



Letter from the Chairman of the Board

Board of Directors

The House of the Americas in Figures

Mission, Vision and Values

Ownership Structure

Our History

Letter from the Corporate General Manager

Corporate Executive Committee

Corporate Commercial and Marketing Strategy

26

CMR Falabella and Banco Falabella Cards

Sodimac Chile

Sodimac Colombia

Sodimac Peru

Sodimac Argentina

Sodimac Brazil

Sodimac Uruguay

Sodimac Mexico

74

Imperial

Sustainability



LETTER FROM THE CHAIRMAN OF THE BOARD



In 2016, we achieved a very important milestone for Sodimac's consolidation as the House of Latin America, signing a strategic alliance with Organización Soriana for our expansion to a seventh market: Mexico.

This was the last great market in the region where we were not present and it takes us beyond the frontiers of South America. This alliance with Mexico's second largest supermarket operator, which has over 800 stores, will enable Sodimac and CMR to enter the market as important players. Soriana not only shares our culture of focus on the customer but also has both a deep understanding of the Mexican consumer and strategic locations that will facilitate deployment of our stores over the next few years.

In Brazil, we continued to grow, opening a third Sodimac store which met with an excellent response from customers. We also began operations at a new distribution center. With an area of 20,000 m2 and the potential to expand to 80,000 m2, it will raise the standards of the logistics operations of both Sodimac stores and the Dicico chain. Our intention is to continue growing in Brazil, with prudence and striving to deepen our understanding of the consumer and the market. We will advance step-by-step, as we have done until now, seeking to tailor our value proposition ever more closely to the needs and expectations of our Brazilian customers.



"In each country, we continued to develop our ability to listen to customers, investing in service quality and logistics efficiency whilst also putting ourselves on a stronger footing for the development of e-commerce."

In Uruguay, we also opened our third store, located in the city of Maldonado, and progressed in positioning home improvement as a new retail category that did not previously exist in this market.

In Colombia too, 2016 was a year of expansion. Here, we opened three stores, including one in a new city. Following the start of operations of a new distribution center in 2015, we also continued to increase capacity with the inauguration of a new center specialized in home delivery.

In Peru, the integration of Sodimac and Maestro remained the key focus of our work. All the stores were incorporated into a single logistics and supply network that is allowing us to increase the efficiency of warehousing and distribution. For this purpose, we launched a new distribution center with an area of 65,000 m2 that will generate important savings in annual expenditure on supplying stores. In an effort to increase the efficiency of our processes, we also completed the migration of Maestro's IT systems to a unified platform.

In Argentina, where we have eight stores, we continued to make gains in market share. Here, we were able to report progress in our capacity to listen to customers and in operational efficiency and we continue to monitor the market's evolution so as to contribute to the country's development and respond to our customers' needs.

As part of our master plan for logistics development in Chile, we expanded our Lo Espejo distribution center by 28,000 m2, giving it a total area of over 100,000 m2, and also plan to make important investments in its automation. In addition, work has proceeded with a view to opening three new stores in 2017.

In each country, we continued to develop our ability to listen to customers, investing in service quality and logistics efficiency whilst also putting ourselves on a stronger footing for the development of e-commerce.

Internally, we advanced in the development of the talent required to support this growth and, in 2016, devoted almost 2 million hours to training and skill development programs. In each country, we have consolidated our position as one of the best companies for which to work, according to the Great Place to Work ranking in which Sodimac Uruguay and Sodimac Argentina took third and fifth place in their respective country.

All this occurred in the framework of a strategy of sustainable growth that also seeks to create value for the communities and countries where we are present. Among the numerous programs we are implementing, I would like to draw attention to our many corporate volunteer activities on behalf of vulnerable communities and the training programs through which we are able to offer opportunities to construction industry professionals and accompany them in their own growth and that of their businesses. Similarly, I would like to highlight our active commitment to the struggle against climate change as part of which we seek not only to reduce the impact of our operations but also to raise awareness and encourage positive changes among our customers as regards the environment.

I would like to take advantage of this opportunity to thank our suppliers who are our strategic partners along this road to growth. In the coming years, we will continue to collaborate in innovation, harnessing their capabilities and our own to generate products and services that create value for our customers.

Similarly, I would like to offer my deep thanks to the more than 40,000 people who work at Sodimac. It is their enormous commitment and efforts that have allowed us to

successfully address the challenges we have faced in each country and to close the year with 246 stores and sales of close to US\$5,600 million around the region.

The scale of the opportunities the coming years promise for Sodimac will make them a truly exciting time. We have enormous faith in Latin America and are optimistic about the potential of our business in the region.







BOARD OF DIRECTORS



Standing (from left to right):

Nicolás Majluf Sapag INDUSTRIAL CIVIL ENGINEER Catholic University of Chile

Gonzalo Rojas Vildósola

ECONOMIST AND BUSINESS **ADMINISTRATOR** Adolfo Ibáñez University

Juan Pablo Del Río Goudie

CHAIRMAN Architect Catholic University of Chile

Jaime García Rioseco

ECONOMIST Catholic University of Chile

Carlo Solari Donaggio

INDUSTRIAL CIVIL ENGINEER Catholic University of Chile

Seated (from left to right):

Juan Carlos Cortés Solari

ECONOMIST AND BUSINESS ADMINISTRATOR University of Nevada, USA

Paola Cúneo Queirolo

BUSINESS ADMINISTRATOR University of Chile

Cecilia Karlezi Solari

BUSINESSWOMAN

José Luis Del Río Goudie

INDUSTRIAL CIVIL ENGINEER Catholic University of Chile



THE HOUSE OF THE AMERICAS IN FIGURES

In the framework of a strategy of responsible and sustainable growth, Sodimac continued to expand and consolidate its presence in Latin America in 2016 when it announced its debut in the Mexican market.

246 Stores

Operations in 6 countries and shortly in Mexico

Figures as of 31 December 2016.







Annual sales **US\$5,600**

million



More than

40,000 employees



More than

1,700,000 m² of sales floor



Almost

2,000,000

hours of training in 2016



MISSION, VISION **AND VALUES**

OUR

VISION

To be the leading company in home and construction projects that, improving quality of life, is the most loved, admired and respected by the community, customers, employees and suppliers in the Americas.

OUR

MISSION

To develop our company with innovation and sustainability, offering the best products, services and advice at the best market price in order to inspire and build our customers' dreams and projects.

OUR

VALUES

Our values are the framework for our relations and our way of doing business. They represent our beliefs and guide the path that allows us to put our Mission into practice. They constitute the principles, objectives and strategic priorities around which we build our company.

These principles can be summarized in the following values:

· RESPECT

Diversity Team work

· EXCELLENCE

Excellence in customer service Spirit of entrepreneurship and innovation Profitability for our shareholders

· INTEGRITY

Honesty Transparency

· RESPONSIBILITY

Care for and development of our people Social responsibility



OWNERSHIP STRUCTURE

Sodimac is the home improvement subsidiary of SACI Falabella, one of Latin America's principal retail conglomerates.

This parent company controls 100% of Sodimac through:

Home Trading S.A. 99.9999986% 17,758,157,950 shares

Inversiones Parmin SpA 0.0000014% 252 shares

Total shares:

17,758,158,202

Bienvenidos

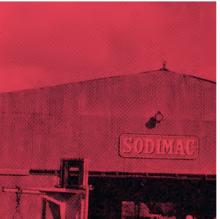
Figures as of December 31, 2016.



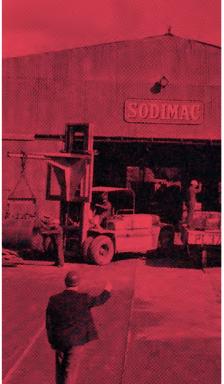
Sodimac's international expansion began in 1994 when it formed a partnership with Grupo Corona to enter the Colombian market. In 2003, it merged with Falabella and, a year later, went on to open its first stores in Peru. This was followed by Argentina in 2008 and, most recently, Brazil and Uruquay, consolidating Sodimac's position as the leading company in Latin America in the commercialization of construction materials and home improvement products. In the next few years, the company will continue to expand its regional presence through its start of operations in Mexico and the strengthening of its channel for online sales.

Milestones













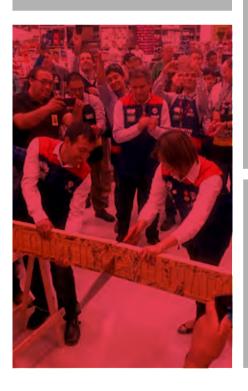




















Sodimac announces its expansion to Mexico, a business it will develop in association with the Soriana supermarket chain.

Sodimac is invited to join the Gold community of the Global Reporting Initiative (GRI) whose objective is to foster transparency in companies around the world.

As part of a pilot plan for the use of renewable energies at stores in Chile, two solar plants begin operation (at the San Bernardo and Copiapó Homecenters).

New distribution centers are launched in Peru, Colombia and Brazil and the company's principal distribution center in Chile is expanded.

In Chile, the company implements South America's first circular economy initiative, consisting in the manufacture and sale in its stores of products made from plastic waste received at its Punto Limpio recycling collection points.

Sodimac Colombia installs wastewater treatment plants at 23 stores.

Sodimac Uruguay and Sodimac Argentina take third and fifth place, respectively, in their countries' Great Place to Work ranking of the best workplaces.



LETTER FROM THE CORPORATE **GENERAL MANAGER**



In a context that places ever more demands on us, Sodimac is addressing new challenges. As well as expanding to new markets which, importantly, include Mexico, we are growing our business through the development of formats and new services and a growing online presence.

Today, there are more than 3,500 million Internet users around the world and, over the next two years, the figure is expected to reach more than 4,500 million. Many of the new users will be in emerging markets, in regions like Latin America, where Internet penetration, particularly through mobile devices, is growing rapidly. This is transforming the way we are developing our business and, in 2016, we continued to work to complement our current strengths as a retailer with the functionalities and benefits we can offer clients through e-commerce and the digitization of our organization.

This implied changes in the Sodimac portal in the different countries where we have operations in order to transform it from a site of a relational nature into one in which transactional capabilities have been firmly incorporated. New categories of complementary

"In 2016, we continued to work to complement our current strengths as a retailer with the functionalities and benefits we can offer clients through e-commerce and the digitization of our organization."

products were also added and traditional products were marketed more aggressively. As a result, we were able to more than double sales through this channel and it is becoming ever more important as a percentage of our total sales. In order to better support this transformation of distance sales, we also improved stock management, taking advantage of the website to offer products that are not available in stores or for which these have insufficient display room.

At the same time, we are making important investments in logistics and technology and started operation of new distribution centers in Peru, Colombia and Brazil as well as expanding our principal distribution center in Chile. Important changes were also made in the processes of the different countries and in China, thanks to which we were able to reduce average inventories.

We have continued to seek new synergies through which to increase our efficiency and focalize existing resources on those things that are really valued by customers and have the most significant effect on their experience. Based on the feedback received in stores and through our channel of contact with consumers, a series of measures were adopted in line with the particular situation in each country. In Chile, for example, we continued to increase the availability of selfcheckouts into which new services were also incorporated. A remote monitoring service, known as the Customer Service Observatory, was established to improve service quality, particularly at checkouts and customer service desks, and a self-service Patio Constructor system was introduced which, by the end of the year, was in operation in 50% of these formats. The efforts deployed in each country were reflected in significant improvements in service quality as measured by methodologies such as the NPS.

Commercially, 2016 brought the mass launch of the Ubermann line of professional tools across all countries. As part of an updating and renovation process that, in some cases, included changes in image and packaging, the positioning of other emblematic Sodimac brands such as Bauker, Kölor, Ozom and Topex was also reinforced, resulting in an ongoing increase in their sales as a percentage of total sales.

In 2016, Sodimac became the first retailer in South America to launch a circular economy initiative. This project, La Virtud de Reciclar (The Virtue of Recycling) consists in the production and sale of products made from the plastic waste received at our network of *Punto Limpio* (Clean Point) recycling collection facilities. At present, eight products are available in the cleaning and organization category.

I would like to take the opportunity of this letter to thank everyone who works at Sodimac across eight countries, including our commercial office in China. 2016 was a very challenging year which we could not have addressed without the commitment and untiring efforts of each one of you.

We have an enormous task ahead of us. Sodimac's long-term sustainability demands that we all acquire new knowledge and skills, focalize resources, foster innovation and, above all, significantly strengthen our ability to listen actively to our customers and the context in which we operate. Only in this way will we be able to continue creating value and contributing to improve quality of life in Latin America.

> Enrique Gundermann Corporate General Manager SODIMAC















CORPORATE EXECUTIVE COMMITTEE



Standing (from left to right):

Wilhelm Ramberg Arnillas

CORPORATE OPERATIONS MANAGER

Nicolás Cerda Moreno

LEGAL COMPLIANCE MANAGER

Sebastián Simonetti Vicuña

CORPORATE PLANNING AND DEVELOPMENT MANAGER

Alejandro Hörmann Orezolli

CORPORATE COMMUNICATIONS MANAGER

Francisco Errázuriz López CORPORATE LOGISTICS MANAGER

Eduardo Isaacson Plaza

CORPORATE PROJECTS MANAGER

Seated (from left to right):

Octavio Donoso Alarcón

CORPORATE IT MANAGER

Enrique Gundermann Wylie CORPORATE GENERAL MANAGER

Francisco Torres Larraín

CORPORATE COMMERCIAL AND MARKETING MANAGER

Daniel Lazo Varas

CORPORATE ADMINISTRATION AND FINANCE MANAGER



"Our debut in Mexico calls for great efforts on the part of all the team in order to coordinate with suppliers, learn about the market in greater depth, start hiring and familiarize ourselves with the local culture. We are in the midst of a process that is both very challenging and very enriching."

Francisco Torres, Corporate Commercial and Marketing Manager

TAKING ON NEW **CHALLENGES**

In 2016, Sodimac continued to strengthen its position as a retailer of global scale which, with the announcement of its entry into Mexico, is expanding beyond the frontiers of South America. This very significant step was accompanied by important improvements in logistics and distance sales as well as new paradigms in marketing.

Much of the work of the commercial area in 2016 had to do with the upcoming opening of a new market for Sodimac. This followed the agreement reached with Mexico's Soriana to introduce Sodimac home improvement stores and CMR financial services into this market.

In response, the tastes and needs of Mexican consumers were studied in greater depth so as to enable the company to tailor its products and services to their expectations. Work also began to contact potential local and international suppliers so that the necessary products will be available when the first stores open.

Progress was also achieved in the other markets in which Sodimac is still relatively new. As the company has gained a better understanding of their particular characteristics, it has made adjustments to its value proposition that have been reflected in growth of traffic through the stores and in sales.















In March 2016, a new round of negotiations was conducted with the company's corporate suppliers, an event that takes place each two years. This time, the meeting was held in the Peruvian capital, Lima, bringing together some 100 companies that supply Sodimac across all countries. The negociations concluded very positively for all the parties and the agreements reached will remain in force through to 2018 when the next meeting of this type will take place.

In Brazil, the adjustments made in product mix in accordance with local trends included an important expansion of the range of products carried by stores in categories such as tiling, bathrooms, tapware and wallpaper. This incorporation of new products led to new agreements with existing suppliers in order to support increased demand.

Distance sales double

In one of the key milestones of the year, important changes were made in distance sales. These included conceptual changes to the Sodimac portal through which it evolved from a site of a relational nature into one in which transactional capabilities have been firmly incorporated. New categories of complementary products were also added and traditional products such as tools, household goods and lighting were marketed more aggressively.

This meant that, while the range of products remained practically unchanged, sales through this channel more than doubled, acquiring ever more importance as a percentage of the company's total sales.

This transformation of distance sales was implemented in all the countries where the chain operates and is being complemented with better stock management, allowing the website to be used to offer products that are not in stores or for which these have insufficient display room.

Reinforcing own brands

Another key achievement of 2016 was the mass launch of the Ubermann brand, accompanied by a communications campaign through different media and supports and sponsorship of important events.

Work to position other emblematic Sodimac brands such as Bauker, Kölor, Ozom and Topex was also reinforced as part of an updating and renovation process that, in some cases, included their image and packaging.

The company's own brands are now present in all the countries where it operates and represent an attractive alternative for customers, thanks to whose preference they have continued to grow as a percentage of total sales.

Under a strategic decision taken in 2016, the company has begun to analyze in greater depth the key trends seen in consumption internationally, due to social processes such as the ageing of the population, the empowerment of millennials as consumers and the increase in the number of women working outside the home. Based on this study - which reflects Sodimac's belief that customers must be at the heart of its concerns - the company is beginning to adapt its portfolio of products through new categories to target the needs of these segments.



Marketing milestones

Important changes are also taking place in the marketing area. In 2016, this migrated towards a Marketing and Customers structure in a bid to contribute an even more strategic perspective to Sodimac's communications and relations with customers with a focus that goes beyond advertising. This change implied expanding the area's team of professionals in order to generate new value propositions that are reflected in a better customer experience.

At the same time, the company completed the unification of its creative marketing in a single agency. Following a tender in 2015, only operations in Brazil were using a different agency, a situation that was remedied in 2016 so that all markets now work with the same supplier. In this area, it is important to note the successful campaigns implemented in 2016 by both Constructor and Homecenter.

In 2016, Homy also began to implement its brandbook and the year concluded with the issue of a tender to select the regional creative agency that will take responsibility for the company's own brands as from 2017.





CMR FALABELLA AND BANCO **FALABELLA CARDS**

A MEANS OF PAYMENT OF REGIONAL SCOPE

In 2016, different campaigns and strategies were implemented to foster use of the CMR and Banco Falabella debit cards at Sodimac stores around the region. Through attractive financing options, these cards offer customers the opportunity to realize their dreams.

Year by year, the CMR Falabella credit card and the Banco Falabella debit card have grown in importance as a means of payment through which clients of Sodimac and its subsidiaries finance their home improvement purchases. In this way, the cards help people to transform their dreams into reality, implementing projects through which they can enhance their quality of life.

In 2016, ongoing efforts were made to increase the use and importance of these financial services, emphasizing CMR's attributes as differentiating it from the alternatives offered by banks.

Initiatives to boost the Oportunidades Únicas (One-Off Opportunities) strategy had very positive results and were also accompanied by checkout self-liquidating Imbatibles (Unbeatable) offers, other campaigns and the organization of promotional events to foster customers' use of the CMR card.

Oportunidades Únicas and the checkout self-liquidating *Imbatibles* offers as well as different promotional events and campaigns led to increased use of the CMR card and the Banco Falabella debit card by Sodimac customers in 2016.



The company's Imperial subsidiary also participated actively in corporate CMR promotions as well as taking commercial measures of its own in a bid to increase penetration of this means of payment among its clients.

Catering for specific needs

At Sodimac Homecenter stores in Chile, a new option was incorporated into self-checkouts through which customers can pay their CMR

Sodimac Argentina also sought to boost use of CMR as a means of payment by increasing both its visual presence in stores and the associated benefits. Special interest rates were made available to customers at the Constructor format, a strategy that resulted in an increase in sales using CMR and in its share of total transactions.

In Peru, business intelligence studies were carried out to identify new mechanisms for increasing the use of CMR in this market. A pilot plan was also launched under which financial advice leveraged to the card was provided in eight Maestro stores and one Sodimac store, with encouraging results.

Objectives for 2017

In 2017, ongoing efforts will be made to grow the market share of the CMR credit card and the Banco Falabella debit card as the preferred means of payment of Sodimac clients, offering financing plans and advice that are ever more closely tailored to their needs.

The aim is to accompany the cards' users in their home improvement projects, developing financial products in conjunction with Sodimac in a bid to offer customers in key segments solutions in line with their specific profile, fostering use of the most important products.

A further challenge will be to continue positioning the redemption of Sodimac points as another means of providing concrete benefits that are attractive to customers, surprising them with products that satisfy their aspirations.



"In 2016, we worked to strengthen areas such as distance sales, selfcheckouts and operational and logistics efficiency, along with other advances that called for important efforts with a view to serving our customers ever better. It was not an easy year but we continued to lay the foundations for ongoing strong growth in the future."

Eduardo Mizón, General Manager, Sodimac Chile

A MORE EFFICIENT HOUSE

In 2016, Sodimac Chile focused on consolidating the investments in new stores it made in 2015 and on continuing to improve its logistics chain whilst also making important investments in technology. In addition, it strengthened its distance sales channel so as to increase the value it offers customers.

Throughout 2016, the company devoted much of its efforts to continuing to reinforce service quality, operational efficiency and its distance sales business.

As part of these efforts, it expanded its selfcheckout system to stores where it was not yet in operation and also increased their number in those stores with the highest level of transactions. For customers, this meant shorter checkout waiting times and a marked increase in service quality. In addition, new services were made available at these checkouts. including payment of the CMR store card, the collection of quotes and the issue of invoices for customers with a current account.

Another task in 2016 was to complete the maturing and positioning of the stores opened in Coronel and Copiapó in 2015 and, at the same time, intense work was undertaken to prepare the opening of the new Homecenters in Santiago (Los Dominicos) and La Serena scheduled for 2017.





The expansion of the Lo Espejo distribution center was completed in 2016, taking its total area to over 100,000 m² and incorporating a series of other investments and advances in technology and processes that give the company a logistics operation able to support its future growth.



Ever more robust logistics

The company's program of operational efficiency at the level of stores, the logistics chain and support offices showed great progress in 2016.

The supply chain was strengthened through the expansion of the Lo Espejo distribution center where, after two years of work, 28,000 m2 were added to the existing infrastructure, including 85 new reception and dispatch bays, bringing its total covered area to over 100,000 m2 with more than 120,000 pallet positions.

The "brain" of the Sorter or automatic classifier was migrated from its own computer to an open system with visual online control. This ensures total control over the operation and maintenance management, increasing productivity and the useful life of equipment.

The distribution center was also reinforced with the installation of energy dissipators on each of the 180 pillars that support the building, accompanied by a specially designed device to give rigidity to each beam/pillar joint in a bid to prevent the different elements from moving separately and give the structure the flexibility needed to withstand a major earthquake without structural damage. Thanks to this work, Sodimac Chile's most important distribution center is now equipped with the latest anti-seismic technology

and, crucially in a country like Chile, is capable of withstanding an earthquake of a magnitude of over 9 on the Richter scale.

The progress achieved in 2016 has put the company on an optimum footing for its projected growth, with a logistics operation on a par with future challenges.

At the same time, a system of restocking by cycles was implemented in all the company's stores, with the consolidation of the process and a reduction in times, along with a centralized procurement mechanism for the families that are the core of the business.

In 2016, investments in stores, the supply chain and technological development totaled some US\$60 million.

Greater commercial efficiency

Distance sales were a key focus of commercial management in 2016 and changes were made to the Sodimac website in order to transform it into a completely functional channel for transactions. This called for an increase in the products available and in promotional activities. The initiative delivered excellent results in the form of a significant increase in both visits and sales.



Sodimac Chile also continued to position its own brands, particularly Ubermann, the one introduced most recently. Thanks to important marketing efforts through different platforms, sales of these brands increased as a proportion of total sales.

Service quality continued to be a constant concern. The NPS program was consolidated in stores, showing an average annual increase in customer satisfaction of 15%. This reflected a number of measures adopted during the year, including an increase in the number of trolleys available for customers; the implementation of the Customer Service Observatory, a remote monitoring system to improve service quality, particularly at checkouts and customer service desks; and a self-service Patio Constructor system that, as of end-2016, was in operation in 50% of these formats.

The NPS program was also implemented in the Sales to Companies area where it helped to detect opportunities for improvements in the service provided to professional clients and construction companies.

Operational efficiency projects using the LEAN methodology continued to be implemented in the operational areas of stores, the back office of Sales to Companies, the concentration of procurement in central areas so as to take

advantage of synergies, centralized dispatch to customers and distance sales, all of which helped to reduce the cost of home deliveries.

Thanks to all these efforts, the number of transactions per worker increased, along with sales per employee and per square meter and the NPS indicator.

Our people, the basis of Sodimac's success

At Sodimac, management of human capital seeks to create the necessary opportunities for proper professional development in a context of healthy work relations and a workplace climate that is conducive to retaining talent.

In 2016, the company once again invested heavily in training, which totaled over 586,000 hours, provided mostly through the Sodimac School of Excellence.

During the year, the company also continued to consolidate the new Inclusion, Diversity and Non-Discrimination Policy it launched in 2015. Its aim is to ensure that the company is a place where everyone, with their similarities and differences, can contribute to the organization's strategic and competitive advantages, guarding against exclusion on grounds not related to a person's professional contribution.





The company also continued to strive to prevent all conduct that can cause accidents, implementing programs to align its culture and employees' habits with best practices in this field. As a result, Sodimac Chile reported an incident rate of 40 points in 2016 and an accidentability rate of 2.2 points.

Thanks to the benefits it provides for employees. its open channels of contact with them, its career development plans and the programs through which it seeks to facilitate and improve the way line managers relate to their teams and each other, the company performs well in surveys of workplace satisfaction, particularly that carried out by the Great Place to Work Institute (GPTW). In the most recent version of the latter, 82% of Sodimac Chile's 1,700 employees participated and 78% of those who answered indicated that the company is "a good place to work", positioning it 32nd among the best companies for which to work in Chile. It is important to note that the GPTW ranking is based on a global analysis that reflects employees' perceptions of aspects such as the quality of the work climate, the opportunities for development within the company, training opportunities, recognition, culture and values.

Sustainability as a strategic pillar

Sustainability is one of the strategic pillars of the way in which Sodimac manages its business and, in line with this, the company assesses the impact of its operations on those communities of which it forms part, seeking to gain a better understanding of their needs and anticipate them through lines of action that permit the maintenance of mutually beneficial relations. Similarly, the company participates in different job fairs around Chile, giving priority to hiring people who live near its stores, other installations and support offices.

The initiatives implemented in 2016 included the *Buen Vecino* (Good Neighbor) volunteer program through which the company awards grants for projects that benefit the community. In 2016, 84 such projects were implemented in Chile, with the participation of 2,050 employees from the company's stores, distribution centers and support offices, and benefited a total of 50,425 people.

In the case of care for the environment, all the lighting in the company's La Farfana distribution center was replaced with LED technology,

Sodimac became the first retailer in South America to implement a circular economy initiative and began to market the first products made from plastic waste received at its own *Punto Limpio* collection centers.

In 2016. Sodimac's Puntos Limpios (Clean Points) recycled more than

TONNES

of waste, receiving over 315.000 visits from clients and the community in general.

producing a marked increase in luminosity whilst, at the same time, radically reducing electricity consumption. This initiative forms part of a strategic plan which envisages an update of technology across all the company's warehouses in order to achieve a more sustainable operation with lower use of energy resources. LED lighting has also been installed in stores and, at its San Bernardo and Copiapó stores, the company started operation of solar plants, with a capacity of 100 kW and 120 kW, respectively, which form part of a pilot plan, implemented together with the Solarity company, to use renewable energy at stores.

Sodimac Chile also continued to measure its carbon footprint and adopted measures to mitigate the impact of its stores. This involves encouraging recycling, offering eco-efficient products and making efforts to increase energy efficiency and reduce water consumption at stores. In line with this, Sodimac is submitting its declarations to the Register of Emission and Transfer of Pollutants (RETC), a platform created by the Ministry of the Environment that seeks to facilitate citizens' access to information about organizations' emissions, waste generation and transfer of pollutants.

2016 also brought the consolidation of the *Puntos* Limpios (Clean Points) at Sodimac stores, of which there are now 15 around Chile, as one of the country's principal recycling collection services. During the year, these *Puntos Limpios* received over 315,000 visits from clients and the community in general and recycled more than 2,000 tonnes of waste. In addition, a pilot initiative was launched in two districts of Santiago, together with the TriCiclos organization, to offer a domestic recycling service that includes training, a kit of recycling bins and their collection from homes.

Cutting-edge technology

One of the features of the year was the implementation of technological improvements in different Sodimac Chile processes.

The Iron Preparation Unit underwent important changes that included the acquisition of totally automatized iron cutters and folders. This significantly increased worker safety, reduced the physical effort involved and enhanced productivity. It is important to note that Sodimac is the only company in Chile with this technology at its iron preparation plant.



LEAN Training Academy: A 150-m² academy was built and equipped at the Lo Espejo distribution center to provide theoretical and practical training in the LEAN philosophy. It is used by all the company and is one more demonstration of its vision of development through continuous improvement of processes.

Important software projects were also implemented for external clients and business areas. They included the development of a new Sodimac card for the Tradesmen's Circle (CES), digital customer service modules in stores, the IVR Contact Center, online chat pilots, the electronic signature for employee service kiosks, implementation of the PCI data security norm, digital bulletin boards at the company's central offices to provide information to employees, a new system for sizing products to be cut and the first Digital Homy in a Homecenter store.

Challenges for 2017

The supply chain will continue to be at the heart of the company's priorities, with adoption of the latest home delivery technology available internationally enabling the company to make efficiency gains and develop new services in accordance with customers' demanding expectations.

In the case of human capital, employee training is key for addressing the challenges of the future and, in response, the company will focus on the development of specific skills, using simulation and virtual reality technologies with applications designed especially for the needs and profile of Sodimac Chile.



2016 ANNUAL REPORT 35

Executive Committee Sodimac Chile



From left to right:

Néstor Villanueva Cerutti Homy Manager

Danny Szántó Narea Commercial, Marketing and Internet Sales Manager

Manuel López Pacheco Legal Compliance Manager, Sodimac Chile and subsidiaries

Claudia Castro Hruska Human Resources Manager Osvaldo García Dans **Operations Manager**

Eduardo Mizón Friedemann General Manager

Mariano Imberga Supply Chain Manager

Bernarda Valderrama Mena IT Manager

Fernando Valenzuela del Río Administration, Finance and Prevention Manager

Ignacio Román Moreno Planning, Development and Projects Manager

Juan Carlos Corvalán Reyes Legal Affairs and Sustainability Manager





"Results in 2016 were entirely positive. During the year, we continued to expand our physical presence in the country, opening three new stores and strengthening our distance sales channel; we consolidated our logistics network, with the stabilization of the country's largest and most modern distribution center and the opening of an Internet distribution center, and we were able to report significant achievements in each of the pillars of our model of social responsibility, making us a company that is proudly sustainable in all its dimensions."

Miguel Pardo, General Manager, Sodimac Colombia

EVER CLOSER TO **CUSTOMERS**

Sodimac Colombia continued to pursue its expansion strategy, opening new stores and strengthening its online sales channels. In addition to its investments in logistics and technological projects which had a positive impact on efficiency, the company continued to reinforce its sustainability policy, reporting important achievements in this field.

In 2016, Sodimac Colombia achieved very satisfactory results across all spheres of its activities. Thanks to an investment plan that focused on opening new stores, the consolidation of its logistics processes and the development and implementation of new technologies, Sodimac was able to deepen its presence in the Colombian market.

The opening of three stores (the company's second in Cartagena, its first in the city of Tuluá and the third in Barranguilla) marked new milestones in its expansion. This was accompanied by an important strengthening of sales through the company's website and call center which is the fastest-growing part of its business in Colombia. Distance sales were also reinforced by the start of operations of a logistics center exclusively for the needs of this business. This was certainly a great achievement and provides adequate operational support for the high growth that distance sales are expected to show in the future.





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In 2016, the company maintained its policy of strengthening the NPS system in all its channels of contact with customers in a bid to enhance their shopping experience through efficient management of complaints.

Significant progress was also achieved in the company's logistics network, thanks to the consolidation of the country's largest distribution center which was inaugurated in 2015 and is equipped with the latest technology available internationally, using processes that increase the efficiency with which goods can be delivered to both stores and customers.

Commercial and marketing achievements

The achievements of the year included over 6% growth of sales, which reflected the design and application of innovative commercial and operational strategies that put the customer at the heart of all the operation. The company's product mix was expanded with the Colombian launch of the Ubermann brand, with all its range of cordless tools for the needs of construction industry professionals. The Car Center format was also further expanded, reaching 25 points of operation around the country.

In 2016, Sodimac Colombia received numerous recognitions of its positioning. It ranked 16th out of the country's 100 most reputed companies in the Monitor of Business Reputation (Merco). Similarly, Homecenter was chosen as the most loved and best positioned brand in its category, according to the Kantar Millward Brown market research company, while Invamer ranked it as

the leading brand in Twitter due to its activity in the network, its interaction with customers and its generation of content of interest to them. In turn, Constructor and its Tradesmen's Circle received prizes in four categories at the Ibero-American Festival of Promotions and Events (FIP) for the company's organization of its third Great Training Fair, the largest event of its type in Colombia for construction industry professionals.

Omnichannel improvements

The most important advance in 2016 as regards the company's omnichannel strategy was the expansion of the number of products available through the company's distance sales channels, allowing it to offer users a unified and consistent range of products. In addition, work began on the implementation of a new checkout system that seeks to improve customer service when paying in the different channels.

At the same time, changes were made to the company's website in a bid to provide a better shopping experience through initiatives such as the site's redesign, an expansion of the range of products available with updated pictures and content, the introduction of tools that improve the purchasing process and the implementation of georeferencing software.



Sales personnel were also equipped with mobile devices, allowing them to access the company's online channels from stores and, in this way, offer a wider range of products and services. This has helped to consolidate the omnichannel's relations with customers, achieving a relationship that is consistent across the brand, regardless of the channel of contact.

Care for internal clients

In 2016, new internal services and channels of contact were launched through Yuhu, a website that, in a spirit of collaboration, offers content of interest to employees and their families.

The company also continued to focus on providing integral attention for employees and their families in the different stages of their lives through a range of telephone-based complementary and personalized professional advice programs.

Sodimac Colombia has also reached agreements with a number of universities under which its direct employees and their families are eligible for a discount. Together with the educational benefit provided by the company, this facilitates their access to higher and technical education.

Thanks to these and other efforts, Sodimac ranked 13th among the best companies for which to work in Colombia in 2016, according to the Great Place to Work Institute (GPTW). It also climbed eight places in the Merco Talento ranking, taking 22nd position among the companies with the best human talent practices in Colombia.

Responsible management

In 2016, Sodimac Colombia achieved significant successes in each of the pillars of its model of social responsibility, consolidating its position as a sustainable company in all its dimensions.

Key initiatives included support for the local version of the Teletón, provided both directly by the company and by its employees, customers and suppliers. The company continued to stand out for the workplace inclusion of persons with a physical and/or cognitive disability, due to its *Manos Capacitadas* (Trained Hands) program under which, as of end-2016, it was employing 135 people. The excellent results of this program prompted the introduction of a new model of inclusion favoring socioeconomically vulnerable persons under which the company hired 74 people who found in Sodimac Colombia the opportunity to grow and improve their quality of life.



The Soy Voluntario Sodimac (I am a Sodimac Volunteer) program was also further strengthened. This program seeks to foster social sensitivity among employees through activities that benefit communities where the company operates. In 2016, 36 such activities took place (repair of state schools, construction of integral housing solutions and planting of trees) in which over 700 employees participated, donating a total of 5,100 hours of work. In addition, products were donated to 233 foundations in order to improve the quality of life of more people around the country.

In 2016, the company published its Gender Equity Protocol, reaffirming its commitment to best gender equity practices, inclusive work environments and rejection of all types of violence and discrimination

In the framework of the Tradesmen's Circle (CEC), important efforts were made as regards responsible trade and marketing practices. The CEC, which already has over 227,000 members in Colombia, is a training program that seeks to assist and accompany construction sector professionals in their own growth and that

of their business. Over 21.000 construction workers participated physically and virtually in the third version of the CEC Great Training Fair. During the year, 306 scholarships were also awarded for CEC members to take the EAN University's Diploma in Commercial Management and Marketing, bringing the total number of scholarships awarded under this program up to 2,000.

A belief in the importance of protecting the planet is transversal to all the operation and was reflected in initiatives to reduce its carbon footprint. More than 3,800 trees were, for example, planted in 2016, giving a total of some 20,000 over the past four years. In addition, the company achieved an energy saving of 15% as compared to 2015 while water saving reached 8.7% and wastewater treatment plants were installed in 23 stores.

As of the end of the year, over 3,700 tonnes of cardboard, paper, plastic and other materials had been recycled while, through the Lumina and Recopila programs, 40 tonnes of batteries and light bulbs were collected for their proper treatment and final disposal.



The offer of financing to customers through the CMR card remained a priority and, in 2016, intense efforts were made, with very positive results, to generate measures to improve the attractiveness and relevance of Oportunidades Únicas (One-Off Opportunities). Given the different initiatives implemented in 2016, 2017 should mark a number of milestones as regards the financing of projects through CMR.

In 2016. more

3,800 **TREES**

were planted. giving a total of some 20,000 over the past four years.

Eight stores are in the process of obtaining certification under ISO 14001:2015, which ensures that environmental management is an integral part of a company's strategy, a guarantee that will ratify Sodimac Colombia's position as a company committed to the environment.

The company's efforts as regards sustainability were recognized in 2016 when it was awarded the 2016 El Andesco Prize for Social Responsibility in the economic context category.

Looking ahead to 2017

Sodimac Colombia's priorities for 2017 are primarily to continue implementing its strategy of responsible growth and to reinforce the integration of its different channels of contact with customers as a means of offering them a wider range of options of products and services for their home improvement projects.

A further focus of work will be the implementation of initiatives that increase the operation's efficiency in order to continue offering customers an attractive value proposition and the promise of low prices.

Finally, a commitment to initiatives with a high social and environmental impact as well as constant efforts to make the company a great place to work will continue to be the motivation of all the collaborators of Sodimac Colombia.





Executive Committee Sodimac Colombia



From left to right:

Ricardo Rafael Briceño Suárez Finance and Administration Manager

Gustavo Diego Hernández Árizabaleta Development Manager

Miguel Pardo Brigard General Manager Erasmo Jesús Moreno Aquilera Technology Manager

Karim Cecilia Grijalba Mármol Integral Human Resources Manager

Luis Prieto Archidona Commercial Manager

Pedro José Gallón Tamayo Operations Manager





SODIMAC PERU

56

Stores (Sodimac: 26; Maestro: 30)

371,714 m² of sales floor (Sodimac: 201,894 m²; Maestro: 169,820 m²)

9,348 Employees

342,942Hours of training in 2016

Figures as of 31 December 2016.

"In 2016, we opened a new Sodimac store and started operation of a new distribution center that will make logistics more efficient. Important organizational, operational and technological progress was also achieved on the integration with Maestro, opening the way to far more competitive growth for both chains."

Hernán David Pérez, General Manager, Sodimac Peru

STRONG PROGRESS ON INTEGRATION

Sodimac and Maestro continued to be the preferred brands of Peruvian consumers in 2016, allowing the company to maintain its place in their home improvement projects and dreams. In a bid to further strengthen this relationship, the company adopted a number of operational, logistical and IT decisions that made it a more efficient operation and were reflected in a better shopping experience. As a result, in the second year in which its organizational climate and culture were measured by the Great Place to Work Institute. Maestro took 10th place among the best companies for which to work in Peru, while Sodimac entered the Hall of Fame of companies that have remained among the best companies for more than a decade.

The integration of Maestro and Sodimac showed strong progress in 2016, with the synergies between the two chains as regards talent and capabilities becoming ever deeper.

The steps taken during the year focused on advancing even further in the alignment and standardization of the two companies' operational procedures and on raising standards in the distribution system, unifying the logistics and supply network. To this end, operations began at a new distribution center with an area of 65,000 m² that will imply important savings in annual expenditure on stocking stores.

Another priority was to increase the efficiency of processes by completing the migration of Maestro's IT systems to a single platform, a task that was carried out gradually in order to ensure service continuity.







Along with these advances, the expansion of Sodimac also reached a new milestone with the opening of its 26th store in Peru. Located in the new Open Plaza Mall in the city of Huancayo, it has an area of almost 10,000 m² and has created 100 jobs. Two Maestro stores were also remodeled.

Jump in distance sales

Over the course of 2016, a number of commercial and operational measures were taken with respect to the company's omnichannel strategy. Indeed, in 2016, Sodimac Peru saw a marked increase in distance sales, with e-commerce operations almost doubling.

Telephone sales also showed an important increase. The Cyber Day, organized by the Lima Chamber of Commerce (CCL) in December, marked a milestone for the company in this field, with monthly sales through the call center rising by 61%.

In August, Maestro's telephone sales platform was also re-launched.

Top of mind for customers

Sodimac and Maestro continue to occupy a privileged position in the preferences of Peruvian consumers.

This was borne out by Millward Brown's 2016 study of individuals which found that, for 70%, the two chains were top of mind in the home improvement segment. In addition, predisposition to purchase at Sodimac Homecenter, Sodimac Constructor and Maestro reached 58%, thanks to the brands' prominence, meaning and differentiation.

The company's formats also received a series of other recognitions in 2016, including the selection of Sodimac Peru as one of the leading 100 companies on talent retention in the Business Monitor of Corporate Reputation (Merco) and its top place for corporate reputation in the specialized retail category of this ranking. In addition, it took the prize in the Best Home Improvement Store category of the XVI Annual Survey of Executives carried out by the Lima Chamber of Commerce (CCL).

In order to reinforce the company's ties with Peruvian consumers, a number of communications measures were implemented. These included the Great Training Fair which took place in Peru for the first time in March 2016 in a bid to assist tradesmen in their professionalization and provide them with tools that help improve the quality of the services they provide. This event was attended by 8,900 people of whom 4,980 received training in areas related to construction and entrepreneurship.



For the tenth consecutive year, October was the flagship month of Sodimac Constructor, which obtained important press coverage with Construction Worker's Day, celebrated on the last Friday of the month, when a homage was offered to all the members of the company's Tradesmen's Circle (CES).

In the case of Sodimac Homecenter, initiatives were implemented that, as well as increasing the brand's presence, had a social component. They included a billboard on the highway south of Lima, designed as a rest area where drivers can take a break safely and free-of-charge. During some weekends, coffee and even sleep masks were also distributed as a means of helping prevent traffic accidents. Among other recognitions, this initiative was awarded the Sol de Plata Prize in the Outdoors category at the Ibero-America Festival of Advertising Communication, which took place in Spain.

Maestro, in turn, implemented a 360° branding campaign based on the company's new value proposition which focused on positioning the chain as one which believes in tradesmen. In this way, it sought to draw attention to its work and the values which characterize it and which it wants to see reflected in the brand: experience, skill, force, strength and the pride felt on the completion of each piece of work. The campaign began outdoors, with different

elements strategically located in places such as highways, buildings, buses, warehouses, three-wheel taxis and urban transport pick-up points. A television advertisement was subsequently aired, accompanied by a strategy for online media and reinforced in other media. As a result, Maestro led brand recall in its category among individuals and tradesmen.

Concern for our people

In line with a strategic pillar to which Sodimac attaches vital importance, the company continued to implement a set of programs designed to achieve advances in the management of human resources, including initiatives that involve the work climate, training, workplace development, benefits and care for and the integral wellbeing of employees.

As part of its integration into Sodimac's organizational culture, Maestro has adopted these policies, with results that were reflected in its 10th position among the best companies for which to work in Peru in the second year in which it participated in the GPTW's survey of companies' organizational climate and culture.

Sodimac Peru took 11th place in this ranking, achieving the milestone of its incorporation into the Hall of Fame of companies that have been remained among the best workplaces for more than a decade.





As part of the company's bid to serve each of its different segments of clients ever better, improvements were made in processes related to customer service and in checkout teams. This was reflected in progress in its NPS in 2016, including important advances in satisfaction with Maestro checkouts

> In 2016, both Sodimac Peru and Maestro launched a new platform through which to manage training. They also updated their methodology for certifying monitors and prepared technical training manuals for the syllabus. The programs taught during the year included the Building Leadership workshop for heads of stores at both chains.

> Employee benefits include corporate discounts and vouchers for hours and days off work on important dates (for example, graduations, house moving and birthdays).

> The company shows particular concern for the health of its employees and their families. This is reflected, for example, in Fruit Day: Sodimac Looks After You, an initiative which seeks to draw employees' attention to the importance of a healthy diet. Other initiatives included talks and health campaigns in which healthcare professionals talked about topics such as massages and relaxation, nutrition and management of stress.

> In a bid to ensure that employees are aware of the importance of health and safety at work, talks and activities designed to reduce workplace accidents and foster a safe work environment take place each Wednesday.

Together with society and the environment

Sodimac Peru seeks to leave a positive footprint on society and, particularly, the communities related to its activities. To this end, it implements initiatives in different spheres, including its alliance with Techo, an NGO, and the Construyendo Sueños (Building Dreams) volunteer program through which it carries out interventions in different communities that live in precarious conditions in the south and north of Lima.

In addition to the company's work with Techo, volunteer activities representing a total of 11,418 hours of work took place in 2016 (including Sodimac and Maestro employees). They included the Haciendo Escuela (School Making) program that seeks to improve infrastructure conditions at the Fe and Alegría Schools so that they can continue to grow and improve their educational standards.

The company also relates to the community by providing support in special situations. This was the case, for example, of the provision of materials to help those who lost their homes in the fire that occurred in the Cantagallo district of Lima.

Maestro took

in the Great Place to Work ranking of the best companies for which to work in Peru.

As has become traditional, Sodimac and Maestro also made important contributions to Peru's Teletón, thanks particularly to the donations collected by the employees of both chains, and collaborated through the checkouts of all its stores in initiatives such as Magia (Magic) and Ponle Corazón (Put Heart Into It) that have achieved high recognition among Peruvian consumers.

In another key focus, the company seeks to protect the environment through recycling programs, environmental monitoring and emissions reductions, all of which serve to mitigate the impact of its operations.

In 2016, Sodimac Peru carried out the third measurement of its carbon footprint, corresponding to its operations in 2015. Based on this, it implemented a pilot plan in its Javier Prado store in Lima that consisted in evaluation of its monthly consumption of electricity and refrigerants and resulted in significant savings on both items.

In addition, the company standardized its recycling process throughout the country so that each Maestro and Sodimac store now has a supplier responsible for final disposal of the recycled material. Both chains also participated in Earth Hour, a global event that consists in voluntarily turning off electric lights for an hour, during which they switched off lighting on the fronts of stores and half their inside lights.

In the case of responsible trade and marketing, an agreement was signed with the Peruvian Cancer Foundation and Late Perú, a non-profit company, to start to sell the latter's mineral water in the company's stores, with all the profits going to the Cancer Foundation to support the treatment of children with cancer.

In order to prevent violence against women, Sodimac Peru is implementing a training plan and work policy that involves all its employees in a joint effort with the community to provide female personnel with educational material and inform them about the procedures to follow should they be a victim of some type of aggression related to gender violence.

As a result of all these efforts to maintain sustainable relations with communities and the environment, Sodimac and Maestro received recognition from the Ministry of Labor and Promotion of Employment for their workplace insertion of persons with a disability. In addition, Sodimac took 23rd place out of 100 companies in the Merco Talento ranking, climbing 19 positions, and, among other prizes, received the Socially Responsible Company Award of the Peru2021 organization for the third consecutive year.

Challenges 2017

In 2017, Sodimac and Maestro will once again be striving to ensure they are the stores preferred by Peru's families, tradesmen and remodeling and construction professionals and that their customers enjoy a unique and unparalleled shopping experience in which they find inspiration, a broad mix of products and speed, advice and ease in their purchases.

In its bid to achieve these objectives, the company's work will center around five key pillars that include the development of a culture that focuses on the customer; the strengthening of employees' technical knowledge and skills; the development of an omnichannel organization; work to strengthen the supply chain from beginning to end; and reinforcement of corporate governance and the sustainability of the business from the standpoint of all its stakeholders.





2016 ANNUAL REPORT 49

Executive Committee Sodimac Peru



From left to right:

Patrick Vásquez de Velasco Logistics and Supply Manager

Rossina Castagnola Human Resources and Sustainability Manager

David Toledo IT Manager

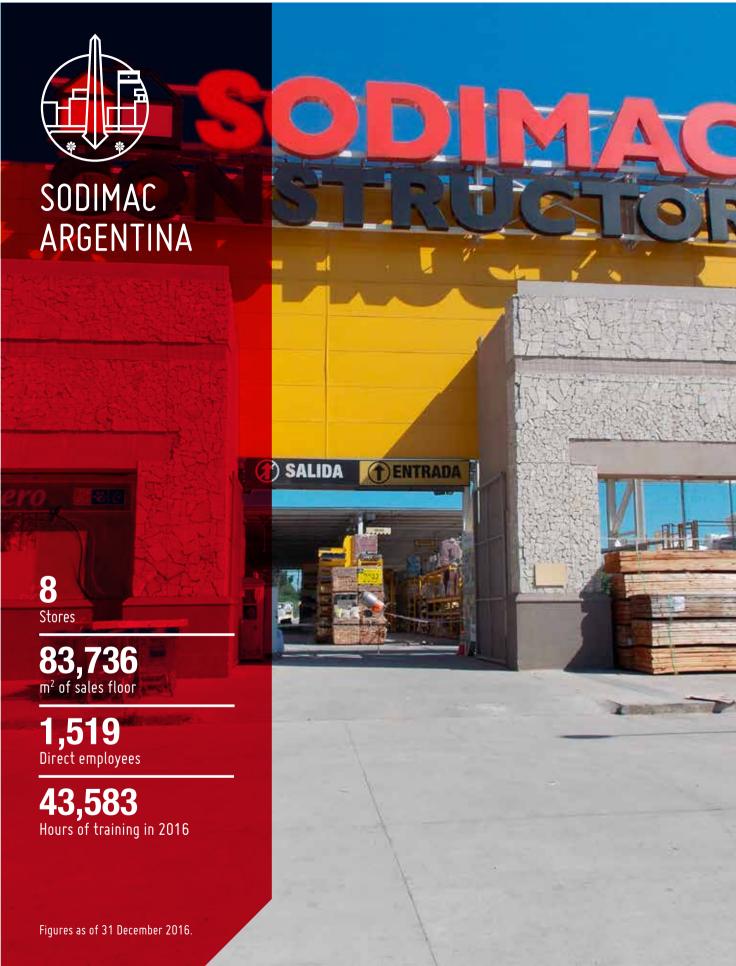
Hernán David Pérez General Manager

Ramón Ponce de León Commercial Manager

Roberto Dongo Soria Administration and Finance Manager

José Antonio Moralejo Operations Manager

Erick Chang Audit Manager



"In 2016, we prepared the strategic guidelines for Sodimac Argentina's work over the coming years. In particular, the company will focus on reformulating its offer of both products and services, accelerating its digital transformation, reinforcing processes and returning to its path of geographical expansion."

Pablo Ardanaz, General Manager, Sodimac Argentina

GROWTH AHEAD OF THE MARKET

2016 marked a point of inflection for the Argentine market in general, affected by important reductions in consumption, due primarily to the adjustment of numerous macroeconomic variables that were out of equilibrium. Although the company was not immune to these conditions, an effective strategy of seeking to identify opportunities allowed it to navigate them successfully, increasing its market share and achieving improvements in a number of sales indicators.

In 2016, Sodimac Argentina designed the strategic vectors that will guide its evolution in the coming years, within the parameters of profitable and sustainable growth that characterize the company. Its focus will be on reformulating its commercial strategy, digitizing the organization, improving processes and starting again to open new stores.

The home improvement sector was not immune to the general drop in demand seen in Argentina. However, throughout the year, the company actively sought new business opportunities and this enabled it to gain market share in several categories (including construction, bathrooms, paints and flooring). This was also reflected in improvements in several indicators of sales per square meter and per employee.

Complementing this, the company also began a far-reaching review of its product mix in a bid to increase the differentiation that has always characterized Sodimac.









2016 was a positive year as regards branding. The Brand Dynamics study by the Millward Brown consultancy company found that the Sodimac Homecenter and Sodimac Constructor brands have achieved consolidation in Argentina. Considering the company's short time in the market and strong local competition, both brands are in very good health.

Strengthening the online channel

In 2016, efforts were made to boost distance sales, backed by the strengthening of all store collection processes, an area that amply exceeded the service levels of previous years, and implementation of the distribution center as a place for the preparation of orders. In addition, new collection points were established outside stores and digital terminals in stores were strengthened.

A decision was also taken to merge the commercial and marketing teams with those of the transactional website in order to present a single face to customers and boost campaigns and the company's offer of products in both the real and digital worlds.

The online channel also showed progress in the sale of Patio Constructor products.

Work with brands

In 2016, Sodimac Argentina continued to implement a strategy of focusing investments on online media and mass media, television and radio. The strategic campaigns implemented during the year featured categories such as furniture, tools, bathrooms and kitchens, flooring and outdoors as well as the CES Fair. In general, despite the adverse context, these campaigns fulfilled their quantitative and qualitative objectives.

The company also embarked on long-term work with its own brands as a key area for future growth. These efforts were backed with a significant increase in investment in advertising, particularly online.

Gains in efficiency and stocking

Throughout the year, the company strove to increase operational efficiency, with a focus on customer service. This prompted the introduction of a team specialized in re-stocking self-service categories in almost all stores.

The structure of self-service areas was also adjusted and the self-scanning system was introduced in the Tortuguitas store. In addition, product loss audits improved and were accompanied by daily checks of out-of-stocks. Improvements were also made in the process of changing prices in a bid to reduce delays and complaints at checkouts.

In a very important change, the logistics model used in Argentina is being redesigned, centralizing the supply of stores and e-commerce in the company's warehouse and also using a store as a complementary stock center. This will reduce costs and increase productivity. All transport relating to cranes and regular dispatch will also be centralized in order to generate synergies and reduce costs, thereby improving service quality.



The company is also working to implement the Warehouse Management System (WMS), thanks to which it will be possible to raise productivity and reduce operating costs.

Financing with CMR

The key objective of the company's joint work with CMR in 2016 was to recover the card's market share at Sodimac as regards both sales and presence in stores. To this end, efforts were made to generate synergies between the two companies, focusing on core categories, so as to expand customers' financing options.

In another line of action, various events were held to encourage customers to use the CMR card. They included the Solo por 48 hs (Only for 48 hours) and Noche Imperdible (Unmissable Night) initiatives while self-liquidating promotions were used to boost the Hot Sale and Cyber Monday events, differentiating CMR from the proposition of banks.

At the end of the year, financing offered at differential rates in the Patio Constructor formats resulted in a significant increase in both sales and CMR's share of their total sales.

Commitment to our people

The company's management of human capital showed verifiable achievements in all its dimensions, including particularly the work climate.

Thanks to efforts in this key area, the company scored 84 points in the 2016 GPTW ranking of the best workplaces in Argentina, with its average score and general perceptions up by three points on the previous year. This gave the company 5th place in the ranking, positioning it among the top five for the fourth consecutive year.

This once again confirmed Sodimac Argentina's commitment to its work climate and people and reflected the different initiatives implemented for the benefit of employees such as celebrations which, in several cases, included families, offering an opportunity to relax together.

In the case of personnel development, significant investments were made in numerous training programs that covered a wide range of topics and employees in all types of positions.





This training included courses to strengthen leadership skills and the provision of tools through which to enhance excellence in customer service.

In addition, the company continued to apply a policy of corporate mobility that gives priority to in-house talent in filling key positions. In 2016, executives who were already with the company were appointed to the posts of Contact Center Manager, Supply Chain Manager and Assistant Transport Manager.

In the case of care for its personnel and employee benefits, the company implemented different lines of action such as the promotion of sports through internal championships and healthy eating plans.

In a key initiative as regards healthcare, a web portal was developed where employees not included in the Support Office agreement can themselves find answers to queries about the scope of the corporate medical plan, accessing information about hospitals and clinics, travel assistance, the discharge of family members and the list of doctors. New options were also added to the company's Flexible Maternity Policy in order to continue to help mothers spend more time with their children during the early months of their lives.

In the case of workplace safety and hygiene, there was a marked reduction in indicators of incidents. This was in line with an important increase in hours of training on workplace safety which served to minimize unsafe conduct and avoid injuries. Thanks to this, the company remained outside the list of companies with the highest incidence of accidents for the sixth consecutive year.

First Sustainability Report

In 2016, Sodimac Argentina continued to implement an active sustainability policy centered on employees and customers, the community, suppliers, the environment and corporate governance. One of its paramount objectives is to increase all employees' awareness of their role as social actors, generating synergies with them through actions that have a positive impact on society.

In order to reinforce this policy, a Sustainability Committee was established in 2016, chaired by the general manager of Sodimac Argentina and including the leaders of its different areas. It met four times during the year, discussing priority issues and the initiatives to be implemented in each of the pillars of the company's social responsibility strategy.

For the fourth consecutive year, Sodimac Argentina was one of the country's five best workplaces according to the GPTW survey.



A key milestone in this field was the decision to publish Sodimac Argentina's first Sustainability Report. It is currently at the review stage prior to its release and presentation in 2017.

In 2016, some 1,657 hours were devoted to the company's volunteer programs which remained very active. Ongoing efforts were made to foster a culture of volunteer activities among suppliers, incorporating them into key company programs formed by professional volunteers from the Tradesmen's Circle.

Other key activities included the company's work with the Garrahan Pediatric Hospital to collect paper and bottle tops for recycling as a means of reducing waste pollution; the donations in kind made to different non-profit organizations, supporting them in construction projects and improvements and/or renewal of equipment; and the Construyendo Sueños (Building Dreams) program through which the company supported ten projects presented in 2015. The company

also deepened its alliance with the Foundation for Breastfeeding and Maternity (FUNDALAM) with which it organized talks on breastfeeding, care for newborn babies and their development, with the participation of both male and female employees.

In addition, Sodimac played an active role in relief work following the natural disasters suffered by Argentina in 2016 such as floods, tornadoes and fires, participating, along with employees, in collections and donations for the victims.

In 2016, the company received the Drivers of Social Impact Prize awarded by Red Activos, a civil society organization. The company achieved special mention for its volume of inclusive procurement and attention was drawn to its creation of 300 jobs for people with a disability and its innovation in projects developed jointly. Red Activos groups together over 620 workers with a disability.





Executive Committee Sodimac Argentina



From left to right:

Alejandro Inzunza Development Manager

Gregorio Odriozola Manager for Uruguay

Ana Laura Fleba Distance Sales Manager

Pablo Ardanaz General Manager Natalia Gabrielloni Human Resources Manager

Tomás Quinteros Operations Manager

Maximiliano Garimaldi Commercial and Marketing Manager



"In 2016, Sodimac continued to advance towards a position of leadership in the Brazilian market. We opened new stores, we continued to refine our value proposition, we improved logistics, we strengthened our online channel and we sought to consolidate good work teams. At the same time, we are working to improve the value proposition of the Dicico store format and customers' shopping experience there."

Eduardo de Vries, Director and President, Construdecor

LAYING THE FOUNDATIONS FOR GROWTH

Thanks to important investments that produced the progress and synergies necessary to fulfill our goal of offering the best shopping experience to both Sodimac and Dicico customers, we laid solid foundations for the company's future growth in Brazil.

After opening its first two stores in Brazil in 2015, Sodimac went on to open its third store in this market in 2016. Located in São José dos Campos, a city in the State of São Paulo, it has a built area of 13,000 m², including some 11,200 m² of sales floor, and parking for 400 vehicles. The store, which has proved very popular with customers, reflects all the progress the company has achieved in structuring a value proposition in line with local tastes.

In the last quarter of 2016, the Dicico Guarulhos store closed to make way for the new Sodimac Guarulhos store, scheduled to open in 2017.

The Dicico store in Bertioga (in the Baixada Santista Metropolitan Region) was moved to one of the city's most strategic locations and now has 1,600 m² of sales floor, almost three times more than the previous store.





One of the company's milestones in 2016 was the start of operations of its new Cajamar distribution center in one of the State of São Paulo's key logistics poles. It has a built area of over 20,000 m², with 18,000 m² of storage space, and the potential to expand to 80,000 m². In the future, this distribution center will serve both Sodimac and Dicico stores as well as supporting the development of online sales. Its infrastructure, equipment and advanced technology will ensure the efficiency standards characteristic of a world-class logistics operation.

Boosting efficiency and productivity

Another of the company's key activities in 2016 was the restructuring of its logistics processes under an approach totally geared to increasing productivity. Thanks to this, a new organizational chart was established, reinforcing hierarchical levels and increasing the speed of flows and the solution of problems.

A cross-docking system was also implemented and consolidated and already accounts for an important percentage of the movement of goods in a context of the introduction of new operating standards and management tools, the standardization of processes and the sustainability of logistics which, among other initiatives designed to benefit the end customer, meant introducing suppliers to efficient reception and storage methodologies.

In line with this, intense efforts were made to reduce out-of-stocks, which showed a marked decrease on previous years. This was accompanied by improvements in restocking in Sodimac stores, the application of a supply routing system (milk run) and the implementation of the 5S methodology in Dicico's logistics areas.

Technological innovations

Over the course of 2016, the company implemented important IT changes, including the hiring of a new supplier of hosting services. This decision gave the company greater control over costs and enabled it to operate in a stable and reliable environment that better supports the business's growth in Brazil.

Radiofrequency systems were implemented in the Cumbica and Cajamar distribution centers, allowing the company to optimize its logistics operations and cover 100% of the requests for deliveries and attention from stores and customers. This was also replicated in Sodimac stores.

Progress was also achieved in embedding a culture of information security, accompanied by the encrypting of mobile devices and important cost optimizations.

In April, Sodimac opened its third store in Brazil. Located in São José Dos Campos, it has an area of 13,000 m² and offers a range of products and services that caters for the needs and preferences of Brazilian consumers.



Brand positioning

A key focus of the company in 2016 was the positioning of the Sodimac and Dicico brands.

The initiatives undertaken to support Sodimac's entry into the Brazilian market included the launch in July of a product catalogue and an increase in the company's presence in Internet. The aim was to increase the brands' visibility in order to reach Brazilian consumers not yet familiar with them and transform these targets into customers of the stores or of the telephone sales channel. A Tradesmen's Guide was also launched for professional clients, seeking to provide them with all the range of products and technical information they require to facilitate their work.

Conversations with customers in social networks were used to show them the range of products the company offers, highlighting their benefits and price/quality relationship. The results of these efforts were satisfactory, with interactions with customers and enquiries from them showing an important increase during the year.

In 2016, Dicico celebrated its 98th anniversary, an event marked with a 42-day campaign that included different activities such as the brand's presence in some of the country's most important television programs. Another innovation in the

media plan was the purchase of advertising space on street furniture (clocks and bus stops) while, in the Oferta Mega (Mega Offer) campaign, a different product was offered each day at an important discount.

Coinciding with Dicico's anniversary, it was decided to reinforce the value proposition of its store format, based on a series of studies about recovering the concept of a neighborhood store with a modern structure as a means of offering customers a differentiated shopping experience that is unique in Brazil. To this end, the product mix was exhaustively reviewed and new categories were introduced to target DIY enthusiasts and professionals. This new format retains all Dicico's current strengths in showroom categories such as flooring and tiles, bathroom fixtures, window frames and furniture.

Dicico was recognized as one of Brazil's three most prestigious companies in the construction materials sector, receiving the Marco Prize awarded by Troiano Branding and the Época Negócios magazine, one of the country's leading business publications. For the 14th consecutive year, it also took first Top of Mind place in the construction materials segment in the A Tribuna newspaper's survey of consumers on the coast of the State of São Paulo. In addition, it received the Destague Expo Revestir and Revista Anamaco Prize as one of the best stores for tiling and bathroom fixtures.





Launch of an electronic catalogue with over

28,000 PRODUCTS

to which others will be added as it is updated.

Sustainability

In 2016, Construdecor created a new area within the company, the Sustainability Area, responsible for contributing to the application of sustainable practices in accordance with the three strategic pillars of the Falabella Group: growth, profitability and sustainability.

Since 2008, through its Socios en Educación (Partners in Education) program, Construdecor has supported the Francisco de Assis Reys primary school in São Paulo's Ipiranga neighborhood, near the company's headquarters. In 2016, the school, with over 600 pupils, scored 7.1 in the Index of Primary School Development (IDEB) used by the federal government to measure schools' educational performance. This was well above the national average for primary schools (1st to 5th grade) of 5.5 points.

The three Sodimac stores, located in Tamboré, Ribeirão Preto and São José dos Campos. have installed Puntos Limpios (Clean Points) open to the community for the collection of 15 types of recyclable material. An environmental educator is present at each of these facilities to inform users about the materials that can be recycled and how to prepare them for the recycling process.

The company was also one of the sponsors of the 1st Solidarity Race of the Group of Support for Children with Cancer (GACC), which took place in Ribeirão Preto with the participation of some

2,000 people. Its principal aim was to increase the community's awareness of and inclusion in the fight against child cancer as well as to raise money for the organization's projects.

Progress on the omnichannel strategy

In 2016, the company achieved important progress on its omnichannel strategy for the Brazilian market. One sign of this was the launch of a complete electronic catalogue on Sodimac Brazil's website, with over 28,000 products to which others will be added as the catalogue is updated.

The website was also completely redesigned, including its mobile version, in order to bring it into line with the company's norms in other countries. The aim of this redesign was to provide a broad range of content to inspire customers, including new trends in decoration and guides with information for making a better purchase decision as well as a Hágalo Usted Mismo (Do It Yourself) section on household repairs and renovation.

The company also continued to grow its telephone sales channel through which customers can make a purchase and choose whether to have it delivered to their home or collect it at a store. This was the first step towards the implementation in 2017 of a transactional Sodimac e-commerce channel, which is expected to be followed by a similar initiative for Dicico.

In 2016, the company adopted the Medallia program in Brazil in order to manage customer experience. In line with Sodimac's guidelines for all the countries where it operates, it also began the year applying the Net Promoter Score (NPS) system to measure consumer loyalty to the brand. The company's NPS indicators in Brazil are among the group's highest in Latin America.

Human resource management

In order to foster an excellent organizational climate for its employees, Construdecor implemented a series of initiatives as regards benefits, training, promotion, recognition, infrastructure and internal communications.

The activities undertaken included LEAN training programs for all the personnel of its logistics, projects, infrastructure and IT areas. In addition, measures were taken to strengthen the company's culture of safety in order to positively impact employees' quality of life.

In another key focus of its work, the company sought to transform workers into leaders within the organization, ensuring their opinions are heard and fostering their active participation in the company's growth. An important initiative in this field was the *Comités de los Sueños* (Committees of Dreams) under which democratically employees from different areas of the company and in different positions form committees that meet monthly to share information, identify opportunities

for improvements and propose solutions for problems that affect the organizational climate and can be resolved at the local level. In 2016, the members of these Committees began to meet periodically with the company's director and president, Eduardo de Vries, to discuss directly with him issues that need to be addressed at the corporate level.

A new area, the Specialized Safety Engineering and Workplace Medicine Service (SESMT), was also created. Its mission is to contribute to employees' wellbeing through the work of a team of professionals in promoting their health and protecting their physical integrity.

Construdecor also launched an internal communications project based on endomarketing that seeks to increase employees' involvement in commercial aspects of the business.

Thanks to all these efforts, Construdecor was identified in the Great Place to Work (GPTW) ranking as one of the best retail companies for which to work in Brazil.



Executive Committee Sodimac Brazil



From left to right:

Paulo Souza

Director of Planning and Financial Operations

Christophe Auger

Executive Commercial Director, Dicico

Celso Souza

Executive Director of Projects and Infrastructure

Márcio Kohiro Nakasawa

Executive Operations Director, Sodimac

Eduardo de Vries

Director and President

Gerson de Paula

Executive Logistics Director

Fabio de Petris

Executive Director of Administration and Finance

Marcos Onety

Executive Operations Director, Dicico

Alfonso Barberena

Executive Commercial Director, Sodimac



"In 2016, the Uruquayan economy continued to show a deep contraction, particularly in sectors related to construction, making this a very challenging year for Sodimac Uruquay. Nonetheless, we were able to report important achievements such as the opening of a store in a new city and the consolidation of the values that characterize the company's local operation."

Gregorio Odriozola, Manager, Sodimac Uruguay

THE HOUSE OF **URUGUAY CONTIL** TO GROW

In 2016, a key year for Sodimac Uruguay, the company strengthened the operation of its first two stores and added a third one, opened in record time. It also worked actively to improve its operational indicators, several of which showed important progress including those related to management of human resources where the company consolidated its position as one of the best places to work in Uruguay.



In April 2016, Uruguay experienced one of the worst tornadoes of its history. It occurred in the city of Dolores, causing several deaths and leaving thousands homeless. In response, Sodimac Uruguay joined the Techo organization and the Dolores Reconstruction Committee in launching a campaign of assistance which defined a set of more than 100 solidarity products on the sale of which it donated a certain amount of money. The resources were used to acquire materials for the reconstruction of housing, hospitals, schools and other community infrastructure.















SODIMAC MEXICO

20

During its first five years in Mexico, Sodimac will open around 20 stores.

2016

In 2016, the company worked on preparing the projects and obtaining permits for its first nine stores of which it aims to open the first in early 2018.

Figures as of 31 December 2016.



"We are building an exceptional human team that will have the great challenge of transforming Sodimac into the House of Mexico. We will use all our energy and capabilities to serve with excellence and help to realize the dreams of millions of Mexicans."

Patricio Silva, General Manager, Sodimac Mexico

THE HOUSE OF MEXICO

Sodimac's operations in Latin America took a major step forward in 2016 with the announcement and implementation of an agreement between SACI Falabella, the group which controls the company, and Mexico's Organización Soriana conglomerate to expand the home improvement business and CMR financial services to this market.



2016 will be remembered in the company's history as marking a great milestone in Sodimac's geographical expansion and consolidating its position as the region's leading operator of home improvement stores. This was the result of an agreement between Sodimac's controller, SACI Falabella, and Organización Soriana, the owner of Mexico's second largest supermarket chain, to introduce Sodimac formats and CMR financial services in this country.

The agreement implied the creation of two companies in which Falabella and Soriana will hold equal stakes, with each contributing the equivalent of US\$300 million in capital and real estate properties over the next five years.

Soriana will contribute its knowledge of the Mexican market and understanding of local consumers as well as land for the Sodimac stores that may be built next to the chain's supermarkets in order to boost traffic and the locations' commercial attractiveness. The future stores will have areas of between 10,000 and 12,000 m² and their rapid deployment will be facilitated by the prime locations to which, thanks to the association with Soriana, they will have access.





The initial investment plan envisages the opening of approximately 20 stores over the next five years. Once the agreement between Sodimac and Soriana had been signed, intense work began and, by December, the first 20 locations had been identified and secured. In parallel, progress began to be made in designing the projects and obtaining permits for the first nine stores with a view to opening the first one in early 2018.

Mexican consumers are expected to appreciate a differentiated value proposition that contributes to their quality of life by boosting the growth of the country's home improvement market and facilitating their access to financial services.

Building the team

One of the first tasks of the year was to establish a management team to lead the new operation. Formed by highly experienced professionals from the different countries in which Sodimac has operations as well as Soriana executives, the team that will undertake this challenge will have all the support from Sodimac and Soriana required to implement the company's growth plans in Mexico.

Headhunters are working with the company to attract the Mexican talent required for specialized posts while the recruitment area of Sodimac Mexico is selecting support office personnel. A training structure has already been defined and includes induction for all the employees who join the company in order to generate a sense of belonging and loyalty to Sodimac's organizational culture. Similarly, in the case of the work climate, work has begun to design the company's welfare policy and prepare its ethics manual.

Procurement and distribution

Another key task of the year was to make contact with suppliers for the chain's future stores in Mexico. In order to establish relations with local producers, the company participated in local trade fairs and, as a means of rapidly acquiring knowledge about potential Mexican suppliers, is also drawing on Soriana's supply base.

In the case of procurement from outside Mexico, the product mix was reviewed in order to adapt it to conditions in the Mexican market.

Progress was also achieved across all the links in the supply chain, including details of the distribution and transport program, planning and acquisitions, development and management control.

Negotiations also took place with the shipping companies that will be used, achieving progress in the definition of the distribution center.

Sodimac Mexico's aim is to grow the country's home improvement market, which is currently very fragmented and has a low penetration, with just 5 m² of sales floor per 1,000 inhabitants as compared to the 65 m² seen, for example, in Chile. This gives an idea of the great growth potential that exists for an operator like Sodimac, particularly in association with a local company like Soriana.

The financing component is very important for the success of Sodimac in an emerging home improvement market like that of Mexico. It will allow consumers to put their projects into practice, with CMR serving as a full set of financial services that will complete Sodimac's value proposition by opening the door to the huge variety of products the company will put at their disposal.

Brand positioning

In order to acquire in-depth knowledge about the shopping behavior of Mexican consumers in the categories associated with home improvement at the level of both families and tradesmen (where and how they buy and what they value), market research was carried out in 2016. Its results will enable Sodimac to adjust the products and services it offers to the specific requirements and needs of local customers.

In the case of communications, agreements were signed with the advertising agency that will implement the strategy to position the company's brand and its values and attributes, taking into account the results of the market research.

Aligned with sustainability

The stores planned for Mexico will be built in accordance with the environmentally friendly design and construction policies that characterize Sodimac in all the markets to which it has expanded. This includes the efficient use of natural light and LED lighting as a means of saving energy.

Targets for 2017

The first of the challenges which Sodimac Mexico has set itself for 2017 is to start construction of its planned stores on schedule and within budget. To this end, it will be taking advantage of synergies with Soriana's Projects Area.

A further aim is to ensure that the commercial team has the training and motivation required to meet the challenge of positioning Sodimac as Mexican consumers' first choice for home improvement products and projects.

It will also be important to optimize the synergies of the administration and finance team with Soriana in order to ensure back-office costs that are conducive to competitiveness. It will, in addition, be crucial to embed the Sodimac culture in the workers who join the company in Mexico, seeking to generate in them the passion for customer service that characterizes the company.







Stores

71,596 m² of sales floor

1,451 Employees

24,621Hours of training in 2016

Figures as of 31 December 2016.



"We have high hopes of the new self-service model implemented in our Huechuraba store. We believe it is a very good system and will be using feedback from customers and employees to perfect it before soon expanding it to our chain's other stores."

Rodrigo Fuenzalida, General Manager, Imperial

INNOVATING IN CUSTOMER SERVICE MODELS

In 2016, the emphasis was on implementing different initiatives through which to offer customers an ever more satisfactory and higher-quality service. This called for a series of investments in infrastructure and training that showed immediate results.

Throughout 2016, Imperial strove to continue innovating in order to better satisfy customers' needs. This resulted in initiatives such as the self-service project implemented in the Huechuraba store, the first to adopt this model under which customers requiring products that can be carried are able to take them directly from the shelves, put them in a trolley and go to the checkout without having to wait for a salesperson or in the dispatch area.

As well as making for faster shopping for customers who do not need advice and are not buying high-volume products, this also frees sales personnel to attend those customers who do need guidance. In addition, it increases the dispatch area's efficiency in attending customers buying items that do need to be moved with machinery.

All stores also completed the installation of self-service modules from which customers not needing advice can pick out what they need



In 2016, Imperial's new La Martina warehouse began operations, with advanced equipment and all the installations necessary to consolidate and improve the chain's logistics processes.

> and go straight to the checkout. In addition, there are currently 80 self-service machines in Imperial stores where customers can see the products available, load them into a virtual cart, obtain a slip with which to pay at the checkout and use a preferential dispatch service to pick up their products quickly.

> The part-time personnel model, launched in 2015, demonstrated its advantages as regards attending customers better and at all times according to the traffic through stores. This initiative was complemented with the successful Attitude Workshop through which all personnel attending customers were trained to offer a better service. This was reflected in an important increase in customer satisfaction (NPS) indicators.

> In 2016, Imperial also launched a new internal campaign, Dalo por Hecho (Take it as Done), undertaking to offer customers the best price, product and credit in its category. This is a tangible undertaking reflected in a series of points that enable users to verify that the chain offers the best solution for their projects.

> Another important advance was the implementation of visual management in all Imperial's stores, providing employees with an additional tool for focusing their efforts on customer service. This was complemented with WiFi for customers, enabling them to

use Imperial's website, which now contains a complete catalogue of products with their prices, and also stay connected with their businesses while in the chain's stores.

Imperial also participated actively in corporate CMR campaigns and implemented special exclusive offers related to this means of payment as a result of which the card's use showed an increase as a share of total purchases at Imperial.

Investments targeting tradesmen

Over the course of the year, investments were made to improve the service and safety standards of Imperial's installations, including the electrical remodeling of all stores as well as investments in fire prevention and detection equipment.

With the start of operation of the La Martina warehouse, progress was achieved in the transfer of operations from the former C14 (Lo Boza), C04 (iron and zinc), C33 (zinc production plant, ex-Cronacero) and C05 (already closed) warehouses in order to permit more efficient inventory management and the rapid loading of trucks using both the cross-docking system and traditional procedures. Worker comfort and safety was also increased through appropriate standards in changing rooms, bathrooms and offices. In addition, the zinc plant was inaugurated with new machinery in order to respond to market demands.



An investment was also made in the acquisition of four edge banding machines for stores so as to offer customers a better and faster service using the latest technology. Similarly, the IT offices were refurnished to provide a comfortable and appropriate environment for their work.

Improving the shopping experience

Various measures were taken in 2016 to improve customer service. They included initiatives such as the installation of NPS evaluation modules in the Vespucio and Huechuraba stores, the last without these modules through which visitors can comment on their shopping experience.

In the Mapocho store, a waiting area was created for the use of customers. Important progress was also achieved in all stores' product display areas, including particularly boards where this permitted an increase in the number of codes that are visible, demonstrating the category's potential and also displaying on the wall the entire collection with its respective edgings. Similarly, changes in the display of Lamitech veneers and compacts facilitated visualization of all the collection with its different finishings and uses.

Complementing this, a work tool was developed to allow wholesale personnel to use a tablet containing a complete digital catalogue of products with their corresponding photographs, giving them access to online information that will reduce delivery times.

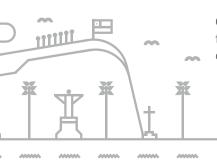
In the case of ironmongery, graphic displays of fasteners, sliders and hinges were implemented in all stores, classified by matrix and use, along with display and testing modules to demonstrate the uses of fittings of different types, prices, qualities and makes.

New materials were also introduced such as quartz countertops, high-pressure compacts, latest-technology decorative acrylics and furniture fittings and accessories of prestigious brands (such as Hettich and Kutz). This was accompanied by the launch of a new collection of colors, textures and finishings in laminates, melamines, flooring and tiling in line with European trends.

One brand, one image

In 2016, work to position the company and its brands included a redesign of the image of Imperial stores so that, on entering them, customers always find the same format.

In the case of the website, the company met the challenge of publishing the prices in force in each of the geographical areas in which it is present. This was widely welcomed by customers who can use this channel as a tool for costing their projects.





During the year, the number of followers the company has on its Facebook fan page rose from 5,000 to 89,000, a very significant increase that transformed this into an active community in constant communication. In a bid to tighten its ties with this community, the company invited customers to publish their work on the fan page and chose the best for use in its 2017 calendar.

A number of seminars were held for furniture makers as well as clinics in stores and other activities designed to provide customers with tools that help them improve their daily work and incorporate the latest advances in the industry internationally.

More efficient and productive

In the case of efficiency and productivity, Imperial implemented a Visible Management Panel and work routines in all its stores in 2016, thereby providing teams with tools through which to

improve internal management and guide solutions in the process of continuous improvement both operationally and in customers' shopping experience. Similarly, in 13 stores, it developed a system of coverage of the working hours of its personnel and their allocation.

In parallel, progress was achieved in creating a system of single position and verticality for products in warehouses, improving their location and clarity about the stock available and reducing dispatch times in all stores. In addition, the company launched a new and faster product dispatch system in its Mapocho, Santa Rosa Ferretería, Reñaca, Rancagua and Huechuraba stores.

The flow of information between the company and its suppliers was also improved through the introduction of a new B2B 2.0 portal that allows the latter to access their purchase orders online.

In 2016, responsible procurement was a key focus of the company which, for all overseas suppliers, established a policy of audits of factories and quality control inspections at origin as well as quality control systems for shipments from China. The single most important measure was, however, the implementation of the Imperial Commercial Transparency Model designed to ensure an attitude of equity and empathy in the company's relations with its suppliers.

Imperial's Facebook fan page reaches

89,000 **FOLLOWERS**

transformina it into an active community in constant communication.

Concern for our people

In 2016, Imperial's awareness of the importance of the development of human capital was reflected in ongoing investment in its personnel and a series of initiatives designed to achieve further improvements in the work climate.

In order to contribute to career development and provide employees with feedback from their line manager, 45° evaluation was introduced for stores' dispatch personnel, a process that, as from this year, will take place each six months. A new induction model was also introduced to increase the information provided to employees joining the company. By involving the area in which they will work, this facilitates their integration into teams as well as informing them about their career plans.

Over the course of the year, 39 work climate committee meetings took place while the introduction of a system of internal monitors contributed to boost a sense of belonging to the organization.

In order to increase workers' skills, training cycles were implemented in all stores, emphasizing new products and construction and technological solutions that save time and money.

Heads of stores and 100% of their personnel also attended a Service Attitude workshop that sought to reinforce the value of a good shopping experience and underline the importance of the customer and the right customer service.

Sustainability in the long term

In the case of sustainability, Imperial implemented a long-term Action Plan in 2016. A Sustainability Committee was created and, through monthly meetings, monitored compliance with the road map established to achieve the company's strategic objectives in this field.

For community relations, a program was launched to map those communities with which Imperial has ties. Other measures included the Social Entrepreneurship Fair in Rancagua, community support plans for Pehuenche organizations in Concepción, medical checkups with the assistance of the National Health Service's CESFAM centers for all the personnel of Imperial stores in the south of the country, workshops with nutritionists for employees on how to combat obesity and talks for employees' families about trades through which to generate additional income.



In the case of care for the environment, an important milestone of the year was the introduction in the Maipú, Reñaca and San Bernardo stores of cutting machinery with a centralized dust suctioning system. As a result, 84% of Imperial's cutting machinery is now equipped with a mechanism that minimizes dust emissions, benefitting employees, customers and the environment.

An integral waste management plan was also drawn up and stores in southern Chile implemented a participative recycling system that involved the installation of bins for plastics, freight strappings, paper, cardboard, wood and tins. In 2017, this will be expanded to the rest of the company's stores.

LED lighting was also installed in remodeled stores and in new stores (Huechuraba, Puerto Montt and Concepción as well as the Mapocho portable warehouse).

Responsible trade and marketing were addressed through gender equality programs that were reflected in changes in the image of female sales promotion personnel and in the photographs used in the Imperial calendar in line with respect for diversity and gender equality. The company also began to sell Late! purified water, donating 100% of the profits to foundations that support people in a vulnerable situation. In addition, it introduced a new mix of water-based paints as an alternative to solvents.

In the case of business integrity, Imperial published an Ethics Manual in February and trained all the personnel of both its stores and support offices in issues related to free competition and Chile's Consumer Protection Law. A SOX internal control audit was also carried out, reviewing all existing controls and identifying the gaps to be addressed in 2017, and the company established a policy for the prevention of the crimes of bribery, asset laundering and financing of terrorism.

Looking ahead to 2017

In 2017, Sodimac will be opening its 15th store. Located in the city of La Serena, it will significantly increase the chain's presence in central-northern Chile where it currently only has an office to attend wholesalers.

In pursuit of further increases in service quality, new systemic tools will be introduced in logistics for the administration of warehouses, supply and transport so as to be able to offer customers the delivery times they require. Work will also continue on the consolidation of distribution in the La Martina warehouse and a special warehouse will be opened from which wholesale clients will be able to collect orders directly. In addition, transport networks and inventories will be optimized in order to improve response times.

In the case of online services, the web portal will be transformed into a transactional channel through which customers will be able to purchase products directly.



2016 ANNUAL REPORT 81

Imperial Management Team



From left to right:

Marco Manqui Painemal Services Manager

Edison Azúa Cáceres Assistant Internal Audit Manager

Robinson Martínez Bustos Wholesale Channel Manager

María Cristina Callejas Pinto Marketing and Commercial Operations Manager

Alejandro Vera Zuzulich Administration and Finance Manager

Rodrigo Fuenzalida Frugone General Manager

Patricia Leiva Ibáñez Legal Compliance Manager

Matías Vermehren Rudloff Logistics Manager

Christian Toloza Gómez IT Manager

Iván Donoso Mujica Commercial Manager

Fabián Durán Fortt Store Channel Manager

Pedro Flores León Assistant Human Resources Manager



Through its Tradesmen's Circle (CES), Sodimac awarded 1,377 scholarships to tradesmen in 2016, giving them access to higher education. For the fourth consecutive year, it also organized the free Great Training Fair for Tradesmen in Chile which included more than 240 courses that were attended by a total of over 14,000 people. Similar events also took place in Colombia and Peru.

RESPONSIBLE GROWTH

In 2016, Sodimac continued to grow and develop its business in accordance with best local and international standards of sustainability. They include the ISO 26000 standard on social responsibility, the OECD's guidelines for multinational companies, the UN Guiding Principles on Business and Human Rights, the guidelines of the Global Reporting Initiative (GRI) and the company's adherence to the UN Global Compact.

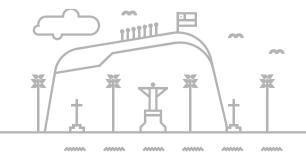
Progress was achieved on the development of an Index to measure the company's economic, social and environmental dimensions. Using a methodology that deepens the transversal integration of sustainability and evaluates the company's performance on material issues, this serves as a strategic indicator of Sodimac's management of sustainability, both at the corporate level and that of its business units in the different countries.

Focus on protecting the environment

In 2016, Sodimac continued to implement a policy of evaluation and mitigation of its environmental impacts, fostering responsible use of resources within the company and seeking to generate awareness among customers, suppliers and the community in general.

In line with this, it once again measured its carbon footprint in different countries and took measures to mitigate the impact of its stores. These included energy saving initiatives in stores and other installations in a bid to reduce electricity consumption. In Chile, together with the Solarity company, it also drew up pilot plans for using renewable energies at stores and started operation of two solar plants with a capacity of 110 kW and 109 kW at its San Bernardo and Copiapó stores, respectively.

The company also submitted declarations to the Register of Emission and Transfer of Pollutants (RETC), a platform created by Chile's Ministry of the Environment that seeks to facilitate citizens' access to information about organizations' emissions, waste generation and transfer of pollutants.





The national network of **Puntos Limpios** in Sodimac stores recycled over

2,000 TONNES

In Chile, meanwhile, the Puntos Limpios (Clean Points) national network of recycling facilities, located in Sodimac stores for the use of customers and the community in general, received over 315,000 visits in 2016 and recycled more than 2.000 tonnes of waste.

The company also continued to work to expand the range of Eco Sustainable products available in its stores, using platforms such as its Hágalo Usted Mismo (Do It Yourself) television program, catalogues, the website and presence in stores to heighten community awareness and help foster changes in behavior. In 2016, it also launched the La Virtud de Reciclar (The Virtue of Recycling) program, the first circular economy initiative by a retailer in South America, to manufacture and market products made from plastic waste collected through the Clean Points network.

Together with the TriCiclos organization, the company also launched a pilot initiative in the Las Condes and Quilicura districts of Santiago to provide a household recycling service that includes training, a kit of waste bins and their collection from homes.

Sodimac also signed a Clean Production Agreement for used batteries, working actively with other key players in this market to improve final disposal of this waste.



Among its other activities, the company's Imperial subsidiary launched a participative recycling system that involved the installation of bins for plastics, freight strappings, paper, cardboard, wood and tins in its stores in the south of Chile. In 2017, Imperial plans to expand this initiative to the rest of its stores

By the end of the year, 84% of Imperial's wood cutting centers had been equipped with a centralized dust suctioning system which drastically reduces the dust emissions this service generates. Although the company's operations in Mexico are still only at an initial stage, it has already been decided that its future stores there will comply with eco-friendly design and construction policies and will, for example, make efficient use of natural light and have LED lighting as a means of saving energy.

Sodimac Colombia took measures to reduce its carbon footprint. Over the past four years, it has planted close to 200,000 trees, including some 38,000 in 2016. It also reduced its energy consumption by 15% in 2016 as compared to the previous year while water consumption was reduced by 8.7%, thanks to the equipment of stores with treatment plants that permit reuse of this resource. Sodimac Colombia is also in the process of certifying its stores under ISO 14001:2015, the standard which seeks to ensure that environmental management is an integral part of a company's business strategy.

Sodimac's three stores in Brazil are also equipped with Clean Points to which the community can bring 15 types of waste for recycling. These are also staffed by an environmental educator to provide users with guidance about the materials that can be recycled and how to prepare them for this process.



In protection of the environment, Sodimac Uruguay worked with that country's Club Alemán, donating over 300 trees that were planted in parks in Montevideo, while its new store in the city of Maldonado was built in accordance with energy-efficiency standards.

Labor relations

As a structural part of its strategy, Sodimac implements policies that seek to promote the personal and workplace development of its employees. This is reflected in the use of indicators of workplace culture and climate, prevention, training and quality of life.

In 2016, the company implemented programs to encourage stores to hire residents of their local area and worked particularly with those stores with the largest workforce and the highest accidentability rates in order to foster risk prevention by employees and reduce accidents.

In Chile, the company strengthened the Inclusion, Diversity and Non-Discrimination Policy it had introduced in 2015, seeking to ensure a work environment in which no one is excluded on grounds not related to their professional contribution, creation of value and productivity.

Sodimac Colombia also continued to make progress in this field, publishing a Gender Equity Protocol that reaffirms its commitment to an inclusive work environment and rejection of all forms of violence and discrimination.

Imperial carried out evaluations of its work climate as a prior step to drawing up action plans for improvements in this area. In one example of this, 39 work climate committee meetings took place over the course of the year and a system of internal monitors was introduced in a bid to foster employees' sense of belonging to the company.

Training and the development of its personnel remained a priority for Sodimac in all the countries where it operates. During the year, a total of almost 2 million hours were devoted to different training programs.

Corporate governance and business ethics

Corporate probity is an essential element of the way in which Sodimac manages its business, guided by its own values and ethical principles and assuming all the obligations they imply.

The company respects and enforces employees' rights as well as human rights in their broadest expression. Similarly, it rejects any form of discrimination or corruption in accordance with the ten principles it voluntarily adhered to when it signed the UN Global Compact.

In line with this. Sodimac's actions in 2016 were governed by its Ethics Management System, an internal protocol which it applies together with practical manuals to support its implementation in practice. These manuals include EticAcción which has now been in use for seven years.

In Chile, the company continued to participate actively in the +Probidad (+Probity) program of Acción, a Santiago-based NGO. This program seeks to contribute to strengthening policies and practices related to business probity, including the prevention of corruption, management of conflicts of interest, free competition and consequence management.

Throughout the year, the company provided constant training to align employees with the principles laid down in these codes of conduct and ethics management, informing employees about the support mechanisms available through integrity councilors who are trained to resolve doubts about ethical issues.

The company also has in place a Corporate Probity Platform through which to receive reports and queries about any possible infringement of its codes of conduct.

The company's efforts in this field have borne satisfactory results. In the 2016 Business Monitor of Corporate Reputation (Merco), Sodimac Chile took 9th place among Responsible Companies with the Best Corporate Governance.



A similar emphasis on these issues was also seen at Imperial which published an Ethics Manual and sought to train all its personnel, at both stores and support offices, in matters related to free competition and Chile's Consumer Protection Law. In addition, it carried out a SOX internal control audit, reviewing all existing controls and identifying the gaps to be addressed in 2017. and established a policy for the prevention of the crimes of bribery, asset laundering and financing of terrorism.

In a demonstration of the company's transversal commitment to good governance. Sodimac Mexico has decided to implement an induction process for all employees which, as well as seeking to generate a sense of belonging, will be designed to foster loyalty to the company's organizational culture. In addition, it will be preparing its own Ethics Manual.

In 2016, Sodimac Uruguay launched Resquarda (Protect), a channel through which employees can anonymously and confidentially report any case of fraud, irregularity or other conduct that is at odds with its Code of Ethics and affects the company's good practices and work climate.

Sodimac Argentina reinforced its efforts as regards sustainability by creating a Sustainability Committee, chaired by its general manager and including the leaders of all its different areas. In an important milestone, it also prepared its first Sustainability Report which is currently at the review stage prior to its publication in 2017.

In Brazil, the company established a new Sustainability Area to foster the application of sustainable practices in its operations.





Commitment to the community

For Sodimac, it is important to build ever closer ties with the community and make a contribution to the development of the countries in which it operates. This commitment is reflected in the company's participation in numerous initiatives such as solidarity campaigns, support for foundations and programs of assistance in which company volunteers actively participate. These initiatives include:

- Sodimac's support for the activities of the Techo NGO in Chile, Uruguay and Peru.
- Sodimac's commitment to the Chilean, Peruvian and Colombian Teletóns which is reflected each year in different activities during the campaign period.

- Sodimac Chile's Buen Vecino (Good Neighbor) program for supporting projects that help the community. In 2016, it implemented 84 such projects around the country, benefiting 50,425 people, in which 2,050 employees of stores, distribution centers and support offices participated.
- The volunteer programs through which Sodimac employees devote part of their time to social initiatives, the improvement of neighborhoods and emergency construction in the wake of natural disasters. These include support for Fundación Nuestros Hijos and Fundación Junto al Barrio.
- Imperial launched a program to map the communities with which it has ties and implemented initiatives such as the Social Entrepreneurship Fair in Rancagua as well as community support plans for Pehuenche organizations in Concepción.
- Sodimac Argentina continued to support different non-profit organizations in construction projects and the repair and renovation of equipment. It also has an active corporate volunteer program and encourages its suppliers to join leading programs in which members of its Tradesmen's Circle already participate. The company also provided active assistance in the wake of the natural disasters such as floods, tornadoes and fires which the country suffered in 2016, participating along with its employees in collections and donations for the victims.







- Similarly, Sodimac Colombia continued to strengthen its Sov Voluntario Sodimac (I am a Sodimac Volunteer) program, an initiative that carried out 36 interventions in vulnerable communities (repair of state schools, construction of integral housing solutions and planting of trees) in which over 700 employees participated, donating a total of 5.100 hours of work.
- Sodimac Uruguay also implemented an active corporate volunteer program, focusing particularly on areas around its stores where, together with local residents, employees cleaned and painted public squares. Working with the Techo NGO, they also provided technical advice on the construction of housing and the repair of a community center.
- In its work with the community, Sodimac Brazil has focused on education and, through Construdecor, has supported the Francisco de Assis Reys primary school which serves over 600 pupils in São Paulo. In 2016, thanks to this work with the school's authorities, it scored 7.1 in the index used by the federal government to measure the performance of primary schools, well above the national average of 5.5 points.

Responsible trade and marketing

Sodimac's Responsible Trade Policy seeks to safeguard the quality and safety of the products it offers customers and ensure that they are produced in accordance with sustainability criteria. In line with this, suppliers must comply with a series of norms on workplace safety, verification of the labeling of their products and care for the environment. Production plants are inspected and products are tested for their compliance with minimum technical standards (SPEC).

Together with this, all Sodimac's marketing communications are governed by strict ethical parameters based on good faith, fair competition and correct promotional practices and the company voluntarily adheres to advertising codes of ethics and self-regulation principles. In addition, it invests in sustainable marketing campaigns in order to foster awareness and provide expert advice, reinforcing the concept of saving and the tasks and care that customers should take into account in their homes.

In addition, Sodimac has in place a series of channels of contact and mechanisms through which to receive feedback from the public. They include mystery shoppers, surveys of satisfaction and the Contacto Sodimac (Contact Sodimac) channels.



In 2016, Sodimac also continued to implement its Tradesmen's Circle (CES) program, an emblematic inclusive business initiative which began life in 2005.

Another initiative that has become traditional is the Hágalo Usted Mismo (Do It Yourself) program, developed using audiovisual channels, through which Sodimac seeks to address concerns related to the needs and problems that are common to all households. During the year, 46 chapters of this program were aired on Televisión Nacional de Chile and numerous workshops were offered in stores for children as well as adults.

At Imperial, responsible trade and marketing were addressed through gender equality programs that were reflected in changes in the image of female sales promotion personnel and in the photographs in the Imperial calendar in line with respect for diversity and gender equality.

This subsidiary also held seminars for furniture makers as well as clinics in stores and other activities designed to provide tools that help customers improve their daily work and incorporate the latest advances in the industry internationally.

Imperial in Chile and Sodimac Peru also began to sell Late! purified water, donating 100% of the profits to foundations that support people in a vulnerable situation. This water was already available at Sodimac stores in Chile.

Responsible procurement

Sodimac has incorporated its suppliers into its sustainability policies. Based on long-term, transparent and mutually beneficial relations and seeking rigorous compliance with the agreements signed, it has established a framework of reference in the form of the Sodimac Commercial Transparency Policy (TCS) that sets out in detail the ethical principles that guide the company's actions.

In 2016, Imperial also introduced a Commercial Transparency Policy, designed to ensure an attitude of equity and empathy in this subsidiary's relations with its suppliers.



The Innovation Center (CIP) has 138 members and has developed projects representing sales of over

4,500 MILLION

Chilean pesos since its launch Work continued on the operational implementation of Sodimac's Innovation Center (CIP), designed to create value systematically by harnessing the company's own capabilities with those of its supplier network. The Center has 138 members with whom, since its launch, it has developed projects that account for sales of over 4,500 million Chilean pesos.

Sodimac communicates its best practices and knowledge of responsible production to its supplier base and, particularly, to small and mid-sized enterprises (SMEs) and provides support to small craftspeople and input producers (referred to as social suppliers) who form part of the supply chain but fall outside traditional procurement programs.

Sodimac is committed to the combat and eradication of child labor through the application of awareness policies for its own employees and suppliers. The latter are not allowed to employ children if they wish to work with Sodimac. The company also has in place other instruments through which it seeks to ensure the absence of child labor in a production chain.

Implementation of these policies has received an important boost since 2014 through the company's joint work with Sedex, an international non-profit organization that seeks to promote improvements in business practices as regards supply-chain ethics and social responsibility. In 2016, 97 international and local suppliers adhered to this initiative. In addition, 51 audits were carried out and the installations of a further 38 suppliers were inspected for compliance with the worker health and safety standards and respect for human rights, the environment and workplace norms required by Sodimac.





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