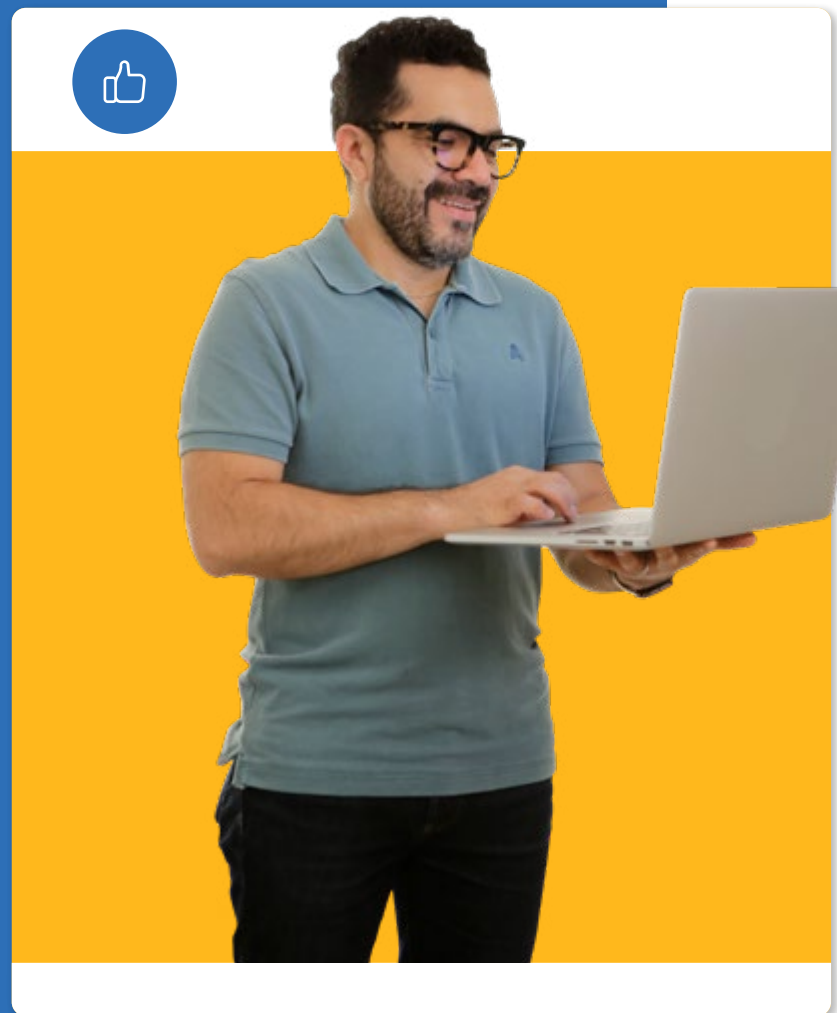




RISK ASSESSMENT

GRI 102-111,102-15, 102-30

Every year, the Risk Assessment is performed by the Global Audit Services area following the methodology established by Walmart Inc, adapting it to the Mexico and Central America conditions



EXTERNAL RISK FACTORS

- 
ECONOMIC
 - Financial markets, unemployment, mergers & acquisitions
- 
POLITICAL
 - Government/policy changes, laws and regulations
- 
NATURAL ENVIRONMENT
 - Natural disasters such as hurricanes, earthquakes, global warming
- 
TECHNOLOGICAL
 - Emerging technologies that represent competitive advantage/disadvantage
- 
SOCIAL
 - Shifts in demographics or social behaviors
- 
COMPETITION
 - Financial condition and market share of competitors, new market entrants

INTERNAL RISK FACTORS

- 
COMPLIANCE
 - With laws and regulations, internal policies and standards
- 
TECHNOLOGY
 - Systems and data availability and integrity, development and deployment
- 
PROCESS
 - Complexity, level of automation
- 
PERSONNEL
 - Employee capability, fraud, health and safety
- 
INFRASTRUCTURE
 - Availability of assets



Relevance of the eight major risk categories is considered:

- 1 Regulatory Compliance**
Compliance with laws and regulations
- 2 Financial Accuracy**
Effectiveness of the entity's financial reporting
- 3 Customer Trust**
Actions or conditions that degrade customer confidence in the company brand, mission, or community standing
- 4 Support Business Operational Impact**
Interruptions resulting from inadequate or failed internal processes, people and systems within business support functions
- 5 Core Business Operational Impact**
Loss (including risks to financial performance and condition) resulting from inadequate or failed internal processes, people and systems that support core business functions
- 6 Strategic**
Relating to high-level goals, aligned with the entity's mission/vision
- 7 Internal Compliance**
compliance with company policies and procedures, contracts, ethics and business conduct standards and other voluntary corporate standards
- 8 Efficiency and Effectiveness**
Optimization of company resources to support the business mission and reward shareholders

Additionally taken into account are risk considerations that help define the magnitude and probability of losses stemming from unfavorable events or activities, such as:

- 


Operational Disruption
Events such as natural disasters, terrorism, interruption of key suppliers, faulty process changes, system failures, prolonged adverse weather conditions
- 


Impact on Earnings
Competitive pressures, market economic conditions, financial governance, sustainability of the business model
- 

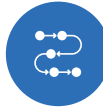
Impact on Strategic Initiatives
Changes in leadership, lack of access to capital or liquidity, actions of competitors, changes in broad economic conditions, adverse actions by foreign governments
- 


Changes in Leadership
Historical leadership change outcomes, succession planning, training and development
- 


Level of Automation
Business reliance on technology and systems, historical dependability, the ability to revert to manual alternatives, entity's adoption rate of emerging technology


- 

Customer Insights
Concerns expressed by business and technology leadership
- 

Compliance Requirements
The ability of the entity to comply with laws, regulations and policies, occurrence of fraudulent, illegal or unethical acts, changing laws, ongoing liabilities and disputes, unsafe products or handling, etc.
- 

Changes in Process
Maturity of processes within the entity, process change management, quality assurance functions, process owner expertise, process documentation
- 

Historic Audit Results
Issues identified during previous audit activities that are relevant to the auditable group or component, management tone, status of remediation efforts
- 

Other Risk Assessments
Results of assessments conducted by internal and external parties that are relevant to the auditable group or component
- 

GFT Insights
Guidance provided by Global Functional Teams in the form of questionnaires, newsletter, interactive meetings, etc.

ENTERPRISE RISK MANAGEMENT

Furthermore, during 2020 we implemented an initiative named Enterprise Risk Management (ERM), which focuses on determining and prioritizing the primary risks for the company. The goal of the initiative is to prepare a consolidated record of business risks, defining their probability and impact and then, based on this, establishing mitigation plans.

To conduct this process, we created a list of risks in line with five macro areas, enabling us to identify the risk type, its materialization, develop an action plan for risk mitigation, and subsequently designating the areas in charge of managing it.

- 1 Strategic**
- 2 Operational**
- 3 Regulatory and Compliance**
- 4 Financial**
- 5 Reputational**



We also worked with dedicated teams, comprising risk owners and managers whose primary responsibilities are:

- Overseeing primary risk management
- Ensuring risk management strategies have been developed
- Leading risk identification, gathering, and evaluation for each business unit
- Detecting, prioritizing and reporting emerging risks
- Proactively identifying and managing the primary functional risks
- Informing on the status of the mitigation plans

