

# ESG Frequently Asked Questions

September, 2020

## 1. What's the ESG strategy of Walmex?

For Walmart de México and Centroamérica, ESG is a priority and a pillar of the general strategy. We create **Shared Value** for our customers, associates, shareholders, suppliers, communities and even the planet by building a business that benefits all our stakeholders, making us the most trusted omnichannel chain and one of which they can feel very proud.

ESG's strategy is based around three pillars, in Walmex we have set particular goals and metrics for each one of them, which follow international standards and are annually audited so we can make sure our efforts are leading us where we want to be:

- **Environmental:** our axes for environmental are:
  - Climate change mitigation
  - Fostering Circular Economy
  - Sustainable Sourcing
- **Social:** we are creating opportunities for our associates and suppliers; we are committed to the communities where we operate and with our customers.
- **Governance:** in Walmex it is vital to assure that our transactions, negotiations, processes, etcetera are ethical and in compliance, we evaluate and implement the best practices in Corporate Governance and we are focused in guaranteeing information security.

## 2. In such a large company, how do you deploy the strategy and make sure you are getting results?

In order to deploy our strategy and to be able to measure the results of our ESG strategy, in Walmex we have set goals and initiatives for each pillar, our principal goals and initiatives are:

- **Environmental:**
  - Mitigate Climate change
    - Reduce energy intensity per square meter of construction (kW/m<sup>2</sup>) by 25% by 2020, compared to 2010
    - Reduce greenhouse gas emissions by 18% by 2025, compared to 2015 (SBT)
    - Work with our suppliers to reduce or avoid greenhouse gas emissions equivalent to 1 gigaton in our global supply chains by 2030
  - Contribute to create a Circular Economy
    - Send zero waste to landfills by 2025
    - In the year 2025, Our Brand products:
      - We will take out unnecessary or difficult-to-recycle plastic
      - Packaging will contain 20% postconsumer recycled material
      - Will have 100% recyclable, reusable, or compostable packaging
  - Sustainable Sourcing
    - 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
    - In 2020 our Private Brand products will use palm oil and pulp & paper from certified sustainable sources

- **Social:**
  - Associate Value Proposition
  - Diversity & Inclusion Strategy
  - Work-life balance of our associates
  - Responsible Sourcing
  - Small and Medium suppliers development
  - Commitment to the communities where we operate
  
- **Governance:**
  - Implement best practices
  - Ethics & Anticorruption policies

### 3. How did you set the priorities and goals for Walmex?

To maximize Shared Value, we aim not only to run a good omnichannel business, but also to make largescale and lasting improvements to the ecosystems most relevant to our business.

We have a unique ability to make a difference through our strengths, in which our associates in the region, relations with our suppliers, our experience in fresh food, groceries and other product categories, our stores and technical and logistic capabilities play a relevant role.

We set our ESG priorities based on relevance to our company purpose, product categories and key markets, as well as our ability to create change, and the importance to our customers and other stakeholders. These priorities are based on valuable information provided by our stakeholders. In 2018, we conducted our, [Materiality Analysis](#),

The results helped us:

- Identify risks and opportunities
- Identify priority issues for each of our stakeholders
- Identify priority issues for the company
- Define and implement action plans contributing to improve our performance

### 4. Do you have a committee that reviews the results for the initiatives and assures the goals are met?

Our responsibility as a company is relative to our size. That is why we align the business strategy with our corporate responsibility principles. To achieve this, we have a Corporate Responsibility Committee, led by our CEO and composed of senior executives from each of the areas of the company.

The Committee's main functions are to define the company's ESG strategy in the long term, adjust operational processes and make decisions as well as develop action plans for each material issue. This Committee meets four times per year.

Each area is responsible for embedding ESG factors into their own processes and submit their progress into our ESG platform and ESG objectives will be consider in the top management annual performance assessment.

### 5. Where can stakeholders see and review the ESG related information? Is there a jointed annual report for ESG and financial information?

In 2004 Walmex presented the 1st Social Responsibility Report and since 2011 it has been presented as an integrated annual report with the financial information. This report has been prepared in accordance with the GRI Standards (comprehensive option), frameworks such as the United Nations Sustainable Development Goals

(SDGs), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).

EY undertaken an independent limited verification of the information and performance indicators included in Independent Verification Report and presented in the 2019 Financial and Corporate Responsibility Report, including the GHG emissions inventory scope 1 and 2, in accordance with the reporting criteria set forth in the GRI Standards, GHG Protocol standard and GEI Mexico Program. In accordance with International Standard on Assurance Engagements (ISAE) 3000 issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

All the information is available at our website: [www.walmex.mx](http://www.walmex.mx).

## **Environment**

### **6. Is the company committed to mitigate climate change?**

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.

Yes, in Walmex we are committed to mitigate climate change and our carbon footprint. Risks and opportunities have been identified based on 3 pillars:

- Reduce our emissions in our operations and supply chain
- Contribute to generate a circular economy
- Sustainable Sourcing

### **7. What are your main goals in climate change mitigation?**

Our main goals are:

1. Reduce energy intensity per square meter of construction (KW/m<sup>2</sup>) by 25% by 2020 vs. 2010
  - 88% of our stores are supplied with renewable energy
  - 51% of energy consumption is supplied by renewable sources
2. Reduce greenhouse emissions by 18% by 2025 vs 2015
  - 17% increase in scope 1 and 2 GHG emissions reduction scope 1 and 2 vs 2015
3. Work with our suppliers to avoid greenhouse gas emissions equivalent to 1 gigaton in our global supply chain by 2030

### **8. How do you contribute to create a circular economy?**

We are committed to reduce waste; therefore, we have set the following goals:

## Send zero waste to landfills by 2025

- 70% of the waste generated was diverted from landfills – 1,586,475m3 landfill space was saved.
- 39,736 m3 of food waste were diverted from landfills
- The campaign “sin bolsa por favor” (no plastic bag please) was launched

In 2025 our brands' products will meet these criteria:

- 100% reusable, recyclable or compostable packaging
- Packaging will contain 20% of post-consumer recycled material
- Will take out unnecessary / difficult to recycle plastic

## 9. Has Walmex implemented new and innovative programs to achieve these goals?

Yes, we have many programs and projects to achieve these goals and to increase the environmental conscience with our associates, suppliers and communities where we operate, three of the most important ones are:



We launched the Gigaton project in Mexico. The project is a global initiative by Walmart Inc. to work with suppliers on preventing the generation of 1B tons of CO<sub>2</sub> emissions on the global value chain by 2030.

By joining the project our suppliers set goals and define initiatives to prevent emission on six areas:

- Energy Use
- Sustainable agriculture
- Waste
- Product use
- Deforestation
- Packaging

So far:

- 29 suppliers have joined reporting a reduction of 782 tons of CO<sub>2</sub> emissions



### 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 and refilled with a liter of shampoo.
- The program started in 10 stores with a very positive response from customers

### Reciclamanía

The purpose of this initiative is to foster a culture of waste separation and recycling among our customers.



## Social

## 10. Does Walmex have community support initiatives?

Yes, we are committed to generate value to all of our stakeholders, including the communities where we operate.

Our community support program is focused on four key areas:

- Food security
- Volunteerism
- Natural disasters relief
- Development of small producers

## 11. Which are the advantages of working in Walmex? How does Walmex take care of it's associates?

In Walmex we have an Associate Value Proposition (AVP) based on the following principles:

### Associate Value Proposition

GRI 401: 103-1, 103-2

#### Mexico

- A place where you can be yourself**  
Everyone is welcome
- A place that inspires you**  
Everything is possible
- You get where you want to be**  
Grow more and keep learning big
- You make a difference**  
Improving the quality of life of those who need us the most
- You reinvent the retail rules**  
Digital is a mentality and a way of working



#### Central America

- Goal**  
This is the place where you grow up together with millions of families
- Challenge**  
This is the place where you find the greatness to overcome challenges
- Opportunity**  
This is the place where you strengthen yourself with unique opportunities
- Inclusion**  
This is the place where every difference makes us who we are
- Enjoyment**  
This is the place where we enjoy what we do

The Human Rights Campaign Foundation certified us for the third consecutive year as one of the companies that promotes diversity and LGBT+ inclusion in their workplaces.

Walmex is a member of the Bloomberg Gender- Equality Index for the 3rd consecutive year.

## 12. Does Walmex have a diversity and inclusion strategy?

Yes, for Walmex is very important that the associates feel they are in a place where they can be themselves, the diversity and inclusion strategy is based in four pillars:

- Gender equality
- Generational diversity
- Sexual diversity
- People with disabilities

### 13. Does Walmex have specific programs to help small and medium suppliers?

Yes, Walmex has different development platforms that are designed to help suppliers according to their nature. The goal is to equip them with the know-how and experience needed to become suppliers, to achieve permanence and sustainable growth with us, and to increase their capacity to grow into other markets.

These are our development platforms:



### 14. Does Walmex has a Responsible Sourcing Policy?

Yes, we are committed assure a sustainable sourcing, to achieve this, we are working together with suppliers and stakeholders to make the global supply chain more responsible every day. The Responsible Sourcing Program establishes the expectations to be met by suppliers, addressing the facilities they use, risks and supply chain conditions, which are monitored through audits and investigations. In order to build a more sustainable supply chain trainings and tools are provided to associates and suppliers across this industry.

### 15. What are the minimum social, environmental and safety standards that have to be met by a supplier?

All our suppliers need to meet our standards, which are divided into 4 categories, and each one has different subcategories:

#### Service to customer:

- Be transparent
- Cooperate with Walmart
- Uphold and promote these standards

#### Respect for the individual

- Do not use involuntary 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
- Provide a safe work environment

#### Strive for Excellence

- Know your risks and take steps to address them
- Comply with the law
- Comply with Walmart policy

#### Act with integrity

- Be honest
- Act ethically
- Report

For more detailed information please visit: [Walmex's standars for suppliers](#)

## 16. How does Walmex assure these standards are met by suppliers? Does Walmex conduct audits to suppliers to verify they are complying with such standards?

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.

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.

### Governance

## 17. Does the company have specific confidential mechanisms to report violations to such conduct code?

Yes, we have confidential mechanisms to report violations:

1. Global Ethics Hotline, available 24 hours a day, seven days a week for all associates, and is equipped to serve in most local languages. This helpline is staffed by people from a non-affiliated organization to Walmart.

Mexico helpline numbers:

001-888-280-0603

01-800-963-8422

2. The Open Door Communication process is the most direct way to express any concerns to a leader through open communication.
3. [Web site](#) and email. All the mechanisms available in our [Statement of Ethics](#). Walmex will not terminate, demote or otherwise discriminate against associates for raising concerns.

walmartethics.com

ethics@wal-mart.com

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## Does Walmex have an anticorruption program?

Yes, we have been redefining the Ethics and Compliance program over the past five years. We established an integrated global structure to improve transparency and accountability. We developed processes, with the help of innovative technological systems, to ensure that acting in the right way is part of the company's culture. And

we are taking similar steps to promote integrity with our business partners, particularly those who interact with governments on our behalf.

It is a good time to look back, review what we have learned and make plans for the future. Our Ethics and Compliance Program is dynamic and effective, and it is designed to prevent, detect, and respond to any failure to comply with applicable laws, policies, and internal procedures. This program provides the guidelines that all associates must follow in order to act correctly and in accordance with the company's fundamental values and principles, to contribute to being the most trusted omnichannel retailer for our customers and suppliers.

Since 2014, we appointed a Vice President of Ethics and Compliance in Mexico and Central America, in charge of a dedicated team, divided into 14 different areas, ranging from anti-corruption to food safety. In order to provide the necessary knowledge and expertise, we appointed Subject Matter Experts for each of the 14 risk areas by retail market, and designated 14 Global Subject Matter Leaders, who work together to identify and coordinate common standards and procedures, share best practices, and provide training, monitoring, and support on their subjects. These individuals report directly to the Vice President of Ethics and Compliance in each of the business units.

### **Anticorruption**

We are committed to maintaining the highest standards of integrity and compliance, in accordance with the applicable laws of the markets in which we operate with our Global Policy and Global Anti-Corruption Procedures. We always achieve our objectives with transparency, we do not tolerate bribes, acts of corruption or dishonest practices of any kind. In case our associates have any suspicions, information of violation of the [Global Anticorruption Policy](#) or the Company's AC Procedures, or have any information of improper requests (even if they are rejected) they must report the event immediately to the Global Ethics contact points.

## **18. How is the board integrated? How many independent members and women does it have?**

The board is integrated by the following directors:

- Enrique Ostalé
- Richard Mayfield
- Christopher Nicholas
- Guilherme Loureiro
- Lori Flees
- Kirsten Evans
- Adolfo Cerezo \*
- Blanca Treviño\*
- Roberto Newell\*
- Ernesto Cervera\*
- Eric Pérez Grovas\*

*\*Independent Directors*

- Independent directors represent 45% of the board
- Women represent 27% of the board

## **19. Are you members of any pacts?**



Yes, since December 2019 we are signatories of the UN Global Compact, strengthening our commitment to take actions, operate responsibly in line with the ten principles and take strategic action to advance towards the UN Sustainable Development Goals.

## 20. How does ESG metrics tie to executive compensation?

ESG metrics are linked to the executive compensation according to the pillars where they have influence and to the company's objectives. For example, those executives responsible for the community relations have objectives linked to the social pillar. About corporate ESG metrics, this responsibility falls into the Executive Director of Corporate Affairs, who reports directly to the VP and General Director of Legal and Corporate Affairs for Mexico and Central America. This area is in charge of finding the strengths and opportunities of the company in ESG issues, co-chairs the Corporate Responsibility Committee, and coordinates the development of plans, objectives and indicators to improve our performance.

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To see Walmex's annual report 2019 [click here](#)