

Annual
Report
2019



Contents

- 03** The House of the Americas:
Sodimac in Latin America
- 04** Letter from the Chairman
of the Board
- 06** Board of Directors
- 07** Purpose, Mission,
Vision and Values
- 08** History
- 11** Corporate Executive Committee
- 12** Corporate Commercial
and Marketing Strategy
- 16** Sodimac Chile
- 24** Sodimac Colombia
- 30** Sodimac Peru
- 37** Sodimac Argentina
- 43** Sodimac Brazil
- 50** Sodimac Uruguay
- 54** Sodimac Mexico
- 58** Imperial
- 64** Sustainability



The House of the Americas: Sodimac in Latin America

Sodimac is the home improvement unit of Falabella, one of Latin America's principal retail conglomerates, by which it is 100% controlled.

Sodimac has operations in seven countries and commercial offices in China.

Its investments outside Chile are made through subsidiaries of the parent company and it manages its operations in the different markets in a coordinated manner.

254
stores



Annual sales of over
US\$ **5,200**
million in
the region*



Over
44,000
employees



Over
1,860,000
m² of sales floor



Over
1.7
million hours
of training in 2019



** Operations outside Chile are not reflected in the Financial Statements of Sodimac S.A. and, instead, form part of the Financial Statements of the parent company, Falabella.*

(Figures as of 31 December 2019)



Letter from the Chairman of the Board



Juan Pablo del Río G.
Chairman

“ We focused firmly on achieving improvements in customer experience, along with progress on the digital transformation in our omnichannel strategy, integrating physical and virtual channels. At the same time, we sought to increase organizational efficiency, consolidating our position and growing in our different markets.”

2019 brought important achievements and challenges, always within the framework of our strategy which has growth, profitability and sustainability as its pillars, and always with customers at the center of what we do.

We focused firmly on achieving improvements in customer experience, along with progress on the digital transformation in our omnichannel strategy, integrating physical and virtual channels. At the same time, we sought to increase organizational efficiency, consolidating our position and growing in our different markets.

We are proud to have completed two years of operation in Mexico. The response of Mexican consumers has exceeded our expectations, confirming the opportunities this country offers. We opened two stores in Mexico this year, taking the total to five, and plan to open another three in 2020, one of which is already under construction. We also expanded our geographic reach through the launch of three click & collect services. We offer a different value proposition, with initiatives that are innovations in Mexico such as the Patio Constructor and self-service checkouts.

Brazil also reported important achievements. We opened a sixth Sodimac Homecenter/Constructor store and converted 23 Dicico stores

to the Sodimac Dicico brand, giving us a total of 41 stores with this new format, which has proved very popular with customers. We are also progressing with the omnichannel strategy and have formed very important alliances with two of the largest Brazilian marketplaces and a fast delivery application, through which to serve customers who require their purchases urgently. In association with Bradescard, we also launched our first credit card, which offers solutions that are pioneering in the Brazilian market.

In Chile, we continued to invest in e-commerce, applications and the ecosystem of digital tools in stores. We implemented standardization measures, automated processes and made improvements in dispatch and store collection services, reducing delivery times by 33%. The milestones of the year included the implementation of a new automated robot system in the Lo Espejo Distribution Center in order to be able to offer customers a more agile response. In addition, we opened a new store and renovated two others. Although the situation in Chile at the end of the year affected the operation, it gradually normalized.

2019 marked the 15th anniversary of Sodimac's debut in the Peruvian market while Maestro celebrated its 25th anniversary. Both brands have a consolidated position in this market. In November, we resumed store openings in Peru with the inauguration of the Puruchuco Sodimac Homecenter, a 9,685-m² store in the Ate district, one of the most densely populated areas of Lima. In addition, the Maestro store in



Cerro Colorado in the Arequipa Province was converted to the Sodimac Homecenter format, expanding its area and adding a Patio Constructor. Following a pilot in Surquillo at the end of November, stores with the Maestro format will gradually be converted to the Sodimac Maestro brand, including a renewed omnichannel value proposition, with a transactional website, a store collection service and modules.com for purchases in stores. This new proposition brings together the best of each brand: the inspiration and digitization of Sodimac and the expertise and service of Maestro. In addition, we expanded the Lurín Distribution Center and integrated the Sodimac and Maestro websites, creating a site that ranks first in its category for traffic.

In Colombia, the Homecenter App has evolved very successfully, with a new modern and fast architecture. In this country, we also continued to focus on enhancing customer experience in our physical stores. For three years, we have been participating in the open innovation and entrepreneurship ecosystem and this has allowed us to incorporate 20 start-ups as suppliers. In a bid to increase satisfaction with our delivery services in Colombia, we boosted store pick-up points, the express delivery service and the payment-on-delivery option. In addition, supply chain processes and operations were strengthened by the implementation of projects such as the expansion of the Funza Distribution Center, the new Flatbed Truck Distribution Center and the implementation of nodes in Medellín and Cali.

In Argentina, we advanced in profitability and growth, focusing on e-commerce, distance sales and sales to companies. We achieved a very significant increase in online sales in which we gained market share. As part of an integrated logistics strategy, we will have a new distribution center in Argentina in 2020.

Our operation in Uruguay produced very important results in its efforts to continue growing and achieve efficiency gains. Sales to companies and distance sales showed very significant growth. The brand has continued to achieve consolidation and, according to the Brand Dynamics 2019 study, had the strongest equity in its category. This was the first year of our alliance with BBVA for the BBVA Sodimac card, which exceeded expectations in terms of both the number of cards issued and sales.

As part of our purpose of always seeking to complement the products and services we offer customers, we continue to build the teams that will bring the full IKEA experience to Chile, Peru and Colombia, under the agreement signed between this company and Falabella in May 2018. We also announced the location of the first two IKEA stores in Chile: the Open Plaza Kennedy shopping mall in the Las Condes district of Santiago and the Mallplaza Oeste mall in the city's Cerrillos district.

We also made progress in 2019 in different countries on initiatives that form part of our sustainability policy.

An area of special concern was employee training. During the year, we provided over 1.7 million hours of integral training. We also continued to promote diversity and inclusion in our organization. Thanks to this work, Sodimac took first place in the Inclusion Award of the Asociación Chilena de Seguridad (ACHS), a workplace health and safety insurer, and, in different countries, has continued to consolidate its position as one of the best companies for which to work, according to the Great Place to Work (GPTW) ranking.

We seek to support tradesmen and contractors in their training and specialization. We held very successful Great Training Fairs in Chile, Colombia and Peru. They were attended by a total of more than 36,000 people and were followed by over a further 82,000 via streaming.

In 2019, we continued to support the different communities of which we form part, implementing initiatives such as infrastructure projects, training workshops and improvements in their surroundings. Our company volunteers, with their enormous generosity, have played a key role in this field. This commitment has earned us important recognitions, such as those given to the Sodimac team in Uruguay by the Forge Foundation.

Another particular concern for us is care for the planet. We seek to reduce the impact of our operations and to help our stakeholders to do so as well. In Chile, all customer deliveries have been carbon neutral since 1 March 2019,

positioning us as the first company in the country to make this a permanent commitment. In Peru, we have reinforced customers' environmental education in order to significantly reduce the use of plastic in our stores. In Colombia, we became the first retailer to obtain EDGE green building certification.

Our work together with suppliers, who are our strategic partners, played a key role in creating value for customers in 2019. We continue to work with them in pursuit of our goal of promoting and managing responsible procurement relations that meet labor, environmental and ethical standards.

None of this year's progress would have been possible without the commitment and dedication of our employees in the different countries, to whom I would like to offer very sincere recognition. They enable us to continue helping to build dreams and home improvement projects that are enhancing the lives of millions of families in Latin America.

Juan Pablo del Río G.
Chairman

Board of Directors



- 01 Nicolás Majluf Sapag**
Industrial Civil Engineer
Universidad Católica de Chile
- 02 José Luis Del Río Goudie**
Industrial Civil Engineer
Universidad Católica de Chile
- 03 Gonzalo Rojas Vildósola**
Economist and Business
Administrator
- 04 Juan Pablo Del Río Goudie**
PRESIDENT
Architect
Universidad Católica de Chile
- 05 Jaime García Rioseco**
Economist
Universidad Católica de Chile
- 06 Sandro Solari Donaggio**
Industrial Civil Engineer
Universidad Católica de Chile
- 07 Cecilia Karlezi Solari**
Businesswoman
Universidad Adolfo Ibáñez
- 08 Paola Cúneo Queirolo**
Business Administrator
Universidad de Chile
- 09 Elizabeth Lehmann Cosoi**
Economist and Business Administrator
Universidad Católica de Chile



Purpose, Mission and Vision

Our Purpose

Together we build
home improvement
dreams and projects.

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 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 values and how we put them into practice

R

RESPECT

We are cheerful, straightforward and respectful with everyone; we value diversity; we trust others and listen without prejudice.

E

EXCELLENCE

We are geared to service and always put the customer at the center of what we do. We do things well, we collaborate, we innovate and we seek to be ever better.

I

INTEGRITY

We are honest, transparent and fair and strive for consistency between what we say and do.

R

RESPONSIBILITY

We are responsible in all our relations, taking responsibility for all we do and the impacts we generate in the present and for the future.



Our History

Sodimac was founded in 1952 as a cooperative in response to the shortages caused in Chile by World War II. In 1982, it was acquired by José Luis del Río Rondanelli (Dersa) who established Sodimac as a company. Since then, Sodimac has, whilst maintaining its distinctive culture, gone on to develop a business model and stores with different formats to satisfy the needs of families, tradesmen and companies.



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 in 2008 by Argentina and, then, Brazil and Uruguay. In 2018, Sodimac opened its first stores in Mexico, consolidating its position as the leading company in Latin America in the commercialization of construction materials and home improvement products, present in the region's main markets with a successful business model that includes different store formats, both physical and online.

Milestones

1952

Sodimac is born in Chile as a cooperative supplying construction companies.

1982

Dersa acquires the operational assets of Cooperativa Sodimac and forms Sociedad Sodimac.

1988

The Homecenter retail format is introduced to provide one-stop shopping for home improvement needs.

1992

The Sodimac Constructor format is launched, targeting building contractors, tradesmen and small construction firms.

1994

Sodimac starts its international expansion, forming a partnership with Grupo Corona for the Colombian market and subsequently opening its first Homecenter there.

2000

A new style of store is launched, combining a Homecenter and a Patio Constructor.

2002

Homecenter Sodimac is incorporated into the Marketing Hall of Fame as Best Current Brand.

2003

Sodimac merges with Falabella.

2004

Sodimac takes a further step in its internationalization with the opening of its first stores in Peru.

2005

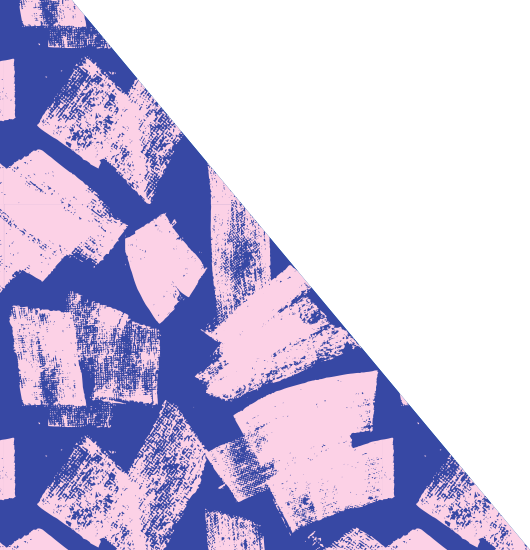
Sodimac opens a commercial office in China.

2007

Sodimac complements its range of products for tradesmen by acquiring 60% of the Imperial chain, Chile's leading wood and board distributor.

2008

Sodimac expands its regional presence by opening its first Homecenter in Argentina.



2009

Sodimac inaugurates the Copiapó Homecenter, the first store in Latin America's retail industry to obtain LEED certification from the US Green Building Council.

In Chile, Sodimac launches Homy, a new type of store seeking to expand design and decoration to a mass market.

2010

Sodimac Peru becomes the first retailer to be awarded the Great Place to Work Prize as the best company to work for in that country.

Sodimac Chile becomes the first retailer in Latin America to achieve the GRI's externally assured A+ application level for sustainability reports, the highest internationally.

Sodimac becomes one of the first companies in Latin America to adopt and start to implement the guidelines of the new ISO 26000 standard on social responsibility.

2011

Sodimac Chile measures its carbon footprint for the first time, becoming the country's first retailer to do so taking into account customers, suppliers and employees.

Sodimac becomes a founding member of the Santiago Climate Exchange (SCX), a pioneering initiative in Latin America.

2012

Sodimac Colombia's Manizales Homecenter becomes the first store in Latin America and one of the first ten in the international retail industry to obtain Gold category LEED certification from the US Green Building Council.

In Chile, Sodimac launches its Innovation Center, an initiative that seeks to systematize innovation with its suppliers.

2013

Sodimac takes an important step in its internationalization by entering the Brazilian market through the acquisition of São Paulo's Dico chain.

Sodimac announces the construction of its first two stores in Uruguay.

The company becomes a member of Sedex, an international non-profit organization that seeks to promote improvements in business practices as regards supply-chain ethics and responsibility.

2014

Sodimac expands its presence in Peru by acquiring the Maestro chain.

The Cajicá Homecenter in Colombia becomes the first store in Latin America and the seventh internationally to obtain Platinum LEED certification, the highest sustainable building standard.

2015

Sodimac inaugurates its first two stores in Brazil.

Operations begin at the company's first two stores in Uruguay.

2016

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.

2017

The redesign of Sodimac.com is completed and the e-commerce platforms of Construdécor in Brazil and Sodimac in Uruguay start operation.

State-of-the-art automation systems are incorporated into the home delivery process at the Lo Espejo Distribution Center in Chile, which also starts operation of its own container yard.

Stage N°2 of the Lima Distribution Center is inaugurated, representing an additional 15,000 m² of operating area.

2018

A franchise agreement is signed with IKEA to develop the first stores and an online channel in Chile, Peru and Colombia.

Sodimac inaugurates its first three stores in Mexico.

Dicico stores in Brazil begin their transformation to a new neighborhood store format under the Sodimac Dicico brand.

Sodimac joins the Circular Economy 100 (CE100) network of the Ellen MacArthur Foundation, a community that seeks to promote a circular economy internationally.

2019

The websites of Sodimac and Maestro are merged in sodimac.com.pe. With 36 million visits a year, it ranks first in traffic in the home improvement category in Peru.

Sodimac Brazil launches its first own credit card through a partnership with Bradescard, the organization responsible for the retail cards of Banco Bradesco.

In Chile, the new Super Butler System (SBS) automated robot system is implemented at the Lo Espejo Distribution Center to provide a more agile response to the needs of stores and customers, increasing efficiency in the preparation of products at distribution centers and decreasing stores' restocking work.

Following a pilot launched in Surquillo, Lima, Maestro stores will gradually begin to operate

under the Sodimac Maestro brand, including a renewed omnichannel value proposition.

Sodimac is the first retailer in Mexico to introduce self-service checkouts in stores.

The company becomes the first retailer in Colombia to obtain EDGE green building certification, thanks to its energy efficiency and saving processes and good use of environmental management programs.

Sodimac Chile launches its first Open Innovation Program with start-ups; Sodimac Colombia completes its third acceleration cycle and, in three years, accelerates six start-ups and incorporates 20 as suppliers.

As part of the company's efforts to stem climate change and reduce its direct GHG

emissions, all product deliveries to customers in Chile became carbon neutral as from 1 March 2019.



Corporate Executive Committee

(As of 31 December 2019)



- 01 Fabio De Petris Duarte**
Corporate Administration and Finance Manager
- 02 Mariasol Soto Becerra**
Corporate Human Resources Manager
- 03 Francisco Errázuriz López**
Corporate Logistics Manager
- 04 Danny Szántó Narea**
Corporate Digital Transformation, Marketing and Customers Manager
- 05 Nerea Ollo Iparraguirre**
Corporate Operational Excellence and IT Manager
- 06 Cristóbal Merino Morales**
Corporate Planning and Development Manager
- 07 Enrique Gundermann Wylie**
Corporate General Manager
- 08 Sebastián Simonetti**
Corporate Digital Retail Manager
- 09 Nicolás Cerda Moreno**
Corporate Legal Compliance Manager
- 10 Francisco Torres Larraín**
Corporate Commercial and Marketing Manager
- 11 Eduardo Isaacson Plaza**
Corporate Projects Manager
- 12 Alejandro Hörmann Orezolli**
Corporate Communications Manager
- 13 Wilhelm Ramberg Arnillas**
Corporate Operations Manager



Corporate Commercial and *Marketing*



Firm progress in enhancing the value proposition



Francisco Torres
Corporate Commercial
and Marketing
Manager

Most importantly, in 2019, we rationalized suppliers of imports by more than 60% and products by almost 70%, completing a process that we had been working for some time; this was positive for suppliers who became much more strategic partners. From the company's standpoint, it also meant important savings, without affecting the completeness of the assortment, and facilitates compliance with higher delivery, quality and sustainability standards to the benefit of our family customers and tradesmen.



In a complex year in the region, Sodimac strengthened its growth, consolidating its portfolio of strategic suppliers, boosting its own brands and complementing customers' experience in stores through omnichannel development and the expansion of its assortment through e-commerce and marketplaces.

Construction of the corporate assortment

In 2019, the company completed the process of forming a smaller portfolio of strategic suppliers and products, an initiative on which it had been working gradually for some years. A corporate decision was taken to reduce suppliers of imports by more than 60% and products by almost 70% in order to avoid redundancy in the form of the acquisition of very similar items from different suppliers.

The construction of the corporate assortment, which meant significant savings, was applied in the seven countries where Sodimac has operations and means that smaller markets now have access to items that it was not profitable for them to carry on their own.

This reduction of suppliers and products was implemented without affecting the completeness of the assortment or detracting from the value of the range offered in each country. It makes it much easier to optimize inventory and permits a more direct relationship with suppliers, which is beneficial for both parties.

These changes are also conducive to compliance with the delivery, sustainability and quality standards established by Sodimac.

In 2019, Cyber Days were held in all countries, with very good results. For the first time, the main Cyber Day products were displayed prominently in stores, meeting with an excellent response on the part of customers, and the plan is to further emphasize this in all markets in 2020.



Serving the professional customer

During the first half of the year, a systematic effort was made to gain a deeper understanding of the company's professional customers as regards the needs of their specific areas of specialization. Studies were conducted in the largest markets and, beyond the particular characteristics of each type of professional, the information was used to make adjustments in the company's value proposition.

The second half of the year was devoted to transforming a large part of the organization in line with the needs identified. For example, the role of stores' CES captain, who is responsible for maintaining contact with the relevant group of professional customers, was formalized.

Other work in this area included the installation in stores of new work tables for professional customers,

training areas, counters for tool rental and for delivery, credit, information and product collection services and exclusive parking as well as other benefits such as expedited dispatch.

In a new benefit under the group's loyalty program, professional customers also earned CMR points regardless of the means of payment, enabling them to take advantage of these points to acquire products and services appropriate to their needs.

Own brands at the forefront

2019 set a new record in terms of the share of own brands in total sales. These products have been showing sustained annual growth in all markets in the region, reflecting the systematic work undertaken country by country, brand by brand and program by program.

During the year, the information available online about own brands was vastly improved, particularly as regards the quality of photos, texts and videos, because this content is increasingly the basis on which customers predefine their purchasing decisions.

The results have been measured regularly through market studies, panels and other mechanisms in the main countries. These showed that Bauker has consolidated its position as Chile's second most popular brand of tools and that Kölor is Colombia's second most popular paint brand, both in terms of perceptions and positioning among customers in the home improvement and professional markets.

The company also began to conduct monthly studies of its main own brands in the different countries. This provided it with much better and more immediate information about how penetration and knowledge of each of these brands are progressing.

Home Collection, a brand specialized in decoration, stood out in 2019. It featured in a number of campaigns, including those on terraces and for the end of the year, and was launched on Instagram.

Brands such as Übermann, Topex, Kölor and Bauker were promoted among professionals, targeting an audience that is more knowledgeable and loyal. This work included training, workshops, BTL activities and even a soccer championship, which was very successful.

Promotion of the Kölor brand also included the introduction of new transparent containers and a greater variety of special formats (small and medium) that save customers from having to buy more paint than they need.

For Bauker tools, a Free Power battery was introduced. It fits many different tools, in line with a growing consumer preference for cordless alternatives.



In 2019, an Ozom 3.0 range was developed, offering more than 100 alternatives for home automation that include light bulbs, cameras, locks, alarms, curtains, plugs, heaters, air conditioning, garden watering products and vacuum cleaners. This new line, to be launched in early 2020, will be marketed at prices that make home automation accessible to a much broader public. Today, customers are far more open to adopting technology in their homes because it has been made simple, due mainly to two milestones: the use of mobile phones and the incorporation of voice control capabilities to humanize the technology.

Over the course of the year, official stores were developed in the Linio marketplace for the main own brands at the regional level.

Broad range of products and services

The key feature of 2019 was the development of marketplaces, where customers can even acquire products that are available in other countries and which Sodimac undertakes to obtain within a reasonable period of time, depending on the place of origin. Currently, products are regularly obtained from the United States, Brazil, Europe and, soon, China.

Similarly, in the case of suppliers of which Sodimac carries only some products, their whole range is being made available online, offering customers more variety and expanding their shopping options.

Linio, a very valuable corporate effort on the part of the Falabella group, and Sodimac.com offer more than 100,000 products that are available locally. More products are being added daily, thanks to the existence of cross-border links, which make the assortment of suppliers in another region available to customers. This is also very useful for identifying the products that are most popular with customers so as to incorporate them into the local assortment.

By the end of 2019, new tool rental software was in operation at all Imperial and Sodimac stores in Chile. As well as offering the delivery of tools to a customer's home and their subsequent collection, it allows customers to check the availability of a tool and return it anywhere else in the country. Work is underway to implement this software in other countries and it is expected to be in operation in all stores in the region by the end of 2020.

During the year, the company closed an agreement with a services marketplace, which is already operating in pilot form, offering a broad range of services that includes maintenance and cleaning services, dog walking and ironing. On Sodimac.com, it is possible to hire services associated with products or individually.

Closer ties with China

In 2019, the company held its first mass direct negotiation meeting with its main suppliers in China. At the meeting, supply contracts were signed to formalize the relationship and, at the same time, impose certain obligations, such as having Supplier Ethical Data Exchange (Sedex) certification or an equivalent.

This initiative was very important because it allowed the company to negotiate better conditions in terms of lower costs and also implies indirect savings because it permits lower inventory levels. In addition, fines for late deliveries and logistics conditions were incorporated, representing a sign of trust on the part of suppliers who have become strategic partners.

The meeting was held in Shanghai and brought together more than 130 Chinese suppliers.

Sodimac continued to grow and consolidate its presence in all its new markets. Its value proposition is ever more appreciated in Brazil and Mexico and 2019 was also an extraordinarily good year in Uruguay.





Sodimac
Chile



Advancing towards a customer-centered strategy

In 2019, we set ourselves ever more demanding goals for the sustainable development of our business in the framework of an ecosystem of continuous improvement. We also sought to intensify our active listening to customers so that our digital transformation enables us to rethink business processes and incorporate technologies in a way that creates memorable experiences and value propositions.



Eduardo Mizón
General Manager
Sodimac Chile

 **689,223**
m² of sales floor

473,780
hours of training 

74 
stores

 **17,907**
employees

**Great
Place
To
Work.**

8th
in Great Place
to Work ranking

(Figures as of 31 December 2019)

In 2019, we reinforced two key strategic objectives: to offer the best customer experience and to increase organizational efficiency. To this end, we consolidated digital transformation initiatives geared to these two objectives, strengthening the advisory services we offer, improving operational efficiency and enriching the shopping experience.

Progress on all fronts

Growth, profitability and sustainability are the three corporate pillars on which Sodimac Chile continued to base its development, in line with its strategic five-year plan.

In 2019, important progress was achieved on growth, mainly in e-commerce where Sodimac's integration into the Linio marketplace quickly delivered an increase in sales and meant the development of pick-up points at the group level.

During the year, a new Sodimac Homecenter store opened in the Ñuñoa district of Santiago. This store, the first in Chile with two floors, has an area of 12,500 m² and replaced a store that suffered a fire in 2014. The Kennedy Homecenter in Santiago was also remodeled, adopting a more experiential approach that boosts customer experience and inspiration. Both are latest-generation stores with processes that are more efficient for consumers and enhance the "phygital" concept (combining physical spaces and digital technology). As part of an optimization of the company's portfolio of locations, the Constructor store in Santiago's Maipú district and the Homy store in the Mallplaza Oeste shopping mall were closed, in the latter case as part of the process of building one of the country's first two IKEA stores.

In the area of sustainability, community support programs benefited more than 40,000 people. Numerous initiatives were also implemented to contribute to protection of the environment and foster awareness of the need to care for the planet. In the context of the social crisis that affected Chile in the last quarter of the year, Sodimac's priority was the safety of its customers and employees and, in the case of the latter, the maintenance of their



jobs. Employees at the Homecenter in the center of the city of Concepción and the Constructor store in Santiago's Conchalí district, which suffered arson attacks, were relocated to other Sodimac stores. In a bid to reinforce internal communications, 95 conversation events were held with the participation of 1,116 employees from all stores, distribution centers and support offices around Chile. These conversations will be used to propose improvements for the company and the country.

In the case of profitability, the company continued to automate its main distribution center and strengthen the supply of stores. Many standardization and process automation initiatives were also implemented, resulting in efficiency gains in the supply chain and the optimization of inventory levels. In this way, it was possible to maintain availability rates of above 95% in stores.

A new automated robot system, known as the Super Butler System (SBS), was implemented in the Lo Espejo Distribution Center. Its objective is to increase the speed and agility of response to the needs of stores and customers, increasing efficiency in the preparation of products at distribution centers and decreasing stores' restocking work. The investment included the construction of a 32,000-m² structure on four levels for 325 autonomous robots, capable of moving 4,220 mobile racks of products and taking them to different preparation stations where they are sorted into restocking carts, according to the area of a store, or, if products are for a customer, consolidating them ready for dispatch. In its first stage, the system is capable of sorting 45,540 boxes per day and storing up to 50,000 SKUs. This project will continue its development in 2020.

E-commerce and omnichannel strategy

One of Sodimac's priorities in 2019 was the digital experience in its stores. Projects implemented included the digital monitor to link initiatives arising from different cells (teams) with the store in order to ensure their efficient implementation and boost improvements.

In the case of technology, progress was made on the Catalyst project. This will mean a fundamental change in the e-commerce platform, migrating the base to micro-services so as to be able to advance dynamically in its development, applications and the ecosystem of digital tools in stores.

Commercially, the year brought the consolidation of two important online events: Cyber Day in May and Cyber Monday in October. In both cases, sales showed a very significant increase on the previous year and grew ahead of the average for the industry in Chile.

A broader range of products, leveraged by the marketplace model, meant that results exceeded targets. More than 20,000 new products were incorporated in line with the category's business strategy. The assortment was also further differentiated by the new Cross Border model which provided access to more than 800 products from overseas.

In addition, Sodimac integrated its operation with Linio, working with it collaboratively and offering 100% of the products defined from warehouses. Sales for the year



Sodimac launched its first open innovation program with start-ups in a bid to identify and establish links with the external capabilities present in the entrepreneurship ecosystem and harness it to the company's internal challenges; in 2019, the focus was on enhancing customers' shopping experience.

were ahead of target, with significant increases every month and a positive participation in cyber-day and commercial campaigns. The plan for 2020 is to complete systemic integrations and continue to scale up the home improvement and construction materials business in Linio.

By the end of the year, Sodimac products could be picked up (click & collect) at 15 Falabella/Tottus stores around Chile. Home delivery logistics services achieved 90% on-time compliance and ten stores were equipped with a differentiated delivery service. Home delivery and in-store pick-up services will be significantly strengthened in 2020 by optimizing their processes in a bid to reduce costs and delivery times and, therefore, enhance customer experience.

Sodimac.com has been working on profiling and segmenting its home improvement and construction customer base and has already defined and applied more than ten segments. The aim for 2020 is to cover more segments, adapting and optimizing site navigation to different customer journeys based on their preferences, with a clear emphasis on the professional customer.

The content of the website was improved with the addition of 53,000 new photographs and more than 20,000 descriptions. In the case of the related data structure, the PIM platform was consolidated as a single product database, migrating to the international global product classification (GPC) standard and, thereby, considerably improving the quality and structure of the company's data. Another priority in 2019 was to boost user-generated content. The e-commerce platform already has more than 36,000 customer comments, with an average score of 4.2 out of 5 for the more than 12,000 products reviewed.

Service quality, efficiency and productivity

In 2019, Sodimac maintained its position in the top quartile of the industry in terms of the NPS customer satisfaction indicator. This was despite a drop of one point on 2018, explained entirely by the effects of the social crisis in the last quarter of the year.

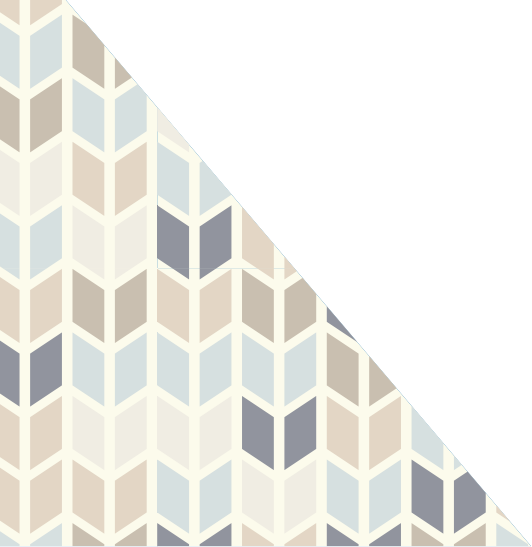
In 2019, measurement of the employees' NPS began in order to obtain internal client feedback for use in creating better action plans for the end consumer. In November, this reached 61 points, ahead of the market benchmark.

Under the process approach, LEAN improvement initiatives, technology and innovation were reflected in further large strides in efficiency on all operational fronts. Numerous improvements were made in the dispatch and customer pick-up areas, reducing delivery times to customers by 33%. The assisted self-service option at checkouts has also gradually been expanded.

In the case of the integration of channels, the implementation of HUB and cross-docking in regional warehouses reduced delivery times to customers to 24 hours or, in very remote areas, 48 hours. This was, moreover, complemented by introduction of time slots for customers' receipt of deliveries.

Sodimac obtained a historic result in the Great Place to Work (GPTW) ranking, taking eighth place among the best companies with more than 1,000 employees for which to work in Chile.





For store sales, the concept of extra-assortment sales, associated services and advice on sales through dotcom modules and tablets were definitively incorporated in 2019. By permitting increasingly flexible guided sales for the entire assortment, with a better interface, this facilitated the integration of the physical and digital worlds in the same shopping experience.

Sustainability

A number of initiatives related to the company's strategic pillar of sustainability were implemented in 2019. The *Construyendo Sueños de Hogar* (Building Dreams of Home) program was once again implemented. The support provided through this collaborative and participatory community relations initiative takes the form of materials while company volunteers work together with the community on implementing projects to improve the installations of different organizations. In 2019, 83 projects were implemented around the country, involving 1,404 volunteers and benefiting 40,090 people. Internally, as part of this same initiative, 84 employees received support for projects to improve their homes and quality of life.

The company also supported the Techo organization's institutional campaign which, in a call for integrated cities, built 14 definitive housing projects in different regions of the country. In addition, it contributed 47 million pesos on account of the sales of Agua Late bottled water at all its stores around the country.

Sodimac also made a contribution of 130 million pesos to the Junto al Barrio Foundation and, in the framework of the Building Dreams of Home program, participated in community projects in the Renca and Valparaíso municipal districts.

The company has continued to work with *Movidos por Chile* (Moved for Chile), an initiative promoted by the Community of Solidarity Organizations to help in different emergencies and strengthen networks for collaboration in addressing disasters/emergencies in the country.

In the framework of efforts to stem climate change, various initiatives were launched to contribute to protection of the environment and promote greater awareness of the need to care for the planet among suppliers, customers, employees and the community in general. As part of the company's goal of achieving a 30% reduction of its direct emissions by 2021, all product deliveries to customers in Chile have been carbon neutral since 1 March 2019.

Sodimac also promotes the recovery, recycling and reuse of both its own waste and that generated by the community. Its National Network of Clean Points continued to expand in 2019 when it opened its first facility in the town of La Calera. This gave a total of 19 Clean Points between Arica in the north of Chile and Chiloé in the south, consolidating the network as the most important of its type in the country. Since it was launched in 2010, the network has received more than 3.5 million visits and recycled over 18,000 tonnes of waste.

The company also offers customers more than 4,000 products with environmental and social attributes. They include products in which more than 50% of the content is recycled and which are biodegradable in no more than six months and are reusable or can be reassembled. Other products are verifiably efficient in their use of energy or water or are free of volatile organic compounds (VOCs), which are harmful to health.

This year
83 projects were
implemented
throughout Chile.



Sodimac stores also offer sustainable products with recognized certification, which have been manufactured with care for natural resources and mitigating environmental impacts. In addition, space is given to inclusive products that generate a positive impact on society by contributing to social causes. They include several lines of cleaning products and storage and household items manufactured with plastic waste received at the Clean Points. This circular economy initiative, which is the result of an alliance with TriCiclos and Comberplast, is the first such initiative by a retailer in South America.

In 2018, Sodimac joined the Circular Economy 100 (CE100) network of the Ellen MacArthur Foundation and, in 2019, went on to join the Chilean Pact for Plastics of the Fundación Chile technology transfer institute. Together with its suppliers, it set itself the goal of doubling the offer of eco-sustainable articles and services in its stores in 2019 and ensuring that 100% of the containers and packaging of the products it sells are recyclable by 2020, starting with its own brands.

The company is committed to responsible management of the waste generated by its operations. In August 2019, it was one of 13 companies that signed a Clean Production Agreement for electrical and electronic products. Recently,

Sodimac was recognized by the *Programa Huella Chile* (Chile Footprint Program) and the Ministry of the Environment for its commitment to measuring and reducing the carbon footprint of all its installations.

CMR points on all means of payment

In July 2019, Sodimac launched the CMR Points program for all means of payment, enabling customers to earn and redeem CMR points when buying at its stores (and all the other Falabella group businesses), regardless of the means of payment used. In the second half of the year, campaigns offering payment in interest-free installments when using the CMR card resulted in significant growth in sales, allowing customers to fulfill their dreams and carry out their home improvement projects at zero financing cost.

Efforts in 2019 also focused on strengthening the CMR proposition for professional customers (CMR Pro). A tradesmen's points catalogue was launched, offering broad and segmented redemption alternatives tailored to their professional and home improvement needs. In addition, the CMR card project for tradesmen was given a new boost by significantly expanding the pre-approved customer base, generating an increase in sales in this segment. This project will be further strengthened in 2020.

Human resource management

In 2019, the team received training in order to standardize the face-to-face evaluation method and align it with international selection standards. The platform for mass

online evaluations was also modified to permit tests to monitor the standard of the digital profiles required by the business and improve the experience of candidates, who can take the tests using any mobile device, without needing to go to a store. This means cost and time savings for both the candidate and the human resources teams.

Between May and December, the Sodimac Chile page on LinkedIn took the top position in terms of followers among pages in the countries where the company has operations, showing an organic increase of more than 35,000 followers.

Inclusion was another priority in 2019. Important efforts were made to recruit and select persons with disabilities. Adjustments were also made to infrastructure, not merely to comply with the legally required 1% of the total workforce, but also to create awareness of diversity throughout the company.

Over the course of the year, the company provided more than 473,780 hours of training, benefiting 17,019 members of the Sodimac family. This represented an average of 26 hours per employee and implied an investment of US\$2,729,064.

Under the guidelines of the Leadership Academy, a Leadership 3.0 program was implemented to provide management tools to enhance the development of leaders in the company. In 2019, 40% of support office leaders attended the program and the goal for 2020 is to reach 90%.



The holding's integration was an important element in the company's digital transformation; this was particularly the case of the synergies achieved with the development of Linio, Sodimac collection points in Falabella and Tottus stores and, as regards human resources, the Talentum internship program.



Eleven training fairs were held in Santiago in 2019, increasing the number of places and coverage by 25%. In this way, 50% of Sodimac's sales force received training in products, the sale of projects, technological tools and the different omnichannel services offered by the commercial area. At each of these events, the best students and suppliers were recognized, encouraging them to progress every day and share their learning with colleagues.

The Sodimac School of Excellence awarded scholarships to 122 employees in 2019. A further three scholarships were awarded for Master's programs and 120 for English courses. Work also took place on the implementation of SAP Learning, a new management tool to modernize the filing of reports and the management and dissemination of Sodimac's in-person training programs. This new system enables line managers and employees themselves to view their training syllabus, the courses taken and their annual and monthly planning as well as the range of courses available, thereby fostering self-management of training.

Another feature of the year was the implementation of Talentum, an intra-group internship program under which outstanding professionals move to another Falabella company and work there for eight weeks, developing a project of interest to the business. This program seeks to foster career development and internal mobility, draw attention to professionals with an outstanding performance, encourage the exchange of good practices and cultures between companies, generate internal networks and contribute to the speed of implementation of strategic projects.

Responsible trade and marketing

The Sodimac Tradesmen's Circle (CES), the company's emblematic inclusive business program, has now been in existence for 14 years and has over 400,000 members from Arica in the north to Punta Arenas in the south. It enables the company to relate with a growing group of regular customers, who include tradesmen and contractors, helping them to improve their work and the management of their businesses through training and the transfer of expertise.

In 2019, for the seventh consecutive year, Sodimac Constructor, together with its Tradesmen's Circle, held the Great Tradesmen's Training Fair in Santiago. Its main objective is to enable tradesmen to access training in different areas, learn about new technologies, be at the forefront of the latest market trends and be able to innovate in their field. In 2019, the Fair offered a record of over 300 free training courses which were attended by 18,000 people and followed by a further 50,000 via streaming. The Fair also included the Best Tradesman in Chile competition.

In 2019, Sodimac once again implemented the *Hágalo Usted Mismo en Comunidad* (Do it Yourself in Community) program to offer vulnerable communities step-by-step advice on projects to build and repair different parts of their homes in accordance with their needs and, in this way, improve their quality of life. The program's workshops are run by the Proyecto Propio Foundation, with the collaboration of a number of the company's allies, and included modules on how to keep a house in good repair, saving money in the process and generating projects that inspire the family, neighbors and the community.

Progress on corporate governance and business ethics

The Governance, Risk and Compliance (GRC) tool was implemented in 2019. It serves to configure and standardize the business's risk matrices and the use and update of protocols. New risks were also incorporated in financial-accounting processes, the management of human resources and suppliers for their continuous monitoring through internal audit surveillance panels. In addition, the Crime Prevention Model (Chilean Law N° 20.393) was updated with the incorporation of new crimes.

Innovation in the shopping experience

In a bid to enhance customers' shopping experience, Sodimac Chile launched its first open innovation program, inviting different start-ups to generate creative technological solutions that effectively respond to the needs of both home improvement customers and tradesmen.

This initiative is the result of an alliance with the INNSPIRAL corporate innovation accelerator and the Imagine Lab business accelerator and attracted over 200 start-ups. As of end-2019, the company was working with the five finalists, holding meetings to develop viable concrete proposals through which to harness their creativity and capabilities to the company's internal challenges. It is expected that, in 2020, three of the start-ups will be selected to integrate the company.

Prizes and recognitions

In 2019, Sodimac received the Consumer Loyalty Prize, in the home improvement category, from Alco, a customer experience management consulting firm, and the 2019 Inclusion Award, in the large company category, from the Asociación Chilena de Seguridad (ACHS), a workplace health and safety insurer.

It also took third place in the Merco ranking of responsible companies with the best corporate governance, fourth place in the Reputation Institute's RepTrak Chile ranking, seventh place in the Merco ranking of companies with the best corporate reputation and 11th place in the Merco ranking of companies that best attract and retain talent.



Executive Committee Sodimac Chile

(As of 31 December 2019)



- 01 Ignacio Román Moreno**
Planning, Development
and Projects Manager
- 02 Juan Carlos Corvalán Reyes**
Legal Affairs and Sustainability
Manager
- 03 Manuel López Pacheco**
Legal Compliance Manager,
Sodimac Chile and Subsidiaries
- 04 Mariano Imberga**
Operations Manager
- 05 Fernando Valenzuela del Río**
Administration, Finance
and Prevention Manager
- 06 Luiz Santos García**
Supply Chain (Acting) Manager
- 07 Claudia Castro Hruska**
Human Resources Manager
- 08 Eduardo Mizón Friedemann**
General Manager
- 09 Ignacio Monteverde**
Commercial, Marketing
and Internet Sales Manager
- 10 Cristián Andrés
Huidobro Alarcón**
IT Manager



Sodimac
Colombia



Enhancing customer experience

"We are committed to gaining an ever better understanding of our customers so as to offer them the best experience and, thus, continue to grow. To this end, we have reinforced and accelerated the implementation of the digital transformation throughout our value chain where factors such as an agile innovation culture, data-based decision-making and the expansion of technological capabilities to improve the customer experience are fundamental for achieving our goals."



Miguel Pardo
General Manager
Sodimac Colombia


385,956
m² of sales floor

700,000
hours of training 

40 
stores
in 25 cities

 **9,039**
employees

(Figures as of 31 December 2019)

The more than 9,000 employees of Sodimac Colombia and its Homecenter and Constructor brands worked every day to fulfill the company's purpose: "Together we build dreams and home improvement projects", seeking to understand the needs of customers and, at the same time, consolidate the digitization process within the company.

Sodimac Colombia's challenges in 2019 were related to generating the best customer experience, advancing with the company's digital transformation and increasing efficiency. During the year, it strengthened its ability to understand consumers' needs through better analysis and the use of both internal and market information. In addition, the business intelligence team was reinforced and the use of information was broadened to all areas of the company in order to support informed and agile decision-making to the benefit of customers.

The different digital channels (website, Homecenter App, call center and digital screens in stores) helped to

offer customers a new source of inspiration and a new means to buy the best products and services. Virtual sales showed an important increase on 2018 and the evolution of the Homecenter App was particularly noteworthy. Its innovations included a modern and fast architecture, new search and inspiration functions, shopping lists, a quick purchase option, the launch of the payment gateway for debit and credit cards and push ads. These innovations were reflected in exponential growth of sales through the App as compared to 2018.

The integration of physical and virtual channels continued and there are already 302 digital screens in stores, through which customers can access a range of more than 100,000 products. In addition, extended assortment programs and supplier development continued to be used to expand the products available to customers.

To increase satisfaction with delivery services, improvements were made in store pick-up points, express delivery (3 hours) and payment on delivery. Integration of technology and processes with Falabella stores means that customers can now pick up purchases interchangeably from either Sodimac or Falabella stores.



For the sake of a better customer experience, supply chain processes and operation were strengthened through the implementation of a master plan that includes projects such as the expansion of the Funza Distribution Center, the new Flatbed Truck Distribution Center and the implementation of nodes in Medellín and Cali.

Improving customer experience in physical stores also remains an important focus of work. The progress achieved included the successful installation of new project centers in ten stores, six painting experience zones, a pilot of the dream area of floors and the consolidation of the made-to-measure blinds program with its inclusion online and on digital screens.

Drawing on its knowledge of the professional customer, the company continued to improve their experience, guided by their needs, rather than focusing on product categories. For each of these categories of customers, the value proposition was reinforced and measures were taken to simplify the points of greatest complexity in both the physical and digital experience. The Tradesmen's Circle (CES) showed strong growth, positioning itself

as the most important loyalty program in the country's construction sector. It currently has 321,000 members, up by 8.5% on 2018.

Promotion of means of payment continued in a constant effort to leverage products with the best financing offer. This helped to grow the share of sales made using the CMR card while sales in *Oportunidades Únicas* (One-Off Opportunities) promotions were up by 30% and it was possible to launch the financing of projects at points of sale. Progress was also achieved on exclusive brands, which showed growth of 17%, and 13 families of these brands took first place in sales.

Targeting key segments

To strengthen the customer-centered culture, incentives were provided for employees to undertake training and enhance their skills and knowledge. Given the challenges of the digital transformation, different learning spaces were created to equip them with key tools for becoming leaders in digital sales.

In alliance with academic institutions such as the Antonio Nariño University and the Gran Colombiano Polytechnic College, 104 employees were trained as civil works construction technicians and another 38 as technicians in commercial operations.

In 2019, Sodimac Colombia continued to hold internal training schools as a means of supporting compliance with the company's strategy and strengthening employees' skills. The topics addressed during the year included passion

Innovation is a fundamental pillar of Sodimac Colombia's strategy and, in line with this, it participates in an open innovation and entrepreneurship ecosystem. The third acceleration cycle was completed in 2019 and, in the three years, six start-ups have been accelerated and 20 have been incorporated as suppliers.





The digital sales and service channels, the call center and digital screens in stores have contributed to a significant increase in virtual sales compared to 2018. The evolution of the Homecenter App has been noteworthy, with sales showing exponential growth on the previous year.

for the customer, project development, leadership, sales, logistics and workplace safety and health. In addition, training platforms, such as UBITS, were adopted to encourage self-learning through virtual courses, which have already been used by more than 2,500 employees. Average technical knowledge scores increased by 27% from 69 points in 2018 to 88 points in 2019.

Through endomarketing and the Workplace collaborative platform, work continued on building a company in which employees are its leading fans, influencers and promoters of the brand and its purpose. The main aim is to strengthen the digital work environment by increasing strategic capabilities and strengthening the four pillars of Workplace (management, social engagement, learning and productivity). In 2019, the platform was used by 7,790 employees and this was reflected in a collaborative, interactive and productive work climate throughout the year.

The company made significant progress on workplace safety, reducing its accident rate by 18% as compared to 2018 and its accident severity rate by 2.5%.

Sodimac Colombia also remained committed to increasing the expertise of its customers. With its Constructor brand and in alliance with the EAN University, it continued to provide scholarships for members of the Tradesmen's Circle (CES) through a program on Financial Management in Construction Sector Companies, from which 333 tradesmen from around the country graduated. Since its launch ten years ago, this program has certified more than 1,600 tradesmen.

For the first time, the Great Training Fair was held in two cities: Bogotá and Medellín. Together, they attracted over 10,700 visitors, up by more than 85% on the previous year. Sodimac Colombia is aware of the importance of strengthening relations with suppliers in order to create a more sustainable economy and world. In line with this, it organized, together with the Colombian Business Council for Sustainable Development (CECODES), a second course for small and mid-sized enterprises (SMEs). In addition, for the sixth consecutive year, Sodimac Colombia suppliers participated in a course on first steps in social responsibility, given by the Externado de Colombia University, through which 12 of them obtained training provided by the Global Reporting Initiative (GRI), equipping them with skills for the preparation of sustainability reports.

In a further initiative, the company launched the Sodimac Colombia Supplier Sustainability Award for which 18 suppliers competed. Thanks to this initiative, it was possible to identify good economic, social and environmental sustainability practices among those who form part of the company's supply chain.

Habitat Improvement

For the Sodimac Colombia team, 2019 was a very important year as regards sustainability and the environment because the company presented the new focus of its sustainability strategy: Habitat Improvement, a vision through which it is possible to pursue the business purpose of building and intervening spaces whilst promoting respect for differences and care for the environment.

In the framework of the strategy, an alliance was formed with the Catalina Muñoz Foundation, a leading social organization as regards contributing to the improvement of the habitat of vulnerable segments of the population. Thanks to this alliance, three public spaces were intervened in Bogotá, Cali and Pereira through projects on which 84 people worked, including volunteers and members of the community. In addition, the first integral project was implemented in the San Carlos and San José neighborhoods of the Madrid municipal district. It intervened six community spaces: two sports centers, two parks, a community hall and an educational institution. Under this new approach, customers also contribute to solidarity since 100% of the money raised from their small change and the sale of Natal bottled water goes to the Catalina Muñoz Foundation for the implementation of this project.

The company's social contribution also includes a solid volunteer program. It supports activities that foster progress and improve the quality of life of communities and has provided more than 2,400 hours of voluntary work for a total of 18 social activities that have benefited over 29,400 people. The activities have included a food bank, the planting of trees, repairs to the infrastructure of educational establishments and the painting of the fronts of houses in vulnerable neighborhoods.

In 2019, the National Association of Businesspeople of Colombia (ANDI) awarded Sodimac Colombia its seal of certification as an Inclusive Company. This was in recognition of the *Bandera de Inclusión* (Flag of Inclusion) program that the company has maintained for 12 years.



At present, Sodimac Colombia employs 116 people with cognitive disabilities, seven people with physical disabilities and, through its workplace inclusion program for socioeconomically vulnerable persons, 44 people.

In the case of environmental sustainability, Sodimac Colombia has continued to make news for its efforts to conserve natural resources and protect the environment. In 2019, it obtained three-year ISO 14001:2015 certification in recognition of its work in caring for and conserving natural resources through its environmental management system. A total of 27 stores were certified, six more than in the previous year.

The company also became the first retailer in Colombia to obtain EDGE green building certification, thanks to its energy efficiency and saving processes and its good use of environmental management programs.

Vision for 2020

Sodimac Colombia will continue working to improve customers' experience based on an understanding of their needs, to advance with the company's digital transformation, to increase its efficiency and to deepen the development of the Falabella ecosystem, through initiatives that add value for the customer and generate efficiency gains for the group.

In this way, it will strengthen its value proposition so as to the best option for both its home improvement and professional customers, remaining true to the purpose of "Together we build dreams and home improvement projects".

In 2019, the company's *Bandera de Inclusión* (Flag of Inclusion) program marked its 12th anniversary and earned Sodimac Colombia the seal of an Inclusive Company. It already employs 116 people with cognitive disabilities, seven people with physical disabilities and, through its workplace inclusion program for socioeconomically vulnerable persons, 44 people.

Executive Committee Sodimac Colombia

(As of 31 December 2019)



- 01** Juan Antonio Bustos Ortega
Administration and Finance Manager
- 02** Julián Fernando López Cardemil
Supply Chain Manager
- 03** Diego Hernández Arizabaleta
Development Manager
- 04** Pedro José Gallón Tamayo
Operations Manager
- 05** Erasmo Jesús Moreno Aguilera
Technology Manager
- 06** Karym Cecilia Grijalba Mármol
Integral Human Resources Manager
- 07** Miguel Pardo Brigard
General Manager
- 08** Luis Prieto Archidona
Commercial Manager

Sodimac
Peru



Sodimac Peru

Outstanding professional advice for customers

"In 2019, Sodimac completed 15 years in Peru and Maestro a quarter of a century, consolidating both brands as leaders in the local market. We remain convinced of the importance of developing our purpose, "Together, we build dreams and home improvement projects", and have become the best ally for the implementation of the plans of all entrepreneurs and professionals in the improvement of their homes and construction."



Hernán David Pérez
General Manager
Sodimac Peru


376,264
m² of sales floor

382,855
hours of training 

55 
Sodimac
and Maestro
stores


9,891
employees

(Figures as of 31 December 2019)

Striving always to deliver the best service to its customers, Sodimac Peru worked day-by-day in 2019 to help realize their dreams and home improvement projects through the company's four strategic priorities: the experience of both the adviser and the customer, an omnichannel service and knowledge of the consumer. During the year, the company made important investments that will help to consolidate it as the network of multi-brand stores that offers the best value proposition in Peru's home improvement sector.

In 2019, Sodimac Peru sought to develop the skills, capabilities and technical knowledge of its advisers (employees). It introduced a new factor in the form of training in digital skills in order to integrate them into the changes of technologies and paradigms that are occurring in the world and equip them with the best tools so they can serve as co-creators in the construction of customers' dreams and home improvement projects.

In 2019, the company provided 382,855 hours of training, out of which 6,068 hours corresponded to digital skills and 185,517 hours to technical training. In addition, over 60% of vacancies were filled internally, fostering advisers' professional growth.

The company continued to deploy project centers for the made-to-measure design of bathrooms, kitchens, curtains, doors and windows, which already show important growth in transactions and sales. Three Maestro stores and 14 Homecenter stores were remodeled which, together with better in-store advice and greater omnichannel facilities, increased customer satisfaction by more than 10% compared to the previous year.

Significant progress was made in the development of the organization's data analysis and customer listening skills, enabling it to detect various opportunities to strengthen its value proposition through, for example, greater proximity and convenience for professional customers.



E-commerce and the omnichannel strategy

In the digital channel, the websites of the two brands were merged in sodimac.com.pe. This website has established a position as the most complete in content, assortment and services in its sector. With 36 million visits a year, it ranks first in traffic in the home improvement category.

In 2019, the company consolidated its delivery services countrywide, including express delivery in 90 minutes, which resulted in significant growth of internet sales.

In addition, the share of long tail sales in the modules.com doubled and e-lockers were introduced for store pick-up of orders. Positioning with professional customers in Departments 1, 2 and 3 led to sales growth of over 70%.

The option of using any means of payment at checkouts was incorporated into the modules.com, along with payment using a gift card and the use of SMS to send notifications of the status of an order.

Service quality, efficiency and productivity

In 2019, the NPS indicator of customer satisfaction increased by four points, with historical improvements in critical contact points such as checkouts (+9), salesperson (+5) and online sales (+13). This reflected the simplification of operational processes, improvements in communications, the transformation of several previously manual contact

points into self-service and the new omnichannel propositions, which reduce waiting times and the forms that need to be filled out and, above all, optimize solutions for customers.

The culture of “customer at the center” has become the DNA of the organization, increasing employees’ awareness of the importance of their role in customer experience and achieving the commitment of areas such as administration, maintenance, systems and projects. Together with the creation of solutions, infrastructure improvements and new services, this will permit sustained growth of the NPS in the coming years.

In the case of LEAN projects, digital islands were implemented in all Maestro and Sodimac stores, permitting the offer of long tail products, and the self-service module for credit notes began operation. Thanks to the LEAN Mobile Academy, training was provided throughout Peru, preparing over 100 monitors countrywide.

Human resource management

In 2019, the Sodimac and Maestro School of Excellence implemented a training plan aligned with the organization’s culture and strategic pillars. It was designed to provide customers with the best shopping experience and accompany them in the construction of their dreams and home improvement projects.

In order to listen to advisers and identify opportunities for improvement and key moments in their experience as employees, the company’s internal NPS was measured



Store openings resumed in November with the inauguration of the Puruchuco Sodimac Homecenter, a store with an area 9,685 m² in Ate, one of the most densely populated areas of Lima. In addition, the Maestro store in Cerro Colorado, in the Arequipa Province, was converted to the Sodimac Homecenter format, expanding its area and adding a Patio Constructor.

for the first time. This takes the form of a short survey applied quarterly in which participation is voluntary and anonymous.

The *Construyendo Juntos* (Building Together) employee recognition program rewarded some 9,000 employees from stores, the distribution centers, the call center and support offices. In this way, the company sought to generate greater commitment through a positive work environment, fostering high levels of performance as a means of increasing productivity.

Spaces of trust were also developed. They included *Conversando Juntos* (Talking Together), a formal channel of communication between the general manager or other members of the Executive Committee and all levels of the company that seeks to promote bottom-up communication with a positive impact on results, commitment and the work climate.

Six practical and experiential training fairs were held to complement theoretical training, providing tools for the on-site development of technical skills. The Own Brands training program was also implemented for the second consecutive year, with the presence of three of the main brands: Kölor, Bauker and Ubermann.

Brand leadership

According to Brand Dynamics, Sodimac Homecenter continues to be a leading brand, standing out in the online world for its level of attributes and dimensions. Moreover, if taken together with Sodimac Constructor, it is the main benchmark of the category, while Maestro maintains its second place, standing out on service.

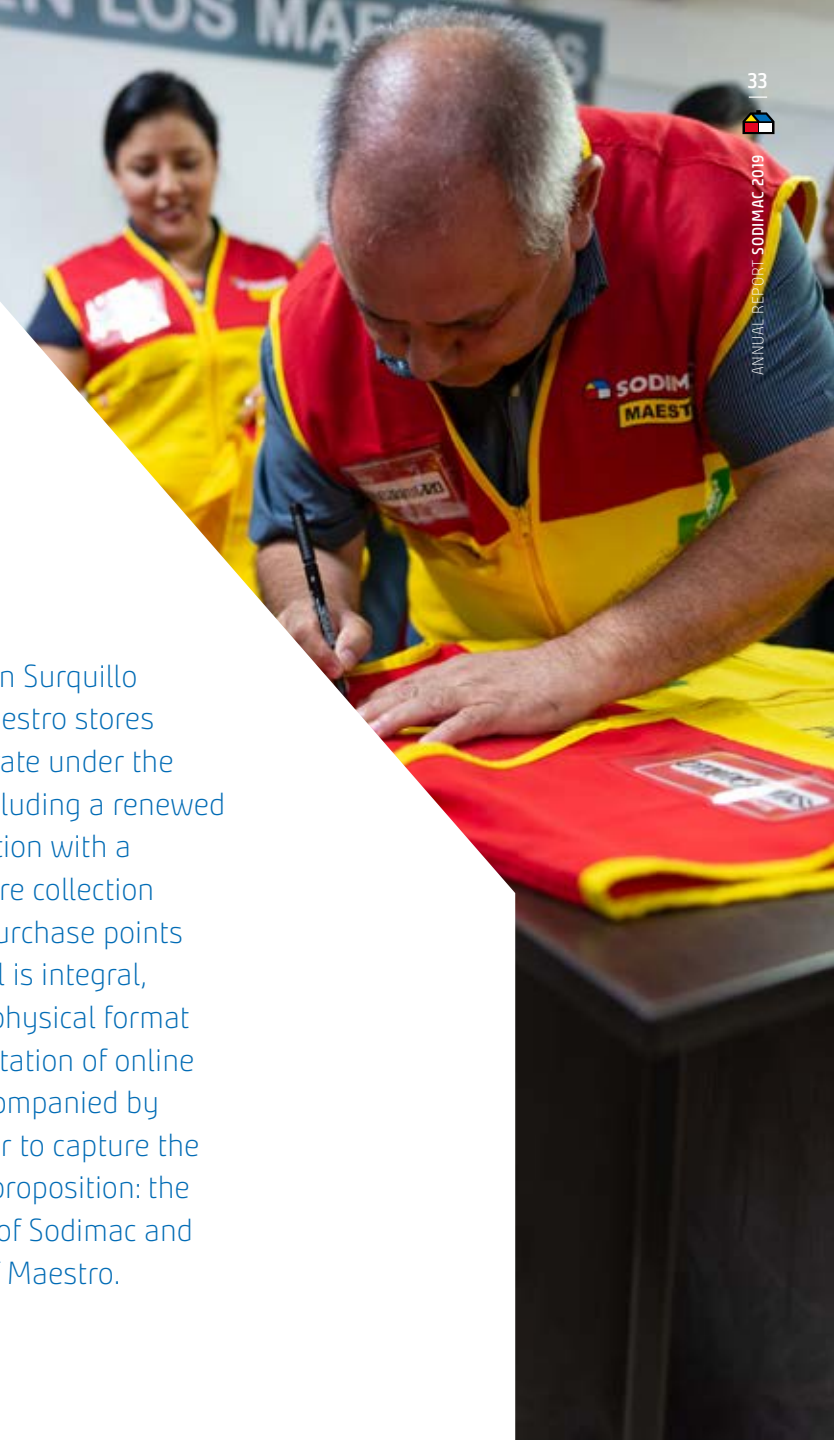
In the BVC brand study carried out by Ipsos Peru, Sodimac continues to be the leader, with an outstanding value proposition on after-sales service, customer service (technical advice) and internet sales. Maestro maintains its second place, also standing out for after-sales service and technical advice, with the sound training of its advisers as a particularly strong point.

Key campaigns

For Women's Day (March 8), Maestro launched a manual on how to raise empowered girls. This campaign sought to involve parents in the construction of a society with equal opportunities, using disruptive material to depict men's and women's equal parenting responsibilities. The campaign was implemented in alliance with organizations that included the Ministry of Labor and Promotion of Employment (MINTRA), the Ministry for Women and Vulnerable Populations (MIMP) and the NGOs Aequales, Visión Perú 2021 and Fe y Alegría. The campaign had a great impact, with significant organic reverberations and free press coverage, and was recognized by the Ministry for Women for its promotion of equity and condemnation of violence against women.

Internally, the company implemented its first version of the Talentum program, which seeks to promote the mobility of advisers within the group's companies. Participants take on a project within the company, with a mentor to guide them throughout the process. In addition, the company implemented the *Confía* (Trust) program, which provides psychological and legal counseling for employees, with services that operate 24 hours a day throughout the year and can also be used by direct family members.

Following a pilot launched in Surquillo at the end of November, Maestro stores will gradually begin to operate under the Sodimac Maestro brand, including a renewed omnichannel value proposition with a transactional website, a store collection service and modules.com purchase points in stores. This new proposal is integral, involving an update of the physical format of stores and the implementation of online tools and technologies, accompanied by training for advisers in order to capture the best of each brand's value proposition: the inspiration and digitization of Sodimac and the expertise and service of Maestro.





We took
17th place in the
 GPTW ranking
 of companies
 with more
 than 1,000
 employees,
12th place in its ranking of
 Best Workplaces for
 Millennials and 23rd
 place in the GPTW Latin
 American ranking.



Progress on sustainability

In 2019, Sodimac Peru and Maestro reaffirmed their commitment to sustainability, implementing the INDEX diagnosis for the fifth consecutive year. In terms of governance, emphasis was placed on the availability and use of the “integrity channel”, a service administered corporately with the Falabella companies that can be used for complaints of all types.

In the case of community relations, the company focused on raising awareness of safe construction through its Volunteer Club. Forty employability workshops were offered for families and students in vulnerable areas, together with the Fe y Alegría NGO and the Techo organization, with which 30 emergency housing solutions were also built.

In addition, 73 equity and diversity workshops were held for children, young people, parents and teachers at the Fe y Alegría schools which the company sponsors and with which it also collaborated by donating a roof for the playground at the Huancayo School.

For the customers and the environment pillar, the company established a multifunctional team to coordinate and begin to implement a program to reduce the use of plastic bags. When visiting stores, customers were also able to participate in donations to Techo and buy raffle tickets in support of Fe y Alegría.

In the case of employees, respect was reinforced through the ongoing implementation of the Equity, Diversity and Prevention of Violence Plan (EDIPVI). In 2019, its 115 monitors deployed equity routes for 6,094 advisers. Transversally, the Volunteer Club also donated a total of some 9,500 hours of work.

As regards environmental activities, the company participated in initiatives such as *Hazlo por Tu Playa* (Do it for Your Beach) and Earth Hour, cleaning beaches and aquifers around the country and promoting the campaign on social networks.

The company also signed an alliance with EcoTrash, a social company that seeks to optimize the recycling process, creating opportunities for women and young people, who collected 5.3 tonnes of paper and 1.2 tonnes of recycled bottles. This alliance has brought many benefits, such

as the digitization of the recycling process, ensuring a circular economy and contributing to various SDGs.

In 2019, Sodimac Peru carried out the fifth measurement of its carbon footprint, corresponding to 2018. This showed that it reduced its total emissions by 11.6% (2,168.96 tCO₂eq) and its carbon footprint per capita by 14.7% compared to 2017. Emissions avoided in 2018 represented the conservation of 38.6 hectares of lowland forest or, in other words, approximately 15,172 trees.

The company also participated in the *Perú Sostenible* (Sustainable Peru) event organized by Perú 2021 at which it presented its six pillars of sustainability and the specific actions it is currently implementing.

Recognitions

Sodimac Peru was once again identified as one of the best companies to work for, according to the Great Place to Work (GPTW) ranking. It took 17th place among companies with more than 1,000 employees, 12th place in the GPTW ranking of Best Workplaces for Millennials and 23rd place in the GPTW Latin American ranking.



Similarly, it again took second place in Peru's PAR ranking of companies that promote and defend gender equality.

Peru's National Association of Advertisers (ANDA) recognized Maestro as the best brand in retail and public relations. Maestro also took top place in the Brand with a Purpose and executive marketing area categories.

For the sixth consecutive year, Sodimac Peru was recognized by the Perú 2021 organization and the Mexican Center for Philanthropy (CEMEFI) as a Socially Responsible Company on account of the programs it has been implementing.

In the 2019 Effie Awards, Sodimac and Maestro received awards in three categories: Carpe Diem, Positive Change and Social Good. The award-winning campaigns were Sodimac's TAS: *El japonés que se volvió un peruano más* (TAS: the Japanese who became just another Peruvian) campaign (Gold), *La Prueba Maestra* (The Master Test) (Silver) and Maestro's *Manual para criar niñas empoderadas* (Manual for raising empowered girls) (Bronze).

Challenges for 2020

In 2020, Sodimac Peru will continue to work on its strategic priorities: the experience of advisers and customers, its omnichannel strategy and knowledge of consumers. In this way, it will be seeking to respond to specific needs

of today's customer, with an emphasis on strengthening the company's value proposition, particularly as regards professional customers, and the proposition of the automobile, intelligent home and tool rental categories.

In response to the growth of car penetration in Peru, the first Car Center will open in the Javier Prado store, offering a value proposition for vehicles' care and protection.

Taking advantage of the development and mass use of technologies, the company will expand its range of home automation products, which offer numerous benefits for the care and control of homes.

The network of equipment and tool rental centers will also be expanded as the best ally of professional customers, offering them the best solutions for their projects. In addition, the assortment of eco-friendly products will be expanded, including various solutions that reduce water and energy consumption.

The remodeling of stores and reinforcement of the value proposition for customers will continue. However, beyond these business developments, the main challenge for 2020 will be the one we have always set ourselves: to continue getting to know our customers, listening to what they want and designing solutions to help them build their homes and grow their businesses and, together, contributing to the growth of Peru and the well-being of Peruvians.

The company continued to strengthen its logistics capacity, expanding its Lurín Distribution Center by 6,731 m². This will permit 100% coverage of picking positions, improving response times on orders and, therefore, indicators such as lost sale and availability. In addition, it will help to improve inventory control (eliminating reprocessing) and reduce expenses.

Executive Committee Sodimac Peru

(As of 31 December 2019)



01 José Antonio Moralejo
Operations Manager

02 Rossina Castagnola
Human Resources and
Sustainability Manager

03 Hernán David Pérez
General Manager

04 Luis Felipe Bedoya
Projects Manager

05 David Toledo
IT Manager

06 Erick Chang
Audit Manager

07 María Estela Guillén
Finance Manager

08 Juan Kalenikoff
Supply Chain Manager

09 Franca Siles
Legal Affairs Manager

10 Ramón Ponce de León
Commercial Manager

Sodimac
Argentina



Capitalizing on achievements

"In 2019, we continued to strengthen our online sales, achieving important growth in e-commerce and gaining market share. We stood out particularly at events like Cyber Day in November. We also achieved improvements in working capital and efficiency, especially in stores, increasing productivity."



Pablo Ardanaz
General Manager
Sodimac Argentina


94,073
m² of sales floor

30,000
hours of training,
representing an
investment of US\$63,000 

9 
stores


1,295
direct employees

(Figures as of 31 December 2019)



Sodimac Argentina has made ongoing progress on the profitability and growth of its operation, with a focus on e-commerce channels and sales to companies, remaining true to its pillar of always offering customers the best service.

2019 was an extremely volatile year in Argentina, both politically and economically. Nonetheless, Sodimac was able to capitalize on its achievements, significantly increasing the share of online sales and performing very well in both the Hot Sale and Cyber Day events. Its market share showed sustained month-on-month growth and this was particularly marked during the events, exceeding that reported by the Argentine Chamber of Electronic Commerce. During the Cyber event in November, for example, sales growth was well ahead of the market.

Although Sodimac did not open new stores on 2019, it made important progress that will help boost distance sales and sales to companies. Indeed, in 2020, the company

will start operation of a new distribution center in line with an integrated logistics strategy.

Improvements were also achieved on working capital. Given high interest rates, goods were used more effectively, drastically reducing the number of days of immobilized inventory. There were also efficiency gains, especially in stores, improving productivity, principally in the last quarter of the year.

Sodimac Argentina, aware of the existence of four basic pillars (site, operation, systems and transport), opted for decentralized pillars, giving it greater flexibility and a more scalable operation through which to address the new challenges of e-commerce.

The new distribution center has a design tailored to this expansion as well as for the robotization of certain sectors. This will enable it to provide services that are extremely competitive as regards cost and flexibility, offering customers "same day", "24-hour", "48-hour" and "scheduled date" delivery options.

Commercial management and marketing

Ongoing improvements were made to the digital channel in 2019 and, for the third consecutive year, it grew well ahead of the market. The site already receives more than 1.5 million visits a month and, thanks to the optimization of its navigability, the conversion rate is improving year by year. The Hot Sale and Cyber Day events were a resounding success, attracting more than 10,000 new customers who had not previously used this channel.

The company continued to boost investment in digital media and already has a database of over a million active customers. More than 5 million e-mails are sent each month with different personalized commercial propositions, designed according to each customer's profile.

The range of products and services was further expanded, incorporating 4,000 new items under the dropshipping model, which grew by more than 100% in 2019.

Work was also undertaken on transforming stores in order to offer customers an experience different to that obtained through a digital channel, with spaces to surprise and inspire them and allow them to touch and try products on the premises.

Important efforts were made to reduce days of inventory and working capital. The company also began to use the consignment model for some suppliers.

In the case of marketing, integration of the offline and online worlds continued as a means of taking ".com" customers

to stores and vice versa. In stores, increased prominence was given to sodimac.com to enable customers to evaluate a wider range of shopping options and encourage them to browse the website after visiting a store.

Key campaigns included the Furniture and Deco campaign, which encouraged customers to think about the spaces of their home in a more integrated way, rather than in terms of individual categories. The offline and online campaign displayed furniture, items of decoration, storage products and lighting, positioning them as the best option when renovating interior spaces.

To strengthen internal communications, the company continued to use the Workplace platform, which allows it to reach a larger number of employees in real time. Through improvements in communications and connection between different areas of the organization, the company seeks to ensure employees' commitment to Sodimac's purpose, generate and facilitate a transformation mindset and have an impact through innovation.

Integrating processes

Sodimac Argentina seeks to generate a shopping experience that differentiates it from other market players. Active listening tools are in place in all service platforms to facilitate feedback about customers' needs and enable the company to structure services accordingly.

Physical and online channels have been integrated, evolving into an omnichannel approach. To this end, after-sales areas have been restructured, professionalizing the call center, implementing CRM technology that records

In 2019, benefits for employees sought to help them balance their personal and working lives, emphasizing flexibility in working hours, well-being and optimization of free time. In addition, training and educational programs were boosted. This was reflected in the company's position among the ten best places for women to work in Argentina, according to the Great Place to Work ranking.



interactions with customers at all contact points and strengthening the Net Promoter Score (NPS) management methodology.

In this way, it was possible to reduce incident resolution times by 30%. The number of complaints over total transactions dropped by 5% year-on-year and 75% were resolved on the first contact, maintaining a level of customer satisfaction well above the market standard.

Sodimac uses the NPS management model in all its stores (including e-commerce) to measure customer satisfaction and perceptions of the quality of the shopping experience. Based on this feedback, which is analyzed daily, changes and improvements are introduced, tailored to each particular customer segment.

In 2019, productivity was a key focus of the company. It not only embarked on an automation process, based on Robotic Process Automation (RPA), but also worked hard in stores. It continued to provide training through the LEAN Academy, benefiting 195 employees, in order to expand its culture and methodology within the organization.

Boosting digital retail

In 2019, Sodimac Argentina continued to focus on the development of digital retail, promoting e-commerce, developing its omnichannel strategy and maintaining strategic alliances with other platforms such as Linio.

One of the highlights of the year was the implementation of non-store retailing (NSR) availability, equipping the company with an adequate mix of products in the

distribution center and in stores, based on the best click & collect proposition for the customer.

In the case of the devices used for purchases, desktop computers predominated, but sales through mobile devices continued to show strong growth.

The conversion rate increased by 25% compared to 2018. In 2019, the company also continued to support customers by offering them interest-free financing so they could make their projects a reality. Government plans with banks meant that the CMR card represented a lower percentage of sales than in previous years, but a number of campaigns related to the card were implemented with positive results.

Quality of life

An important feature of the year as regards quality of life was the inauguration of the new Polo Dot office building, an open and modern space without assigned desks where everyone is free to sit wherever they like, generating spaces of interaction different to those that existed previously. It has rooms adapted to the needs of the business, with technology for virtual meetings, as well as common spaces conducive to relaxation and casual encounters and suitable for informal meetings.

In 2019, the company maintained the benefits that employees value and encouraged their use. These benefits, which help with family finances, include free prepaid healthcare for employees and their immediate family group, discounts on purchases at Sodimac stores and free store canteens.



In order to recognize excellence and good service and express gratitude to work teams, the corresponding sets of gifts and recognitions was renewed, generating a strong sense of belonging on the part of employees and their families and promoting a true sense of family.

The NPS survey was applied internally twice during the year, with a high level of participation, and the results were used to implement action plans. This reflected the company's genuine commitment to its work climate and the sense of belonging of its people. The highest scores were obtained in those dimensions related to leadership and the products offered.

For the first time, Sodimac Argentina participated in the Employers for Youth study, which recognizes the best companies for young professionals in Latin America. It surveys people with a bachelor's or technical degree who were born after 1984, providing information about the factors that affect their decision to join a company and remain there, which can be used to design attraction and retention plans. Sixty-five Sodimac Argentina employees

participated in the survey and the company ranked first in the retail category and 11th overall.

In 2019, the company launched a new performance evaluation process, with a far more agile and dynamic tool and a format adapted to the needs of the teams.

Sodimac Argentina also joined the regional launch of Talentum, an inter-company internship program under which participants spend eight weeks developing a project in a group company, accompanied by a mentor.



Commitment to employees

The company remained committed to the development of its employees and maintained its educational benefits. Four employees are currently studying for a bachelor's degree in business administration at the Siglo 21 University. In the case of its leaders, the company continued to offer partial scholarships for the MBA course of Argentina's most prestigious business school. So far, two leaders who began their studies last year have graduated and, for this academic year, two more employees have been selected for the program.

In 2019, the company provided 62,500 hours of in-person training and 978 hours of online training at branches, representing an average of ten hours of training per employee and benefiting more than 1,240 employees.

It also implemented the Experts program, which recruits employees who want to share their experience with colleagues and teach them what they know.

The LEAN Certification Program seeks to train leaders who help to embed this methodology in people's DNA of people by applying a problem-solving method to a real business project. In 2019, six employees received certification and two innovative projects were implemented.

Employees continued to receive simulator training at the LEAN Academy. The purpose of this academy is to familiarize all employees with the LEAN philosophy as a means of optimizing processes. A plan was drawn up for the training of all office employees and store leaders, which will continue in 2020.

Challenges 2020

In 2020, as in 2018 and 2019, much will depend on Argentina's macroeconomic situation. Sodimac Argentina hopes to continue supporting its customers, employees and suppliers, helping to materialize their dreams and home improvement projects.

This will imply great challenges related to customer satisfaction and the development of digital channels, seeking to offer a value proposition that is competitive in terms not only of price, but also of comfort, design and accessibility. 2020 will find the company better prepared to address these challenges, thanks to the investments made in the new distribution center, which will shorten delivery times and reduce costs.

Sodimac Argentina focused on implementing integrated campaigns, putting customers in central place, thinking of their needs and the different stages of their lives, rather than about products or categories individually.



Executive Committee Sodimac Argentina

(As of 31 December 2019)



01 Marcelo Elicegui
Administration and Finance Manager

02 Amilcar Riso
Logistics Manager

03 Natalia Gabrielloni
Human Resources Manager

04 Pablo Ardanaz
General Manager

05 Tomas Quinteros
Commercial Manager

06 Gregorio Odriozola
Uruguay Manager

07 Maximiliano Garimaldi
Operations Manager



Sodimac
Brazil



Sodimac Brazil

Consolidating the unification of brands

"In Brazil, we continued our expansion with the opening of the sixth Sodimac Homecenter/Constructor store and the conversion of Dicico stores to the Sodimac Dicico brand. Through an important alliance with the Rappi application and the company's debut in two of the country's largest marketplaces, we progressed with our omnichannel strategy. We launched the first credit card of our own and expanded the services offered whilst also focusing on the use of business intelligence tools to get to know our customers ever better."



Eduardo de Vries
Director President
Sodimac Brazil


172,112
m² of sales floor

151,340
hours of training 

53 

stores
6 Sodimac Homecenter/Constructor
(1 inaugurated in 2019)
41 Sodimac Dicico
6 Dicico


3,530
employees

(Figures as of 31 December 2019)



2019 was a very good year for Sodimac in Brazil and, in a stable macroeconomic context, it reported double-digit revenue growth and record sales. It also achieved operational improvements and greater efficiency in the control of spending.

2019 was a very positive year for Sodimac Brazil. In July, it opened a sixth Sodimac Homecenter/Constructor store, with a sales area of more 9,000 m², in the city of Osasco. With strong potential for the growth of consumption, Osasco is the sixth richest city in the country and, in the State of São Paulo, the second richest after the capital.

The company continued converting Dicico stores to the Sodimac Dicico model. Launch in 2017, this model retains the strength of the Dicico brand, anchored in more than a century of knowledge of the Brazilian consumer, and incorporates the differentiating features of the Sodimac brand. Together, the two brands are stronger. The stores, based on the concept of a neighborhood store, are compact and close to the places where customers live.

The model is geared to the regular repair and upkeep of homes and features new categories of products (gardening), exclusive brands (Kölor paints) and a significant expansion of the range of tools. These stores offer the best brands and latest trends in flooring and kitchen and bathroom accessories, basic electrical and plumbing materials, doors and windows, personal protective equipment, lighting, air conditioning and home storage products.

During the year, 23 Dicico stores were converted, making a total of 41 stores with the new format. Only six stores with the old Dicico brand remain and will be remodeled in 2020. This strategy means that Brazilian consumers are ever more familiar with the Sodimac brand.

Innovations in logistics and IT

In the area of operational logistics, Sodimac increased the capacity of its Cajamar Distribution Center in order to improve warehousing of irregular items. In both Cajamar and Guarulhos, it also made a series of investments in new equipment to meet the demands of the company's growth.

In the case of the planning of procurement and restocking, the company began to implement the Demand & Fulfillment project, a tool to improve demand forecasting, underpin more purchasing processes and, consequently, have a larger number of items available in stores and inventories as needed.

In the IT area, 2019 was characterized by a significant change in internal work processes. A preventive monitoring routine was implemented, with a focus on acting on the cause of the problem, greatly reducing the occurrence of technical cases. Stabilization of the SAP ERP environment facilitated sales and back-office operations. An agile and focused team allowed the IT area to take on more tasks and increase the volume of assertive deliveries to the business areas.

SDWAN technology was implemented, permitting the intelligent use of primary and back-up communications links, rendering them active and automatically contingent and resulting in a significant increase in communication with stores.

In addition, the Radio Frequency Identification (RFID) remote data storage and retrieval system was launched for on-screen inventory control. This means that display products can be inventoried weekly instead of every three months, as was previously the case, which increases the availability of products in stores and, therefore, sales.

Integrated projects

Customers increasingly prefer the convenience of being able to buy a complete solution for home improvement

projects, not only the products. Throughout 2019, sales of installation and painting services reported constant growth, marking a record in October. In the second half of the year, the company, therefore, increased the range of services it offers. The additions included garden design and glass installation (such as the enclosure of balconies and sliding doors and windows). The service goes from the design of the project and visits to the customer's home through to selection of the products and their installation.

The new Osasco Sodimac represented an evolution in store format. It has a design that is even more closely tailored to the preferences of Brazilian consumers. The display areas for floorings and facings as well as for furniture were significantly expanded. The modified format will provide a better shopping experience because Brazilian consumers like to see things close up, to touch products and to be inspired by decorated environments.

Sodimac Dicico stores innovated by introducing pick-up zones. With an area of around 400 m², they are used to store construction materials for customers who need ready access. The São Miguel Paulista Sodimac Dicico store, in the capital, was the first to install a pick-up zone, with very positive results, and another seven stores are in the process of installing one.

In 2019, as part of its differentiation strategy, Sodimac Brazil also focused on expanding its range of imported products and exclusive brands.



Customer-centered strategy

In 2019, marketing activities sought to bring the company closer to consumers, following their shopping journey in every possible way and, depending on the moment, creating conversations with them. Investments were made in different digital and offline platforms, using content to attract customers depending on their profile, with all the initiatives focusing on the shopping experience and interactions with the customer.

Another feature of the year was the use of business intelligence tools to learn more about customers and gather data for defining the best strategies to ensure that Sodimac is their first option at the time of purchase.

The largest advertising campaign implemented in 2019 was the Sodimac Anniversary campaign in October, which used both physical and digital supports to interact with customers. It included television and radio adverts, a presence in social networks and actions in stores. Edu Guedes, the chef and television presenter who was the face of the campaign, visited stores, held game shows and interacted with customers.

With the customer always at the center of its strategy, Sodimac Brazil is constantly training employees and has achieved significant improvements in their technical

knowledge through e-learning for all store employees, enhancing the standard of service at points of sale.

The company's efforts to serve customers ever better were reflected in surveys carried out by accredited media, which interviewed consumers about their shopping experiences. This contributed to the important recognitions that the company received during the year.

Improvements in efficiency and productivity

In 2019, Sodimac Dicico stores were the main focus of efforts to improve efficiency and productivity. The principal processes used in Sodimac Homecenter stores were adapted and applied in Sodimac Dicico stores, including reception processes, restocking by cycles, rest, communication islands and the Prolab tool. Pilot projects such as the Digital Communication Island and the Floor Department Assortment Audit (RFID) were also implemented.

All central office (CAL) employees received training at the LEAN Academy. It has an area of 265 m² and reproduces processes carried out in stores, offering practical experience as part of the training it provides. At CAL, a Continuous Improvement Committee was also created.

In addition, all the standards and implementation of 55 panels in Sodimac Homecenter and Sodimac Dicico stores were reviewed and the visual task administration panel was implemented in all Sodimac Dicico stores.

Evolution of e-commerce and omnichannel strategy

Sodimac Brazil's omnichannel strategy was in constant evolution in 2019. In the first half of the year, in a bid to offer customers greater convenience, it became the first chain of home improvement stores in Brazil to form an alliance with the Rappi delivery service. As a result, it takes customers just a few clicks to log into the web store integrated into the application, make their purchase and receive it at home within an hour.

The service, available to consumers located an average of 7 kilometers from stores, is ideal for those who have an emergency at home and need a prompt solution. In addition, it is in line with consumers' increasing tendency to shop online. The alliance was implemented first in stores in the capital and the metropolitan area of São Paulo before being expanded to Ribeirão Preto, São José dos Campos and Campinas, which will be followed by other areas in 2020.



In 2019, in a further bid to expand its e-commerce operation, Sodimac Brazil also formed important associations with Magazine Luiza and Via Varejo, two of the country's largest retail groups. Their digital platforms are growing each year and, through these new sales channels, with their strong customer traffic and national coverage, Sodimac should gradually be able to begin distributing throughout Brazil. The associations will, moreover, increase the positioning of the Sodimac brand, contributing to its consolidation in Brazil.

Founded over 60 years ago, Via Varejo operates iconic brands such as Casas Bahia, Ponto Frio and Extra. Sodimac will be present in the e-commerce of all these three firms. In total, Via Varejo has over 1,000 physical and virtual stores, 50,000 employees and a database of more than 60 million Brazilian consumers. Magazine Luiza is also growing strongly in digital sales and, at the end of the third quarter of 2019, had 11,400 partners who, together, offered a total of some 12 million items to its customer base.

Own financing

In March 2019, Sodimac launched its first credit card in Brazil through a partnership with Bradesco, the organization responsible for the retail cards of Banco Bradesco, one of the country's largest financial institutions. It is an international card that can be issued under the Visa or Elo brands. The card is a pioneering product in the Brazilian market, designed to offer customers a differentiated financial solution and the first in the home improvement sector to offer a 24/7 home service.

Under the slogan "The card that takes care of your home", it offers unique benefits for resolving emergency problems such as locksmith, plumbing, electrical and glass repair services as well as a pet care service. It can be used at all the company's stores in Brazil and offers interest-free payment in up to 12 installments or credit for up to 24 months. Customers are entitled to a 10% discount on their first purchase with the card, other discounts on selected products and benefits such as free nights of machine and tool rental. At present, the card can be acquired at 47 stores and has met with a very positive response.

Work climate

In 2019, Sodimac Brazil extended 360° evaluation to assistant manager positions. Previously, only managers were evaluated using this model which, as well as self-evaluation, includes evaluation by the person's immediate boss, corporate boss, personnel, peers and internal clients.

Throughout the year, the company worked intensely on the *Vivo Sodimac* (I Live Sodimac) project, implementing a series of actions based on the brand's global culture, which comprises four behaviors: experimentation and speed, collaboration, change of mentality, and focus on the customer. "Vivo Sodimac" was also the theme of the company's annual convention, held in December.

A leadership training model was defined based on the three pillars of the development of a high-performance team: the knowledge and skills of individuals (I), of the team (WE) and geared to the business (IT). The company has already begun to apply this model to develop leadership.

In order to continuously improve and strengthen its work climate, the company conducted two rounds of internal e-NPS research during the year, with the aim of transforming employees into the drivers of change and reaching out to customers. In addition, the survey provides the company with an indicator and updated information about actions related to talent, leaders, products, services and processes.

Sustainability

Throughout the year, the Risks and Governance Department worked with different areas of the company to embed a culture of risk management and improve controls. Dozens of internal policies and operating procedures were implemented, supported by information, training and verification lists. Technical experience and reports to share the delivery of solutions were also supervised.

In 2019, the company consolidated its Crisis Committee for emergency situations. Among its first measures, the Committee drew up a contingency plan with the participation of all areas of the company. A Risk Committee was also created to share risk scenarios and monitor specific indicators. All these actions sought to guarantee the company greater operational and administrative security.

In 2019, significant progress was achieved on waste disposal. In alliance with the Brazilian Association of Steel Containers (Abeaço), the company joined the Prolata project and installed collection points for empty paint cans in five stores in Baixada Santista (on the coast of

In 2019, Sodimac Brazil expanded its range of products and services and stood out for the integral solutions it offers customers. Twenty-three Dico stores were converted to the Sodimac Dico brand; based on the neighborhood store concept, these stores are compact and close to urban centers and have proved popular with Brazilian consumers.

For the first time in 2019, Sodimac Brazil ranked as one of the best companies for women to work at in Brazil, according to the Great Place to Work survey, in which it was also positioned among the 30 best large companies.

the State of São Paulo). In 2020, collection points will also be installed in other stores. In addition, the company formed an important association with Green Eletron, a company that specializes in reverse logistics, for the installation of collection points for electronic equipment in its stores. Further progress was also achieved on used battery collection.

The campaign to collect warm clothing, which was implemented in winter, broke previous records by collecting more than 7,383 items, including clothing, shoes, accessories and blankets, which were donated to the São Paulo State Social Solidarity Fund.

Sodimac Brazil also received the Certificate of Environmental Awareness for holding an annual leadership event in the space certified by AQA-HQE n001.

Prizes and recognitions

A survey by the Consumidor Moderno magazine (Grupo Padrão) identified Sodimac Brazil as the most respectful consumer company in the Construction Materials Retail

category. This 17th version of the survey covered 3,420 consumers who rated companies with which they had contact in the previous six months.

For the first time, Sodimac Brazil was chosen as one of the best construction materials retailers in the Estadão Best Services ranking. This was based on a survey, carried out by the O Estado de São Paulo newspaper and Blend New Research (HSR), of almost 6,000 consumers who rated the companies where they had shopped in the previous 12 months.

The Ribeirão Preto Sodimac store was chosen as the sixth best medium-sized company to work for in the city and the region in the Great Place to Work (GPTW) ranking, published in 2019 based on research conducted in 2018.

For the second consecutive year, Sodimac Brazil was chosen as one of the best companies on customer satisfaction, according to a survey by the MESC Institute.

For the sixteenth time, the Dicico brand took first place in the construction materials market in Baixada Santista in a Top of Mind survey by the A Tribuna newspaper.

Challenges for 2020

In 2020, Sodimac Brazil will be seeking to further consolidate its brand in the country, with a strategy focusing on two main fronts: increasing its digital presence and expanding its physical presence by opening and remodeling stores.

The company plans to open a Sodimac Homecenter/Constructor store and a Sodimac Dicico store and will continue to convert Dicico stores to the Sodimac Dicico brand.

At the same time, it will be applying the design used in the new Osasco Sodimac store to other Sodimac Homecenter/Constructor stores.



Executive Committee Sodimac Brazil

(As of 31 December 2019)



01 Marcos Onety
Operations Director

02 Nelson Pedro
Human Resources Director

03 Eduardo De Vries
Director and President

04 Dagmar Duarte
Internal Audit Director

05 Gustavo Souza
Supply Chain Director

06 Alfonso Barberena
Commercial Director

07 Paulo Souza
Director of Administration
and Finance

08 Celso Souza
Director Projects
and Infrastructure

09 Claudio Marassi
IT Director



Sodimac
Uruguay



Consolidating growth

"We are proud to say that, at Sodimac Uruguay, we had a very good year in 2019. We continued to make progress on our objective of providing customers with the best shopping experience and a wide and competitive range that enabled us to grow ahead of target in terms of both sales and results."



Gregorio Odriozola
Manager
Sodimac Uruguay

 **24,849**
m² of sales floor

8,120
hours of
in-person and
online training 

3 
stores

 **449**
employees

(Figures as of 31 December 2019)

In 2019, the company continued to strive to provide customers with the best proposition and experience and also achieved progress on efficiency and productivity. Specific actions and events boosted activity in both stores and the digital channel, including an important increase in sales to companies.

In 2019, Sodimac Uruguay continued to implement its ambitious strategic plan and this was reflected in improvements in customer experience and strong sales growth in both stores and e-commerce. Thanks to this and a clear focus on sales and exhaustive control of expenses, the company obtained results ahead of its targets.

Both sales to companies and distance sales showed very significant growth. Distance sales, in particular, were boosted by their strong performance during the Cyber Monday events in June and November as well as by a better commercial proposition that included the development of long tail sales of furniture and household appliances.

At the commercial level, initiatives such as the planning of procurement and imports delivered very good results, making for a healthier inventory with fewer out-of-stocks. This facilitated the high growth of own brands and an increase in their share of total sales as compared to 2018.

Water heaters showed particularly strong growth, reflecting the incorporation of more brands and suppliers as well as the prominence given to them in online events. Further work was undertaken to position Sodimac among the key players in the household appliances market, increasing the assortment in categories introduced in 2018 such as refrigerators, cookers and washing machines.

In addition, the services program was re-launched, incorporating new suppliers and expanding the range of services offered. This was accompanied by an internal marketing campaign and both tool rental and installation services doubled their sales.





In 2019, Sodimac Uruguay strengthened the association with Banco BBVA through which it operates a Visa international credit card; both the issue of cards and sales through them exceeded projections.

Financing facilities

In 2019, Sodimac Uruguay continued to position its co-branding card with BBVA, seeking to increase customer loyalty and the frequency of purchases through benefits that included "exclusive BBVA-Sodimac opportunities", more attractive financing conditions (12 installments in pesos and 18 in dollars), discounts on the first purchase with the card and other specific actions.

In December, the BBVA Loans program was launched. This offers customers an additional alternative, allowing them to finance their purchases through interest-free loans from BBVA, repayable in up to 24 installments in Uruguayan pesos (excluding Patio Constructor) or nominal peso or inflation-linked loans with interest, repayable in up to 60 installments.

As a result of the campaigns deployed, a total of 25,000 cards were issued in 2019 and their share of the company's total sales exceeded the KPIs initially established.

In 2020, the company will be seeking to further boost its agreement with BBVA, with the aim of achieving ongoing

growth of sales using the card, helped by the launch of the loan alternative.

Brand positioning

According to market research carried out by Millward Brown in 2019, Sodimac reaffirmed its position as the brand with the most robust capital in its category, showing strong growth in preferences compared to 2018.

The most important branding campaign of the year was the *Dejarse estar* (Let yourself be) campaign, which was deployed in April and May. Its central aim was to position Sodimac as the principal alternative for building, remodeling or decorating a home. Referring to the perception that Uruguayans tend to "let themselves be" when it comes to home improvements, it sought to encourage them to get on with their projects by fielding different advertisements with a common message: "Let's stop letting ourselves be and make it happen".

This campaign had a strong presence on television, in cinemas, on the radio, in the press, on billboards and in digital media. The main spot competed in the annual

Campana de Oro (Gold Bell) event held annually to select the most outstanding advertising work. An important endomarketing initiative was also implemented to involve employees in an entertaining and interactive way.

In October, the company implemented a new version of its Low Price Guarantee campaign (previously implemented in 2016 and 2018), reinforcing the idea that Sodimac is committed to always ensuring the lowest price. A group of 15 products was selected for which, through the media, customers were challenged to find lower prices elsewhere. This campaign also had a strong presence on the radio, in the press, on billboards and in digital media.

Sustainability, inclusion and corporate governance

In 2019, Sodimac Uruguay continued to implement a sustainability strategy based on six pillars: employees, customers, the community, suppliers, the environment and corporate governance.

The Sustainability Committee met regularly to analyze the priority issues and define actions for each of the policy's pillars, which were implemented transversally across all the different areas of the company.

The company also presented its fourth Sustainability Report as a communication on progress to the UN Global Compact. The Report was published on the company's website to make it available to customers and other stakeholders. A new Diversity and Inclusion Committee was established. It discussed key topics related to work in both areas and defined active measures to foster a more inclusive culture.

The company is working with the support of a specialized consultancy firm to comply with the requirements of the Law on Inclusion of People with Disabilities, which was approved in Uruguay in 2019, defining percentages of the workforce for private companies. In the latter part of the year, training on disability was provided in stores and the support office, job profiles were defined and applications were invited to fill internal positions.

In the case of corporate governance, communication of the Integrity Program was reinforced internally and with suppliers. Training was also provided on the program, the company's integrity channel and standards for relations with public officials.

Tradesmen's Circle

During the year, the Tradesmen's Circle (CES) offered over 60 training courses on different areas of expertise in the construction sector. In October, the CES was also

launched in the Maldonado store and, by the end of the year, had 500 registered members.

In November, the second edition of the Tradesmen's Fair was held in the Sayago store. More than 500 members were invited to attend the event which included 25 suppliers' and own brand stands, offering product demonstrations and mini-training sessions, among other activities.

As a result, the CES continued to grow and, by the end of the year, had 5,200 members, up by 21% on 2019.

Support for the community

The company has continued to raise employees' awareness of their role as social actors. It encourages volunteer activities, which take place both inside and outside the company and during and outside working hours, as a means of achieving the involvement of employees who devote their time and skills to different causes.

In 2019, the company renewed the alliance with the Techo organization that it formed in 2015. As well as donating money and construction materials to the organization, the company contributes through the voluntary work of its employees and by providing voluntary technical advice to foster the sustainability of Techo's improvement and construction projects.

In 2019, the company also supported the *Súmate por Techo* (Join for Techo) campaign, offering customers the opportunity to participate by buying a "brick" as a donation to Techo's construction work. During the three-week campaign, store and office employees worked

voluntarily in stores to collect donations, which reached a total of 184,547 Uruguayan pesos.

Together with Techo, company volunteers also built two houses for families living in very precarious conditions in a settlement in Montevideo.

Sodimac Uruguay also has an alliance with the Forge Foundation, which uses an innovative integrated training and employment system to foster the labor market insertion of young people from low-income families. Thanks to scholarships provided by Sodimac Uruguay, 13 young people participated in the program in 2019, with the possibility of an internship at the company and of being hired to start their working life there. In 2019, the Foundation awarded Sodimac Uruguay two recognitions

for its valuable support for young people's labor market insertion and the important contribution it made.

Through Valfacu, a supplier that employs people in a vulnerable situation, the Sayago Homecenter worked with local residents on the upkeep of the nearby El Libano and Croatia public squares.

Looking ahead to 2020

In 2020, Sodimac will continue to pursue its growth in Uruguay, opening its fourth Homecenter. It will also continue to strive to offer customers the best shopping experience, both at stores and online, whilst controlling expenditure and seeking efficiency gains.

In the second half of 2020, Sodimac Uruguay plans to open its new Plaza Italia Homecenter, a state-of-the-art store with more than 8,600 m² of sales floor. It will be located in the Plaza Italia shopping center on Avenida Italia, one of Montevideo's main thoroughfares, in an urban area with important road connections, enabling it to attract people from more central areas of the city.



Sodimac *Mexico*



In full growth

"In 2019, we opened two stores, taking the total in Mexico to five, and, underlining our growth potential, began construction of another store. During the year, we expanded our geographic coverage and, in one of our most important achievements, built, equipped and started operation of a store in just 130 days. We are happy to be able to support more Mexican families in materializing their dreams and home improvement projects."



Patricio Silva,
General Manager
Sodimac Mexico


57,209
m² of sales floor

34,691
hours of training,
representing an
investment of
US\$15,184 

5 
stores in operation


1,132
employees

(Figures as of 31 December 2019)



With the opening of two new stores and the implementation of various measures to tighten ties with customers, Sodimac Mexico continued, during its second year of operations, to offer the widest and most convenient range of home improvement products and services. It also implemented a digitization process and optimized service quality in order to offer an exceptional shopping experience.

For Sodimac Mexico, 2019 was a year full of challenges and achievements. It focused on consolidating processes and improving efficiency as well as on offering customers the best experience in the five stores that are already operating in Cuautitlán Izcalli, Arboledas, Cuernavaca, Veracruz and Naucalpan. During the year, the company expanded its geographic coverage through the launch of three click & collect services in the south of Mexico City, which enable it to reach a significant part of the city's population. It also increased the number of stores with pick-up points.

In 2019, the company built three new stores, two of which opened in November and December while, in the third, the installation of products began at the end of the year in preparation for its opening in 2020.

In logistics, operations began at a flat truck distribution center and a container yard and the main distribution center was expanded. Commissioning of the necessary software for the operation was also completed.

Sales to companies continued to grow, despite a drop in activity in the country's construction sector. Distance sales, which began in July 2018, increased almost fivefold in the second half of 2019 as compared to the same period in 2018. In addition, the company created over 300 new jobs and, by the end of the year, had 1,132 employees.

In the case of its commercial management, the company continued to launch new installation and rental services. In addition, following one complete year of operations, progress was made on optimizing store inventories.

Thanks to work with influencers (Facebook and YouTube), own brands continued to increase as a share of total sales.



Sodimac Mexico has shown sustained growth. By the end of 2019, it had five stores in operation, offering a value proposition that has proved popular with both families and tradesmen. The stores opened in 2019 each have a sales area of around 10,000 m² and are located in the Boca del Río area, in the State of Veracruz and in Naucalpan, Mexico's third most populous municipal district.

The company continued to work on the value proposition with which it made its debut in the Mexican market: "Everything for the home in one place", which has proved popular with both families and tradesmen. This concept is used in both launch and maintenance advertising campaigns.

In the case of Sodimac Constructor, efforts focused on highlighting the new concepts it has introduced into the market, such as the Patio Constructor and new services.

The Falabella Soriana card launched differentiated and special offers, such as discounts on the first purchase, the number of interest-free months for repayment and special prices when paying with the card.

Digital transformation

A feature of 2019 was the introduction of a large number of tools to incorporate and ensure the operation of systems. In addition, the self-service checkout model was consolidated in stores. In Mexico, this is an innovative

concept and the company is the first retailer to adopt it, offering customers greater autonomy and faster payment. The company also increased brand recognition by taking traffic and customers from one channel to another through campaigns in both stores and distance sales channels. They included the Hot Sale and *Buen Fin* (Good End) campaigns. The same marketing communications were used in both online and offline channels.

In less than a year, the company was able to open different distance sales channels: its website, mobile site, call center and click & collect modules and its marketplace presence through Linio, where Sodimac has an official store.

The areas to which the company delivers were expanded to include post codes in Mexico City, the State of Mexico, Querétaro, Morelos, Guerrero and Veracruz and progress was made towards incorporating Jalisco and Nuevo León in 2020. User experience on the website was also enhanced by optimizing its taxonomy and facilitating navigation through a reduction in the number of clicks required to reach products.

Sustainability and ethics

In the framework of its sustainability strategy, the company made progress on reducing the impact of its operations and creating value for the environment. Among other initiatives, it stopped providing disposable plastic bags in stores, recycled waste and installed DALI-type LED lighting, which adjusts its intensity depending on the amount of natural light.

The company has wastewater treatment plants in Jacarandas and San Luis Potosí and systems for the management and final disposal of hazardous materials.

Another important feature of the company is its emphasis on responsible procurement for which it uses all the information services available in the market to ensure suppliers' ethical standards.

All new hires receive ethics training and a communications campaign is implemented at least once a year to promote use of the integrity channel. All new employees receive

Sodimac has positioned itself as the first retailer in Mexico to introduce self-service checkouts in stores. They have received a positive evaluation from customers because of the greater autonomy they offer and the time savings.



a copy of the company's Code of Ethics and must sign their acceptance of it. The company has a six-member Ethics Committee with representatives of its commercial, administration and finance, operations, human resources, risk and compliance, and legal areas. It is chaired by the representative of the legal area and the representative of the risk and compliance area serves as its secretary. The Committee holds quarterly meetings and also meets extraordinarily if necessary.

Service quality

Sodimac Mexico's promise is that all its employees will provide the best service quality in terms of a proactive search for customers and empathy and will offer solutions based on their technical knowledge in line with customers' needs and projects. To this end, a service protocol has been implemented at all the company's points of contact (vendors, checkouts, counters, transporters, installers, etc.). Compliance with it is monitored through specific operational indicators and mystery shoppers, resulting

in sustained improvement over time and enabling the company to surpass its Net Promoter Score (NPS) target for the year.

Good work climate

The company seeks to be a good place to work. The results of an annual organizational climate survey were used to design initiatives to improve communications, business conduct, closeness and valuation.

A Free Birthday Afternoon has been established to contribute to employees' balance between their work and personal life. To improve communications and closeness, a Results Meeting is used to communicate information about progress, achievements and campaigns to generate synergies and collaboration.

During the year, important dates were celebrated with employees as a form of recognition and to promote integration. They included the January 6 celebration known as Rosca de Reyes, Candelaria Day, Independence

Day and the Day of the Dead. An Integration Day was also held for employees of the support office and distribution centers in order to foster collaboration and teamwork through different dynamics.

As part of a group project, the internal NPS survey was implemented. This survey, which is applied quarterly, serves as an opportunity to listen to employees and find out how many are promoters of the company, detractors or passive observers. The results are used to establish action plans for improvement. In 2019, two internal NPS evaluations took place.

The UBITS online training platform was implemented for 683 employees, aligned with their workplace development. This platform offers 451 courses on different topics through which employees can continue learning.

In 2019, the company provided a total of 34,961 hours of training, benefiting 972 employees. In addition, 337 employees received a total of 674 hours of Live LEAN training.

In the case of employee wellness issues, ten health campaigns were implemented in which 589 employees participated. In addition, 45 infographics and health tips were published and talks on prevention took place.

Challenges for 2020

As part of its growth strategy, Sodimac Mexico aims to open three new stores in 2020 in order to expand the business and complete its proposition for customers.

Work will continue on the promise that all employees offer the same quality of service in order to provide customers with an exceptional shopping experience. In addition, a series of initiatives will be implemented to standardize and automate processes, with the aim of achieving efficiency gains in the supply chain and optimizing inventory levels.

Imperial

Consolidating the digital transformation

"Our objective in 2019 was to give priority to the quality, agility and security of all processes in order to generate better conditions for our customers, employees and suppliers whilst maintaining our tradition of continuous innovation and growth and offering new products and services so as to retain our leadership in the furniture-making market."



Rodrigo Fuenzalida F.,
General Manager
Imperial


78,456
m² of sales floor

18,178
hours of training 

15 
stores


1,406
employees

(Figures as of 31 December 2019)

In 2019, Imperial continued to strengthen its proposition by incorporating innovations to improve the shopping experience and the value delivered to customers both in stores and online, with a focus on security and transparent behavior. The company saw an important development of its e-commerce operation and implemented key initiatives as regards efficiency.

In 2019, Imperial made important progress on its digital transformation and in e-commerce. From having just a pilot transactional e-commerce website, it went on to implement a click & collect service that enables customers to shop online and pick up their order at any store. It also implemented a click & delivery service so that all customers nationwide can receive orders in the place they require, easily, quickly and securely. These innovations were reflected in exponential growth of online sales in 2019.

For the first time, Imperial participated in Cyber Monday, doing so not only with a renovated website, with new graphics and product descriptions, but also accompanied by a marketing campaign in different media that positioned the company in the top places in its segment. The company also launched a website optimizer, digitizing the tool for generating cutting plans and making it available to customers for self-service, enabling them to manage their orders and projects whenever they want and from wherever they want.

The Imperial App was also improved, incorporating online shopping for in-store pick-up or home delivery, with electronic means of payment. The website optimizer was also integrated into the App, allowing customers to place previously optimized orders. This is an important step at the market level and an innovation that seeks to improve customers' shopping experience.

As part of the company's emphasis on increasing the agility and security of its services, a payment button was added to the Imperial credit portal, offering customers all





In 2019, a new self-service organizational structure was implemented at the Huechuraba and Reñaca stores. Its aim is to provide better support for the operation of both stores and to generate a clearer career plan and movements between companies in the holding.

the services online, saving their time, improving service quality and enhancing the transparency of access and the payment of bills.

The company set itself the challenge of generating a proposal for the automation of payment methods through the incorporation of totems that receive cash, cards and internal credit, offering agility in the processes and reducing the points of contact with customers. The year ended with a pilot installation that will guarantee implementation in all stores in 2020.

All these initiatives were possible thanks to agility cells, which have taken responsibility for the development of critical processes in the company, generating solutions for customers more quickly, with continuous results and improvements that incorporate their responses and suggestions.

In recent years, the company's corporate governance objectives have included the establishment of a

cybersecurity strategy and policies to protect customers' information in terms of confidentiality, integrity and its availability in all processes.

Sustainability and care for the environment

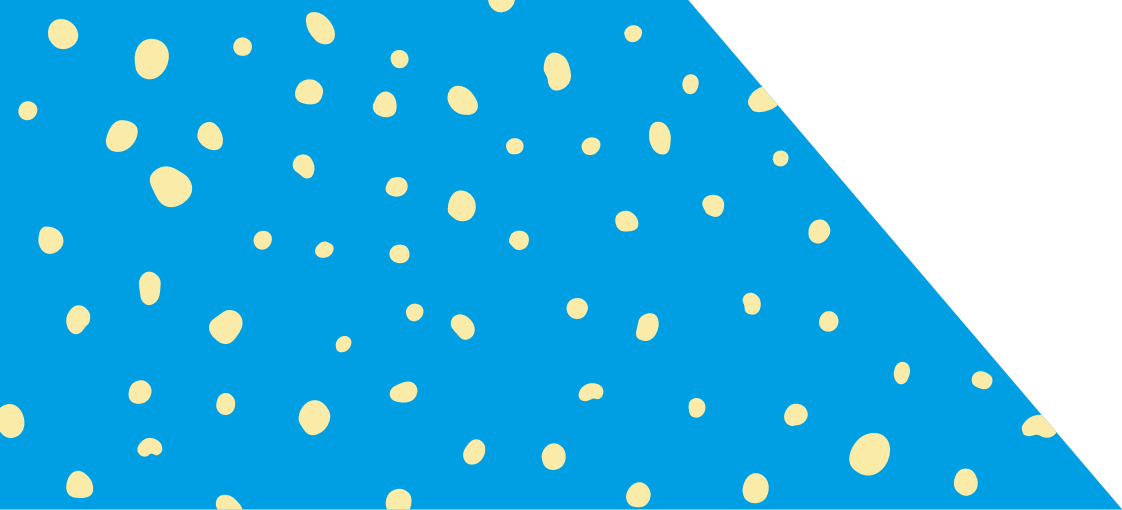
Imperial maintained its commitment to creating local jobs and, under its recruitment policy, this is its second priority after internal promotion. The Academy of the Furniture Experience Center (CEM) held five versions of its hardware and solutions course. After strict theoretical-practical evaluation, 28 of the 74 participants were selected for their commitment, dedication and effort to become recommended furniture makers, helping to create job opportunities and stability.

The Temuco store continued to support the + Capaz (+ Capable) program's line of work for people with disabilities. This program, implemented by the National

Training and Employment Service (SENCE), seeks to foster access to the labor market and permanence in it for women, young people and people with disabilities who are in a situation of social vulnerability by offering them technical training, training in transversal skills and labor intermediation. Through this program, the company offered work experience for pupils from the Instituto Superior de Comercio School and the Kolping NGO.

To complement its environmental management system, the company developed a waste management model, which received approval from the Board of Directors. It also launched a recycling program at its distribution centers, implementing spaces and infrastructure for recycling, including carts for storing cardboard, with wheels for ease of transport. This was accompanied by awareness campaigns in the form of training, newsletters and posters in the distribution centers.

Dust extraction systems were installed or renewed at the Talca store (20,000 m³/hour) and the Temuco store



(31,000 m³/hour). They have improved operating conditions in the stores' cut-to-size areas, reducing employees' exposure to agents harmful to their health and helping to protect the environment. Productivity and service quality also increased as a result of the incorporation of new machines.

In addition, a centralized dust extraction system was installed at the machining and RTA plants to which the latest lines of cutting and veneer machinery acquired by the company can be connected. This will improve air quality and the health of all employees.

In the case of responsible procurement, audits of Chilean and overseas factories continued, along with quality inspections at origin of own brands, and quality certificates were obtained for associated products.

An alliance with Imperial suppliers was formed to reduce the plastic used in product packaging. In addition, the company launched a program to replace products with solvents with others that are environmentally friendly and implemented a responsible marketing plan with eco-sustainable products.

Human resource management

In 2019, Imperial offered almost 300 training courses in areas such as sales, operation of sizing machines, logistics, operation of forklifts and prevention of workplace stress. Through this training, the company sought to support employees and improve their day-to-day work.

A workplace quality of life program - October, Healthy Life Month at Imperial S.A. - focused on valuing human talent in order to promote healthy habits and well-being at work.

The company also successfully reduced its accident rate, taking it back to its lowest level ever. This was achieved through campaigns such as the 100 Days without Accidents campaign, training and the provision of personal protective equipment but, above all, through a campaign to foster cultural change. With the strong support of the company's management, this put safety at the center of work at Imperial.

A key initiative in 2019 was the modification of the design of Imperial stores to take into account the needs of people with disabilities, incorporating spaces for inclusive attention in the different areas of stores such as checkouts, vendor modules, optimization, paints, tool rental, deliveries and cut-to-size services.

In the context of the social crisis faced by Chile in the last quarter of the year, Imperial put the safety of customers and employees first whilst also ensuring that jobs were not lost. Employees at the San Bernardo store, which was burned down, were relocated to other stores and support office employees were temporarily relocated to other facilities to protect their safety.

Investments in different areas

In 2019, significant investments were made in machines and portable products on the sales floor for customer self-service.

A second Furniture Experience Center (CEM) was established at the Reñaca store, offering furniture makers advice and training in innovative products.

In the second half of the year, the company implemented warehouse management system (WMS) software, which provides visibility and traceability of all inventory as well as managing operations inside a distribution center. This new software began operation in early 2020.

Work spaces, with benches and chairs, were introduced on sales floors to enable customers to work while optimizing board cuttings.

Marketing and service quality

In 2019, Imperial launched a marketing campaign for Cyber Day. Divided into the four stages of the participation process - registration, prior to the event, official start and during the event - it used different messages and different media such as e-mail, social networks, radio, televisions in stores and the company's website. This positioned the company in top places with 57% of total impressions.

Cyber Day marketing used all the omnichannel options such as desktops, mobile devices, the Imperial App, Instagram, Facebook, push adverts, Waze, SMS, e-mailing and Google Search, reaching more users through new channels.

Always On (throughout the year) marketing campaigns were also created and implemented, using social networks, website banners, the App and specific offers. They promoted different categories of products such as flooring and roofing as well as special dates.

Efficiency and productivity

In 2019, Imperial implemented the self-service model at its Reñaca store for all portable products. It also launched an App for the cut-to-size program that was pilot tested at the Huechuraba store. With the App, customers will be able to view cutting plans digitally, eliminating the use of paper, and it will be possible to update the status or processing of orders on each machine online.

The company continued to implement Lean workshops, seeking opportunities for improvement with a positive effect not only on processes but also on the company's culture. In the Lean Awards, Imperial presented the best project - Optimization of Veneer Plants - taking first place in the Sodimac group and Falabella companies categories. This helped to foster best board veneer management practices in cutting centers, contributing to Imperial's productivity and sustainability.

Challenges for 2020

In 2020, Imperial plans to replicate the self-service sales floor model in both Santiago and the country's regions as a means of enhancing customers' shopping experience.

In addition, it will be introducing the construction materials self-service model in order to offer a complete and integrated self-service formula, with a focus on shortening service times and reducing contact points.

In 2019, Imperial consolidated the Sodimac marketplace process and, for 2020, has already begun to incorporate 1,000 new SKUs.

The Imperial Suppliers Meeting, held in September 2019, was attended by over 50 companies whose representatives exchanged ideas and proposals on supply, innovation, training and sustainability; commercial agreements were also finalized under policies on commercial transparency and free competition.

Imperial Management Team

(As of 31 December 2019)



01 Francisco Apablaza Valenzuela
Logistics Manager

02 Christian Toloza Gómez
IT Manager

03 Robinson Martínez Bustos
Operations Manager

04 Rodrigo Fuenzalida Frugone
General Manager

05 Pedro Flores León
Assistant Human Resources Manager

06 Edison Azúa Cáceres
Legal Compliance Manager

07 Alejandro Vera Zuzulich
Administration and Finance Manager



Sustainability



Sustainability

Responsible management

In 2019, Sodimac continued to implement numerous initiatives in the fields of labor relations, corporate governance and business ethics, community relations, responsible trade and marketing, responsible procurement and the environment. All of these initiatives were designed to continue reinforcing one of the permanent pillars of the company's development strategy: sustainability.

For more than ten years, Sodimac has had a formal sustainability policy that takes all its stakeholders into account and seeks to respond to them in a timely manner, within a framework of continuous improvement which aims to strike a balance between economic performance and social and environmental commitments.

The company seeks to adhere to the best local and international sustainability practices. They include the ILO's Principles concerning Multinational Enterprises and

Social Policy; the UN Guiding Principles on Business and Human Rights; the principles of the UN Global Compact; the commitments the company has entered into voluntarily under the Sustainable Development Goals (SDGs); ISO 26000; and the Global Reporting Initiative (GRI).

In all the markets where the company operates, it uses a Sustainability Index to measure its management of economic, social and environmental dimensions. In this way, it is able to identify gaps or opportunities for

improvement, with an emphasis on the most critical areas for the sustainable development of the business.

In 2019, Sodimac's parent company, Falabella, was the only Chilean retailer selected for inclusion in the Dow Jones Sustainability World Index (DJSI World). The other members of this Index are multinational companies considered leaders on sustainability according to economic, social and environmental criteria.

In the retail category, Falabella ranked fourth worldwide and was selected for the equity portfolios of the other indices in which it was invited to participate. It is the only Chilean company that is part of four indices (World, Emerging Markets, MILA Pacific Alliance and Chile).

Responsibility towards the environment

Sodimac continued to intensify its efforts regarding the evaluation and mitigation of environmental impacts, promoting the responsible use of resources in its operation.

It also strove to foster environmental awareness among customers, suppliers and the community in general.

In the context of the challenges of climate change, the company measures and seeks to reduce its carbon footprint in its different markets. In all countries, stores and other facilities have a design that permits the efficient use of natural light and, among other measures, make extensive use of LED technology. The company has also continued to increase its use of non-conventional renewable energy (NCRE).

Since 1 March 2019, all deliveries to customers in Chile have been carbon neutral in line with the company's goal of reducing its direct emissions by 30% by 2021.

In Colombia, the company received three-year ISO 14001:2015 certification in recognition of its work in caring for and conserving natural resources through its environmental management system. By the end of the year, 27 stores had been certified, six more than in the previous year. Sodimac Colombia also became the country's first retailer to obtain EDGE green building certification, thanks to its

energy efficiency and saving processes and its good use of environmental management programs.

Sodimac is committed to sustainable development that integrates the concept of a circular economy. This implies an effort from a product's design and packaging through to its recycling and reuse in order to cover the entire chain in a circular manner. At the regional level, the company is making progress on reducing the use of plastic in the containers and packaging of the products it sells as well as stopping to provide disposable plastic bags in its stores.

The company promotes the recovery, recycling and reuse of both its own waste and that generated by the community. In Chile, a new facility was added to the company's National Network of Clean Points, which is the largest in the country and, since its launch in 2010, has received more than 3.5 million visits and recycled over 18,000 tonnes of waste.

In 2019, progress was also achieved on waste disposal in Brazil where, in alliance with the Brazilian Association of Steel Containers (Abeaço), the company joined the Prolata project and installed collection points for empty paint cans in five stores in Baixada Santista (on the coast of the State of São Paulo). In 2020, collection points will also be installed in other stores. In addition, the company formed an association with Green Eletron, a company that specializes in reverse logistics, for the installation of collection points for electronic equipment in its stores.

In Peru, the company participated in initiatives such as *Hazlo por Tu Playa* (Do it for Your Beach) and Earth Hour, cleaning beaches and aquifers around the country and

promoting the campaign on social networks. It also signed an alliance with EcoTrash, a social company that seeks to optimize the recycling process, creating opportunities for women and young people, who collected 5.3 tonnes of paper and 1.2 tonnes of recycled bottles.

In 2018, Sodimac joined the Circular Economy 100 (CE100) network of the Ellen MacArthur Foundation and, in 2019, went on to join the Chilean Pact for Plastics of the Fundación Chile technology transfer institute. In 2019, together with its suppliers, the company set itself the goal of doubling the offer of eco-sustainable articles and services in its stores and ensuring that 100% of the containers and packaging of products it sells are recyclable by 2020, starting with its own brands.

The company offers customers more than 4,300 products with environmental and social attributes. They include products in which more than 50% of the content is recycled and which are biodegradable in no more than six months and are reusable or can be reassembled. Other products are verifiably efficient in their use of energy or water or are free of volatile organic compounds (VOCs), which are harmful to health. Sodimac stores also offer sustainable products with recognized certification, which have been manufactured with care for natural resources and mitigating environmental impacts. In addition, space is given to inclusive products that generate a positive impact on society by contributing to social causes.

Training and development

Sodimac is committed to the personal and workplace development of its employees and implements initiatives that seek to make steady progress on indicators of culture

and work climate, prevention, training and quality of life.

The company fosters opportunities for internal mobility and the creation of local jobs. In the different countries, ongoing progress was made on the development of career plans and training programs. Regionally, nearly 1.5 million hours of training were provided in the framework of the Sodimac School of Excellence and other programs implemented with certified universities and institutions.

Through prevention campaigns, focusing on self-care, the company seeks to ensure safe workplaces and a low accident rate.

Sodimac respects and values everyone's contribution equally. It has an inclusion, diversity and non-discrimination policy through which it seeks to provide a workplace where no one is excluded on grounds other than their professional contribution. In order to allow everyone to

contribute to Sodimac from what makes them unique, the company implements a series of initiatives to promote the workplace inclusion and professional-labor development of people with disabilities. It also seeks to foster gender equality, cultural diversity, sexual diversity and opportunities for people in a vulnerable situation and senior citizens.

Sodimac has a talent succession plan in place in stores that allows employees to progress to positions of greater responsibility, based on objective factors and in equal conditions. In 2019, the company participated in the PAR Latin America Initiative, whose measurement permits identification of gender-related gaps in areas such as co-responsibility measures, the protection of maternity and the development of female talent.

Sodimac rejects all forms of discrimination and corruption in accordance with the ten principles to which it voluntarily adhered when it signed the UN Global Compact. The company respects and enforces human rights in their broadest expression. In 2019, it intensified its efforts to foster diversity and inclusion, implementing numerous initiatives.



Sodimac has been very active in the fight against climate change. In one of the environmental measures it has taken, deliveries to customers in Chile have been carbon neutral since 1 March 2019.

In 2019, both Sodimac Colombia and Sodimac Chile received recognition for their efforts on inclusion. The latter not only reached, but also surpassed the percentage of employees with disabilities required under the country's new Law on Inclusion of People with Disabilities. Similarly, Sodimac Uruguay is working to comply with a new norm established in this country.

In 2019, the Net Promoter Score (NPS) survey began to be applied internally as a means of listening more closely to employees and taking steps to increase their satisfaction and engagement.

During the year, Sodimac joined Talentum, a program of eight-week internships in other Falabella companies during which the intern develops a project with the support of a mentor.

Thanks to its commitment to its people and the work climate, Sodimac has continued to consolidate its position as one of the best companies for which to work in the

Great Place to Work (GPTW) ranking. Chile and Peru took eighth and 17th place, respectively, among companies with more than 1,000 employees while Peru was 12th in the GPTW ranking of Best Workplaces for Millennials. In addition, Sodimac Argentina ranked among the ten best places to work for women. Sodimac Brazil appeared in this ranking for the first time and as one of the 30 best large companies in the general GPTW ranking.

Corporate governance and business ethics

Sodimac respects and enforces human rights in their broadest expression and abides by ethical values and principles. Corporate integrity is a fundamental condition for the development of its activities in all markets.

The company rejects all forms of discrimination and corruption in accordance with the ten principles to which it voluntarily adhered when it signed the UN Global

Compact. It is also a member of the GOLD community of the Global Reporting Initiative (GRI), which seeks to promote transparency in companies around the world.

In 2019, together with Falabella, Sodimac held a training and reflection meeting for directors and senior management that focused on addressing environmental and sustainability challenges.

In addition, the company reinforced awareness of its integrity program, both internally and with suppliers. It provided training about the program, the integrity channel, rules on relations with public officials and customer rights, as well as on free competition and other topics.

Sodimac has a Corporate Integrity Channel which any stakeholder can use for enquiries or complaints. It guarantees confidentiality, investigation and a solution. This online platform, which serves all Falabella companies, is operated by an external company, thus reinforcing its necessary impartiality, objectivity and confidentiality.



Commitment to communities

Every year, thousands of Sodimac employees in different countries dedicate part of their time to social work, neighborhood improvement projects and emergency construction work after natural disasters, seeking to generate ever closer ties with the community and make a relevant contribution to the development of the countries where the company operates.

Sodimac participates in countless initiatives that include volunteer programs, collaboration with institutions that have similar goals, solidarity campaigns and programs through which it donates money and materials.

Sodimac Chile continued to implement its emblematic *Construyendo Sueños de Hogar* (Building Dreams of Home) program. Under this collaborative and participatory community relations initiative, the company donates materials and implements projects to improve the installations of different organizations on which company volunteers work together with the community. In 2019, 83 projects were implemented around the country, benefiting 40,090 people and involving the participation of 1,404 volunteers, who donated a total of 13,207 hours of work. Internally, the program also supported 120 projects, helping 84 employees to improve their homes and quality of life.

Sodimac Colombia launched the *Mejoramiento de Hábitat* (Habitat Improvement) program, a vision through which it is possible to pursue the business purpose of building and intervening spaces whilst promoting respect for differences and care for the environment. This initiative involved 2,536 volunteer hours in 18 activities that

contributed to the progress and improvement of the quality of life in communities, benefiting over 29,400 people. Its activities included a food bank, the planting of trees, repairs to the infrastructure of educational establishments and the painting of the fronts of houses in vulnerable neighborhoods.

Sodimac supported the work of the Techo organization in various countries, donating money and construction materials and providing logistical support, volunteer work and technical advice. In Chile, the company also supported the institutional campaign which, in a call for integrated cities, Techo built 14 definitive housing projects in different regions of the country. In addition, it donated the money obtained through sales of Agua

Late bottled water at all its stores. Sodimac Uruguay renewed the alliance with Techo that it formed in 2015 and supported the *Súmate por Techo* (Join for Techo) campaign, offering customers the opportunity to help by buying a “brick” as a donation to Techo’s construction work.

In Peru, Sodimac volunteers contributed 9,029 hours of work. Through the Volunteer Club, the company focused on raising awareness of safe construction. Forty employability workshops were offered for families and students in vulnerable areas, together with the Fe y Alegría NGO and the Techo organization, with which 30 emergency housing solutions were also built. In addition, 73 equity and diversity workshops were held

for children, young people, parents and teachers at the Fe y Alegría schools, which the company sponsors and with which it also collaborated by donating a roof for the playground at the Huancayo School.

In Chile, Sodimac continued to support the Junto al Barrio Foundation, providing financing and, through its *Construyendo Sueños de Hogar* program, participating in community projects in the Renca and Valparaíso municipal districts. The company also continued to work with *Movidos por Chile* (Moved for Chile), an initiative promoted by the Community of Solidarity Organizations to help in different emergencies and strengthen networks for collaboration in addressing disasters/emergencies in the country.



Sodimac Uruguay has an alliance with the Forge Foundation, which uses an innovative integrated training and employment system to foster the labor market insertion of young people from low-income families. Thanks to scholarships provided by Sodimac Uruguay, 13 young people participated in the program, with the possibility of an internship at the company and of being hired to start their working life there.

During the winter, Sodimac Brazil implemented a campaign to collect warm clothing. It broke previous records by collecting more than 7,383 items, including clothing, shoes, accessories and blankets, which were donated to the São Paulo State Social Solidarity Fund.

Responsible trade and marketing

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 this framework, it implements sustainable marketing campaigns to foster awareness and provide expert advice, reinforcing the concept of saving and the care that customers should take into account in their homes and, in this way, help to protect the environment.

Sodimac's Responsible Trade Policy seeks to safeguard the quality and safety of the products it offers customers and ensure they are produced sustainably. 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).

In its different markets, the company has continued to implement its emblematic inclusive business program, the Sodimac Tradesmen's Circle (CES), which has shown sustained growth. In Chile, for example, it has over 400,000 members. The program serves as a channel through which the company can relate with a growing group of regular customers, who include tradesmen and contractors, helping them to improve their work and the management of their business through training and the transfer of expertise.

For the seventh consecutive year, training fairs were held in different countries as part of CES activities. They were attended by a total of more than 36,000 people

and followed by over a further 82,000 via streaming, enabling the tradesmen to get to know new technologies and the latest market trends and be in a position to innovate in their field.

In 2019, Sodimac once again implemented the *Hágalo Usted Mismo en Comunidad* (Do it Yourself in Community) program to offer vulnerable communities step-by-step advice on projects to build and repair different parts of their homes in accordance with their needs and, in this way, improve their quality of life. The program's workshops are run by the Proyecto Propio Foundation, with the collaboration of a number of the company's allies, and included modules on how to keep a house in good repair, saving money in the process and generating projects that inspire the family, neighbors and the community. A total of 110 workshops were held in four regions of Chile (the Coquimbo, Valparaíso, Santiago Metropolitan and Bío Bío Regions).

Imperial's Furniture Experience Center (CEM) Academy trained 74 furniture makers. After strict theoretical-practical evaluation, 28 were selected for their commitment, dedication and effort to become recommended furniture makers, helping to create job opportunities and stability.

The company 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 all its stores and Sodimac.com, the company uses the Net Promoter Score (NPS) model to measure customer satisfaction and perceptions of the quality of the shopping experience. Based on this feedback, which is analyzed daily, changes and improvements are introduced, tailored to each particular customer segment.





An open innovation program attracted over **200** start-ups and is working with five finalists.



Responsible procurement

In the self-regulatory framework of the Sodimac Commercial Transparency Policy (TCS), audits of Chilean and overseas factories continued in 2019, along with quality inspections at origin of own brands, and quality certificates were obtained for associated products.

Sodimac has incorporated its suppliers into its sustainability policies. With them, it has built long-term, transparent and mutually beneficial relations. It seeks to ensure rigorous compliance with the agreements signed on commercial matters and uses all the information services available in the market to ensure suppliers' ethical standards.

Sodimac also makes a point of communicating its best practices and knowledge of responsible production to its supplier base, particularly 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 the company's traditional procurement programs.

The company works with Sedex, an international non-profit organization that seeks to promote improvements in business practices as regards supply-chain ethics and social responsibility. In 2019, 258 self-evaluations and social audits of suppliers took place.

Sodimac is committed to the combat and eradication of child labor through the application of awareness policies. This includes suppliers who are not allowed to employ children.

Innovation is a fundamental pillar of Sodimac's strategy and one of its objectives is to enhance the customer experience in stores. In Colombia, the company participates in an open innovation and entrepreneurship ecosystem. In 2019, it completed its third cycle and, over the three years, has accelerated six start-ups and incorporated 20 as suppliers.

In 2019, Sodimac Chile launched its first open innovation program, inviting different start-ups to generate creative technological solutions that effectively respond to the needs of both home improvement customers and

tradesmen. It attracted over 200 start-ups and, as of the end of the year, the company was working with the five finalists, holding meetings to develop viable concrete proposals through which to harness their creativity and capabilities to the company's internal challenges. It is expected that, in 2020, three of the start-ups will be selected to integrate the company.



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