THE GOAL:

to redefine the future

DESPITE BEING A CHALLENGING YEAR, WE DEVELOPED NEW INITIATIVES TO BE MORE SUSTAINABLE, AND WE SET NEW GOALS TO CONTINUE OUR COMMITMENT TO A BETTER FUTURE

ENVIRONMENTAL VALUE

GRI **305: 103-1, 103-2, 103-3**
SASB **CG-EC-130A.3**

We understand sustainability as a strategic pillar to generate environmental value and contribute to improving the quality of life of families in Mexico and Central America.

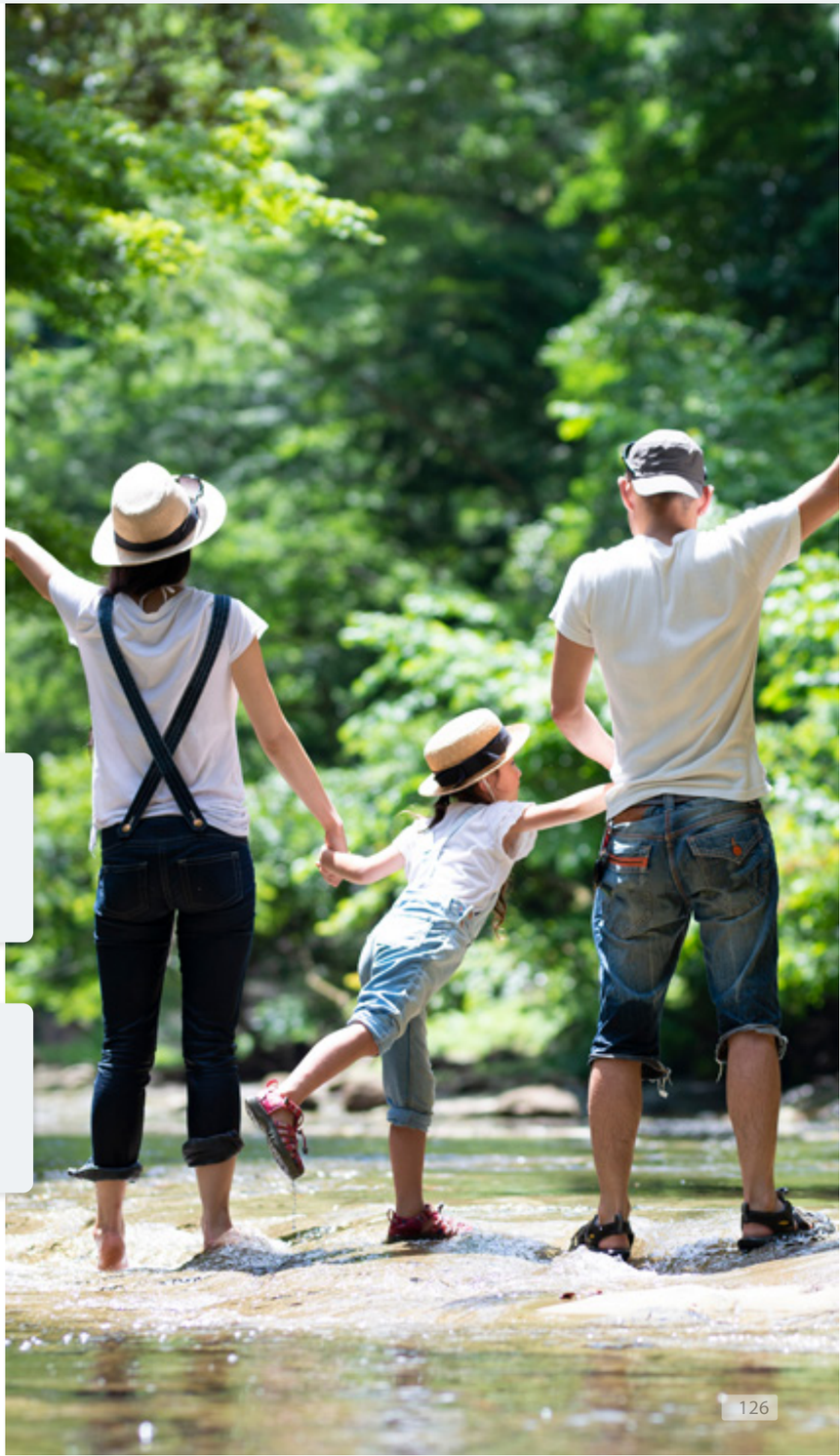
To achieve this, we focus on three priority issues:

1. Mitigate climate change by reducing emissions in our operations and in our supply chain
2. Contribute to creating a circular economy by avoiding waste generation, reducing the use of natural resources, and using materials in new value cycles
3. Help to preserve nature and biodiversity through sustainable sourcing

In order to achieve these changes, we are convinced of the key role of getting our associates on board with a culture that promotes environmental value, and at the same time, getting our suppliers involved. We do this, through constant training and inviting them to participate in our initiatives, which allow us to be certain that we can continue to scale this positive environmental impact.

598.8 million
pesos invested in energy initiatives

313 million
pesos saved by implementing sustainable initiatives



In order to achieve this, we announced the following new commitments:

Source 100% of our energy from renewable sources
by 2035

Be a Net-zero emission company
by 2040

Help protect, manage and restore 50 million acres of land and 1 million square miles of oceans
by 2040

We believe that the actions we take in this key decade will determine the possibility of achieving sustainable development in the long term.

We are convinced that our role is key to achieving a sustainable future. These new goals are fundamental to our transition to an emission-neutral company that can make an absolute contribution to carbon sequestration, while placing the protection and restoration of nature at the core. We understand nature's relevance to ecosystem stability, biodiversity preservation, and our collective wellbeing.

This year, we renewed our key commitments and goals, starting with our ambition to become a regenerative company by 2040

This year, we continued consolidating our sustainability results as follows:

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

1 MITIGATE CLIMATE CHANGE

Goals

Reducing energy intensity by **25%** per square meter built (GJ/m²) by 2020, compared to 2010

Sourcing **100%** of our energy from renewable sources by 2035

Reducing Greenhouse Gas (GHG) emissions in **18%** by 2025, compared to 2015

Working with our suppliers to reduce or avoid GHG emissions equivalent to 1 gigaton in our global supply chains, by 2030

Progress

Energy intensity of **0.94 GJ/m²**, in Mexico and Central America which accounts for 29.6% reduction of electricity intensity in Mexico compared to 2010

63%
of total electricity consumption coming from renewable energy

2.8% reduction in GHG emissions compared to 2019

13 million tCO_2e avoided with the participation of 188 suppliers through Gigaton Project in Mexico

2 FOSTER A CIRCULAR ECONOMY

Goals

Sending **Zero Waste** to landfill by 2025

Reduce food waste generation by **50%** by 2025

By 2025, all packaging of Our Brand products will:

Be **100%** recyclable, reusable or compostable

Avoid the use of unnecessary or difficult-to-recycle plastic

Include **20%** of post-consumer recycled material

Progress

71.5%
Zero Waste goal achieved

4,051,385
m3 of landfill landfill use avoided

39.6%
reduction in food waste generation in Mexico vs 2015, preventing **58,032** tons of food from going to landfill in Mexico and Central America

68.0%
of our packaging is recyclable, reusable or compostable in Mexico

7.6%
of post-consumer material is incorporated in the packaging of Our Brands

The use of

161 tons of plastic in Mexico was avoided through #SinBolsaPorFavor (No bags, please) campaign, compared to 2019

3 NATURAL CAPITAL

Goals

By 2020, Our Brand products will use palm oil, paper, pulp and cellulose from certified sustainable sources

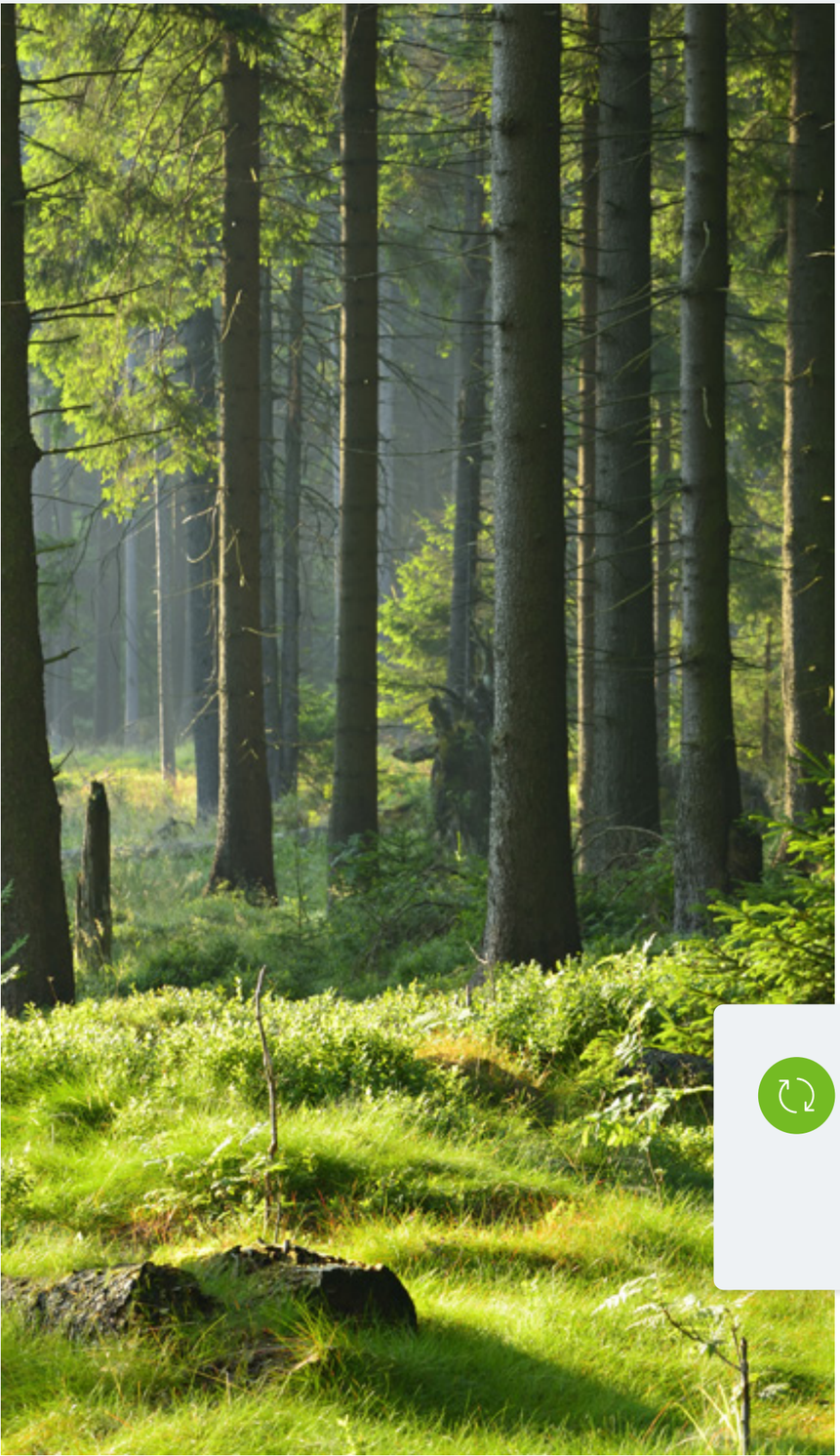
By 2025, fresh and frozen fish and seafood will be sourced from certified sustainable sources or Fishery Improvement Projects (FIP)

Progress

93% of the volume of palm oil and palm oil by-products used in Our Brands is RSPO and Rainforest Alliance certified and,
54% in Central America

100% of total paper and pulp volume coming from certified sources such as FSC, PEFC and and SFI in Central America, and **99%** in Mexico

96% of our fish and seafood is certified as sustainable or comes from a Fishery Improvement Project in Mexico



MITIGATE CLIMATE CHANGE

GRI **305: 103-1, 103-2, 103-3, 305-5**
SASB **CG-EC-410A.2**

7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE — **7.2, 7.3**
9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA — **9.4**
13 ACCIÓN POR EL CLIMA — **13.1**

The planet is one of our most important stakeholders. We understand that our contribution to climate change mitigation is fundamental, and that we face challenges as a company and as a society that are largely related to how we respond to this phenomenon.

This goal is aligned with Walmart's global commitment made in the Science-Based Targets initiative, updated this year under the 1.5°C scenario. On the other hand, as members of the Global Compact, we are convinced that our decision to take on this new challenge can make a significant contribution to combating climate change, in addition to preserving terrestrial and marine ecosystems.

That is why this year we set ourselves the goal of operating with Net-zero emissions by 2040

EMISSIONS REDUCTION

GRI **305-5**
SASB **CG-EC-410A.2**

Our commitment to reducing our emissions, alligned with Walmart Inc.'s goal to achieve an 18% reduction in emissions by 2025 compared to 2015, has different components. We seek to mitigate our Scope 1 direct emissions coming mainly from the use of refrigerants and fuel consumption, through the incorporation of new technologies that allow for greater efficiency, and of refrigerants with lower global warming potential (GWP).

Regarding our energy consumption, we have currently achieved significant reduction through the use of renewable energies, allowing us to mitigate our Scope 2 carbon footprint. In addition, we have an energy-intensity reduction goal to promote efficiency in our operations. Finally, we know that due to the nature of our business, it is essential to involve our supply chain in the reduction of emissions, as this is where most of the emissions are concentrated. We understand our role in using our scale as a positive driver for change.

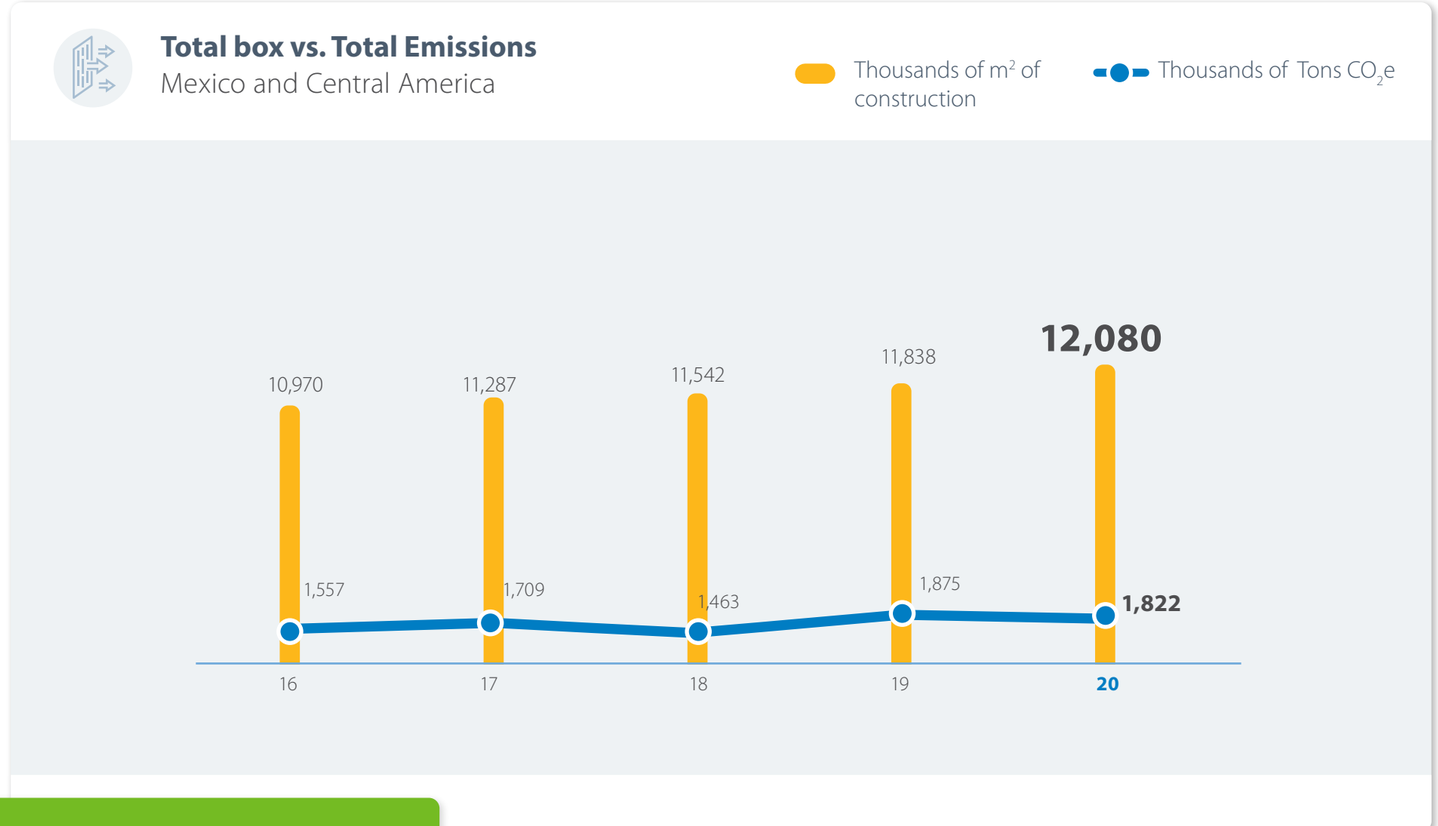
This year, we were able to reduce our Scope 1 and 2 emissions by 1.9% compared to 2019

GREENHOUSE GAS (GHG) EMISSION INTENSITY

GRI **305-1, 305-2, 305-3,305-4**
SASB **FB-FR-110B.1**
SASB **FB-FR-110B.3**

This year, we managed to recover the trend of GHG emission reduction. With this, we reinforced the fact that our emissions are not linked to our growth as a business.

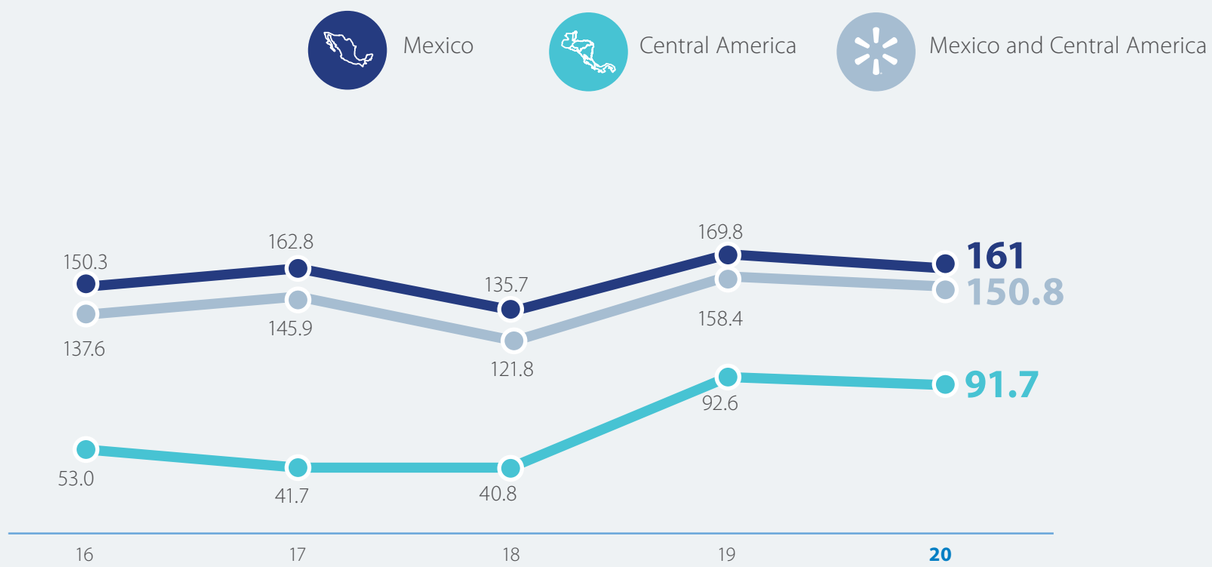
This is most directly seen by noting the behavior of our emission intensity, as since 2019 we see a steady trend of reduction of our emissions, largely generated by operational efficiency and renewable energy initiatives.



Our business growth is separate from our emission intensity

Emission intensity 2016 - 2020

kilograms CO_2e/m^2



We reduced our emission intensity by 4.8% in 2020 as compared to the previous year

SCOPE 1, 2 AND 3 EMISSION SOURCES

GRI **305-1, 305-2, 305-3**
SASB **FB-FR-110B.1,FB-FR 110B.3,FB-FR-110A.1,CG-EC-410A.1**

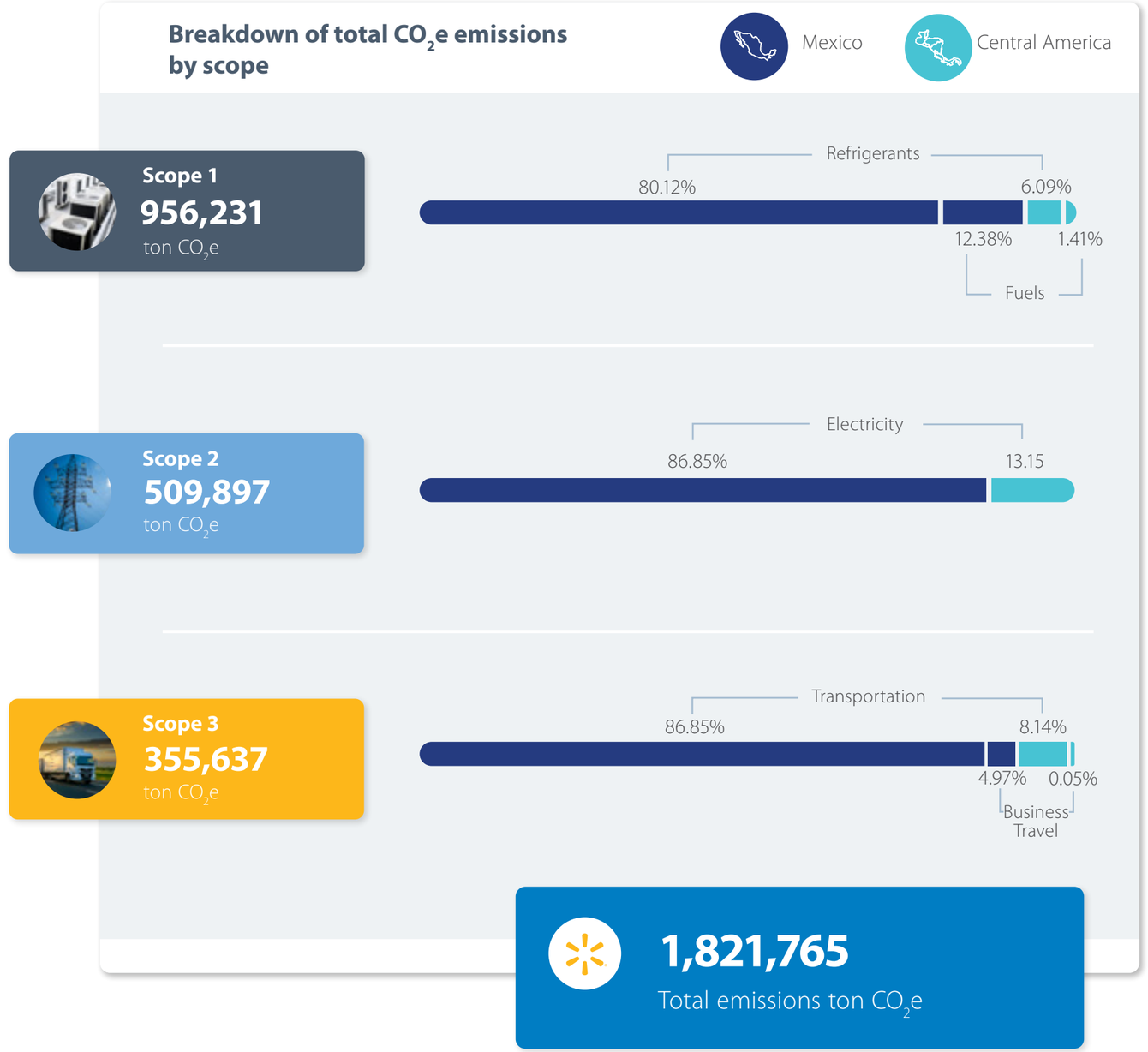
Our Scope 1 emissions correspond mainly to refrigerant gas leaks and, to stationary and mobile combustion. This comes from the large global warming potential (GPW) inherent in most conventional refrigerants.

On the other hand, our Scope 2 emissions are calculated based on the energy consumed from the power grid directly from each country. This reflects the importance of our energy supply strategy based on renewable projects, allowing us to mitigate these emissions.

Finally, our Scope 3 emissions are determined based on the corporate value chain methodology of the Greenhouse Gas Protocol (GHG Protocol), which identifies the categories we are required to report. **Thus, we incorporated the following relevant sources for this scope:**

- Purchased products or services
- Capital goods
- Transportation and distribution of products to distribution centers and stores
- Business travel
- Waste generated in the operation
- Travel by associates in company-owned cars
- Transportation used for home delivery

The processing of products sold and their end-of-life disposal have not been incorporated into this Scope 3 calculation, although we recognize their importance and are working on a way to integrate them in the future.



In Central America, starting on June 2020, we began to transform our automobile fleet towards carbon-free alternatives. This was our first step to test two electric vehicles performance, which operated for our Maxi Bodega and Discount formats in Costa Rica. In October 2020, we added two more vehicles for the same format and market.

These four vehicles, will represent a technological change, allowing us to save more than 33 thousand kilograms of CO_2e a year per vehicle. They have also fostered the transformation of our stores to host new charge centers for electrical units. Starting on December 2020, 8 Maxi Palí have charge centers available and operational.

During the test and pilot periods for this technology, we have achieved a reduction in the consumption of 4,530 liters of fuel, and more than 100,000 pesos savings, while avoiding emissions of 10.5 tons of CO_2e.

DIRECT EMISSIONS:
REFRIGERANTS

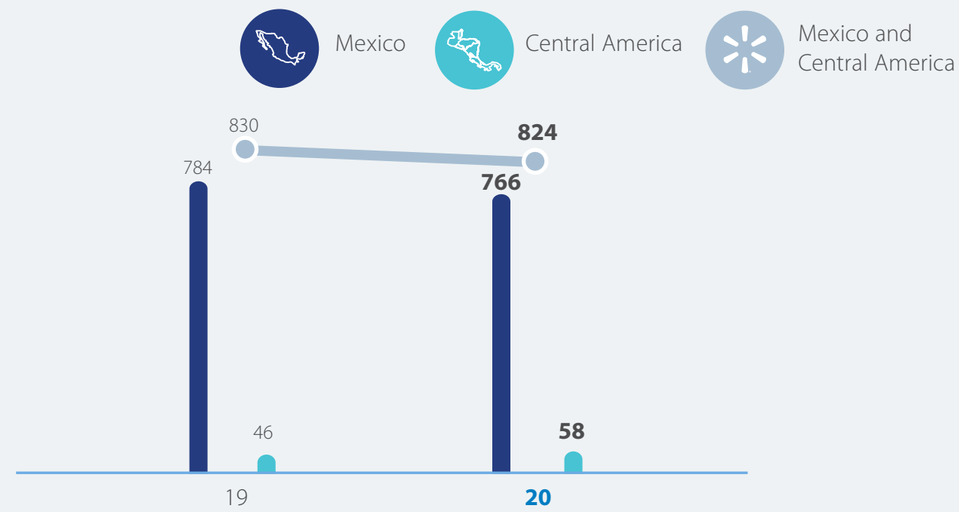
GRI **102-48, 305-1**

As the main component of our direct emissions (Scope 1), transforming our use of refrigerants with lower environmental impact is a key aspect of our strategy in achieving emissions[1] neutrality by 2040.

In 2019, an increase of 87% in refrigerant consumption was identified with respect to 2018 after an unusual purchase as a consequence of a drop in the price of the R-404 refrigerant. However, we identified that the relationship between this purchase and consumption was not direct; therefore, a data model was made to identify the impact of the price decrease in the purchase of the refrigerant in the period from 2018 to 2020, with the purpose of correcting 2019 real consumption.

As a consequence of the results of this model, the total refrigerant emissions for 2019 were corrected, arriving at a real consumption data for that year of 829,886 tCO_2e. This data is also used as a basis for comparison for 2020 emissions.

Emissions from refrigerants
thousands of tons CO_2e



2.5% Scope 1 GHG reduction vs 2019

With this project, we achieved an emission reduction of 29.1 tons CO_2e compared to a similar format store

DIRECT EMISSIONS:
LEAN PROJECT

In 2020 we launched the "Lean Project", aimed at testing technologies and projects that allow us to reduce direct emissions and have energy efficiency in our stores.

The first store to implement this project was Bodega Aurrera Nichupté, where the following innovations were tested:

- Enclosed food preparation areas separated from the sales floor (tortilla shop and bakery)
- Refrigeration equipment with lower GPW impact
- Innovations in the architectural design of this unit for temperature reduction
- Eco-efficient lighting
- On-site power generation

This project continues to prove the profitability of sustainability, and the added value it offers as a differentiator to contribute to improving the quality of life of families in Mexico.

ENERGY

GRI **302: 103-1, 103-2, 103-3, 302-1, 302-2, 302-4**
SASB **CG-MR-130A.1,CG-EC-130A.1,FB-FR-130A.1**

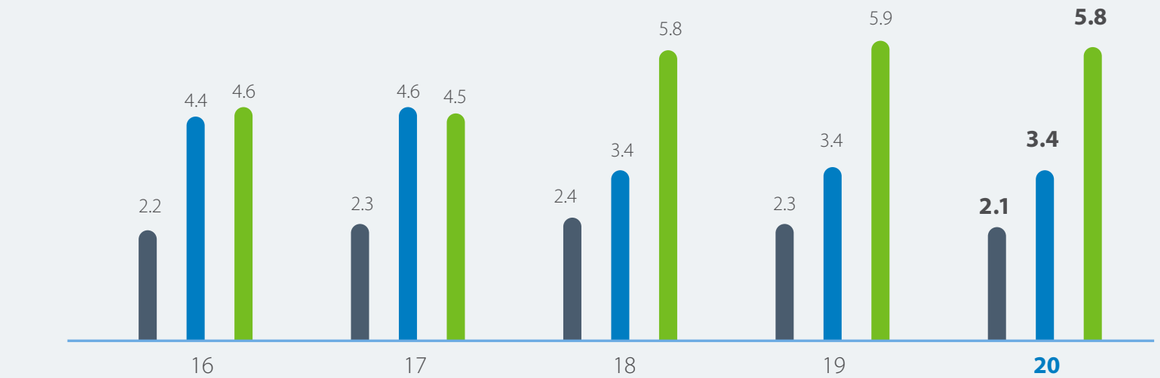
The transition to 100% renewable energy operations by 2035 is an ambitious goal, but one that we consider fundamental to mitigating climate change. In addition to having six wind farms and two hydroelectric plants supplying power to our operations, we also have on-site solar generation for 15 units.

Energy efficiency has been key to these achievements, and we have invested 449 million pesos in Mexico , and 100 million pesos in Central America to continue our transition to LED lighting and photovoltaic cells. In addition, we implemented an Artificial Intelligence system as a control initiative that allows us to generate greater efficiency in the distribution of renewable energy, as well as to adjust the optimal consumption of our unit's cooling and energy consumption.

We achieved 29.6% reduction in electricity intensity in Mexico in 2020, meeting our goal of reducing energy intensity by 26% compared to 2010

Total energy consumption
millions of GJ

Fuels | Non-renewable | Renewable



We saved **121,211** GJ of energy vs 2019

We consumed a total of **11.3 million** GJ of energy

In 2020, we reduced our total energy consumption by 2.6% and increased our renewable energy consumption by 0.7%, while maintaining Mexico's renewable consumption. With this, 63% of our energy comes from renewable sources.

Energy intensity
GJ/m²

INDIRECT EMISSIONS
(SCOPE 3)

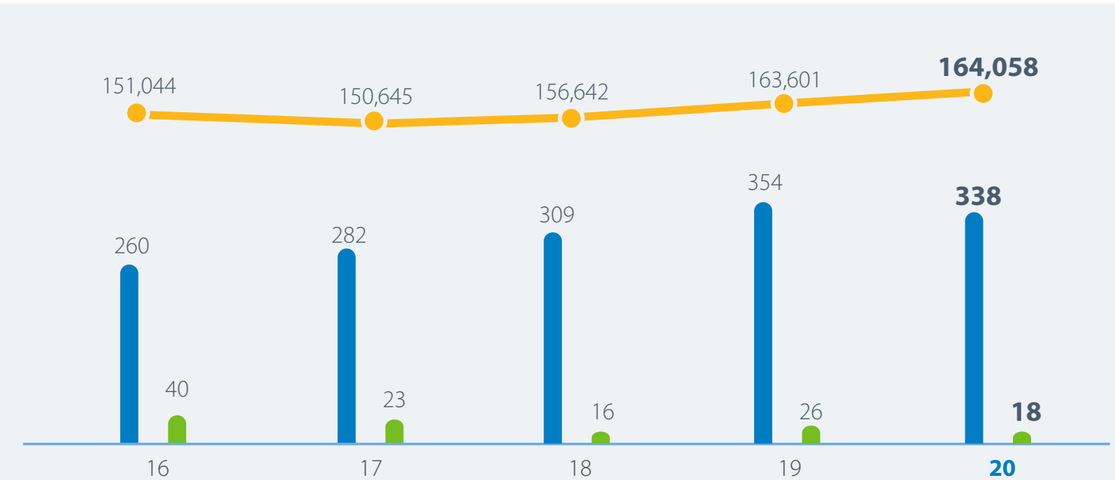
GRI **305-3**
SASB **FB-FR-110A.1, CG-EC-410A.1**

During 2020 there was a significant reduction in Scope 3 emissions, driven mainly by reduced air travel due to the pandemic, but also due to efficiencies in freight transportation.

In the case of emissions from waste, it is important to mention that the average annual growth trend of 4% was broken, remaining with a slight increase of 0.3% with regards to 2019. These emissions are managed directly through our circular economy initiatives.

On the other hand, reverse logistics and backhaul initiatives contribute to the reduction of emissions by transporting goods on trips that would otherwise be made on empty trailers. With this, we increased the efficiency of freight transportation.

Scope 3 emissions
thousand tons CO_2e



LOGISTICS EFFICIENCY

38,701,787
km not traveled

55,280
tCO_2e emissions avoided

20,955,787
liters of fuel saved

In the case of climate change, we highlight the following:

221
suppliers participated in the CDP Climate Change, Supply Chain

58%
suppliers implemented emission-reduction initiatives

B
CDP rating

59%
set absolute, intensity reduction or both type of goals, with specific deadlines

79%
of suppliers incorporate climate change management into their strategies

51%
suppliers consume renewable energy

2,835 billion
pesos is the associated cost for climate change in our Supply Chain

2,867 billion
pesos in potential opportunities for climate change, within our Supply Chain

In addition, our suppliers are linked to us through the CDP Supply Chain initiatives, where they report their environmental performance regarding to climate change and water security

GIGATON PROJECT

Gigaton Project continues as one of the main strategies to leverage our scale in a positive way in our value chain. Through this project, we seek to avoid the generation of one billion tons of CO_2e in our value chains by 2030, so that our suppliers can join the project and set goals based on their activities and projects.

On average, participants currently participate with three goals in different categories.

Our goal is that all participating suppliers can achieve Gigaguru status by annually reporting their progress and making their commitments public.

This year we strengthened our participation in the Gigaton Project, aiming for our suppliers to set SMART goals in any of the six pillars:

Energy use
74%
total goals

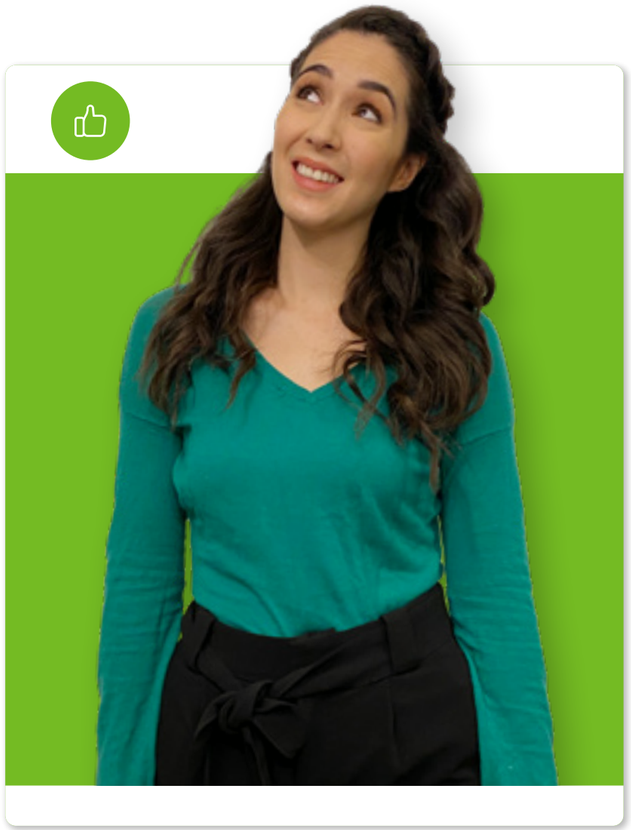
Sustainable agriculture
29%
total goals

Waste
54%
total goals

Product use
39%
total goals

Deforestation
40%
total goals

Packaging
72%
total goals



This program has been well accepted by our suppliers. Some of the highlights below:

141
active suppliers

26
sparking change suppliers

76
gigagurus

13.06 millones
tCO_2e avoided in 2020 (+71% 2019)

With these results, we contributed in total during 2019 and 2020 to the reduction of 20.7 tCO_2e, bringing us 2.1% closer to the Gigaton Project target

CLIMATE RISKS AND OPPORTUNITIES

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

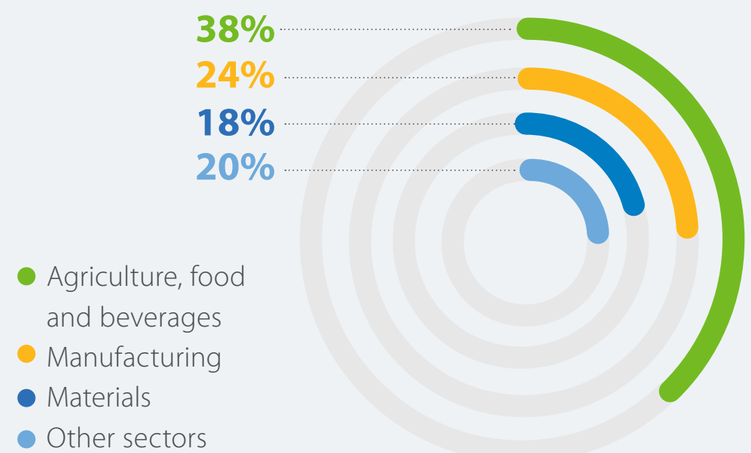
Climate change has increased disruptions and risks that are materializing with increasing frequency. Extreme weather events, as well as human-caused damage to the environment -both related to climate change- are two of the top ten current risks listed by the World Economic Forum. They are also directly linked to three existential risks over the next ten years: biodiversity loss, natural-resource crisis and the possibility of failing climate-action strategies.

This risk implies that the potential for disruption in the value chain is much greater, as well as high impact consequences on the lives of our customers, the communities where we operate, our associates, and the planet. Climate change risk is especially acute in sectors such as agriculture, as well as some others that use resources intensively, such as the manufacturing and the food sectors. Thus, identifying the specific risks and opportunities arising from climate change is very important to our strategic vision for the future as a company.

To assess these risks, we first consider a broad spectrum of material issues and potential consequences related to climate change from specialized sources, investors, consultants, and international climate change organizations. Our risk identification is updated every two years, the latest being in 2019, and thus we have the possibility to link our future and strategic vision with the specific impacts for the company.

Additionally, in the case of existing risks in our supply chain, we focus on the key participants and suppliers that may have higher risk, as previously mentioned. In order to have an update on risks and opportunities and the ensuing potential financial impact, we rely on the CDP to provide visibility at the supply chain level and to understand how these key suppliers identify their risks, in what timeframe, and with what impacts.

Supplier participation by type of industry

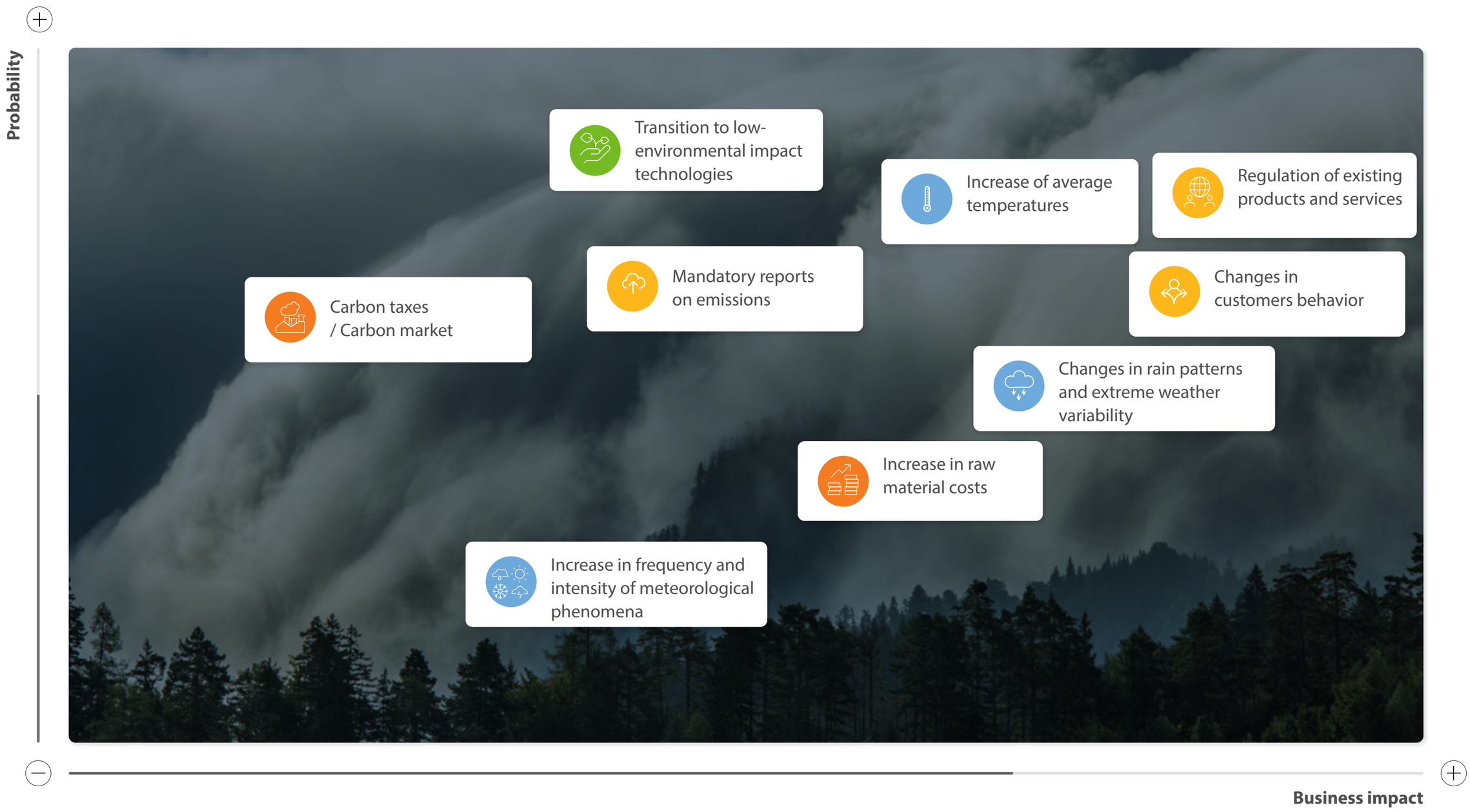


In 2020, 121 suppliers completed the climate change questionnaire and 61% conducted an analysis of risks and opportunities related to climate change

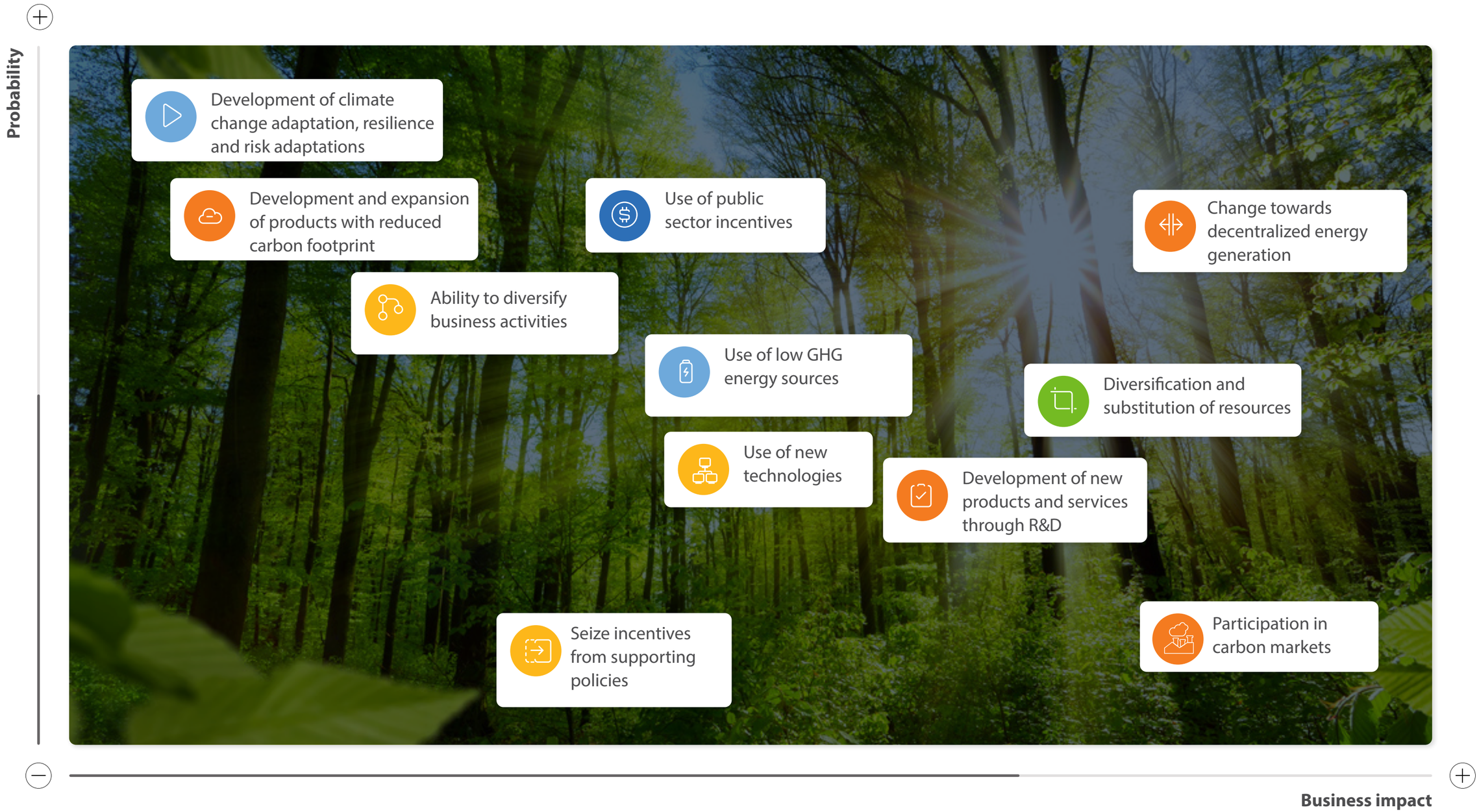
Climate change risk map

SASB **FB-FR-430A.3**

Climate change-related risks to our supply chain



Climate change-related opportunities for our supply chain



FOSTER A CIRCULAR ECONOMY

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

The second strategic pillar of our sustainability commitment is how we contribute to generate a functional, large-scale, circular economy.

ZERO WASTE

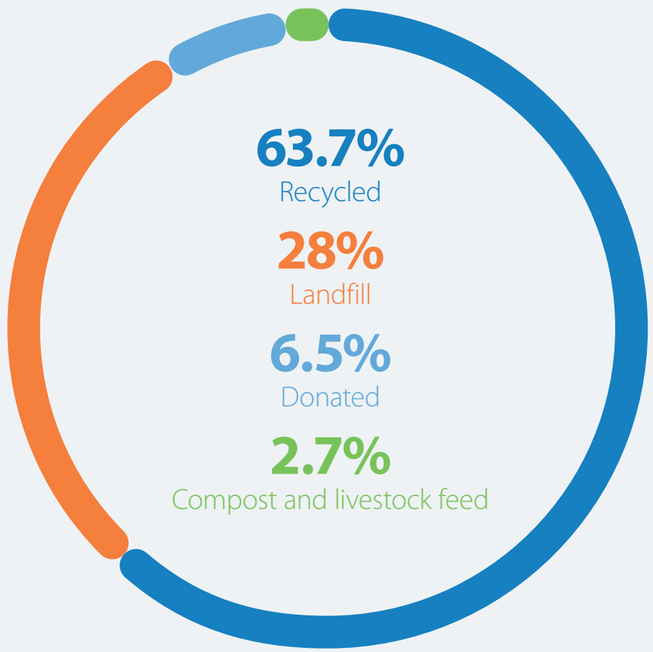
Our main commitment is to transform our operations to zero waste by 2025, as defined by the Zero Waste International Alliance. To achieve this, we have identified opportunities to consolidate new material value cycles and ensure that our waste can be incorporated into circular economy models, new infrastructure, alliances with business partners and the involvement of our customers.

101

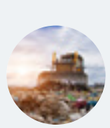
Our goal is to achieve a zero-waste operation by 2025, separating business growth from our waste generation

GRI **306-2, 306-4**
SASB **FB-FR-150A.1**

Generated waste



350,891.4
tons of recycled waste



156,370.2
tons of waste sent to landfill

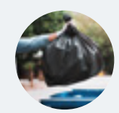
Progressing towards zero waste by 2025

71.5%
Mexico and Central America

75.7%
Mexico

50.4%
Central America

550,379
tons of waste generated



549,950
tons of non-hazardous waste generated

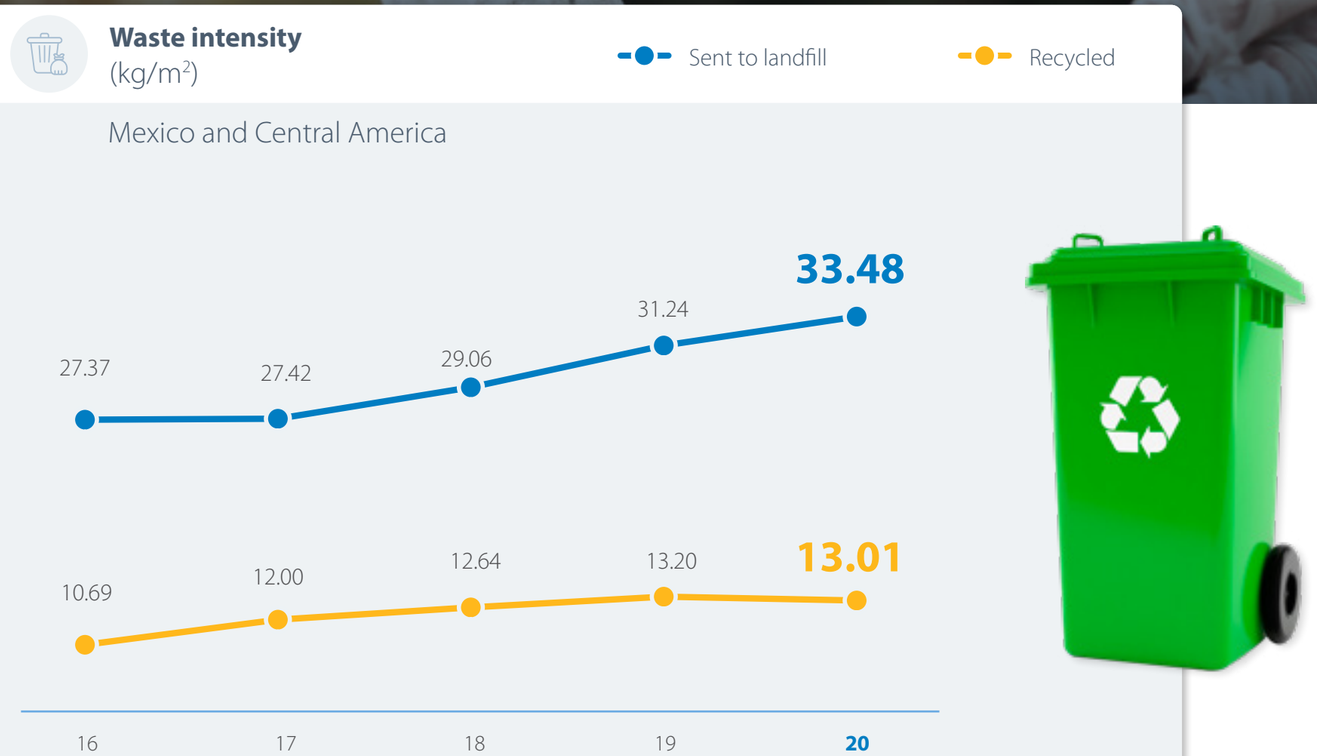
429.52
tons of hazardous waste generated

Likewise, we incorporated the principles of circularity from our packaging design, identifying the main environmental impacts of different products through Life Cycle Assessments (LCA), which is incorporated into packaging decisions. In addition, our customers actively participate in our post-consumer programs, promoting a culture of environmental responsibility where materials are incorporated into new value cycles.

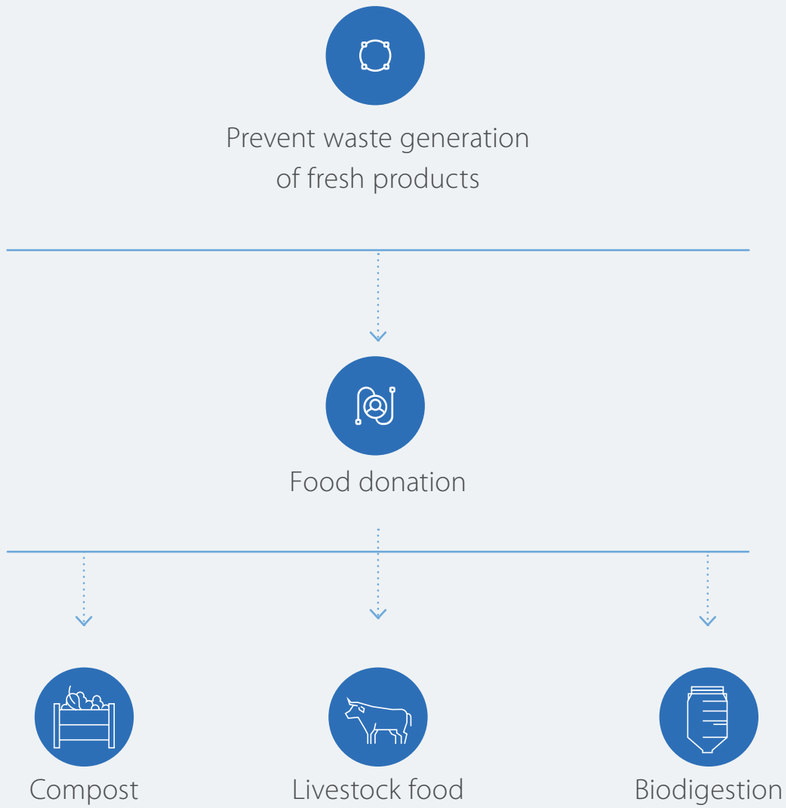
In order to manage our waste responsibly, we have a program for recovering recoverable waste. This initiative consists of benefiting from our reverse logistics capabilities to send materials generated in stores to our distribution centers. Total waste recovered in 2020 was 342,148.5 tons.

On the other hand, this year there was a decrease in the trend of waste generation intensity by 1.5%. This is mainly due to the reduction in the volume of food waste generated, thanks to the Total Loss Committee and to the operational discipline in our units, as well as to the increase in the volumes of waste that could be used through recycling, donation, composting, livestock feed or resale.

Waste intensity
(kg/m²)



Our strategy to reduce food waste



FOOD WASTE

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

We contributed to SDG 12.3, in alignment with our goal of reducing in 50% our food waste. To achieve this, we focused on improving our inventories and maintaining our freshness promise.

In 2020, our Total Loss started operations, which follows up on projects that reduce food waste. The Committee is made up of the Central Ops, Merchandising, Operations, Asset Protection, Quality, Logistics, Human Resources, Walmart Foundation and Sustainability teams. This has allowed us to maintain innovation, starting with our operations, in order to reduce our food waste through initiatives incorporating technology, associate training, operational excellence, and by making use of a continuous diagnosis based on opportunities in the management of our perishables. Through this Committee we promote the reduction of waste generated, beginning with our own operations, to prevent perishables from reaching landfills.

Our goal is to reduce food waste generation by 50% by 2025 compared to 2015

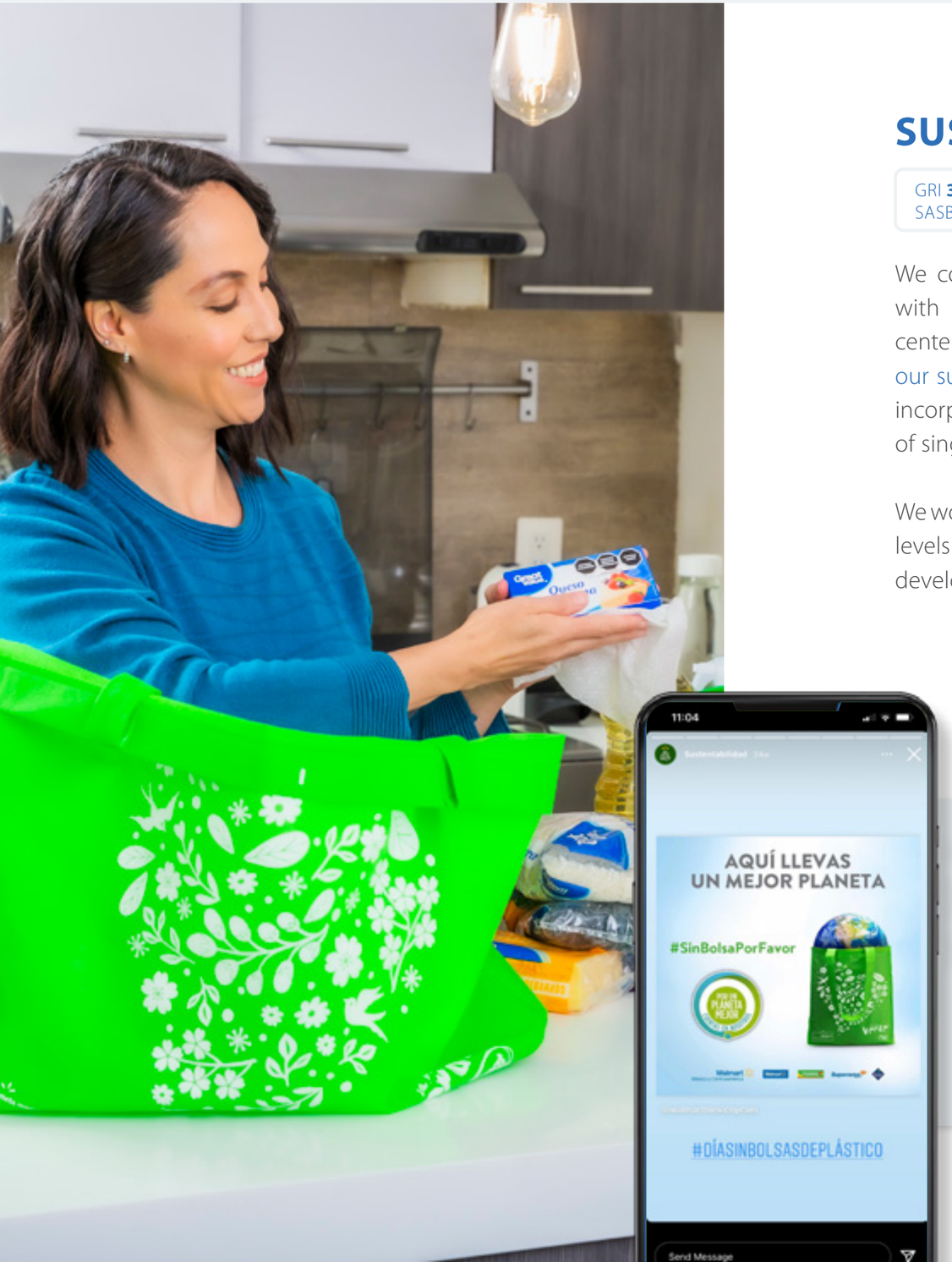
In the event that food is not sold, we seek to ensure its consumption. At Bodega Aurrera in Mexico, we operate a program where we lower the price of some products with expiration dates about to become effective, and to inform customers that consumption must be on the same day of purchase. We also have our Fruit for Associates Program, through which we donate fruit in the store so that our associates may supplement their breakfast.

The next stage is to ally with food banks through the Walmart Mexico Foundation. This year we donated 36,131 tons of food.

In the case of food that is not fit for human consumption, upon being designated shrink, there are two possible uses: compost, which can be used as a soil conditioner; and livestock feed. Finally, in Central America, there are biodigestion options that biologically process waste, decomposing it into gray water and biomass to prevent its disposal in landfills.

In 2020, we were able to prevent 57,841 waste from being sent to landfills in Mexico and Central America. In addition to reducing waste generation costs, this strategy demonstrated a significant environmental impact by eliminating risks of biological contamination due to decomposition, odors, liquids, and leachates, and mainly, potential greenhouse gas emissions, which have significant impact on the environment.

In 2020 we reduced food waste sent to landfills by 39.6% in Mexico



SUSTAINABLE PACKAGING

GRI **301: 103-1, 103-2, 103-3, 301-3**
SASB **FB-FR-430A.4,CG-MR-410A.3**

We continue to work on our ambition to operate with zero plastics in our stores and distribution centers. To achieve this, we work hand in hand with our suppliers, the authorities, and our customers to incorporate innovations that enable the elimination of single-use plastics.

We work hand in hand with the authorities at different levels of government towards a circular economy to develop standards on the use of plastics.

In the case of Mexico City, we were part of the working group for the drafting of the environmental standard PROY-NADF-010-AMBT-2019 on the criteria for compostable and reusable products in response to the ban on single-use plastics, -undergoing a public consultation process prior to entering in force in 2021. With this, standards have been developed for the transition to biodegradable, compostable, and reusable options, and the reincorporation of post-consumer recycled materials.

This year, we reduced the amount of plastic used by 161 tons thanks to our #SinBolsaPorFavor (No bags, please) campaign in Mexico, which is equivalent to 69.4 millions of plastic bags

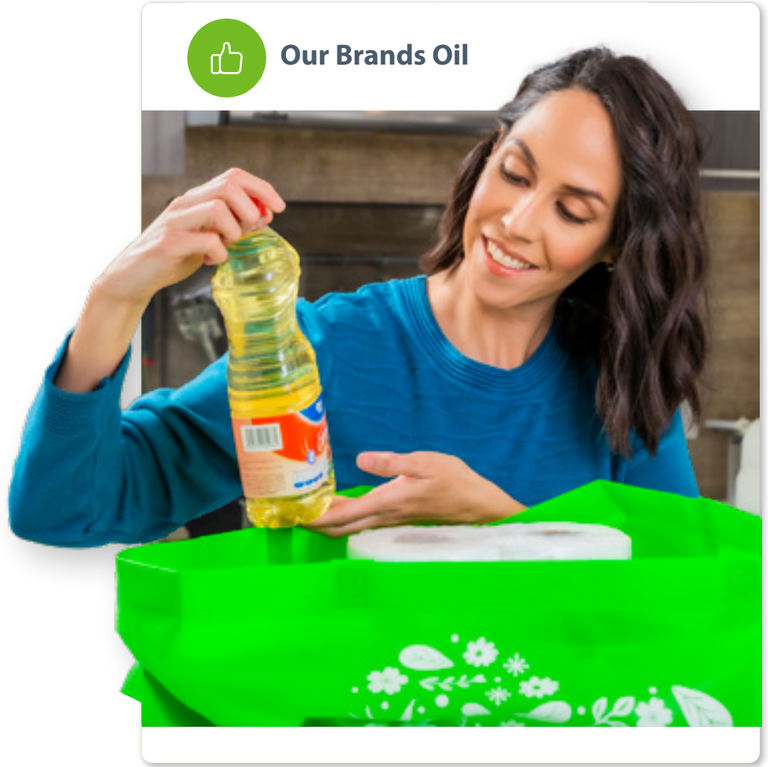
On the other hand, by 2025, our goal is to achieve that all the products of Our Brands:

GRI **301-2**

- Having 100% recyclable, reusable or compostable packaging
- Including at least 20% post-consumer recycled material in packaging
- Eliminating non-recyclable packaging material
- Reducing plastic packaging and containers where possible

Similarly, in 2020 we carried out two important packaging redesign processes based on our sustainability goals.

On the one hand, we worked in our Bodega Aurrera cooking oil category to reduce the environmental impact of our primary and secondary packaging, by eliminating the use of cardboard and reducing the total amount of plastic used. This project will reduce 27.9 tons of plastic and avoid emitting 3,052 tCO_2e in one year.



Primary packaging for products of Our Brands
Tons

2,002,818	309,863	214,749	260,963
Recyclable packaging: 58.5%	Plastic packaging: 9.1%	Post-consumer recycled material in plastic packaging: 69.3%	Post-consumer recycled material in plastic packaging: 7.6%

The second category in which a significant redesign helped reduce the use of plastic in bottles was in our Great Value water bottles. In this project, we were able to reduce an average of 21% plastic used for the bottles, thus achieving the highest efficiency in the market regarding product packaging, in addition to avoiding the generation of 355.4 tons of plastic in one year.

We drove projects for new circular models, such as the Sedal refillable stations that were launched at the end of 2019. This project proved to be of great value to our customers. We continued to bet on this type of models and replicated them in our stores, in addition to extending them to new product categories. However, as a result of the pandemic, during 2020 the implementation of these programs was temporarily suspended as we prioritized the health of our customers and associates. This issue allowed us to propose new ways of operating the program and integrating the lessons learned for later re-launch in 2021.

Recycling of waste products in our operation
Tons

GRI **301-2**

1,501.4
Paper

2,330.7
Plastics and PET

22,163.8
Bags and film plastics

304,783
Cardboard

GREEN BAG

One of the most relevant projects in the context of the transition towards the elimination of single-use plastics is our green bag. During 2020, we partnered with the United Nations to conduct life cycle assessment of our green bag, with the intention of continuing to provide a seamless shopping experience and ensuring a positive environmental impact. Based on the results from this project, we continue to work on reinforcing reuse of our Green Bag.

54.6 millions
units sold in 2020

110%
Sales increase vs 2019

CUSTOMER PROGRAMS

Our customers are key to contributing to a responsible environmental impact. That is why, through strategic alliances with suppliers, we have promoted programs that encourage environmental education and generate spaces for the recovery of materials for sustainable use.

250.8
tons of waste recovered through our post-consumer programs in Mexico

By year 2020's end, we had 12 recycling centers located in 6 states, where 21.8 tons of waste were recovered since the start of operations in the last quarter of the year

Reciclamanía Evoluciona

With the objective of fostering circular economy and protecting the environment through the culture of recycling, companies from different industries have joint into operating 12 permanent recycling centers located in stores from Mexico City, Estado de México, Morelos, Oaxaca, Puebla y Querétaro. The initiative is called Reciclamanía Evoluciona (Recycling-Mania Evolves), and it operates due to the alliance with ECOCE, Ecolana, Dow, Grupo AlEn, Grupo Bimbo, Grupo Modelo, Herdez, Industria Mexicana de Coca-Cola, Kimberly-Clark de México, L'Oréal, Nestlé México, PepsiCo Alimentos México, Recupera, Smurfit Kappa, Tetra Pak, Unilever y Walmart de México y Centroamérica.

In Reciclamanía 2019, recycling stations were open during two days, in which more than 1,800 customers were able to recycle more than 3,300 kilograms of materials.

Post-consumer programs in Mexico			Results
	**Reciclamanía Evoluciona**	Recycling centers that receive packaging and containers of: glass, PET plastic, HDPE (high-density plastic), LDPE (low-density plastic), BOPP (metallic and non-metallic wrappings), paper, cardboard, Tetra Pak containers, tin and aluminum cans, Nescafé Dolce Gusto coffee capsules, toothpaste tubes and toothbrushes. The collected waste will be used to make different products, thus preventing that waste from being sent to landfills.	**21.8** tons of waste recovered **12** recycling centers in 6 states
	Recycling for Your Community	 Permanent program since 2017 to recycle PET and aluminum containers so that these materials can be used to make park benches or school desks, which are then donated to communities in need.	**18.2** tons of waste recovered **395** stores nationwide
	Recycle the Can	 Installing machines in alliance with Grupo Herdez to recycle tin cans, which are then reused for wind turbines (wind energy devices) for the benefit of communities.	**3.2** tons of waste recovered +10% vs the previous year **24** in-store machines
	**Tree by Tree, Your City Becomes Green**	Christmas tree collection in alliance with the governments of Mexico City and Colima. Collected trees are transformed into compost for parks, gardens and forests.	**5,427** trees recovered +79% vs. previous year **19** participating stores

Post-consumer programs in Mexico			Results
	Recycle to Win	 Installing machines in alliance with AlEn del Norte to recycle PET and HDPE containers, which are then processed to make packaging for the company's own products.	**95.8** tons of waste recovered +154% vs the previous year **18** machines in stores in Nuevo León
	**Medicines**	Collecting expired medications in alliance with the National System for Waste Management for Medicines Packaging (SINGREM) for their proper disposal.	**19.28** tons of waste recovered -46% vs the previous year, due to some containers that remained disabled because of COVID **253** containers in stores, clubs and offices
	Reverse Vending Machines	Installing machines, in partnership with Biobox, for our customers to recycle PET and aluminum containers in exchange for a bonus redeemed through an app to pay for various services. 	**5.3** tons of waste recovered +9% vs previous year **9** machines in stores
	**Coffee Capsules**	Installing containers for the recovery and recycling of Nescafé Dolce Gusto capsules. Organic waste is transformed into compost, and inorganic waste into plastic wood that will be used in developing new products, in alliance with Nestlé.	**6.6** tons of waste recovered **68** containers in stores and clubs
	Glass	 Installing containers for the recycling of food-grade glass to make new bottles, along with Grupo Modelo.	**7.4** tons of waste recovered +14% vs the previous year

Grupo AlEn
Success Story

The Recycle to Win program, in alliance with Grupo AlEn, began with a pilot in 2018 with the installation of a machine at Walmart Supercenter in Nuevo León. Thanks to its success, in 2019 we installed 13 machines at our stores, including our Bodega Aurrera format, and collected 38 tons of plastic.

This is due to the great collaboration we had with AlEn with the objective of contributing to the creation of a circular economy that avoids waste generation, to the design of closed material cycles, and to the reduction of the use of natural resources. Currently, 35% of the plastic that AlEn processes in its two recycling plants comes from the machines installed in our stores and at some other points.

Thanks to these results, they have 100% recycled PET bottles, and in their plants they manage to recycle more plastic than what is placed on the market with their products.

18
machines that collected +154% vs 2019

NATURAL CAPITAL

GRI **304: 103-1,103-2,103-3, 308: 103-1, 103-2, 103-3, 308-2**
SASB **CG-MR-410A.1, FB-FR-430A.1**

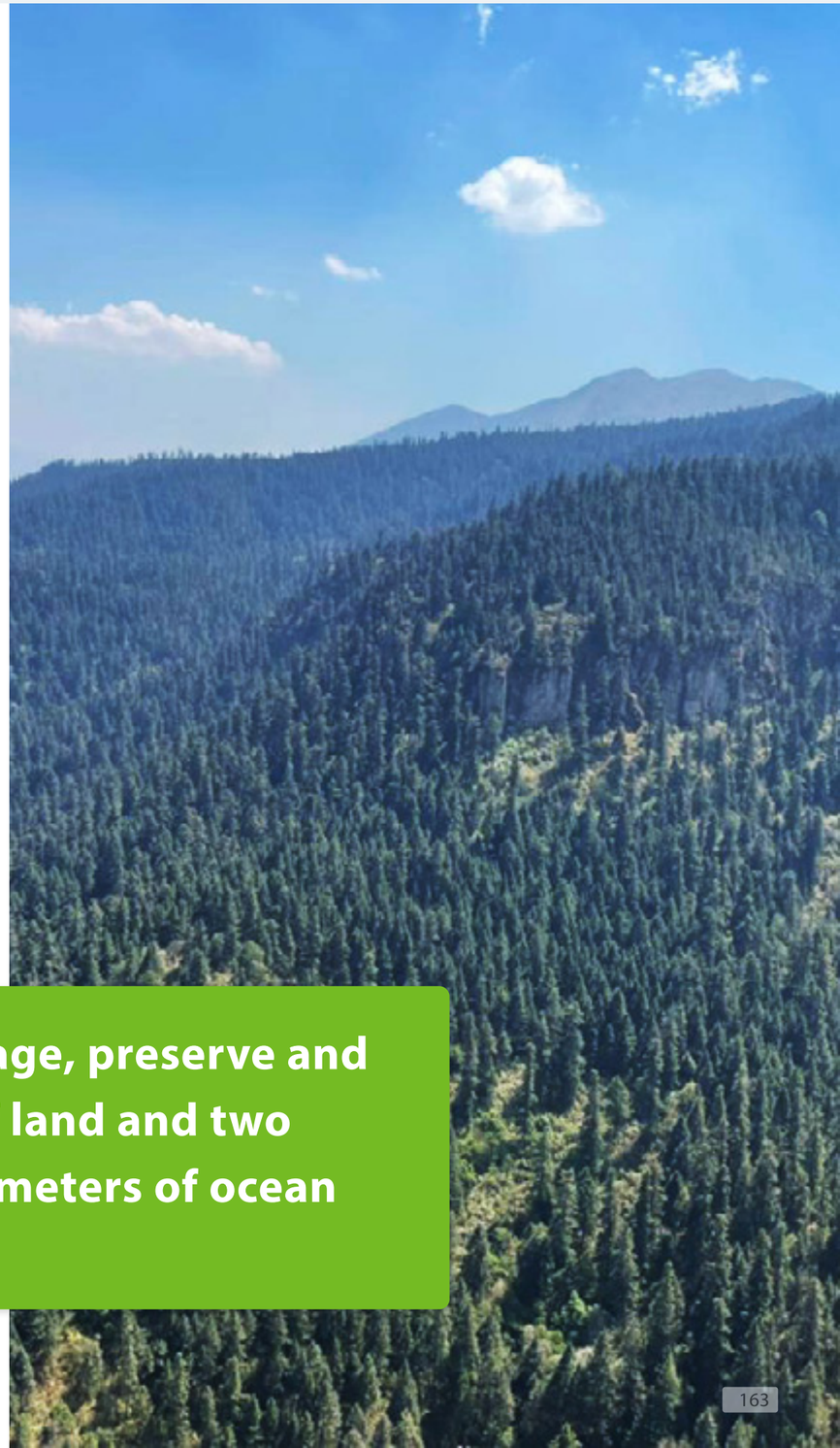
We are convinced that our customers should not have to choose between an affordable product and one that is good for the environment. That is why we work in our operations and supply chain towards developing responsible and sustainable sourcing that reduces the environmental impact of products in the life-cycle phases where they are most significant.

This year, we set a new goal for our contribution to the preservation of biodiversity and nature. We understand our responsibility for the actions we undertake and, convinced of the capacity we have through our scale for the common good, we have decided to be a regenerative company by 2040.

This ambitious goal reflects a long journey we have built with our suppliers, associates, and customers to ensure their shopping experience with us is increasingly sustainable. We have found that there are common challenges in achieving this, so the alliances we have built with civic organizations, our business partners and specialized agencies allow us to chart a path based on priorities and existing knowledge to meet our goal.

In the case of our sustainable sourcing commitments, we have defined which are the main commodities that may have some environmental risk, and where we also have a direct impact to promote their sustainability. The data we report on compliance is updated annually by our suppliers to ensure we are making progress on each of our goals.

By 2040, we aim to help manage, preserve and restore 20 million hectares of land and two and a half million square kilometers of ocean worldwide



PALM OIL

GRI **308-2**

Palm oil is one of the most important commodities regarding traceability on how deforestation is avoided. Given the high demand for this commodity, palm oil plantations can often be associated with changes in land use in jungles and forests, which can lead to forest erosion.

To avoid this, we committed to sourcing 100% from sustainable palm oil certified by the Roundtable on Sustainable Palm Oil (RSPO) and the Rainforest Alliance by 2020. This certification ensures the traceability of palm oil throughout its entire chain of custody, from plantation to manufacturing the final product.

Additionally, suppliers reported their remaining volume to be certified are committed to having a sustainable palm oil supply in Mexico during 2021.

By the end of 2020, 93% of palm oil was certified by sustainable sources in Mexico and 54% in Central America

This year, we met our goal of achieving 99% of paper, pulp and wood with recycled or certified sustainable content in Mexico and 100% in Central America

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PAPER, PULP AND WOOD

Cellulose fibers are the second commodity to be considered for traceability of certified deforestation-free sources. In this case, our suppliers must have FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification), or SFI (Sustainable Forest Initiative) certifications. Another option we promote, especially for cellulose fibers, is the incorporation of recycled content, which we also consider to be in compliance with our goal of achieving 100% sustainable sourcing by 2020.

SUSTAINABLE FISHERIES

One of the most susceptible chains to risks due to climate change and biodiversity loss are fish and shellfish species. In particular, the challenges for this category at the regional and species level mean that the effects that may occur at the local level would impact the global chain.

That is why our goal for 2025 is to ensure that 100% of our fresh and frozen seafood products and canned tuna come from sustainable sources certified by BAP (Best Aquaculture Practices), MSC (Marine Stewardship Council) or a Fishery Improvement Project.

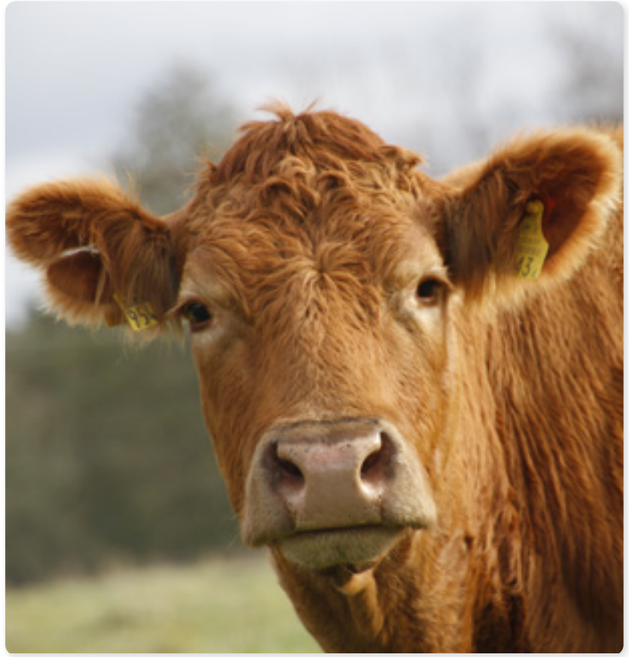
During 2020, we mapped the risks by species to guide our strategy to meet this goal.

Of our total fishery products, 88.9% come from wild fishing, and the remaining 11.1% from aquaculture, while more than 94% of our products come from domestic fishing. This allows us to seek and drive local Fishery Improvement Projects, which add to our sustainable fishery efforts in close collaboration with our suppliers.

By the end of 2020, 96.3% of our fishery products in Mexico were certified by:

Best Aquaculture Practices **8.3%**
Best Aquaculture Practices

88.1%
Marine Stewardship Council



MEAT

As a result of our new goal to become a regenerative company, this year we incorporated the transition of meat in order to achieve a sustainable meat supply. Together with the World Wildlife Foundation (WWF), we are conducting a diagnosis to understand the main material issues, risks, and stakeholders in the meat chain for Mexico and Central America, which are a priority given the potential global contribution of this industry towards reducing emissions by driving sustainable practices.

ORGANIC PRODUCTS AND OTHERS WITH LOWER ENVIRONMENTAL IMPACT

The alliance with our suppliers and their strategies to reduce the environmental impact of our products is also part of our value proposition to our customers.

In particular, our goal is to be able to maintain such a supply that customers who are looking for products with a lower environmental impact, -either organic or having some other sustainable characteristic- may find them in our stores.

In the case of organic products, we consider it a valuable strategy to offer our customers the option of finding products that underwent a sustainable process.

Another option we have are animal products that went through responsible production methods. In this regard, our egg supply includes free-range eggs, and our pork suppliers have adopted the five freedoms of animal welfare on their farms or on those of their suppliers.

Other products with lower environmental impact include the categories of organic and hydroponic, biodegradable, water or energy efficiency, and recycled content, among others. These products are identified through communication and labeling by our suppliers. Likewise, we currently offer 262 products with recycled packaging content.

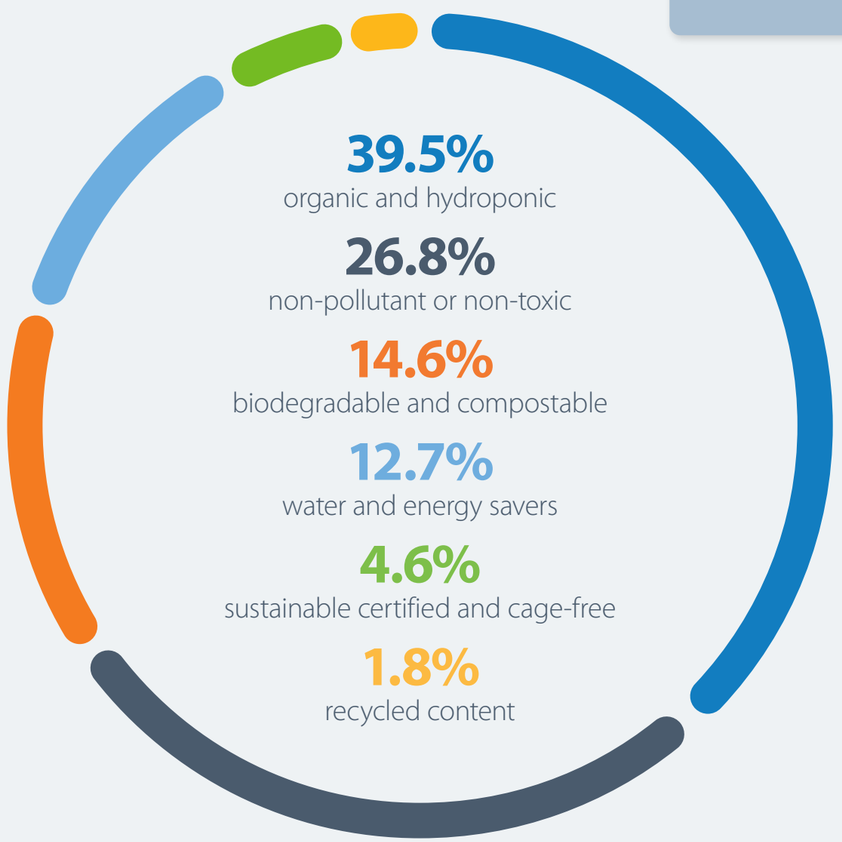
14 Marketside products and 26 Great Value products are certified as organic

Sales for free-cage egg increased in 4.6% for Superama, and 12.8% in Walmart Supercenter

SASB **FB-FR-430A.2**

Products with lower environmental impact (total products, and % distribution by category)

3,443
Products with lower environmental impact



We also have 262 products with recycled content packaging

WATER

GRI **303: 103-1, 103-2, 103-3, 303-1, 303-3, 303-4, 303-5, 306-1**
SASB **CG-EC-130A.2, CG-EC-130A.2**

We acknowledge that water is a fundamental resource for our operation. That is why managing it efficiently in a context such as the one we face in Mexico and Central America is becoming increasingly important. It is estimated that by 2030, water stress as a result of changes in ecosystems and the effects of climate change could generate significant disruptions in supply chains, such as agricultural and manufacturing products, among others.

Total water consumption

10,749,548 m^3

9.4% Well supply

81.2% Municipal supply

0.15% Malls in Central America

9.2% Piping supply

Treatment plants

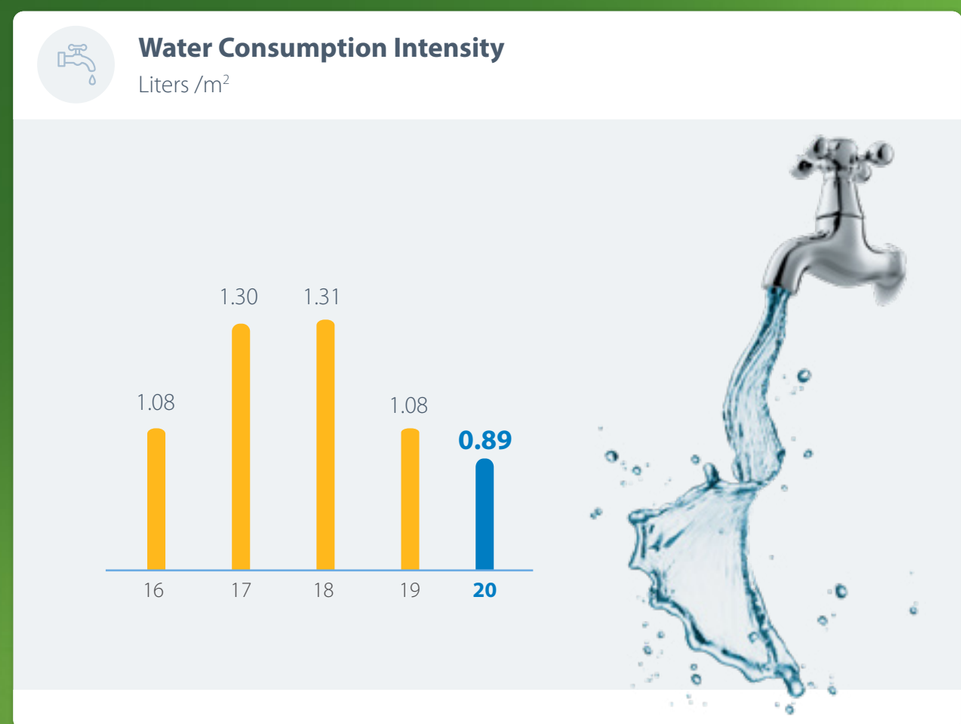
1,315,597 m^3 water reuse

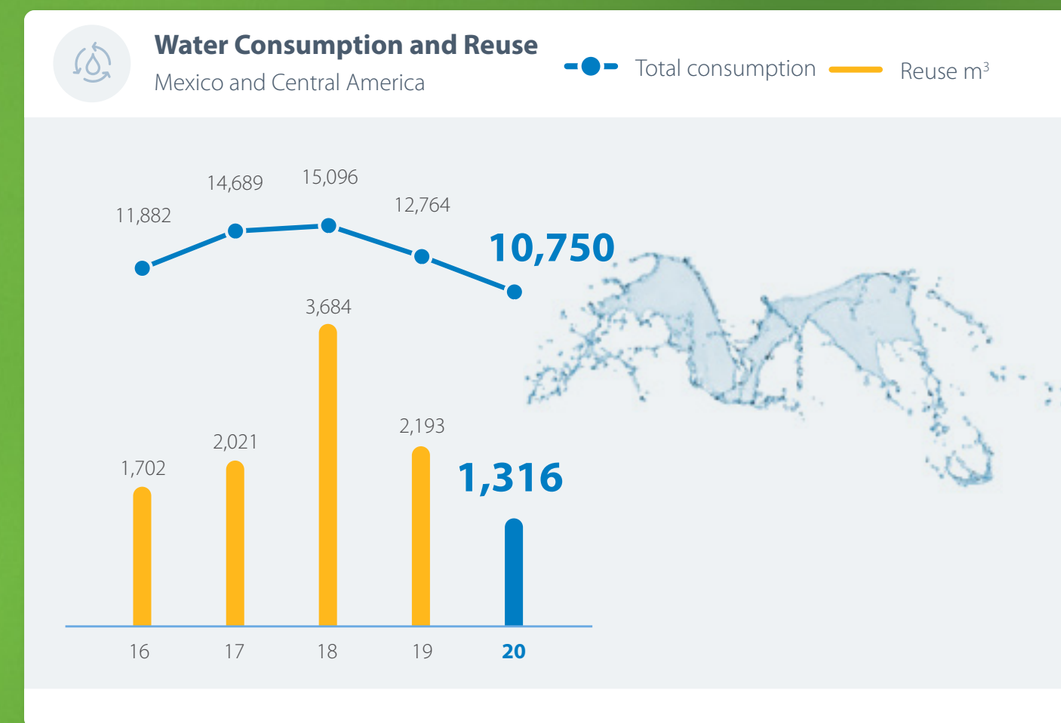
GRI **306-1**

844 Mexico

431 Central America

Our water management strategy is based on two elements. First, reducing the intensity of water consumption per square meter built, separating our growth as a company from total consumption.





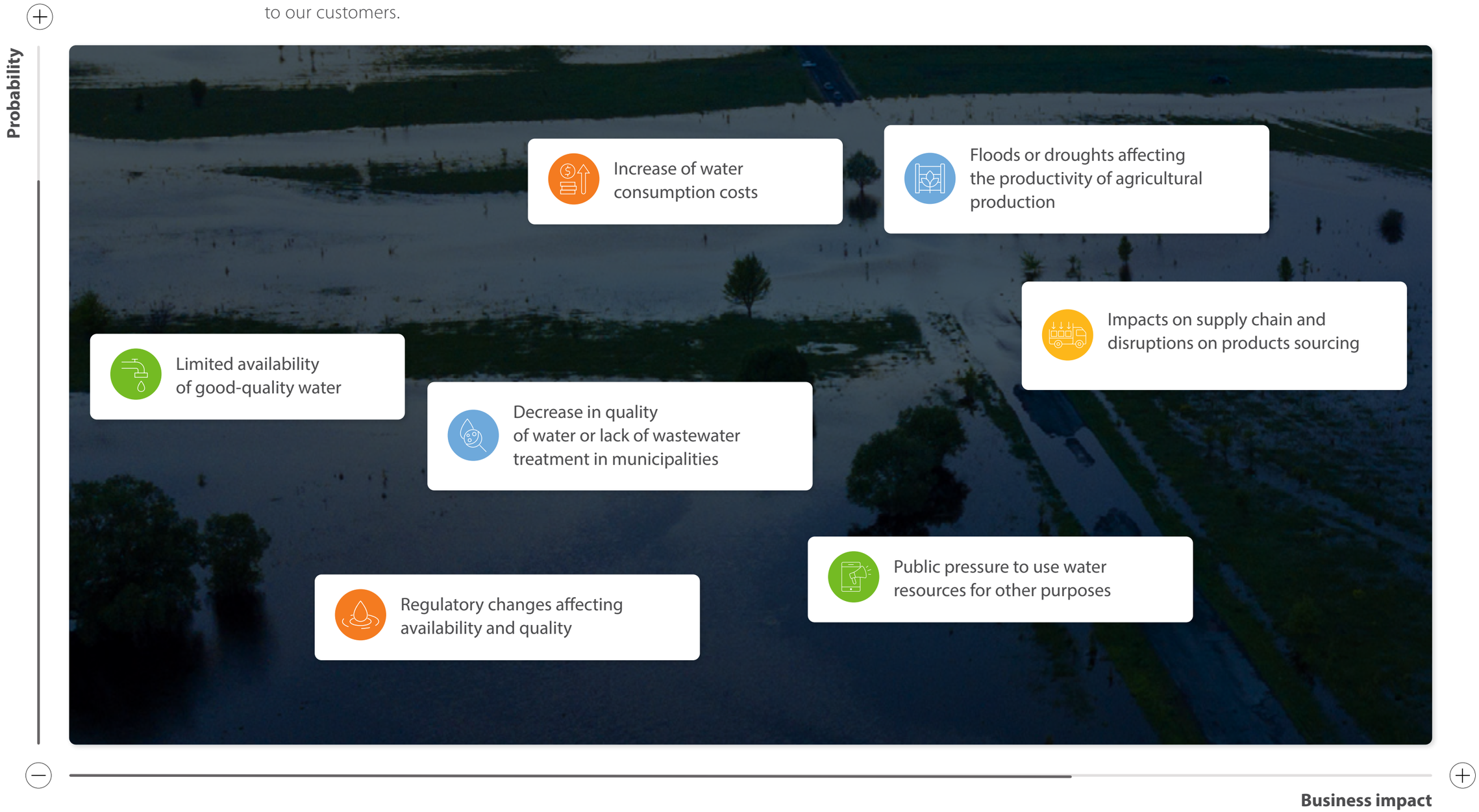
Secondly, being able to recover and recycle water through our treatment plants, especially in those areas with a higher risk of water stress. All this, with a focus on operational efficiency, allows us to continue reducing our environmental footprint in the communities where we operate.

It is noticeable that, since 2019, we improved the way in which water consumption is measured from each store. Thus, we have reduced the estimated consumptions of our units, giving us more certainty about our total consumption.

Water-Related Risks in Our Operation

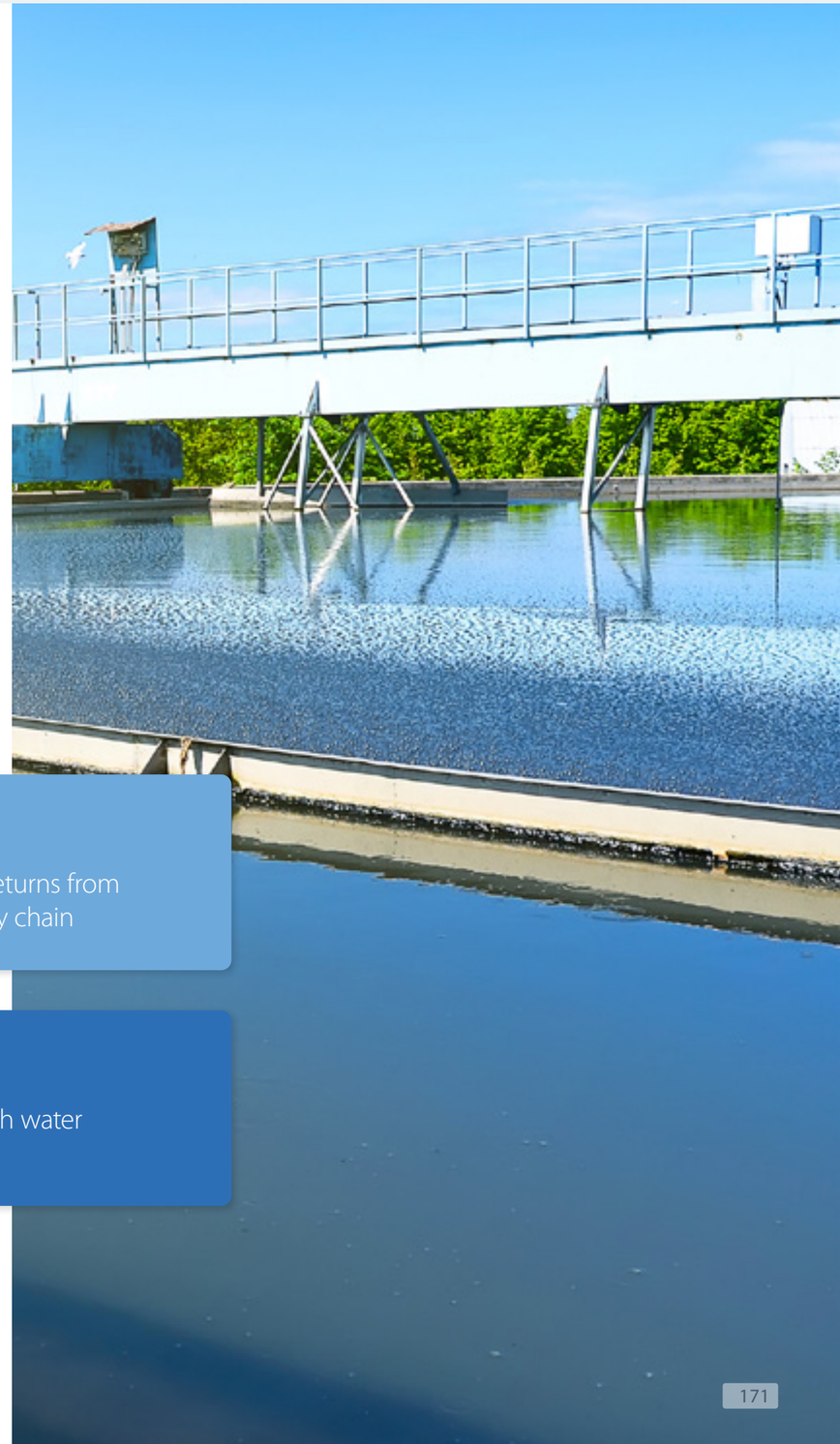
GRI **102-11, 102-15**

Water security risks are also relevant to our operation, as they have significant potential impacts on our ability to continue delivering value to our customers.



WATER-RELATED RISKS AND OPPORTUNITIES IN OUR SUPPLY CHAIN

On the other hand, as our supply chain is the main element of impact for water security, in Mexico we invited our suppliers to report through CDP Supply Chain on this issue. In 2020, 153 suppliers participated by responding to this information, while 71% periodically map risks and opportunities for the supply chain.



1,909 billion
pesos as potential financial returns from water opportunities in supply chain

209 billion
pesos of costs associated with water risks in supply chain

Water-Related Risks in Our Supply Chain

GRI **102-11**
SASB **FB-FR-430A.3**

Water security opportunities in Supply Chain