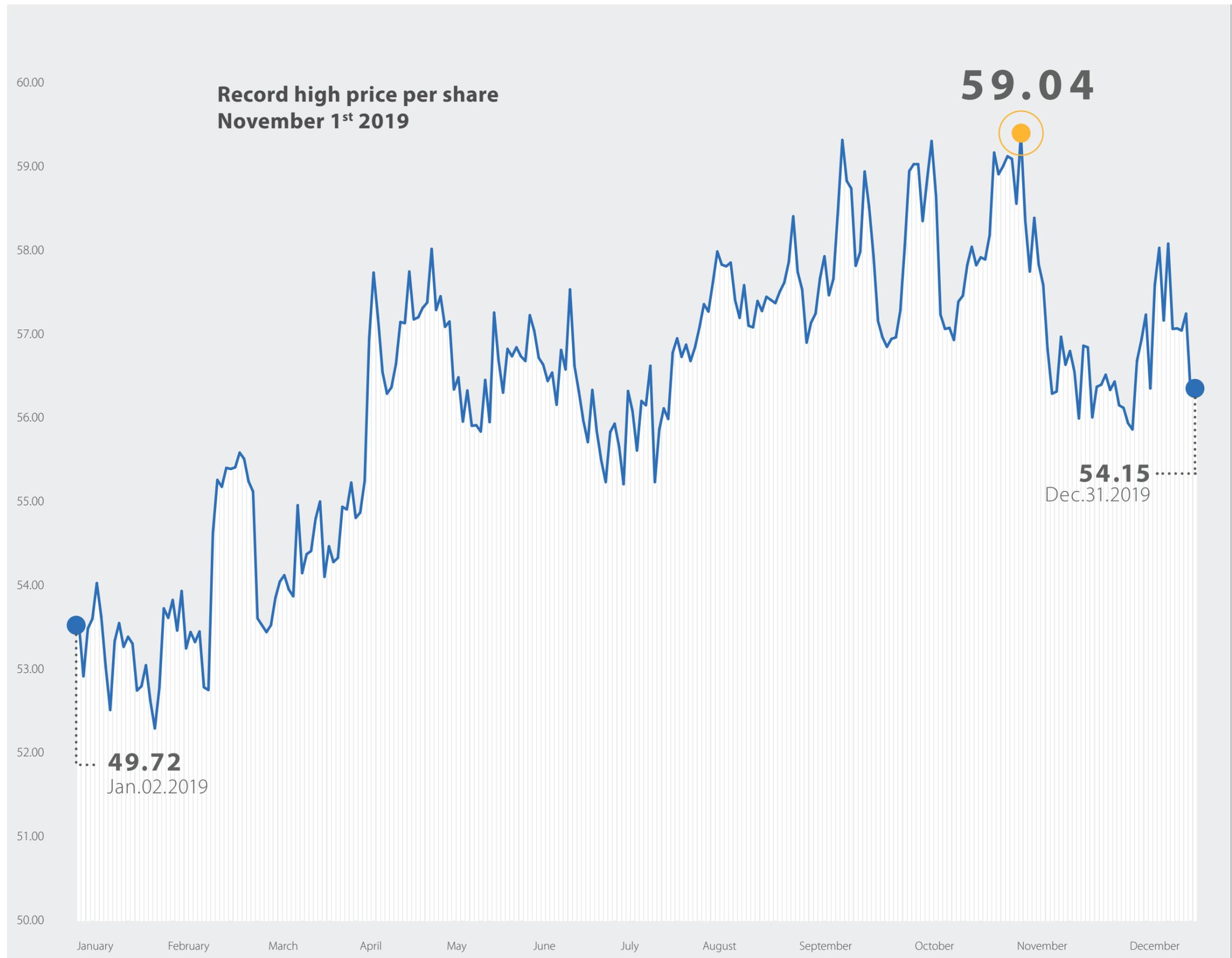
Commitment to Honesty

Financial and Corporate Responsibility Report 2019

# Value for Shareholders

Our stock reached a historical high of 59.04 pesos this year, as a sign of confidence in our operation, financial strength, and efficient use of assets. We are building the Walmart of the future from a position of strength.

We consistently reward the trust of our shareholders. This year, we paid 35.96 billion pesos in dividends, which include the fourth payment decreed in 2018 for 0.33 pesos per share, 0.19 pesos for ordinary dividend, and 0.14 pesos for extraordinary dividend, plus 1.75 pesos per share, corresponding to the payment decreed in 2019, which is composed of an ordinary dividend of 0.84 pesos per share and an extraordinary dividend of 0.91 pesos per share, both paid in three installments, the ordinary dividend of 0.28 pesos per share, in April, August, and November 2019 and extraordinary dividend of 0.35 pesos per share in April, 0.30 in August, and 0.26 in November 2019.



# Investments

We balanced the short and long-term investments, allocating resources to our low-price proposal and salaries, while, with a long-term perspective, we built the infrastructure and capacities that will allow us to continue on the road to success. We invested 20.58 billion pesos in capital expenses during the year, of which we allocated 40% to maintaining and remodeling existing stores, 28% to new stores openings, 20% to the logistics network, 11% to eCommerce and technology, and 1% to the fresh upstreaming projects.

We opened two distribution centers in Mexico dedicated to eCommerce in Monterrey and Guadalajara, with an investment of 370 million pesos, significantly improving delivery in 17 states

of the country. In Costa Rica, we expanded the Coyal distribution center, making it the largest in Central America.

We surpassed the number of new stores opened in the last five years, opening 161 units in 2019, 134 in Mexico, and 27 in Central America. The new stores added more than 1.7 million ft<sup>2</sup> of sales floor, contributing 1.7% to sales growth and 2.1% to the increase in installed capacity.

We continue to make our investments more efficient in order to adjust our value proposal to different markets. We opened new prototype stores with the same customer value proposition with only a few changes in assortment and store size to adapt it to the market where it is located.



**76,414,319** ft<sup>2</sup>  
added to sales floor

With a long-term perspective, we built the infrastructure and capacities that will allow us to continue on the road to success.



Source: Map Data ©2019 Google.

This year, we opened the Mi Bodega Hercules store, located in a mining region on the border of Coahuila and Chihuahua.

Our transformation also emphasizes inclusion. This year, we opened five inclusive stores, which offer greater autonomy to our customers and associates with disabilities. Walmart Punta Guadiana in Durango, was the first inclusive store we opened, which has help buttons, preferential points of entry, accessible furniture, and tactile guides.

We used our scale in a positive way, being careful to generate returns on capital and to make a positive contribution in the communities where we serve.

Through our philosophy of everyday low price and productivity, we continue to strategically manage capital to deliver value to our shareholders and all our stakeholders.

2019 was a year of results, transformation, and challenges, and we continue to generate new opportunities to maintain our strength in the future.



# Income Statement and Balance Sheet

At December 31, 2019 (MXN Billions)

## Consolidated Results Walmex 2019

	2019		2018 IFRS 16 Pro-forma			2018 Reported		
	\$	%	\$	%	Var.	\$	%	Var.
Total revenues	<b>646.8</b>	<b>100.0</b>	616.9	100.0	4.9	616.9	100.0	4.9
Gross profit	<b>148.0</b>	<b>22.9</b>	141.6	23.0	4.5	141.6	23.0	4.5
SG&A	<b>94.4</b>	<b>14.6</b>	90.3	14.6	4.6	92.7	15.0	1.9
Other net revenues	<b>0.4</b>	<b>0.1</b>	0.2	0.0	88.2	0.2	0.0	88.2
Operating income	<b>54.0</b>	<b>8.3</b>	51.6	8.4	4.7	49.2	8.0	9.8
EBITDA	<b>71.0</b>	<b>11.0</b>	67.1	10.9	5.7	61.7	10.0	15.0
Net profit	<b>37.9</b>	<b>5.9</b>	35.6	5.8	6.4	36.8	6.0	3.1

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## Balance sheet

Assets	Liabilities and Equity
 <b>30.9</b> Cash	 <b>87.1</b> Accounts Payable
 <b>67.6</b> Inventories	 <b>262.1</b> Equity and Others
 <b>250.8</b> Fixed Assets and Others	



**Total**  
**349.2**

# Financial Summary (Million pesos)

GRI 102-45, 102-48

	* IFRS															** MFRS	
	2019	2018 <sup>(11)</sup>	2018	2017 <sup>(10)</sup>	2017	2016 <sup>(8)</sup>	2015 <sup>(7)</sup>	2015 <sup>(6)</sup>	2014 <sup>(4)</sup>	2013 <sup>(4)</sup>	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2012	2011	2011	2010	
Mexico GDP (Growth,%)	-0.1	2.1	2.1	2.1	2.1	2.9	3.3	3.3	2.8	1.4	1.4	3.6	3.6	3.7	3.7	5.1	
Mexico Annual Inflation (%)	2.8	4.8	4.8	6.8	6.8	3.4	2.1	2.1	4.1	4.0	4.0	3.6	3.6	3.8	3.8	4.4	
Peso Depreciation	(4.0)	0.0	0.0	(5.2)	(5.2)	19.2	18.0	18.0	13.0	1.4	1.4	(7.9)	(7.9)	12.9	12.9	(5.6)	
Average Exchange Rate	19.3	19.2	19.2	18.9	18.9	18.7	15.9	15.9	13.3	12.8	12.8	13.1	13.1	12.5	12.5	12.6	
Year-end Exchange Rate	18.9	19.7	19.7	19.7	19.7	20.7	17.4	17.4	14.7	13.0	13.0	12.9	12.9	14.0	14.0	12.4	
Mexico Average Interest Rate (28 Day Cetes,%)	7.8	7.6	7.6	6.7	6.7	4.2	3.0	3.0	3.0	3.8	3.8	4.2	4.2	4.2	4.2	4.4	
<b>RESULTS</b>																	
NET SALES	641,825	612,186	612,186	569,015	569,367	528,571	472,460	485,864	437,659	420,577	420,577	407,843	413,792	375,280	379,021	334,511	
% of growth total units	4.8	7.6	7.6	NA	7.7	11.9	11.3	11.0	4.1	3.1	3.1	NA	10.3	12.2	13.3	24.2	
% of growth comp units	3.3	5.7	5.7	5.9	5.9	10.3	9.1	8.9	0.6	-1.4	-1.4	4.2	4.2	3.7	3.7	3.2	
OTHER INCOME	5,021	4,724	4,724	4,356	3,898	3,813	3,451	3,503	3,329	3,246	4,584	4,217	4,259	3,570	1,885	1,346	
% of growth	6.3	8.4	8.4	NA	2.3	10.5	NA	5.2	2.6	NA	8.7	NA	19.3	NA	40.0	27.7	
TOTAL REVENUES	646,846	616,910	616,910	573,371	573,265	532,384	475,911	489,367	440,988	423,823	425,161	412,060	418,051	378,850	380,906	335,857	
% of growth	4.9	7.6	7.6	NA	7.7	11.9	NA	11.0	4.1	NA	3.2	NA	10.3	NA	13.4	24.2	
GROSS PROFIT	148,051	141,647	141,586	131,072	127,695	117,484	102,603	107,380	97,619	92,948	93,624	90,228	94,597	85,109	83,698	74,059	
% of profit margin	22.9	23.0	23.0	22.9	22.3	22.1	21.6	21.9	22.1	21.9	22.0	21.9	22.6	22.5	22.0	22.1	
GENERAL EXPENSES	94,427	90,276	92,597	86,921	83,684	77,834	69,548	72,235	64,010	61,318	62,102	58,541	61,926	55,574	53,619	47,015	
% of total revenues	14.6	14.6	15.0	15.2	14.6	14.6	14.6	14.8	14.5	14.5	14.6	14.2	14.8	14.7	14.1	14.0	
OPERATING INCOME	54,003	51,572	49,190	43,838	43,838	39,455	32,828	34,969	34,716	31,636	31,532	31,422	32,399	29,591	30,079	27,044	
% of total revenues	8.3	8.4	8.0	7.6	7.6	7.4	6.9	7.1	7.9	7.5	7.4	7.6	7.7	7.8	7.9	8.1	
% of growth	9.8	NA	12.2	11.1	11.1	20.2	NA	0.7	9.7	NA	0.4	NA	9.5	NA	11.2	21.4	
EBITDA	71,005	67,148	61,747	55,482	55,482	50,149	42,592	44,993	42,854	40,305	40,222	39,860	41,166	37,188	37,415	33,294	
% of total revenues	11.0	10.9	10.0	9.7	9.7	9.4	8.9	9.2	9.7	9.5	9.5	9.7	9.8	9.8	9.8	9.9	
FINANCIAL INCOME (EXPENSES), NET	(4,801)	(4,242)	(330)	(548)	(548)	(323)	89	55	(154)	(16)	(15)	401	399	189	191	460	
INCOME BEFORE INCOME TAX	49,202	47,330	48,860	43,290	43,290	39,132	32,917	35,024	34,562	31,620	31,517	31,823	32,798	29,780	30,198	27,630	
INCOME TAX	11,304	11,724	12,107	10,900	10,900	10,623	9,473	10,087	9,521	9,632	9,517	9,237	9,529	7,695	7,939	8,066	
DISCONTINUED OPERATIONS	-	-	-	7,475	7,475	4,842	2,935	1,442	5,394	725	713	683	-	-	-	-	
CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE PARENT	37,898	35,606	36,753	39,865	39,865	33,352	26,376	26,376	30,426	22,717	22,717	23,275	23,275	22,080	22,254	19,550	
% of growth	3.1	NA	(7.8)	19.5	19.5	26.5	(13.3)	(13.3)	33.9	(2.4)	(2.4)	5.4	5.4	NA	13.8	16.3	
<b>FINANCIAL POSITION</b>																	
CASH	30,857	38,830	38,830	35,596	35,596	27,976	24,791	24,791	28,048	21,129	21,129	28,163	28,163	25,166	25,166	24,661	
INVENTORIES	67,553	63,344	63,344	59,463	59,463	53,665	49,749	49,749	47,175	43,795	43,795	39,092	39,092	39,336	40,163	29,023	
OTHER ASSETS	27,179	25,891	25,144	22,742	22,742	30,881	15,831	15,831	19,475	19,510	19,510	12,909	12,909	13,579	13,249	9,056	
FIXED ASSETS	188,439	177,891	144,222	140,082	140,082	136,349	130,222	130,222	125,996	121,083	121,083	117,377	117,377	111,372	116,680	102,300	
GOODWILL	35,145	34,989	34,989	37,373	37,373	39,421	33,057	33,057	28,020	24,745	24,745	24,745	24,745	29,768	29,768	29,768	
TOTAL ASSETS	349,173	340,945	306,529	295,256	295,256	288,292	253,650	253,650	248,714	230,262	230,262	222,286	222,286	219,221	225,026	194,808	
SUPPLIERS	87,116	85,327	85,327	80,099	80,099	65,919	56,396	56,396	52,710	47,609	47,609	44,770	44,770	50,854	50,854	38,000	
OTHER LIABILITIES	93,912	91,038	56,288	55,623	55,623	55,347	45,433	45,433	45,758	39,702	39,702	37,679	37,679	39,184	40,894	33,948	
EQUITY	168,145	164,580	164,914	159,534	159,534	167,026	151,795	151,795	150,223	142,931	142,931	139,701	139,701	128,867	132,962	122,531	
NON-CONTROLLING INTEREST	-	-	-	-	-	-	26	26	23	20	20	136	136	316	316	329	
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTEREST	349,173	340,945	306,529	295,256	295,256	288,292	253,650	253,650	248,714	230,262	230,262	222,286	222,286	219,221	225,026	194,808	

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Financial and Corporate Responsibility Report 2019

	*IFRS											**MFRS				
	2019	2018 <sup>(11)</sup>	2018	2017 <sup>(10)</sup>	2017	2016 <sup>(8)</sup>	2015 <sup>(7)</sup>	2015 <sup>(6)</sup>	2014 <sup>(4)</sup>	2013 <sup>(4)</sup>	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2012	2011	2011	2010
<b>NUMBER OF UNITS MEXICO</b>																
Bodega Aurrera	2,035	1,910	1,910	1,820	1,820	1,763	1,719	1,719	1,660	1,589	1,589	1,423	1,423	1,204	1,204	899
Walmart	280	274	274	270	270	262	256	256	251	243	243	227	227	213	213	192
Sam's Club	163	163	163	162	162	160	160	160	159	156	156	142	142	124	124	108
Superama	93	91	91	94	94	96	95	95	93	92	92	90	90	88	88	75
Suburbia	-	-	-	-	-	-	117	117	116	109	109	100	100	94	94	90
Medimart Pharmacies	-	-	-	10	10	10	10	10	10	10	10	6	-	-	-	-
Vips Restaurants	-	-	-	-	-	-	-	-	-	-	-	365	365	364	364	366
TOTAL	2,571	2,438	2,438	2,356	2,356	2,291	2,357	2,357	2,289	2,199	2,199	2,353	2,347	2,087	2,087	1,730
<b>NUMBER OF UNITS CENTRAL AMERICA</b>																
Discount Stores	549	540	540	522	522	495	484	484	477	466	466	459	459	453	453	401
Supermakets	99	97	97	94	94	92	99	99	96	100	100	97	97	96	96	94
Bodegas	155	143	143	133	133	117	102	102	94	75	75	67	67	54	54	36
Walmarts	33	31	31	29	29	27	24	24	22	20	20	17	17	17	17	16
Clubs	-	-	-	-	-	-	-	-	1	1	1	2	2	2	2	2
TOTAL	836	811	811	778	778	731	709	709	690	662	662	642	642	622	622	549
<b>Banco Walmart</b>																
Bank branches	-	-	-	-	-	-	-	-	-	201	201	263	263	263	263	263
<b>OTHER INFORMATION AT THE END OF THE YEAR</b>																
Number of Associates	238,972	234,431	234,431	237,055	237,055	228,854 <sup>(9)</sup>	231,996	231,996	228,063 <sup>(5)</sup>	224,90 <sup>(5)</sup>	226,289 <sup>(3)</sup>	248,246	248,246	238,128	238,128	219,767
Share Price <sup>(2)</sup> (pesos)	54.15	49.97	49.97	48.19	48.19	37.05	43.49	43.49	31.72	34.26	34.26	42.33	42.33	38.23	38.23	35.44
Number of Outstanding Shares <sup>(2)</sup> (millions)	17,461	17,461	17,461	17,461	17,461	17,461	17,461	17,461	17,507	17,627	17,627	17,722	17,722	17,747	17,747	17,848
Market Value	945,513	872,526	872,526	841,446	841,446	646,930	759,379	759,379	555,322	603,901	603,901	750,172	750,172	678,471	678,471	632,533
Earnings per Share <sup>(2)</sup> (pesos)	2.170	2.105	2.105	2.283	2.283	1.910	1.508	1.508	1.732	1.284	1.284	1.312	1.312	1.240	1.250	1.105
Payment of Dividends	35,957	25,582	25,582	42,756	42,756	28,972	31,562	31,562	21,643	16,056	16,056	9,612	9,612	9,659	9,659	5,743
Number of Shares Repurchased <sup>(2)</sup> (millions)	-	-	-	-	-	-	47	47	123	96	96	27	27	103	103	112
Investment in Shares Repurchased Operations	-	-	-	-	-	-	1,825	1,825	3,996	3,328	3,328	1,088	1,088	3,455	3,455	3,472

1 Vips is presented under Discontinued Operations.

2 Adjusted according to split conducted in April 2010

3 Vips' associates not included

4 Banco Walmart's & Vips' results are presented under Discontinued Operations.

5 Banco Walmart's associates not included.

6 Results from Banco Walmart and its sale presented under Discontinued Operations.

7 Suburbia's and Banco Walmart's sales and results are presented under Discontinued Operations.

8 Suburbia's results are presented under Discontinued Operations. Financial position displays reclassifications in presentation, in order to be comparable to 2017 only.

9 Suburbia's associates not included.

10 Information with adjustments, derived from the Income Standard that applies as of 2018.

11 Information with adjustments, derived from the Leases that applies as of 2019.

\* IFRS = Financial information under International Financial Reporting Standards.

\*\* MFRS = Financial information under Mexican Financial Reporting Standards.

NA = Non Applicable

<b>ACQUISITIONS OF PROPERTY AND EQUIPMENT</b>	20,575	17,933	17,933	17,426	17,426	14,335	12,526	12,526	12,691	13,987	13,987	14,660	14,660	18,352	18,352	13,130
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GRI 102-45,102-48

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# Environmental value

GRI 305: 103-1, 103-2, 103-3

As the most trusted omnichannel retailer, the sustainability and efficiency of our operations are key factors.

Both factors are the way to becoming a more efficient and resilient company, while helping us strengthen our brand and maintain the loyalty of our customers and stakeholders.

For this reason, our 2025 plan includes reduction of emissions resulting from our operations, waste elimination through the circular economy principles, and a responsible and sustainable product sourcing.



**+376 million**

pesos saved from sustainable initiatives



**+519 million**

pesos invested in sustainable initiatives



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# We are committed to participating in the solutions for today's environmental challenges and to not be a part of the problem

We have focused on three major priorities:

GRI 305: 103-1, 103-2, 103-3

Priority	Public goals	Main environmental indicators
 <p><b>Mitigate climate change</b> by reducing emissions in our operations and supply chain</p>	<ul style="list-style-type: none"> <li>Reduce energy intensity per square meter of construction (kW/m<sup>2</sup>) by 25% by 2020, compared to 2010</li> <li>Reduce greenhouse gas emissions by 18% by 2025, compared to 2015</li> <li>Work with our suppliers to reduce or avoid greenhouse gas emissions equivalent to 1 gigaton in our global supply chains by 2030</li> </ul>	<ul style="list-style-type: none"> <li><b>88%</b>  stores are supplied with renewable energy</li> <li><b>51%</b>  of energy consumption is supplied from renewable sources</li> <li><b>17%</b>  increase in scope 1 and 2 GHG emissions reduction scope 1 and 2 compared to 2015 baseline</li> <li><b>A-</b> on 2019 CDP climate change disclosure</li> </ul>
 <p><b>Contribute to create a circular economy</b> that avoids generating waste, design cradle to cradle cycles, and reduce the use of natural resources</p>	<ul style="list-style-type: none"> <li>Send zero waste to landfills by 2025</li> <li>In the year 2025, Our Brand products:             <ul style="list-style-type: none"> <li>Will have 100% recyclable, reusable, or compostable packaging</li> <li>Packaging will contain 20% post-consumer recycled material</li> <li>We will take out unnecessary or difficult-to-recycle plastic</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>70%</b> of waste generated was diverted from landfill</li> <li><b>1,586,475 m<sup>3</sup></b> landfill space was saved</li> <li>We diverted <b>39,736</b> metric tons of food from landfills</li> <li> Launch of the campaign #SinBolsaPorFavor</li> </ul>
 <p>Wherever possible, <b>ensure the sustainable supply</b> of raw materials and products we offer our customers and encourage more responsible consumption with lower GHG emissions</p>	<ul style="list-style-type: none"> <li>In 2020 our Private Brand products will use palm oil and pulp &amp; paper from certified sustainable sources</li> <li>By 2025 all fresh and frozen seafood, as well as canned tuna will be sourced from certified sustainable sources or with a Fishery Improvement Project</li> </ul>	<ul style="list-style-type: none"> <li><b>A-</b> on the CDP Climate Change supplier engagement</li> <li><b>85%</b> de nuestros proveedores que utilizan aceite palma cuentan con certificación sustentable</li> <li><b>2,274 products</b> with improvements to reduce their environmental impact</li> <li><b>61%</b> of pulp &amp; paper in our Private Brands products is supplied from sustainable sources</li> </ul>



# Mitigate climate change

GRI 305: 103-1, 103-2, 103-3, 305-5



7.2, 7.3 9.4 13.1

## Reducing emissions

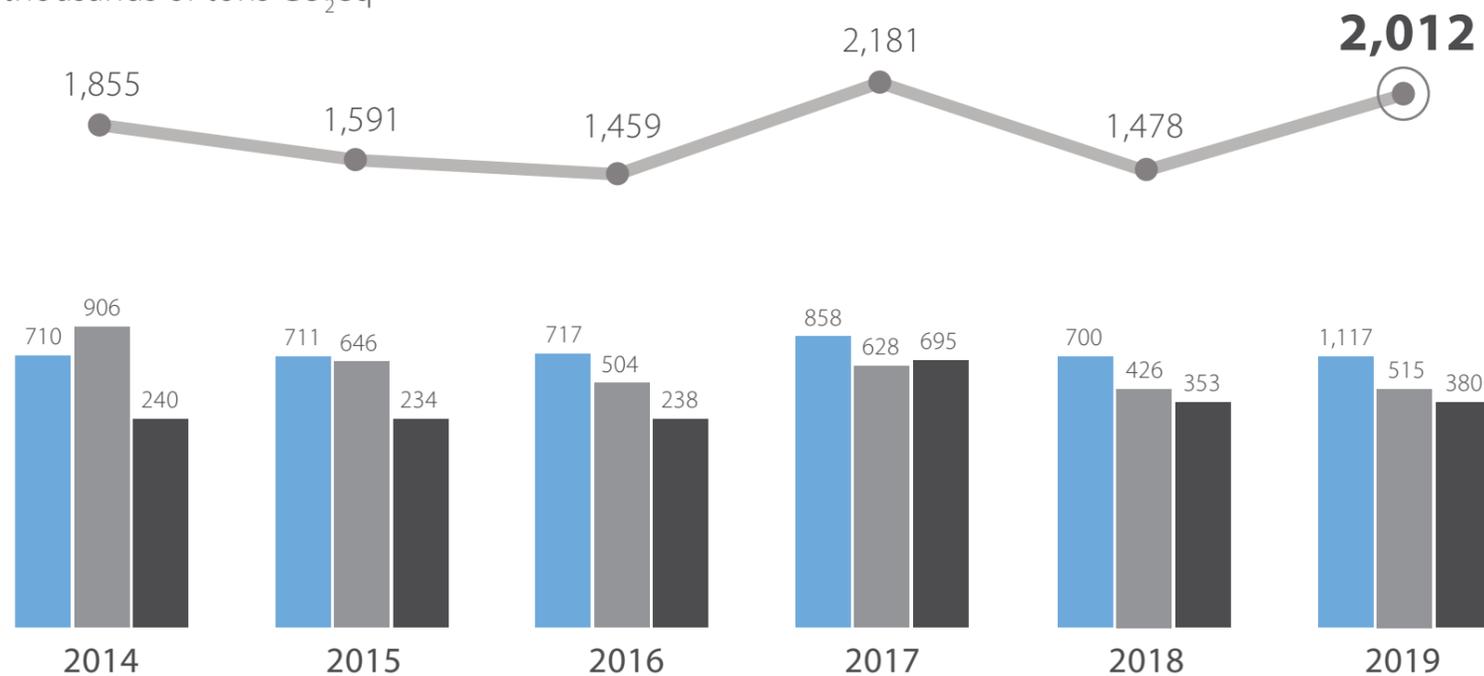
We are committed to reduce greenhouse gas emissions in our operations and supply chain. It is clear to us that because the nature of our business, most of our GHG emissions are generated in our value chain (Scope 3).

We share Walmart Inc.'s goal of reducing 18% our greenhouse gas emissions (Scope 1 and 2) by 2025 compared to 2015 baseline. The goal is

approved by the of Science-Based Targets initiative. To achieve this goal, we are working to expand the supply of renewable energy, reduce energy consumption in stores, particularly in refrigeration and air conditioning equipment, and continue searching for and developing options to help us to have more energy efficient store prototypes from design.

### Total emissions

thousands of tons CO<sub>2</sub>eq



Scope 1



Scope 2



Scope 3

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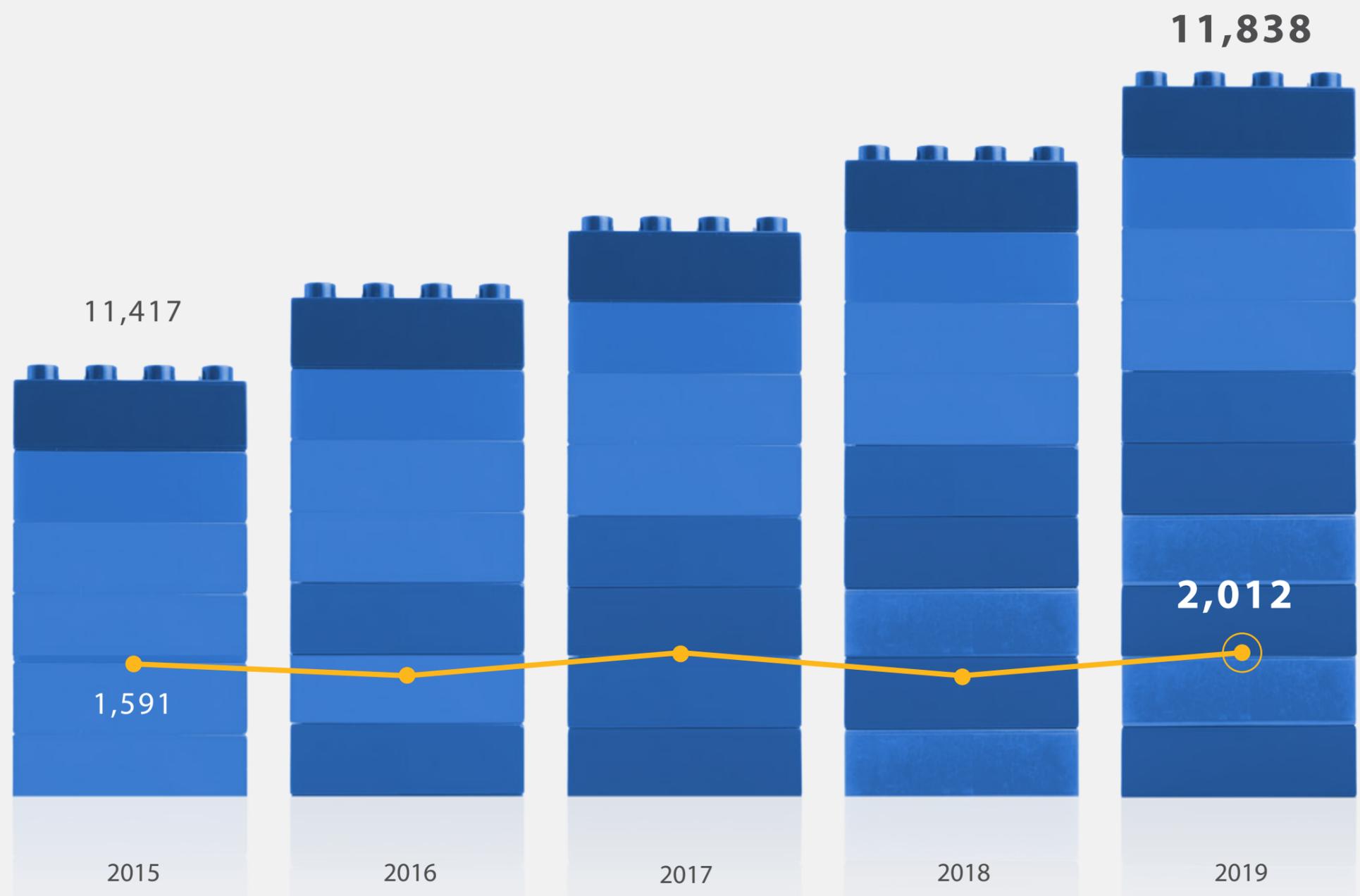
Commitment to Honesty

In 2019, our Scope 1 and 2 emissions increased 17% compared to 2015, because of an unusual refrigerants consumption.

GRI 305-4

**We reduced our emissions while maintaining our expansion rate**

■ Thousand m<sup>2</sup> total box    —●— Tons CO<sub>2</sub> eq



\* **170 ton/m<sup>2</sup>**  
GHG emissions intensity

# Scope 1, 2, and 3 emission source

GRI 305-1, 305-2, 305-3

Scope 1 emissions come mostly from refrigerant leaks and to a lesser extent from stationary combustion in furnaces. Our Scope 3 emissions result primarily from the production of goods for sale, transportation of products, and waste generated in our operations. We use the GHG Protocol's Corporate Value Chain methodology (Scope 3) to determine our reporting category.

Because of their relevance to our business and the amount of emissions, we consider the following categories:

- Products or services purchased
- Capital goods
- Transportation, and distribution between our DC and stores
- Waste generated in our operation
- Business travels
- Associate travel in company-owned cars
- Transportation used for home delivery.

Although relevant, we have not yet calculated the emissions associated with categories corresponding to product treatment after useful life and sold product processing.

**2,012,204 ton CO<sub>2</sub>eq total**

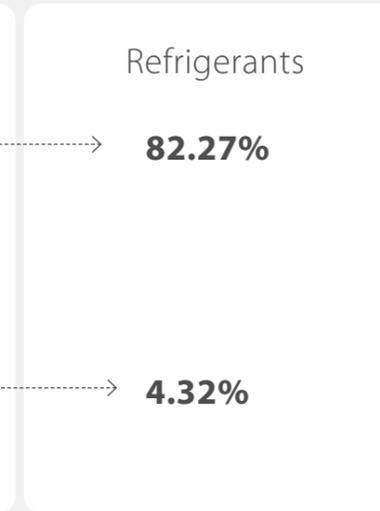
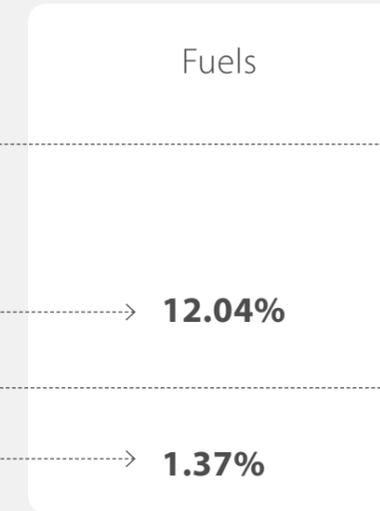
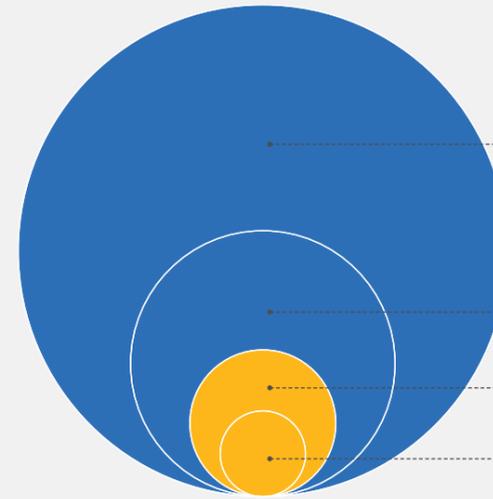
## Scope 1, 2, and 3 emission source:

■ Mexico ■ Central America



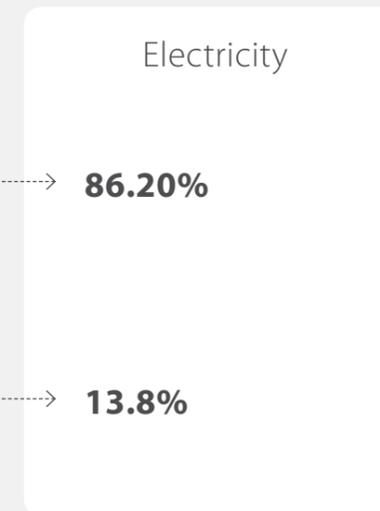
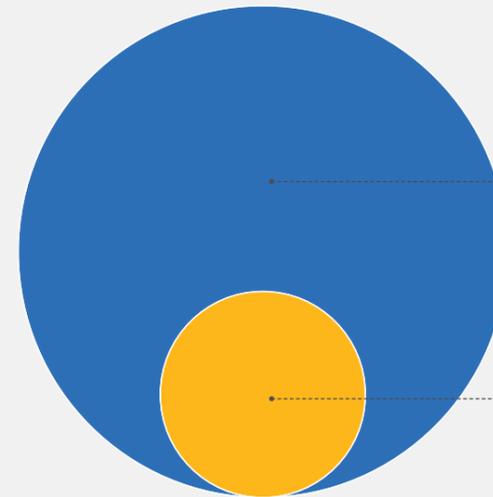
### Scope 1

**117,567 ton CO<sub>2</sub>eq**



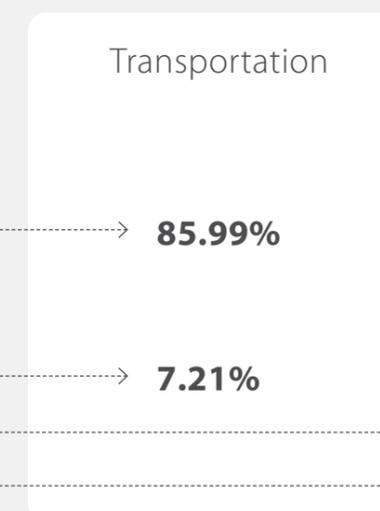
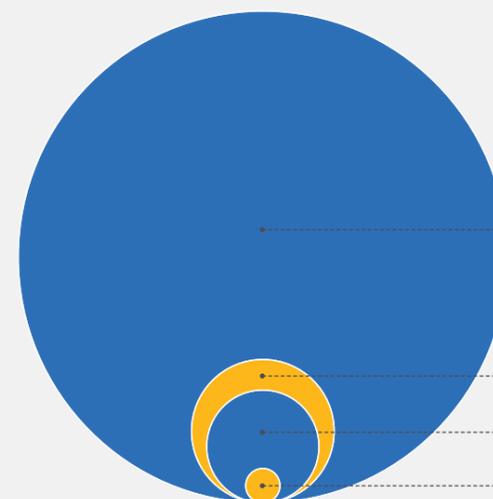
### Scope 2

**14,851 ton CO<sub>2</sub>eq**



### Scope 3

**379,854 ton CO<sub>2</sub>eq**



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# Energy consumption

GRI 302: 103-1, 103-2, 103-3, 302-1, 302-2, 302-4

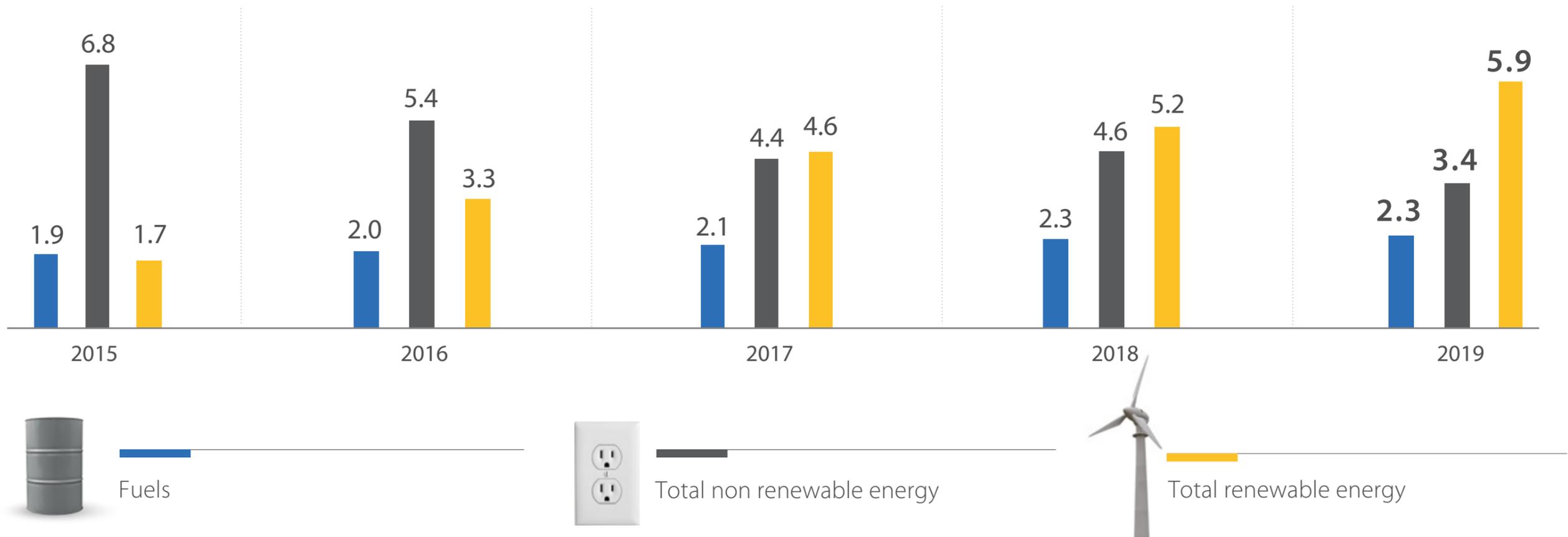
In addition to supplying renewable energy to six wind farms and two hydroelectric plants, in 2019 we began a program to install photovoltaic panels on the roofs of our stores. In 2019 we installed solar panels in 14 stores.

We continue working to improve energy efficiency in stores and distribution centers. We are working with an artificial intelligence system to monitor energy consumption in real time, which will help us to respond in less time to deviations in energy consumption. Additionally, there is a comprehensive program to reduce energy losses by improving thermal insulation of

equipment and stores. Regarding our goal of reducing energy efficiency by 26% per square meter, we achieved 28.2% reduction. We invested \$126.53 million pesos in LED lighting and photovoltaic cells. In Central America we implemented the Monitoring Center for 597 stores. Through it, parameters are standardized, schedules are programmed and lighting, refrigeration, ventilation, and air conditioning systems are permanently controlled remotely, through a digital platform.

We saved 190,345 GJ of energy vs 2018  
11,639,388 GJ of total energy consumed

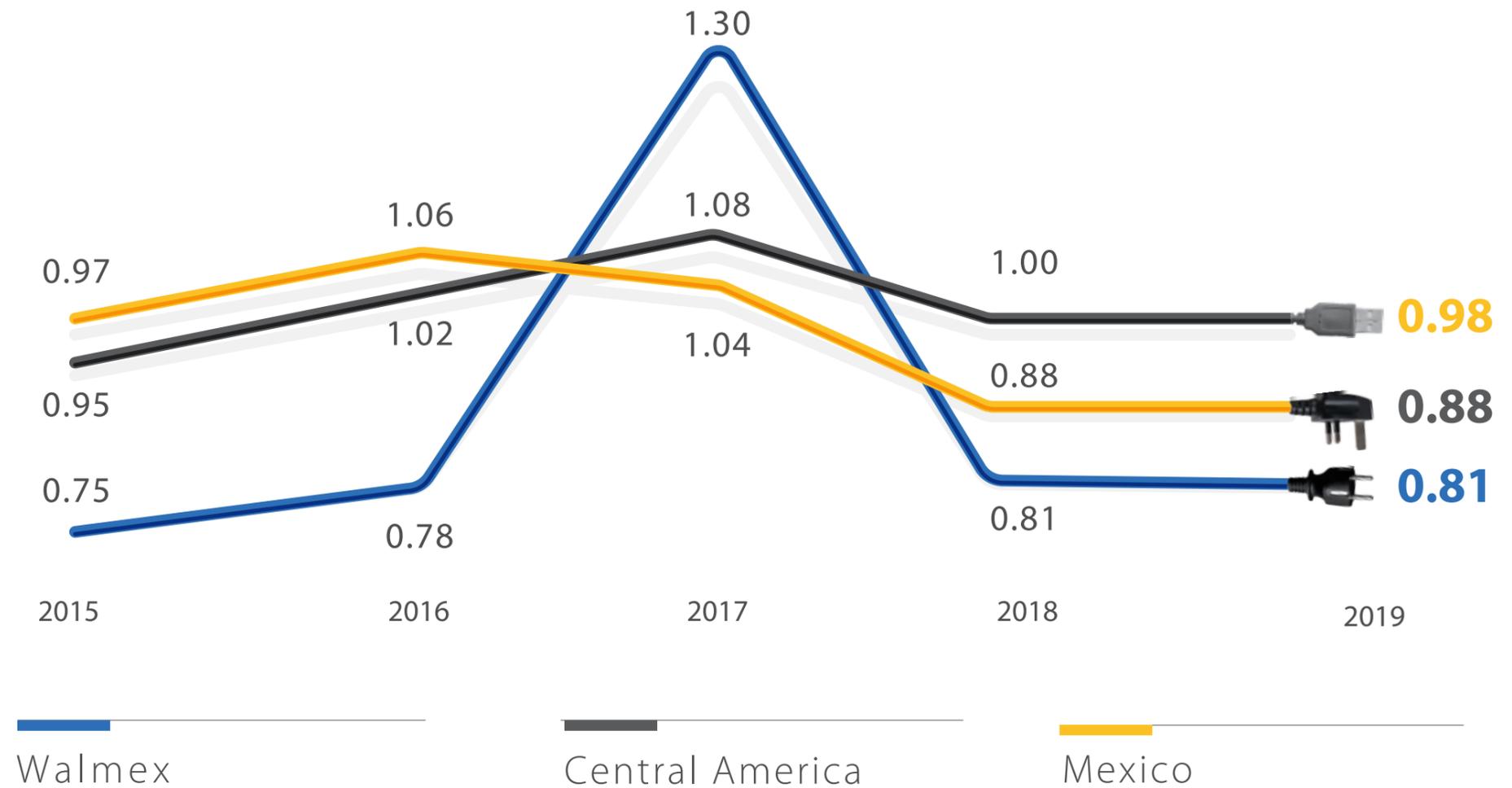
**Total energy consumption**  
millions of GJ



In 2019, we increased our electricity consumption from renewable sources by 2.68%. Of the total energy consumption in our operations, 63% comes from renewable sources and 88% of our stores are regularly supplied with renewable energy from six wind farms and two hydroelectric plants.

### Energy intensity

 GJ/m<sup>2</sup>



## Emission reductions from logistics initiatives

Backhaul and Reverse Logistics initiatives continue growing and contribute to avoid emissions in our supply chain by using freight transport more efficiently and reducing empty trips.

✦ **43,774,464 km**  
not travelled

✦ **23,829,479 liters**  
of fuel saved

✦ **63,460 ton CO<sub>2</sub>eq**  
emissions avoided

✦ **351,028 ton CO<sub>2</sub>eq**  
per product distribution



## CDP Supply Chain Program

✦ **A-** qualification  
on CDP Climate Change disclosure

✦ **56% of suppliers**  
implemented initiatives to reduce emission levels

✦ **36% of suppliers**  
consume renewable energy

✦ **251 suppliers**  
answered the quiz

# Project Gigaton

We launched Project Gigaton in Mexico. The project is a global initiative by Walmart Inc. to work with its suppliers on preventing the generation of one billion tons of CO2 emissions in their global value chains by 2030.

By joining to Project Gigaton, our suppliers set goals and define initiatives to prevent emissions in any of these six areas:

- 

Energy use
- 

Sustainable agriculture
- 

Waste
- 

Product use
- 

Deforestation
- 

Packaging



# ProjectGigaton™

Walmart established an external review process to ensure continuous improvement of accounting methodologies for prevented emissions. A guiding committee with sub-committees of experts, technicians from non-governmental organizations such as CDP and WWF, lead the review process.

Currently in Mexico, 29 suppliers have joined, reporting a reduction of 782 tons of CO2

emissions, due to initiatives in the areas of packaging, waste, energy, and conservation of natural areas.

Suppliers who report their emissions by answering the CDP Supply Chain Program quiz may integrate their report into Project Gigaton to avoid duplicating information.

# Risks related to climate change

GRI 102-11, 102-15, 201-2



Society and authorities are increasingly concerned about climate change, since it can bring serious consequences. Climate change may also lead to temperature increases, droughts, floods, hurricanes, etc., which may shift access to and alter cycles of different kinds of crops, rendering certain crop fields unusable for agriculture. Merchandise transportation may be affected as well if extreme weather conditions interfere with accessibility. Deciding whether to open a new store or not may be hindered if flood risks increase.

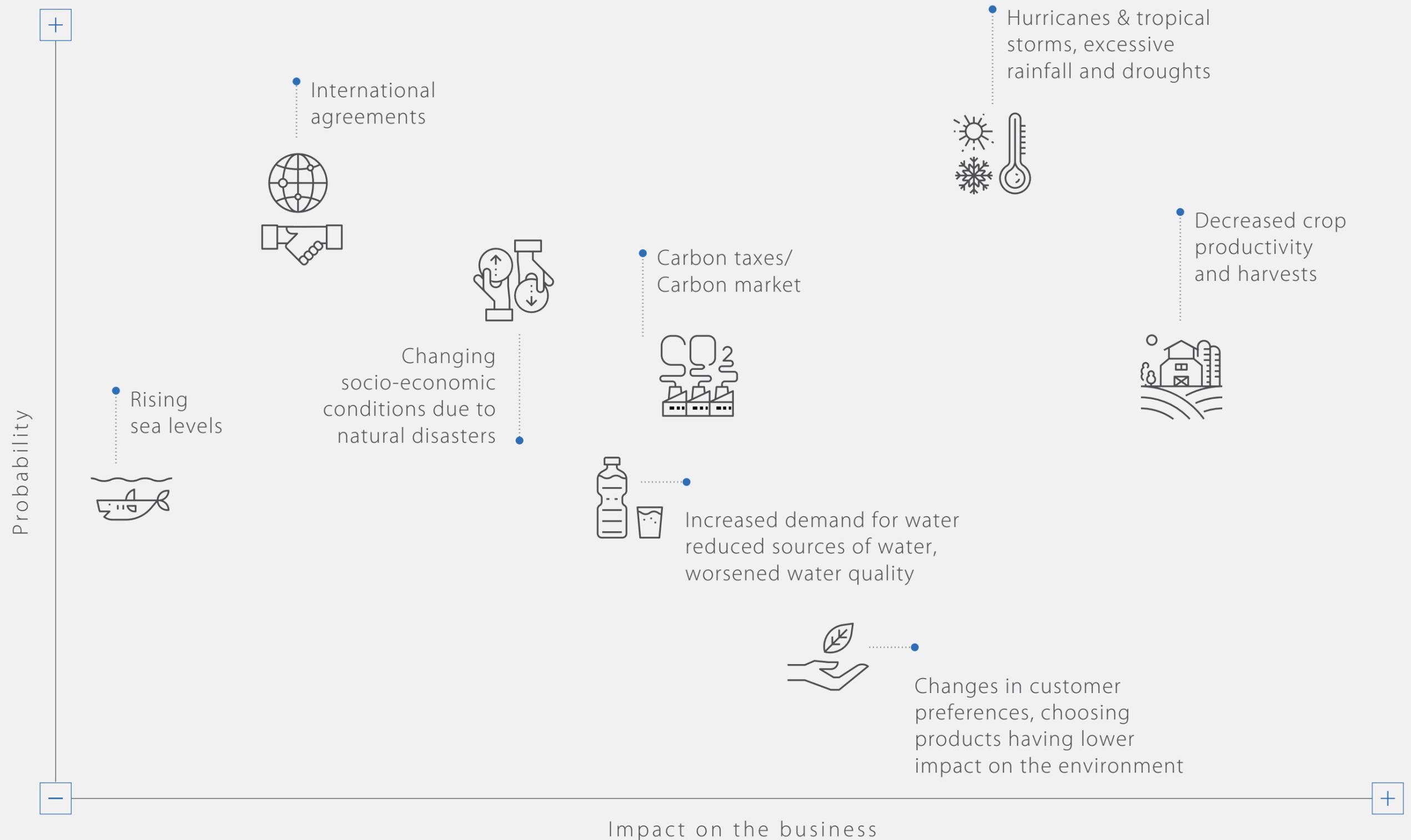


We assess climate change risks and opportunities for the company as a whole. A wide array of risks and opportunities are evaluated based on the scope of the impact they may cause, such as overall regulatory risks that may affect company or market operations, specific regulatory and physical risks that may have to do with individual facilities or regional operations, and many other kinds of risks and opportunities for the supply chain, operations and customers. Walmex is continuously gathering information for the identification of risks or opportunities from as many different sources as possible, including staff and field associates, contacts in the industry, consulting firms, governmental and non-governmental organizations, news agencies, business organizations, lawmakers and financial community.



We consult some of these same groups together with internal resources to create models of risks or opportunities and determine how real, material, wide and immediate they may be. Also, given risks or opportunities are matched to alternatives. We determine a proper course of action from the assessment, which includes whether or not operating changes are in order to meet current or expected regulations; the means that can better serve our customers; the changes we can make to abate negative impacts on the business; the community or the environment; and new ways to improve customer, shareholder or associate value.

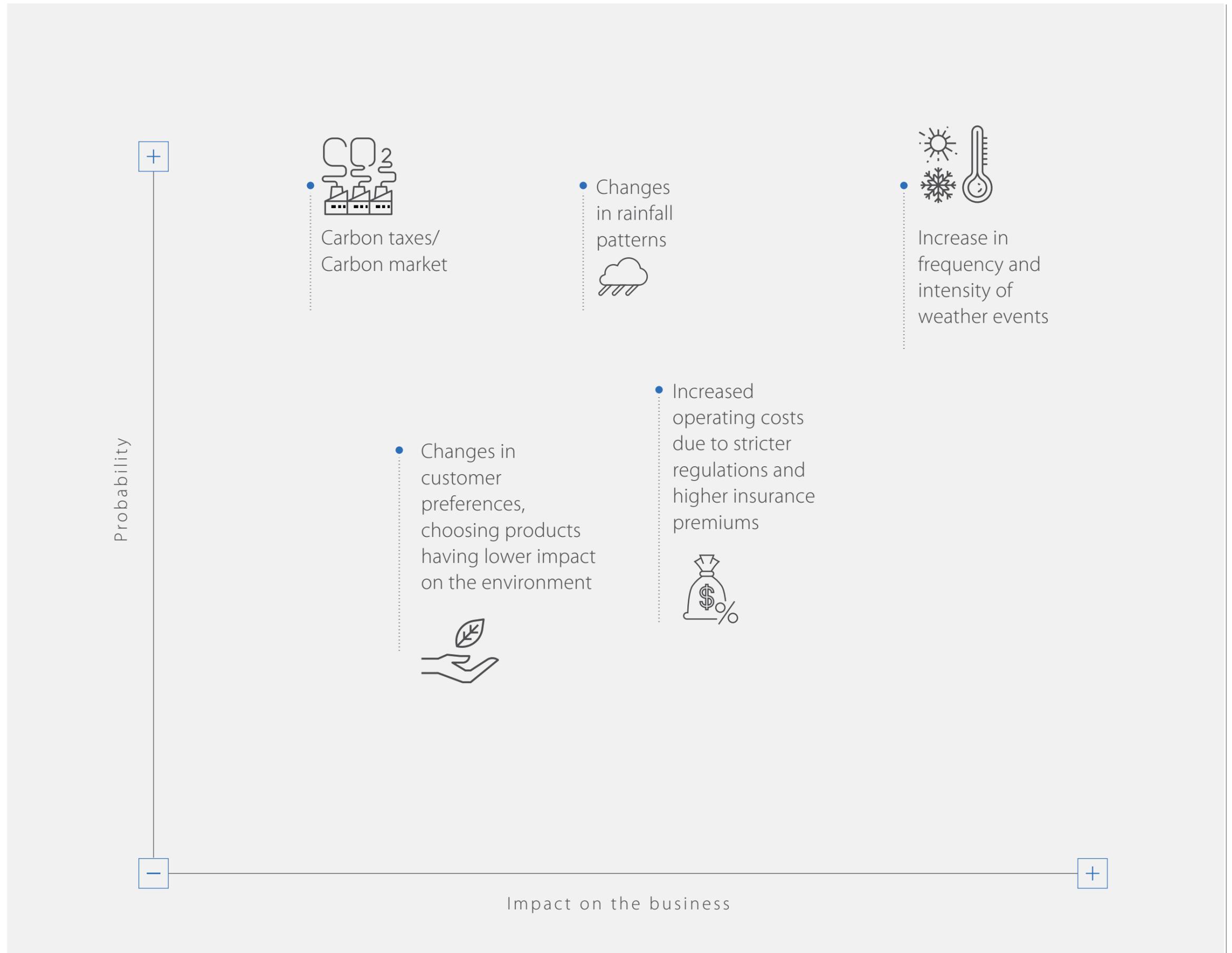
# Climate change risks



# Climate change related risks in our supply chain

During 2019, 251 suppliers completed the PDC Supply Chain program's climate change quiz.

64% of these companies carry out a risk analysis associated with climate change and integrate it into their business procedures, with a higher proportion in their direct operations, and to a lesser extent, in their supply chain.





# Contributing to the creation of a **circular economy**

GRI 301: 103-1, 103-2, 103-3, 302-1, 302-1, 306: 103-1, 103-2, 103-3, 308: 103-1, 103-2, 103-3



6.3, 6.4 12.3

Our ambition is to contribute to generate a circular economy and separate the growth of our business from waste generation. We aim to avoid sending any waste from our operation to landfill sites by 2025. In 2019, we diverted from landfill 70% of the waste generated in our operations.

Just as we work to reduce waste in our store and distribution center operations, we work with our suppliers and customers to reduce waste from product and packaging design, but also at the end of their life.

## Goal progress Zero waste 2025

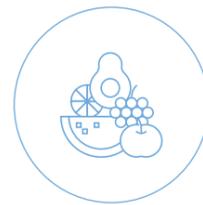


**74%** Mexico



**50%** Central America

We have two priorities:



Reducing food waste



Plastic waste

Our ambition is to help generate a circular economy and separate our business growth from waste generation.



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# Food waste

GRI 302-1, 308: 103-1, 103-2, 103-3



We contribute to target 12.3 of SDGs 12 to reduce 50% food waste. We continue improving our inventory management and keeping our promise of freshness. We integrate technology that helps us maintain the integrity of the cold chain from the distribution center to the stores. Associates are trained to properly handle these products and reduce physical damage.

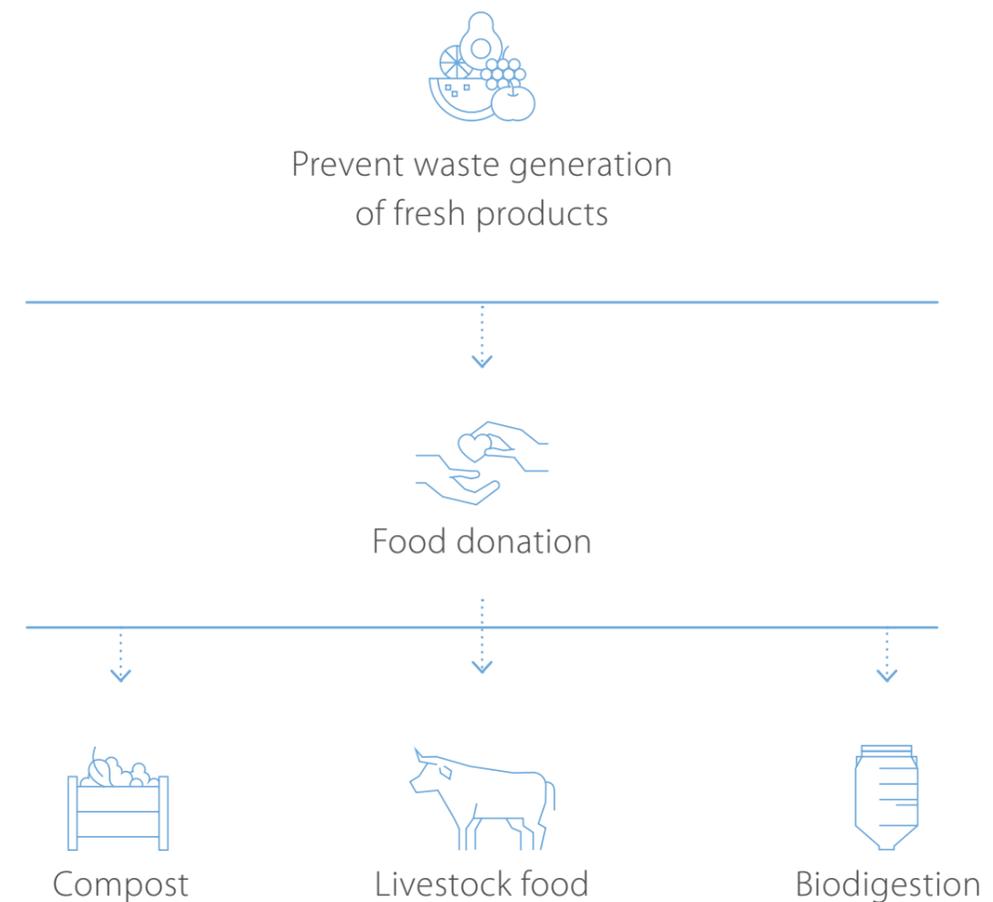
When food cannot be sold, we seek to ensure that it can be consumed by people. In 2019, we implemented a program at Bodega Aurrera to reduce the price of certain products with expiration dates close to the date of purchase, informing customers that consumption must take place in the same day. We also expanded the program “Fruta para asociados”, which aims to offer store associates fruit to complete their breakfast.

We continue to strengthen the donation to food banks, increasing the donation by 8.65% compared to the previous year.

Additionally, when products are not suitable for human consumption, we seek to convert them into compost or for animal feed. In 2019, we prevented 39736 metric tons of food from being sent to landfills.

In Central America, in order to divert more organic waste from landfills, two aerobic biodigesters are in operation at a Supercenter in Guatemala and another in Costa Rica. More than 48,740 metric tons of organic waste were processed and diverted from landfills in 2019. With this initiative we reduced trash hauling expenses, but also biological contamination risks from decomposition, smells, and lixiviated liquids were eliminated.

## Our strategy to reduce food waste



In the Valuable Waste Collection Program through Reverse Logistics, the trucks that delivered products to the stores pick up recyclable material and take them back to our distribution centers.

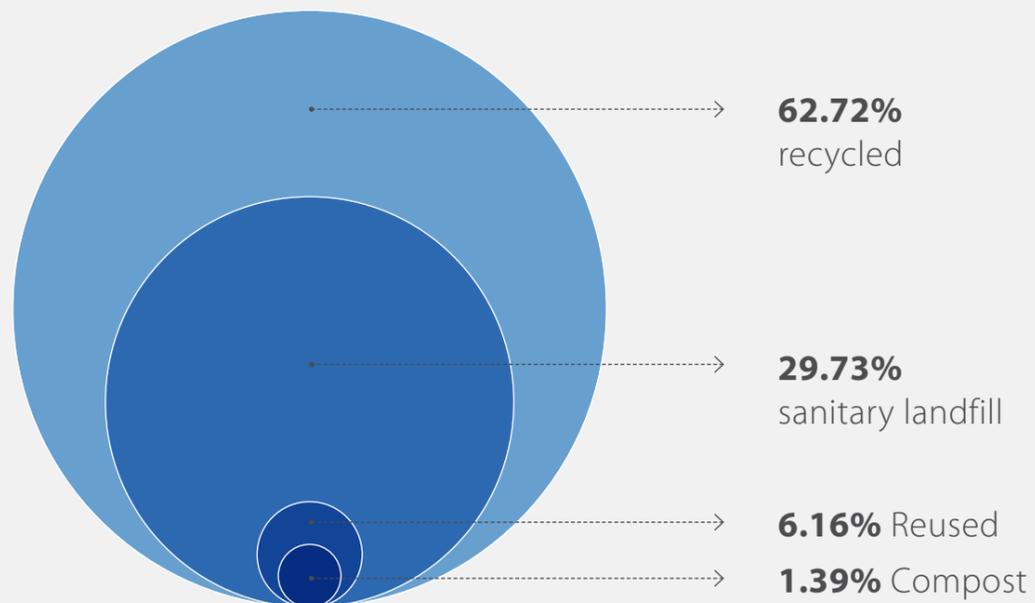
This program takes place in all stores. During 2019, we collected 369,785 metric tons, an increase 10.23% compared to previous year. Most of the recyclable waste is cardboard and plastic for packaging, other materials such as paper, PET bottles, aluminum, rigid plastic, hooks, and renderings are also collected.

\* **526,024 tons**  
of waste generated

### Intensity of food waste generation (kg/m<sup>2</sup>)



### Generated waste



\* **525,117 tons**  
of non-hazardous waste generated  
of which: GRI 306-2

\* **369,785 tons**  
were recycled

\* **907 tons**  
of hazardous waste generated

\* **155,523 tons**  
sent to landfill





In 2019, we joined the National Agreement for the New Economy of Plastics in Mexico.



**22,633 tons**

of recycled plastic materials used in 2019

## Plastics

GRI 301: 103-1, 103-2, 103-3, 301-2, 301-3

Our ambition is to achieve zero plastic waste in our store and distribution center operations. We are taking steps all over our business to use less plastic, recycle more, and develop innovations that help us better manage plastic materials and reduce waste.

Our priority is to avoid the waste generation. When possible, we look for the reusability of packaging and containers. When this is not possible, we recycle as much plastic waste as possible. In 2019 we recycled 20,718 tons of flexible plastics and 1,915 tons of rigid plastics.

We are also pushing for a higher recycled content for in-store consumer products, like bags and other packaging materials. In 2019, we used 187,374 tons of recycled materials, 84% more than in 2018.

In Mexico and Central America, the #SinBolsaPorFavor campaign was implemented to discourage the use of single-use plastic bags. A reduction of 39.61% equivalent 236.77 million plastic bags.

We work with our suppliers to reduce unnecessary plastic packaging, increase the recyclability of packaging, and increase the content of recycled material. For our Private Brands products,

we have committed by 2025 to:

- 100% recyclable, reusable, or compostable packaging.
- 20% post-consumer recycled material in packaging.
- Eliminate non-recyclable packaging material.
- Reduce plastic packaging and containers where possible.

We also mapped out the types of plastic packaging and containers used in our Private Brands products, this will allow us to define priority packaging we should work on to accelerate towards our 100% recyclable packaging goal.

We also signed an Agreement with the Government of Mexico City for the disposal of plastic and single-use bags. This initiative aims to eliminate the use of these materials, as well as provide alternatives that promote responsible consumption for the conservation of natural resources and environmental services to improve people's quality of life and generate a better future for everyone.



## Refillable station

In order to reduce plastic waste, the Sedal shampoo refill station was launched at the end of 2019, in collaboration with Unilever.

Customers can buy an aluminum bottle to be filled with a liter of shampoo. The containers in which the product is supplied are also reused.

The program started in 10 stores with a very positive response from customers.



\* **3,076 plastic bottles**  
unused equivalent to 126 kg of plastic

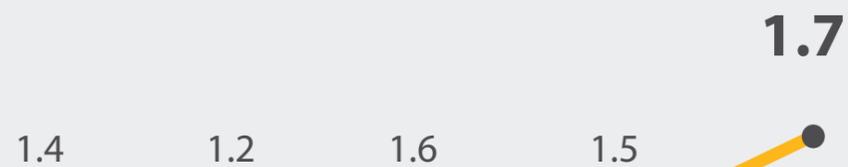
## Reusable bag

\* **7.6 millions**  
of pieces

\* **30% shopping**  
increment vs 2016



## Bags per customer



2015    2016    2017    2018    2019

\* **24,101 tons**  
materials with recycled content  
GRI 301-2



\* **1.5%**  
Recycled paper



\* **85.4%**  
Recycled toilet  
paper



\* **47.6%**  
Plastics



\* **28%**  
Plastic Bags

## Customer programs

It is very important in our sustainability strategy to involve our customers in actions to care for the environment and natural resources. That is why, with several of our suppliers, we have implemented programs for the collection and recycling of post-consumer waste. We continue to operate programs for the collection of PET containers like “Reciclando por tu comunidad”, where the material collected is recycled to make park benches or desks that are donated to communities; “Recicla la lata”, in collaboration with Grupo Herdez, to recycle steel cans. The collection of expired medicines in alliance with SINGREM; the collection of natural trees to compost them, in collaboration with the Mexico City Government and “Reciclar para Ganar”, in alliance with AIEn del Norte for PET, high-density polyethylene, and aluminum container recycling in the city of Monterrey.

In addition to these programs, in 2019 we launched “Reciclamanía”. The purpose of this initiative is to foster a culture of waste separation and recycling among our customers, through two actions:



1. Sharing information on the types of waste materials commonly generated in homes and the products in which they can be recycled.



2. Inviting customers to a recreational activity in our stores to bring their waste and learn how to separate it. Two events were held in 20 stores in Mexico City, Nuevo León, and Querétaro, collecting 3.72 tons of materials. A waste collection point is kept after each event so that customers can continue bringing their waste.





**30,421 kg**

Program: Recycling for your community  
PET and aluminum cans



**2,950 kg**

Program: Recycle the can  
Cans

The initiative is an alliance with suppliers, allies, and recycling companies such as:

Grupo AEn, Colgate Palmolive, Grupo Bimbo, Grupo Lala, Grupo Modelo, Nestlé, L’Oreal, Mustela, Unilever, Ecolana, Dow, Tetra Pak, BioBox, Biopappel, among others.



**3,723 kg**

Program: Reciclamanía  
Glass, PET, high and low density polyethylene, and polypropylene



**24,376 kg**

Program: Make your city green  
Christmas trees



**37,817 kg**

Program: Recycle to win  
PET, high-density polyethylene, and aluminum cans



**35,957 kg**

Program: Singrem  
Expired medications



**4,824 bottles**

Program: Biobox  
PET



# Sustainable water management

GRI 303: 103-1, 103-2, 103-3, 303-1, 303-3, 303-4, 303-5

## Total water consumption

**12,764,019**  
m<sup>3</sup>

**1.83%**  
well supply

**76.28%**  
municipal supply

**4.71%**  
piping supply

**22.2%**  
recycled water

## Treatment plants

**1,174**  
Total

GRI 306-1

**805**  
Mexico

**369**  
Central America

## Water consumption intensity

L/m<sup>3</sup>

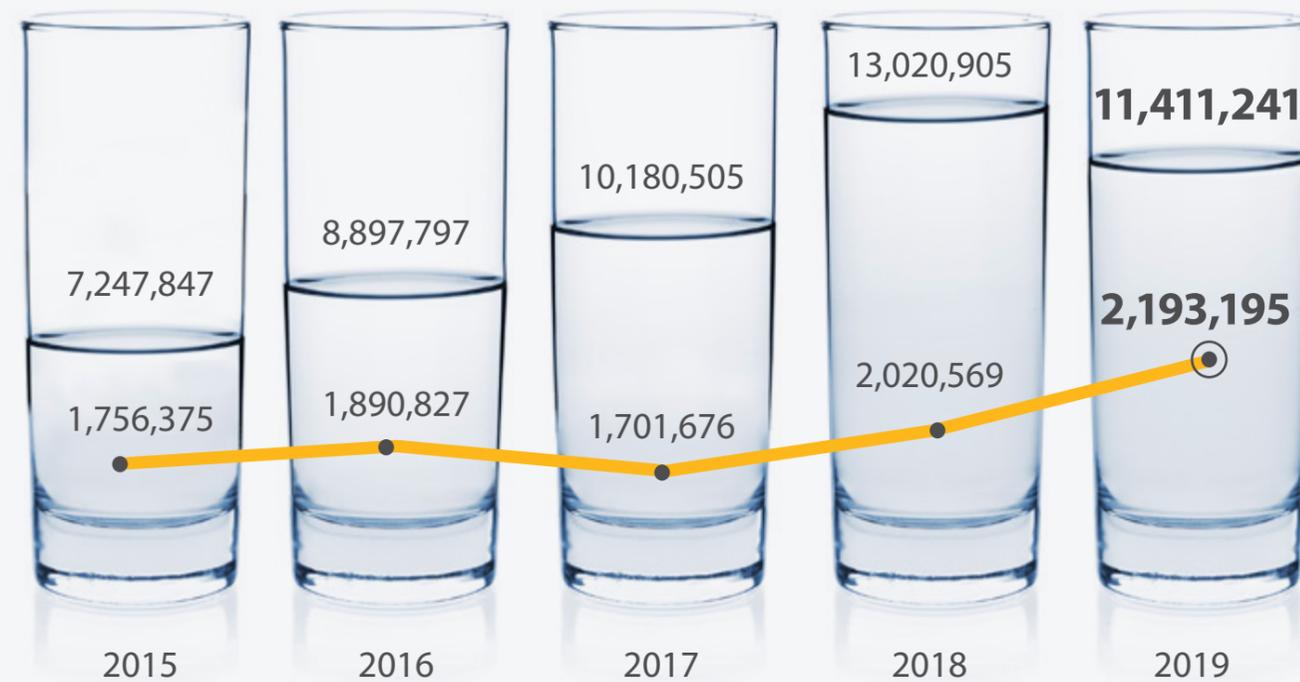


## Water consumption and reuse

GRI 303-3, 303-5

Total consumption

Reuse (m<sup>3</sup>)



# Water-related risks in our operation

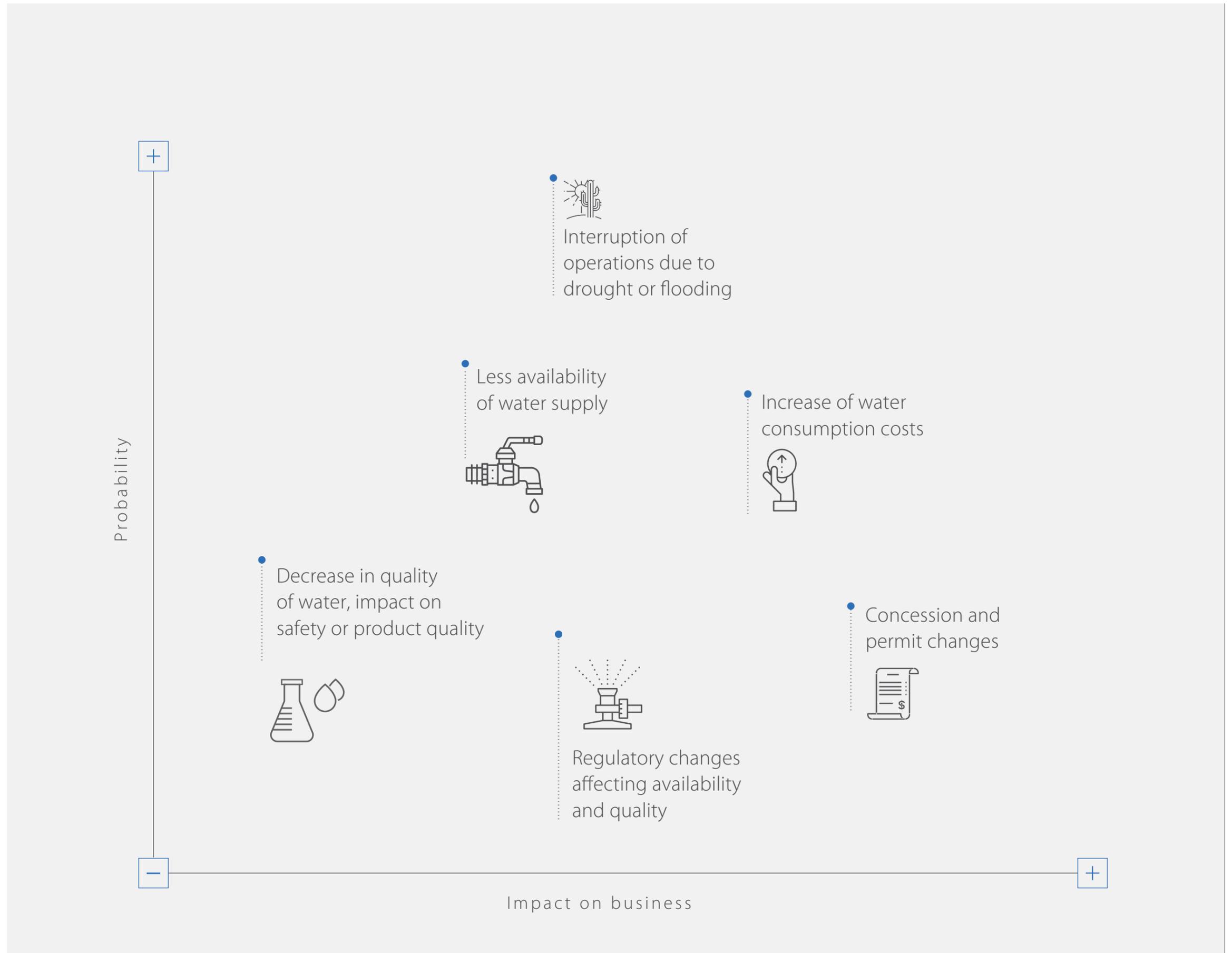
GRI 102-15



# Water-related risks in our supply chain

During 2019, 152 suppliers finished the water safety quiz of CDP's Supply Chain program.

68% of these companies conduct a risk analysis associated with water and integrate it into their business procedures, with a higher proportion in their direct operations, and to a lesser extent, in their supply chain.





# Sustainable sourcing

GRI 308: 103-1, 103-2, 103-3, 308-2



We believe that customers should not have to choose between an affordable product and one that is good for the environment. That's why we work with our suppliers to develop responsible and sustainable sourcing that reduces the environmental impact of products in the life cycle phases where it is most significant.



The organic product offer grew 36.2% and represents 2.7% of the category in Superama stores



Free range egg sales increased 93.1% at Superama and Walmart and accounting 2.6% of the category



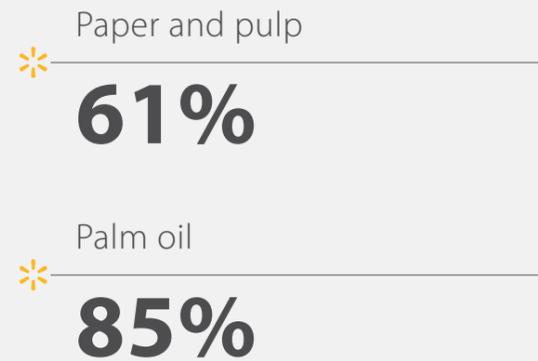
100% of our pork meat suppliers have adopted the five freedoms of animal welfare in their farms or those of their suppliers



## Zero deforestation

GRI 308-2

We are committed to achieve zero deforestation in the palm oil and pulp & paper supply chain for our Private Brand products, therefore 100% of our raw materials will be supplied from sustainable sources by the end of 2020.



\*BAP: Best Aquaculture Practices  
\*\*MSC: Marine Stewardship Council

## Sustainable seafood products

We have a policy in which we commit to buy and sell fresh and frozen seafood, as well as canned tuna from certified sustainable sources or with a Fishery Improvement Project by the year 2025.



Our Business

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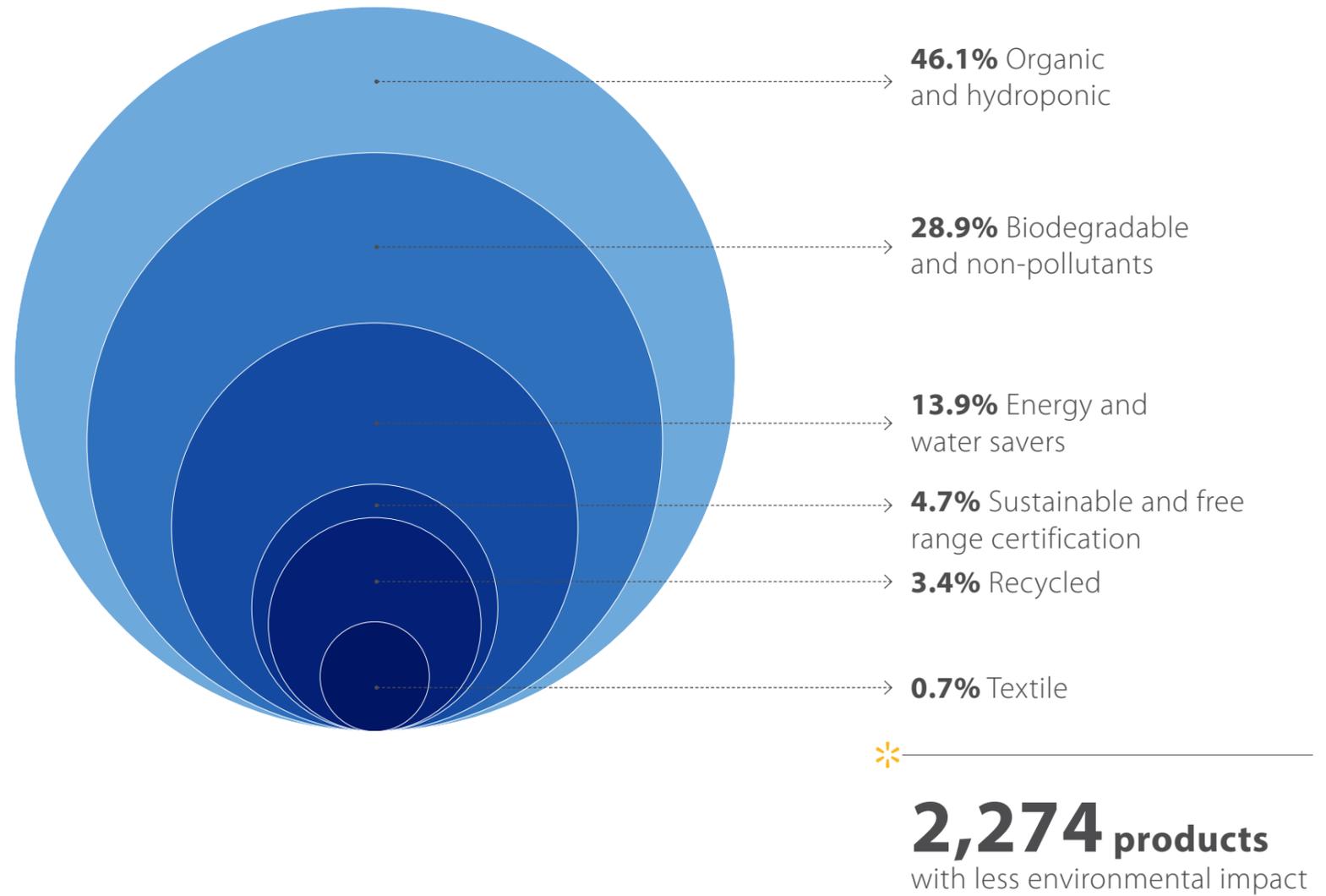
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Financial and Corporate Responsibility Report 2019



### % of products with less environmental impact



The number of products decreased compared to last year, as we did not count the products with oxo-biodegradability characteristics, because there was no conclusive evidence of their biodegradability.

# Social Value

At Walmart, we aim to promote a more inclusive supplier base that creates economic opportunity for individuals and their families.

We promote local productive innovation and growth in the region, our commitment is to improve the lives of small producers through better access to the market, building skills, and training in commercial vision.

We believe that our supply chain should reflect the diversity of our customers and the communities around the world where we live and work.



Our Business

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to Honesty

Financial and Corporate  
Responsibility Report 2019

# Responsible and Inclusive Chain of Value

GRI 102-9, 204: 103-1, 103-2, 103-3, 204-1

\* **42,224** suppliers  
in the region



\* **93%** of our self-service suppliers are SMEs in Mexico



\* **93%** of goods sold in Mexico are purchased in the country

\* **86%** of goods sold in Central America are purchased in the region

# Responsible Sourcing

GRI 308-1, 308-2, 407-1, 408-1, 409-1, 412-1, 412-3, 414-1, 414-2, 308: 103-1, 103-2, 103-3, 407: 103-1, 103-2, 103-3, 408: 103-1, 103-2, 103-3, 409: 103-1, 103-2, 103-3, 412: 103-1, 103-2, 103-3

Walmart de México y Centroamérica is committed to promoting the dignity of all men and women involved in our supply chains. We collaborate across industries and organizations around the world to help combat forced and underage labor, address unsafe working conditions, and promote the dignity of women. To this end, we monitor and investigate issues in the supply chain, embed responsible sourcing practices into buying decisions, and engage in initiatives to find root cause solutions that can transform entire supply chains.

We are one actor among many, but together –with our suppliers, other companies, governments and nonprofit organizations– we can drive responsibility in our supply chain, and to lead and inspire others to do the same. Responsible sourcing consists of looking at what we purchase beyond the more traditional aspects of cost, quality and delivery time. This is one of the strategic objectives for our supply chain operations, and means we consider ethics, labour rights, and social and environmental issues when sourcing products and services across all purchasing categories and regional clusters.





## Embedding Responsible Buying Practices in the Business

One of the bases of our program is integration with the business. Our Responsible Sourcing Business Enablement teams are integrated with our retail sourcing offices and sourcing centers to help incorporate responsible sourcing practices into merchants' strategies, processes, systems, and decisions, from supplier selection to new product development. Responsible Sourcing associates participate in merchant-supplier meetings to help set expectations in advance.

Our associates also participate in training to understand how their decisions can potentially influence supply chain conditions and how they can reinforce positive facility working practices

with suppliers. New associates receive training in this area, and participate in workshops and educational sessions, which often include information on forced labor, health and safety, and category-specific training. In 2019, we trained more than 250 merchants and associates in the area in their international divisions on responsible sourcing practices.

Our associates have reports that give them visibility into which suppliers and supply chains present the greatest potential risks. Responsible Sourcing associates and merchants use this information to prioritize and push for improvements in the supply chain.





## Empowering Suppliers

Our suppliers own the relationship with facilities that produce the products we sell, and Walmart request suppliers to cascade Walmart's expectations throughout the entire supply chain. There are several ways we help empower suppliers to promote worker dignity.

The [Responsible Sourcing Academy](#) provides suppliers with access to training resources, best practice guidance, and educational materials developed by third parties and by Walmart. The Academy covers topics such as audit guidance – including the Global Compliance Guidance Tool – forced labor, health and safety, and supply chain controls. Many of these resources are offered in multiple languages to facilitate full understanding of all parties. More than 1,000 supplier representatives have completed training courses. We plan to continue adding resources to the Academy for both merchants and suppliers.

In addition, Responsible Sourcing associates conduct training and onboarding sessions with suppliers around the world.

✦ **180** supplier representatives participated in training courses



# Assessing Supply Chain Risk

Responsible Sourcing conducts an annual risk assessment to better understand social compliance risks in the supply chain. The results help us design solutions in countries and industries where risk and opportunity converge. The assessment takes into consideration, among others, the following:

➤ Areas of the supply chain where key risks are most likely to occur and where the impact of those risks are bigger

➤ Analysis of country risk based on internal and external data, including the number of issues and rate of issues, as well as relative severity and impact on people, operations, and reputation (in which impact on people has the greatest weight)

➤ Commodity and product-specific risks based on Walmart-proprietary data, local intelligence, expert intelligence, official publications, and media/NGO reports to better understand the locations and supply chains in which issues are particularly acute

The final output of the assessment consists of specific issues in particular product supply chains, countries or both. The results feed into the Responsible Sourcing Strategy design process, which involves identification of root causes, assessment of potential solutions (including existing or emerging initiatives), and proposed measures to address the risks. These measures may include policy or procedure changes, influencing our approved audit programs, changing our supply chain monitoring and escalation process, or implementing new supply chain initiatives.



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Financial and Corporate Responsibility Report 2019



Our Standards and policies are regularly reviewed by our Governance team to meet the demands of our changing business and potential risk areas.

## Governance and Policy

All suppliers of goods for resale are subject to Walmart's [Standards for Suppliers](#). Our Standards for Suppliers require our suppliers – and those who supply to them – to: comply with the law; be transparent; not to use forced or underage labor; maintain a fair process for making employment decisions; comply with all applicable laws and agreements regarding compensation and working hours; recognize freedom of association and collective bargaining; and provide a safe working environment.

Suppliers are expected to cascade these standards throughout their supply chain. We include the Standards for Suppliers in supplier agreements and post them for suppliers in [seven languages](#).



## Risk-Based Auditing Approach

GRI 102-15

We take a risk-based approach to auditing suppliers' disclosed facilities, which allocates more resources to facilities located in countries with greater potential risks. If we find that a supplier is producing merchandise in or subcontracting to an unauthorized facility, the supplier may become ineligible to do business with Walmart.

There are 6,909 suppliers with active vendor agreements and facilities associated for the Mexico and Central America markets. According to Factory Audit System, there are 1,632 unique active facilities in Mexico and Central America supplying various Walmart retail markets, including the Mexico and Central America retail markets.

Audits focus on a variety of issues, including worker compensation, voluntary labor practices, working age laws and standards, working hours,

and facility health and safety standards, and environmental laws. We continuously look for ways to improve; our Audit Program Management team collaborates with our approved audit programs to make enhancements and share best practices across the programs for the benefit of the broader industry and global supply chain.

At Walmart, we strive to continually improve our risk-based audit program so we can better allocate our resources to higher-risk facilities and help increase overall compliance. However, we recognize that, despite our efforts, no audit program can guarantee that every facility used by every supplier is in full compliance with our Standards for Suppliers.

# Audit Assessments



Walmart assesses each facility audit report against our Standards for Suppliers to identify higher-risk issues, including forced labor and trafficking, underage labor, and unsafe working conditions. These assessments provide us and our suppliers with important information to help address potential issues and make a positive impact for workers.

Walmart may continue to source from facilities with orange ratings as they work to remediate violations; we believe that staying engaged with suppliers can have a more positive impact on workers than abandoning the supplier relationship.

For example, in 2019, 223 facilities remediated from Orange to Yellow or Green. However, facilities with three consecutive orange ratings or a red rating indicates serious infractions that may result in temporarily or permanently terminating the facility's ability to produce product for Walmart.

Audits are classified as green, yellow, orange, or red according to their level of compliance



Green: represent facilities for which we found general compliance

Yellow: identify facilities that audits show to be generally compliant with our Standards but have failed to meet at least one important requirement

Orange and red: indicate facilities where we have found more serious violations, such as withheld or irregular payment, forced labor, worker intimidation or discrimination, unethical recruitment practices, and excessive working hours



Our Business

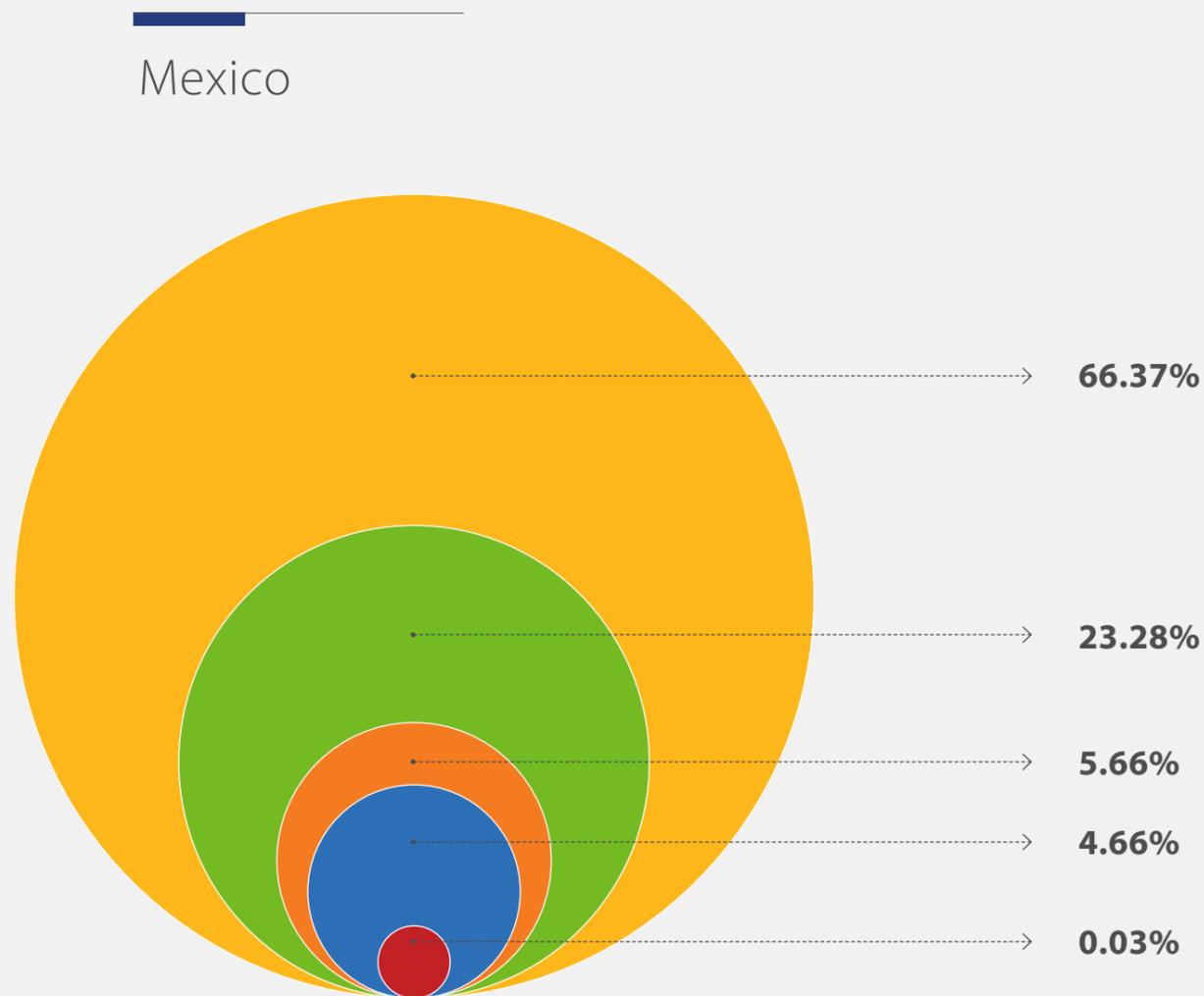
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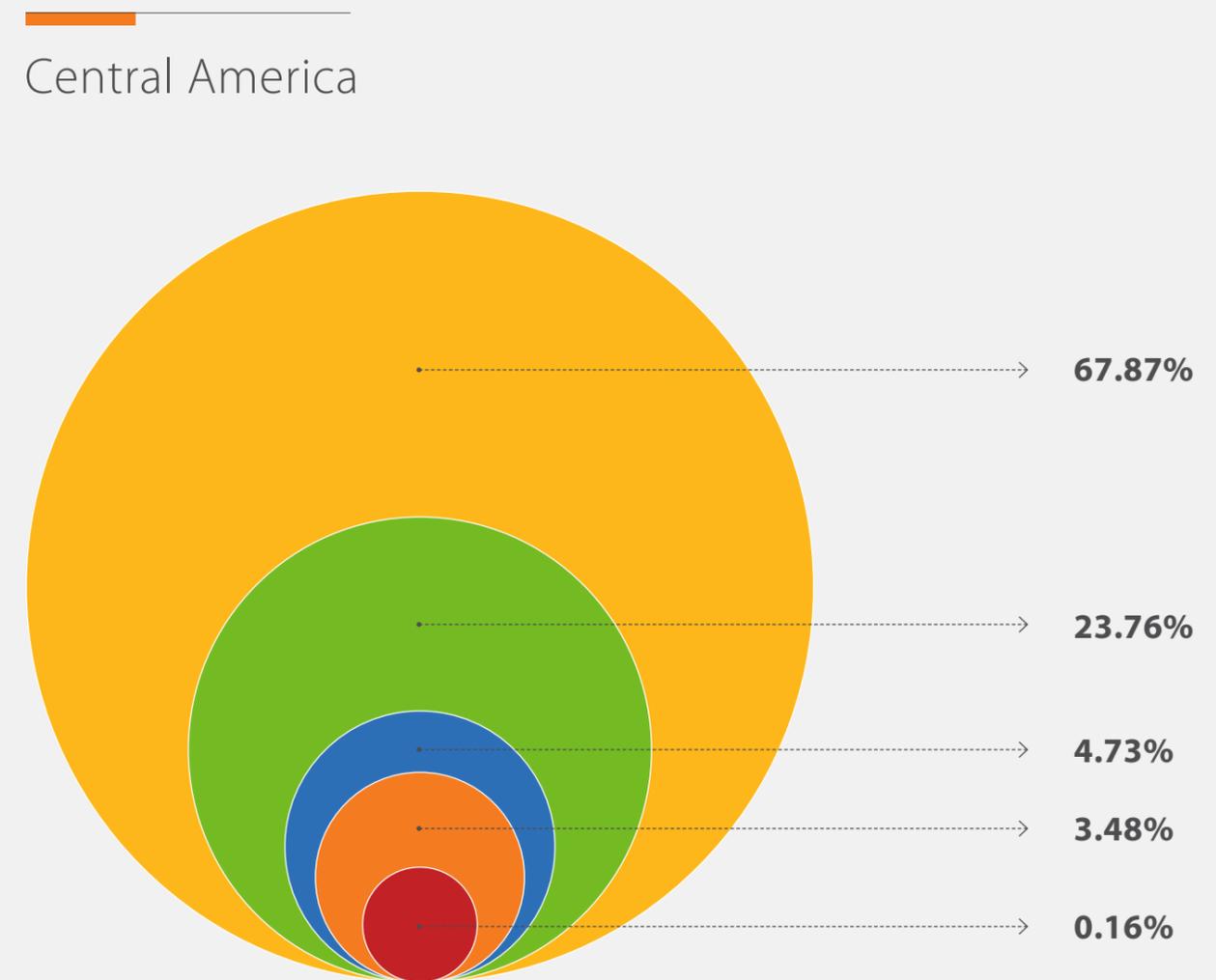
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In 2019, according to Factory Audit System, there was 6,005 audits conducted at facilities affiliated with the Mexico or Central America retail markets:

**Total number of audits**



- Other
- Has found the least severe violations
- Have failed to meet at least one important requirement
- Will continue to be allowed while the violations are remediated\*
- May make it appropriate to temporarily or permanently terminate the facility's ability to produce merchandise for sale by Walmart\*\*



\* Three consecutive Orange ratings may result in a Red rating, regardless of whether the facility remains in good standing with the audit program chosen.

\*\*If a facility is given a Red rating, it may be banned from producing goods for Walmart indefinitely or its production may be halted and/or its product refused.

# Grievance Mechanisms

Walmart provides a variety of mechanisms to raise concerns about violations of our Standards and to seek redress, including our anonymous Ethics hotline. To help inform supply chain workers of our expectations and the availability of reporting channels, we provide a series of [posters](#) that suppliers are required to place in their facilities. The posters focus on issues of higher risk to workers, including forced labor and trafficking risks, unsafe working conditions, working hours and wages, and intimidation and discrimination. The posters offer several channels to report issues of concern, including directly to Walmart, and are available on our corporate website. The posters are available in [24 languages](#) and we plan to continue to add languages next year.

**Are you working against your will?**

Signs of forced labor and trafficking include

- Valuable possessions, including passports and work permits, are withheld
- Threats or abuse keep you from leaving, or you didn't get the job promised
- You paid to get the job, or work is coerced through debts or pay deductions
- Workers are below the legal age

**If so, speak up.**

- 1 Talk to a co-worker, supervisor, or authorized worker representative
- 2 Contact Walmart anytime, anywhere—  
Email: [ethics@wal-mart.com](mailto:ethics@wal-mart.com)  
Visit: [walmartethics.com](http://walmartethics.com)  
Call: 800-WM-ETHIC (963-8442) from the US or Canada
- 3 Contact appropriate governmental authorities

Walmart

**Do you work more or are you paid less than allowed?**

Signs of unlawful pay and excessive work include

- You don't understand the terms of employment or pay
- You don't get time off or you work more than the law allows
- You are provided less than legal wages, benefits, or overtime premiums
- You are not paid regularly

**If so, speak up.**

- 1 Talk to a co-worker, supervisor, or authorized worker representative
- 2 Contact Walmart anytime, anywhere—  
Email: [ethics@wal-mart.com](mailto:ethics@wal-mart.com)  
Visit: [walmartethics.com](http://walmartethics.com)  
Call: 800-WM-ETHIC (963-8442) from the US or Canada
- 3 Contact appropriate governmental authorities

Walmart

**Are you being intimidated or discriminated against?**

Signs of unfair labor practices include

- Your employer makes employment decisions based on factors unrelated to the job
- You are prohibited from exercising your rights to associate or to not associate with others
- Your employer engages in harassment, abuse, or physical punishment

**If so, speak up.**

- 1 Talk to a co-worker, supervisor, or authorized worker representative
- 2 Contact Walmart anytime, anywhere—  
Email: [ethics@wal-mart.com](mailto:ethics@wal-mart.com)  
Visit: [walmartethics.com](http://walmartethics.com)  
Call: 800-WM-ETHIC (963-8442) from the US or Canada
- 3 Contact appropriate governmental authorities

Walmart

Each allegation is reviewed and may be referred to the Responsible Sourcing investigations team or other compliance teams within Walmart.



## Investigations and Supplier Engagement

In addition to monitoring suppliers' facilities through audits, Walmart investigates certain alleged violations of our Standards for Suppliers. Each case is reviewed and follow-up may include worker interviews and onsite visits.

However, substantiated findings may result in consequences for suppliers, facilities or both – up to and including termination of business with Walmart and its subsidiaries.

Suppliers have primary responsibility for monitoring compliance throughout their supply chains and correcting non-compliances, including in facilities producing product for Walmart. Walmart takes a risk-based approach to auditing suppliers' facilities, which requires suppliers with higher-risk facilities (facilities located in countries with greater potential risks and supplying direct import merchandise to Walmart) to submit audits to Walmart on a more

frequent basis. Suppliers required to submit an audit must work with an eligible program, follow the program's directions to schedule an audit, and send the completed audit report to Walmart.

Walmart assesses the findings in each facility audit report submitted to Walmart against our Standards for Suppliers. Non-compliances and failure to remediate may result in consequences, up to and including termination of the supplier's business relationship with Walmart and/or a facility's ability to produce goods for sale at Walmart. Walmart reserves the right to audit or inspect a supplier's facility at any time.

To learn more about the initiatives that we work with different industries in the world, visit our website [responsible sourcing](https://www.walmart.com/responsible-sourcing).

# Local and Inclusive Supply Chain

We use our purchasing power as a development tool in two ways: to develop suppliers and to support small producers in vulnerable conditions.

The [supplier inclusion statement](#), signed by Walmart Inc. CEO Doug McMillon, highlights our belief that a diverse supply chain allows us to offer better products and a wider assortment to the communities we serve.

For our suppliers, working with Walmart means access to 6 million customers who buy in our stores, clubs and eCommerce sites every day.



For us, the inclusion of suppliers means delivering better products and a more extensive assortment to the communities we serve.



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## Development of our supply chain

GRI 204-1

### Direct sourcing from local suppliers of Our Brands

**Mexico**

---

**72% of Self-service**  
suppliers are domestic

**91% of sales**  
come from domestic suppliers

**Central America**

---

**53% of Self-service**  
suppliers are domestic

**70% of sales**  
come from domestic suppliers

Since one of our greatest strengths is related to our closeness to customers and local presence, we have become a development channel for many suppliers in all the countries where we operate and, consequently, a trigger for sales, income, and employment in the region.



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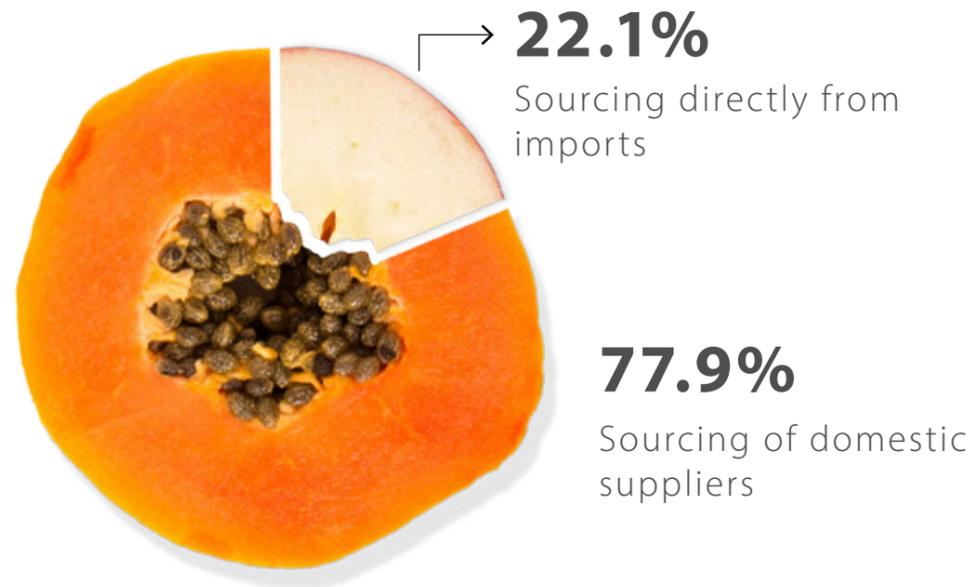
Commitment to Honesty



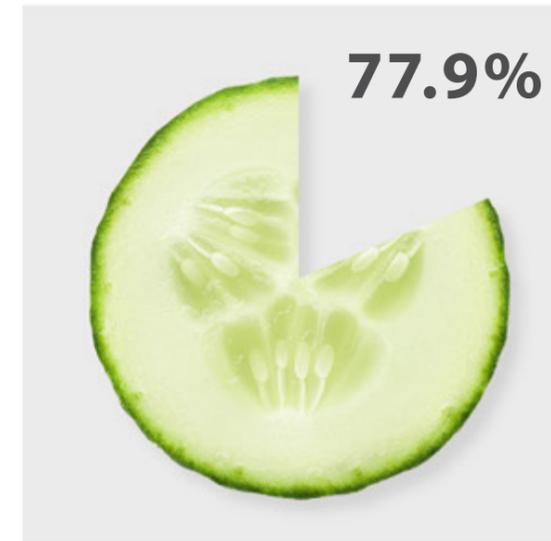
# Direct sourcing from fresh local suppliers

## Fruits and Vegetables

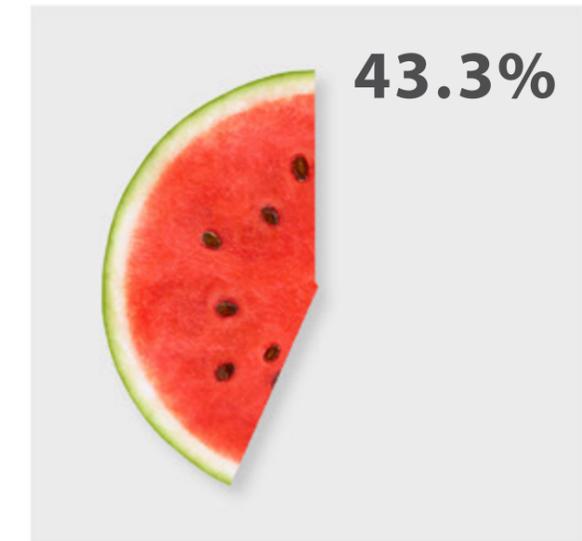
### Mexico



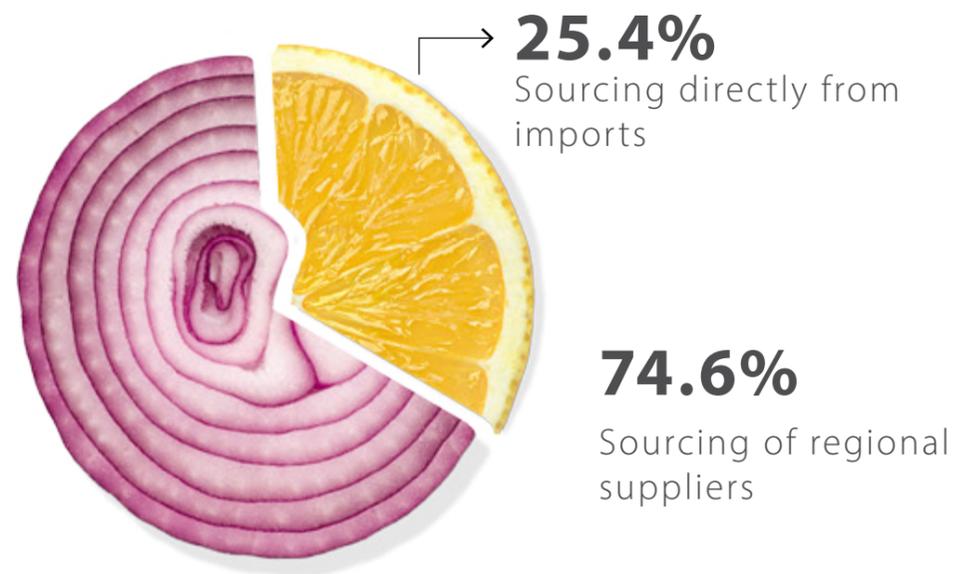
### Sourcing of domestic product



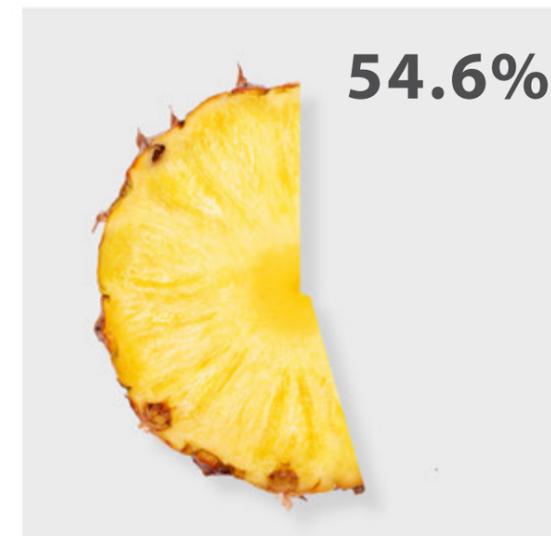
### Sourcing directly from local producers



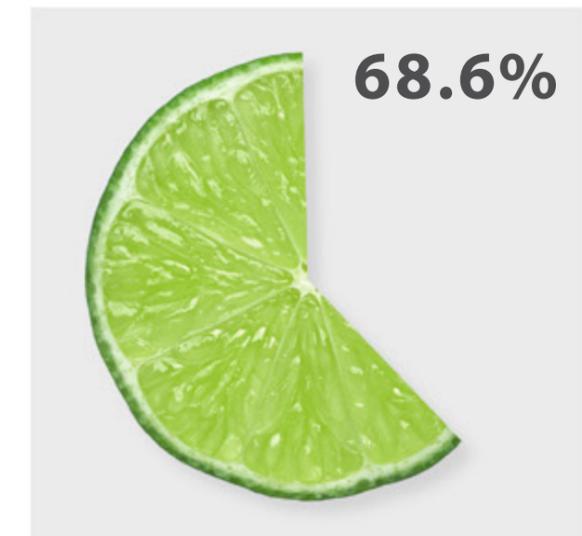
### Central America

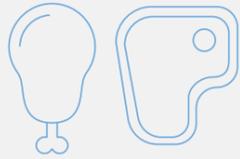


### Sourcing of regional product



### Sourcing directly from local producers

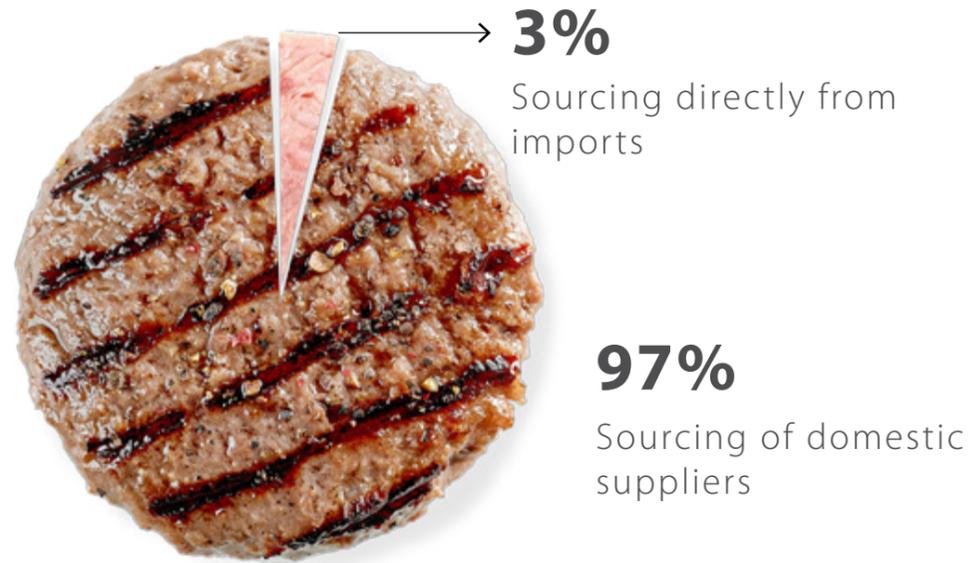




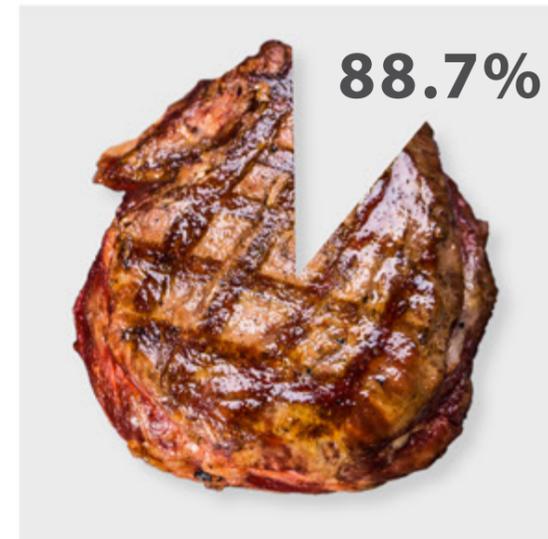
# Direct sourcing from fresh local suppliers

## Meats

### Mexico



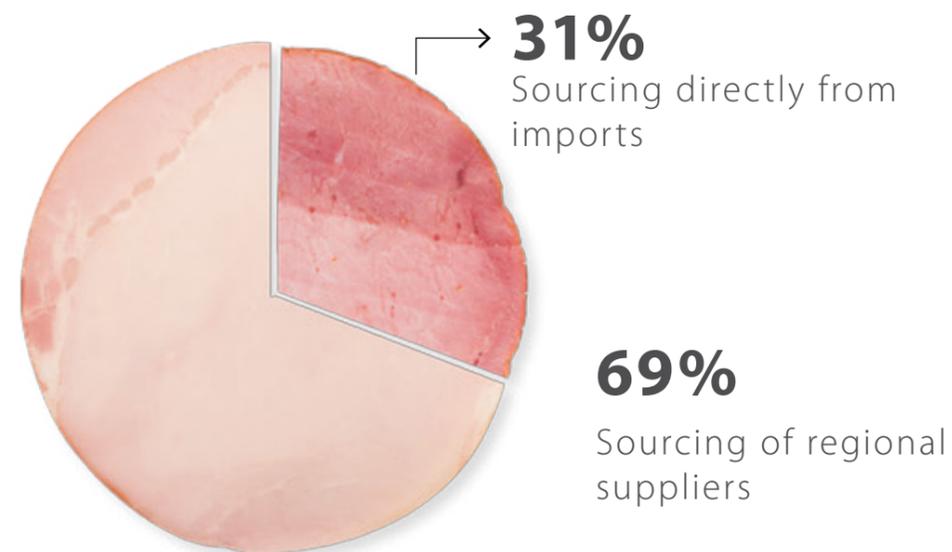
### Sourcing of domestic product



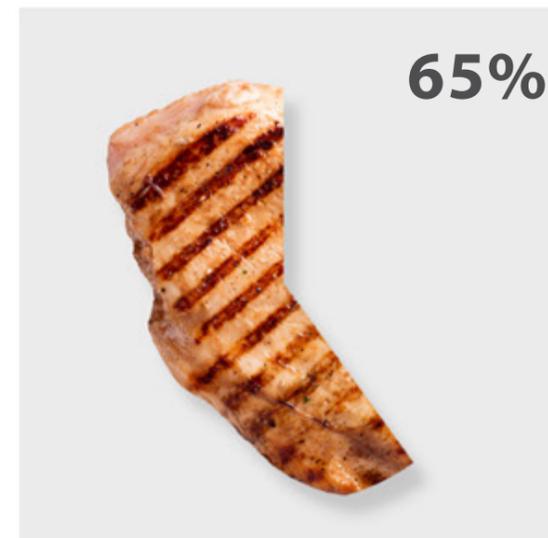
### Sourcing directly from local producers



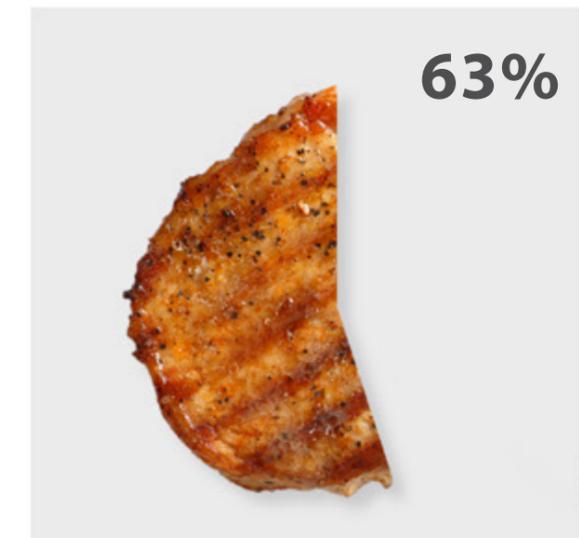
### Central America

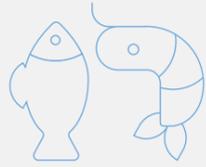


### Sourcing of regional product



### Sourcing directly from local producers

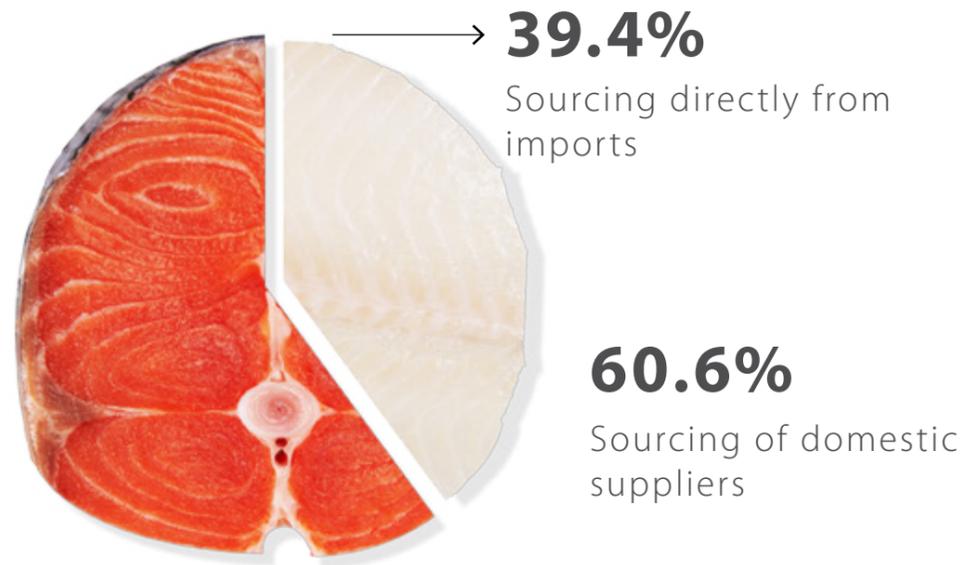




# Direct sourcing from fresh local suppliers

fish and seafood

## Mexico



### Sourcing of domestic product



### Sourcing directly from local producers



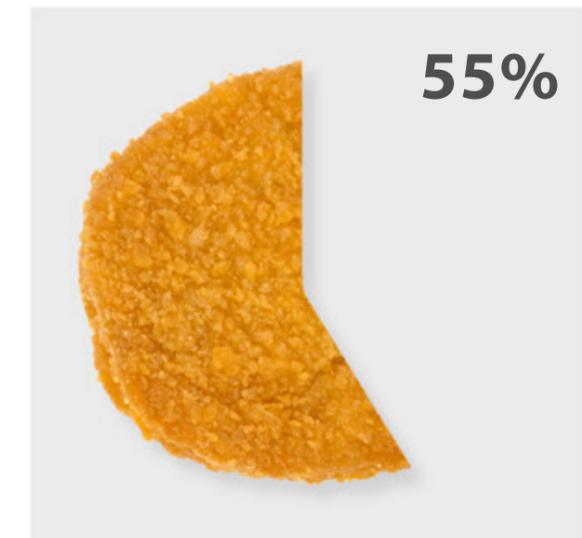
## Central America



### Sourcing of regional product



### Sourcing directly from local producers



## Program Adopt an SME



Adopt an SME is a program that supports small and medium sized companies to increase their sales and develop their operational, financial and logistical capabilities. Some of the benefits for suppliers participating in the program are access to shared promotion, training courses on self-service and positioning of their products in the media.

In 2019, we supported 47 suppliers in Mexico who offered 600 products at Bodega Aurrera, Superama, and Walmart nationwide. The objective of this program is to grow at least 50% in sales at the end of the year, with a progress

of 32%. These suppliers joined the almost 400 that have been promoted in the four previous generations and who have generated sales of more than 12 billion pesos.

In Central America, we supported 84 suppliers who generated sales of more than 14 million pesos. Also, our 2019 objective to increase by 15% the sales of our suppliers, achieving 12.5%.



**+459 million pesos**  
sales in Mexico



**14 million pesos**  
sales in Central America



## Success Story Leathern

Nowadays, dogs are much more than a pet, they are part of our customers' families. This change in society has developed a growing market for exclusive products and services for pets.

Our supplier, Leathern, is a company from Guanajuato dedicated to manufacturing items for pets, such as collars and leashes. Created in 2008, they began by making leather-based products such as knife cases and badge holders. In 2011, they launched a line dedicated to offering leather products, with incredible designs for pets.



Today, they have a national presence through our stores Bodega Aurrera, Superama, and Walmart. Their expansion began when, in 2018, they participated in "Adopta una PyME", where they received support to develop their operational, financial, and logistical capabilities, raise the positioning of their products, and increase their sales.

They entered this program in 2018, experiencing exponential growth. In addition, the increase in demand has caused them to increase their production capacity, which has generated new jobs.

\* **186.7% sales growth**  
since they participate in Adopt an SME

Program  
**Una Mano para Crecer (A Hand to Grow)**



This program aims at the growth and sustainable development of suppliers that supply us in Central America with special emphasis on the economic empowerment of women. Currently, the program has 481 SMEs, of which 169 are companies led by women, equivalent to 35%.

The SMEs participating in the program have benefits such as preferential rates in prompt payment, logistic conditions, participation in events such as ExpoWalmart, training, promotion, and accompaniment for the monitoring and follow-up of their business by providing them with personalized attention. An example of the above is the online training provided with the support of FUNDES.

In 2019, we launched the initiative “Llévate a Casa lo Mejor de...” (Take Home the Best of...) in order to encourage and highlight the importance of consuming products manufactured by SMEs in the region, making around 150 local products known.

Our associates have great experience in different areas of self-service, so the knowledge they can transmit to the SMEs is invaluable. This year 180 volunteer associates carried out situational diagnostics and gave professional training talks on specific topics such as commercial, financial, legal, and modular SMEs.

\* **481** SMEs  
 join the program

\* **35%** companies  
 are led by women

## Program **Tierra Fértil** (Fertile Land)



It is a program aimed at transforming small and medium-sized farmers into agro-entrepreneurs, and seeks to ensure their access to the formal market through direct purchase, training and secure payment, while facilitating their access to technology, best agricultural practices, and guaranteeing the safety and food security of their products. This is achieved through three main efforts:



Direct purchase from the producer: which allows the producer to be an active part of the chain of value, with competitive prices, and to reduce the presence of third party intermediation, which ensures timely payment and greater income to suppliers



Facilitating access to technology and knowledge: through direct donation of goods or by implementing projects in collaboration with NGOs to provide tools, equipment, new agricultural technologies, and direct investment resources



Training and technical assistance: with Walmart's expert partners and with the support of external consultants, to provide training and/or technical assistance to our suppliers in different areas of knowledge, such as seed quality, crop rotation, post-harvest management, responsible use of water resources and Good Manufacturing Practices (GMP). We also provide basic agribusiness management skills and financial assistance. By continuously and frequently training producers in Good Agricultural Practices (GAP), during 2019 we trained more than 4,000 people, 25% of them women, in order to reduce our impact on the environment, improve their productivity, guarantee the safety of the products we buy and increase their sales



Through this program, we have supported with direct purchase to 800 small and medium agricultural producers, benefiting 5,241 Central American families. 137 of these producers are women, who represent 17% of our suppliers of fruits, herbs, and vegetables.

Our total purchases from these producers was 69.3 million pesos and represented 36% of the fruits, vegetables and grains sold by our stores in Central America.

During 2019, we focused on training these growers with the first two training workshops for hydroponic strawberry cultivation, with the participation of 30 producers. With these

workshops we initiated the Fincas Modelo program. The first will be located in Honduras and will have a production area of 2,000 m<sup>2</sup> and an initial capacity of 160,000 kilograms of strawberries per year.

The support for our suppliers was increased by hiring engineers and agronomists who work as “in house” technical advisors who constantly visit the producers and advise them on clean production, low levels of agrochemicals, disease and pest control, nutrition and care of planting, soil management, and the rational use of resources.



## Program Small Producer



The Walmart Foundation of Mexico has been supporting the development of the Mexican countryside for more than ten years, through monetary donations for productive projects in poor communities and with an intensive development program for agricultural and manufacturing producers, aimed at improving their working conditions, training in different areas of the agricultural, logistical, and business production process and the commercialization of their products in our stores, on preferential terms. This entire program involves monetary resources, sales floor, purchasing capacity, and time and talent of associates from all commercial and logistics areas.

\* **9,529** benefitted  
producers

\* **114%** increase  
in revenue

\* **2,292** jobs  
generated

\* **223** million pesos  
of purchases from small producers

Walmart and its partners work to include producers in their supply chain and organizations with whom we develop their capacities to improve their agricultural practices, commercial and business skills, always caring for the environment.

This program allows the generation of an economic flow derived from the increase in productivity, income, employment generation, and the opportunity to create new businesses with a special focus on the inclusion of young people and women.

# Building strong communities

GRI 102-12, 413: 103-1, 103-2, 103-3, 413-1



Our corporate giving and Walmart Foundation's programs complement our business initiatives by seeking to help accelerate social transformation.

In 2019, through a combination of in-kind and cash grants, we gave more than 1,508 million pesos to projects that create opportunity, enhance sustainability and strengthen communities.

Since we believe that collective action is essential to transforming systems, we shape our programs in collaboration with other leaders and stakeholders.



**1,508 million pesos**

channeled through social impact programs



**128 NGOs**

working with the company to maximize the impact and scope of social programs



**1,859,272 people benefited**



Our social strategy is linked to our main business and its potential to generate value. The resources channeled include monetary, in kind, talent of our associates, sales floor, as well as logistics and purchasing capacity, that allows us to generate alliances with our suppliers to increase the capacity and impact of our social programs.

### Our community support program is focused on four key areas:



Food security



Volunteering to promote citizenship



Natural disasters relief



Development of small producers

We also launched an annual call for all nonprofit Civil Society Organizations that are authorized donors to submit projects targeting poor populations in rural and urban areas that focus on:



Development of Small Producers to promote the progress and growth of productive projects, to improve people's quality of life and mitigate poverty conditions. We support projects aimed at developing productive skills and commercial capabilities for both manufactured and agricultural products.



Fight against hunger to ensure the food and nutrition of the most needy families in rural and urban areas through self-sustaining projects, such as the creation of orchards and farms, and water systems, toilets and eco-friendly stoves, etc.



A selection committee, made up of experts and volunteer executive associates who review each project, chooses the projects. An example of a supported project is "Asociación de Personas con Parálisis Cerebral", which seeks to improve the nutritional status of children and young people with cerebral palsy, ensuring an adequate diet to avoid deterioration in patients' health, thus decreasing truancy. The parents are also trained, to be aware of specific diets for their children.

We continue transforming ourselves to ensure the benefit of the communities, the opportunity to help our customers, allies, and associates.

# Food Security



Our soils, freshwater, oceans, forests and biodiversity are being rapidly degraded. Climate change is putting even more pressure on the resources we depend on, increasing risks associated with disasters, such as droughts and floods. Many rural women and men can no longer make ends meet on their land, forcing them to migrate to cities in search of opportunities. Lack of food security is also causing millions of children to be stunted, or too short for their age, due to severe malnutrition. That is why we are working together to strengthen and expand the food banking system, to improve our mechanisms to rescue tons of food, and channel it to the people who need it most.

Donations from our stores, clubs, offices, and Cedis are given to food banks and NGOs that have the capacity to efficiently distribute the food in the communities, thus increasing the use of food and groceries throughout the country.

The charitable food network is only as strong as its infrastructure. We offer funding for equipment, trucks, and our associates provide the experience and expertise that help institutions expand their reach and impact.

We also financed the construction of family orchards and farms for subsistence feeding in rural areas. This program fosters sustainable nutrition, womens' empowerment, increases income, and helps to build a platform for production capabilities development.

\* **661** backyards

\* **142** eco-friendly toilets

Over 34,833 tons of food donated to 104 food banks benefiting over 1,402,000 people in the region.

\* **388** water systems

\* **115** eco-friendly stoves



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Agile Transformation

We Generate value

Commitment to Honesty

In Central America, we are founding partners and the main donor of Food Banks in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. In addition to the donation of products, we support volunteering days in which our associates carry out activities of classification and packaging of food that is delivered to the beneficiaries of the food banks, as well as visits and activities in favor of the banks.

In commemoration of Food Day several regional volunteer days were held during the month of October. The day covered food collection in our stores with the participation of our customers in Honduras, Nicaragua, and Guatemala; thanks to this, we managed to donate 36 tons of food and benefit 121,000 people.

Among other activities, customers in Central America were able to participate in the digital campaign to support the Food Bank, which had the goal to donate 482,500 thousand pesos by obtaining 5,000 likes; this donation was delivered adding 791,300 thousand pesos in food products to each of the five banks in Central America.

\* **791,300 pesos**  
raised to benefit the Food Bank in Central America



Honoring the Nutrition Day Nutrition Day, several regional volunteer days were held during October.



## Disaster response and relief

\* **75 tons**  
of aid channeled to  
support victims

Through our Continuity Operations Center (COC) and Walmart's planning and operational practices, we identify, assess, triage and respond to natural disasters and security events that affect Walmart operations, associates and/or the communities we serve.

The COC operates 24 hours a day; 7 days a week to identify emerging risks, help facilities and associates prepare for disasters, monitor the development of crises, and serve as a triage point for emergencies in our stores or offices. The COC activates cross-functional subject matter teams

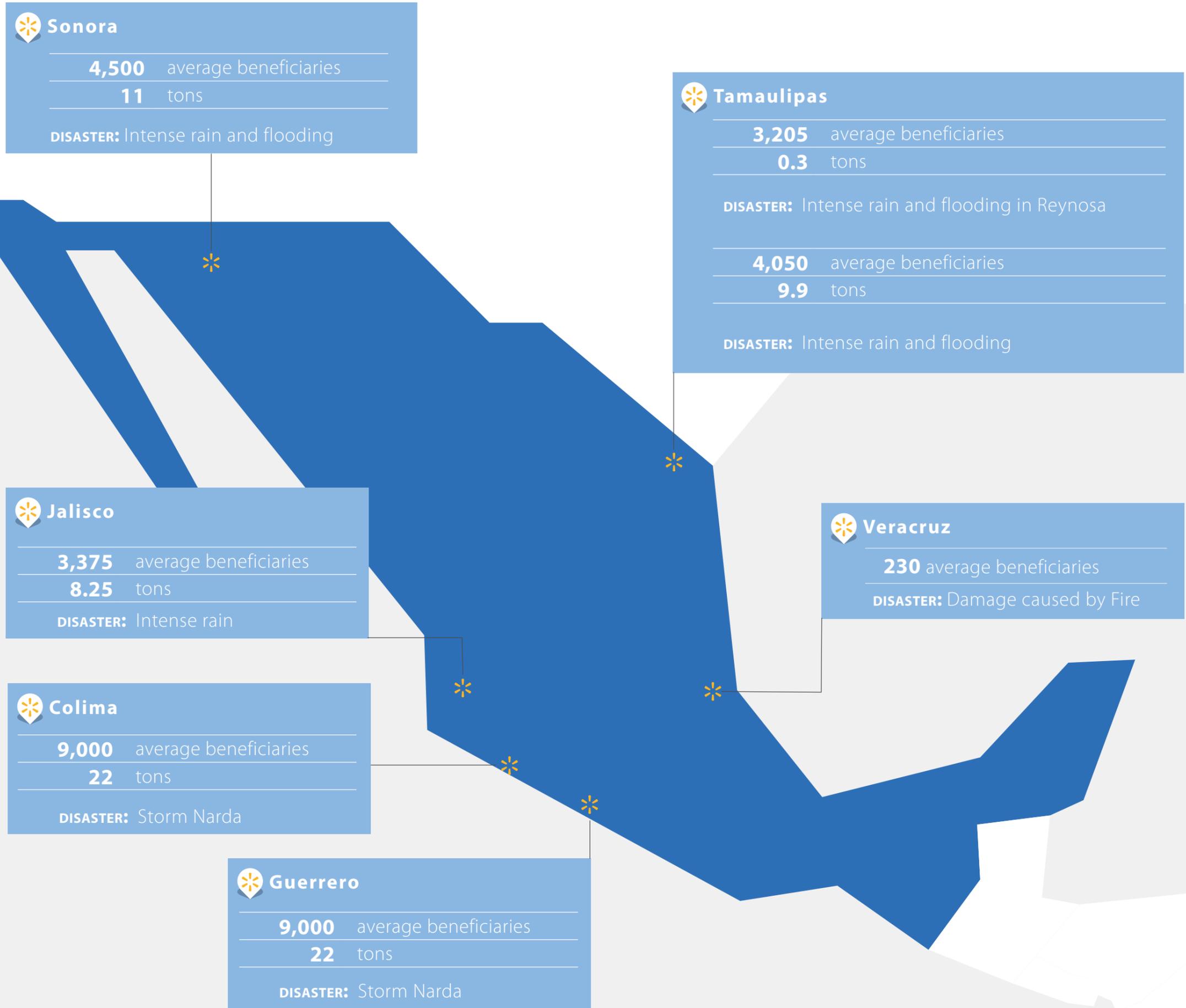
throughout our business to prepare for and respond to disasters quickly and effectively. The COC core team includes experts in emergency management who regularly train associates across the company.

In major disasters, we can deploy an array of internal resources, including mobile generators, fuel resources, trucks and associates who can help to manage our corporate response to the crises on the ground. Through the COC's efforts to coordinate with local, state and federal governmental agencies, as well as nonprofits

and volunteer organizations around the world, we are able to determine how it can help support local communities in the event of disaster.

For example, in Mexico, families who were shopping during the violence in Culiacán, Sinaloa, could not return to their homes, so we invited them to stay inside the stores to stay safe, giving them shelter and food so they could spend the night.

Thanks to our infrastructure, the capacity of the Mexican Red Cross and the revolving humanitarian aid fund, we were able to provide support to affected communities in Mexico, in the first 24 hours after a natural disaster occurred. We donate food, cleaning products and personal hygiene items. We also make available our logistical capacity and facilitates the approach to our supply network. We make monetary donations for the following disasters:





Fortunately, there were no natural disasters in Central America. It should be noted that the program, Manos Amigas, is ready to be activated as soon as is required, setting up collection centers, according to the scope of the emergency, informing customers and suppliers about the initiative and how they can collaborate with it, and motivating them to participate. Subsequently, we help with product transportation from the collection centers to the points set by authorities in emergency situations.

# Volunteering

There's no question that volunteering helps to improve the lives of others. This program gives associates the opportunity to participate in community and environmental improvement projects with their time and talent, promoting citizenship and commitment to the community and to others.

\* **+103,300** volunteer participations



	Mexico		Central America	
We took part in #RetoVerde, an initiative promoted by the Ministry of the Environment and the Fund for Social Development in Mexico City, to reforest the country.	<b>96,985</b>	← Volunteer participations →	<b>6,317</b>	In Central America, two SME volunteer programs took place, with the participation of 180 SMEs from the Una Mano para Crecer program.
With the participation of more than 160 volunteers, including associates and their families, we planted 1,500 plants at Bosque de Manzanos Park, in Mexico City, to safeguard pollinators such as bees, hummingbirds, butterflies, and some mammals.	<b>84,566</b>	← Associate volunteer participations →	<b>6,238</b>	The volunteer work consisted of situational diagnostics and professional training talks on specific topics within the Modular, Commercial, Finance, and Legal areas. We had the participation of 180 volunteers.
	<b>12,419</b>	← Customer and family volunteer participations →	<b>79</b>	
	<b>2,390</b>	← Activities held to improve public spaces in the communities →	<b>8</b>	

Alliances with suppliers to **strengthen communities**



**Clean water for the children**

We are aware that water shortage is currently a major challenge in Mexico, which is why we launched, in a global partnership with P&G, the program Agua Limpia para los Niños, which tries to bring clean drinking water to children and families in vulnerable situations. The goal of the initiative was to collect 15 million liters of drinking water, during 2019.

Through this initiative, our customers and company partners in 14 countries contributed to ensuring water supply and sanitation by participating in the “1 compra = 1 litro de agua limpia” campaign, where, for every participating product purchased, P&G donated one liter of clean water.



In 2019, we collected and channeled 21.6 million liters of drinking water to the two million families (4 people) in communities without drinking water throughout the world



Our Business

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Financial and Corporate Responsibility Report 2019