

# Sustainability *Report* 2019



## About this Report

*(102-45; 102-50; 102-51; 102-52;  
102-53; 102-54)*

This is Sodimac Chile's 13<sup>th</sup> Sustainability Report. It provides an account of the company's economic, social and environmental performance between 1 January and 31 December 2019. (For previous reports, see [www.sodimac.cl](http://www.sodimac.cl).)

The Report was prepared in accordance with the Core option of the Guidelines of the Global Reporting Initiative (GRI). It refers to the performance of Sodimac Chile and does not cover either its business units in other countries or its Imperial S.A. subsidiary in Chile, which publish their own Sustainability Reports (available on their websites).

The Report allows the company to comply with the Communication on Progress required under the United Nations Global Compact and the company's commitment to its ten principles, which seek to strengthen human rights, labor norms, protection of the environment and the combat of corruption.

We would appreciate your comments and suggestions.  
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(102-1; 102-3; 102-56)



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# Letter from the *General Manager*



# Letter from the General Manager of Sodimac Chile

(102-12; 102-14)

*We are pleased to share with you Sodimac Chile's 13<sup>th</sup> Sustainability Report. It provides an account of our economic, social and environmental performance in line with the undertakings we have entered into with our different stakeholders under our Sustainability Policy.*

2019 was a complex year. In addition to the economy's deceleration, uncertainty increased as from October, accompanied by levels of violence we had not previously experienced. In this context, our priority was the safety of our employees and customers. Like the rest of the retail sector, we suffered numerous incidents of looting and damage to our stores. Indeed, two stores - in the center of the city of Concepción and in Santiago's Conchalí district - were burned down, as was the San Bernardo store of our Imperial subsidiary. Fortunately, no one was injured and the people who worked there were relocated

to other stores but the loss they suffered was irreparable. Some of them had been working together for more than 20 years and their store was a second home to them.

Although our activities were affected, we maintained our terms of employment and other benefits and, for the sake of employees' quality of life, reduced our opening hours. We also took a number of measures in response to the needs of other stakeholders. For 90 days as from Monday, October 21, we froze prices in all our stores around the country to help guard against speculative increases in the markets we serve. In the case of our small and mid-sized suppliers, we brought forward payment of their invoices. We also surveyed the damage to the installations of the small companies and individual enterprises that rent space in our stores and took measures to help especially those most affected by fires or looting. In the case of communities, we worked with the social organizations with which we have alliances (Techo, Junto al Barrio, Santiago+B and Movidos x Chile) to evaluate needs and provide support.

We are convinced that, in order to progress as a country, it is essential to understand the causes of this social crisis. To further develop our ability to listen and engage in dialogue, we held 95 conversation events in which 1,116 employees from all stores, distribution centers and support offices around Chile participated. These conversations will be used to propose improvements for our company and the country.

However, the situation did not distract us from our long-term commitments. During the year, we continued to make progress on the Sustainable Development Goals (SDGs) to which we are committed as a means of managing and reducing the negative impacts of our business and generating value for the context in which we operate.

The company continued to place great emphasis on training and development programs. In 2019, we provided 494,633 hours of training, benefiting 17,276 employees. This gave an average of 28 hours of training per employee and represented an investment of almost US\$2.8 million.

**Eduardo Mizón**  
General Manager  
Sodimac Chile



"To further develop our ability to listen and engage in dialogue, we held 95 conversation events in which 1,116 employees from all stores, distribution centers and support offices around Chile participated. These conversations will be used to propose improvements for our company and the country."



Another priority for the company in 2019 was inclusion. This was reflected in the adaptation of our infrastructure as well as in our recruitment and selection work. Our aim was not only to comply with Chile's new Labor Inclusion Law, which requires that persons with disabilities account for 1% of a workforce, but also to embed awareness of diversity throughout the company.

In 2019, we began to apply the eNPS (employee Net Promoter Score) survey as an additional means of learning about employees' views and identifying key moments in their experiences. This regular anonymous survey is a variation on the NPS tool that we have been applying for years and has proved very useful in managing customer experience.

During the year, we maintained constant dialogue with our union organizations. Collective bargaining processes took place with five unions, which together represent 8,052 employees, equivalent to 45% of our workforce. All these processes were concluded without needing mediation.

These and other efforts as regards human resources were reflected in our best result ever in the Great Place to Work (GPTW) ranking where we took 8<sup>th</sup> place among the best companies with more than 1,000 employees for which to work in Chile.

In the face of the urgency of working together to combat climate change, we implemented a series of initiatives to contribute to protection of the environment and foster awareness among suppliers, customers, employees and the community. As part of the objective of achieving a 30% reduction in the company's direct GHG emissions by 2021, all deliveries to customers in Chile have been carbon neutral since 1 March 2019. The emissions generated are offset through the purchase of carbon credits from internationally recognized renewable energy projects in Chile.

We have also continued to expand our National Network of Clean Points. In 2019, we opened our first facility in the town of La Calera and, during the year, the Network received over 847,000 visits and recycled 4,162 tonnes of material. Since its creation in 2010, it has received over 3.4 million visits and recycled 18,899 tonnes of material.

In addition, we put over 4,000 products with environmental and social attributes at the disposal of customers and continued to work towards our aim that, by 2020, 100% of the containers and packaging of the products we sell will be recyclable, starting with our own brands. In line with our view that we can achieve much more through collaboration than individually, we joined the Chilean Plastics Pact, an initiative led by the Fundación Chile technology transfer institute. In addition, along with other companies, we signed a clean production agreement for electrical and electronic articles.

Through our *Construyendo Sueños de Hogar* (Building Dreams of Home) program, we implemented 83 projects that improved infrastructure and public or community spaces throughout Chile. These projects, in which 1,404 company volunteers participated, directly benefited 40,190 people while, internally, 120 projects helped 84 employees to improve their homes and quality of life.

For the seventh consecutive year, we held the Great Tradesmen's Training Fair. This has become the principal event at which construction professionals can receive training and learn about new technologies and trends so as to be able to innovate in their work. In 2019, it offered a record of over 300 free training sessions that were attended by 18,000 people and followed by more than a further 50,000 online.

In 2019, we once again implemented our *Hágalo Usted Mismo en Comunidad* (Do It Yourself in Community) program, holding 110 workshops around Chile 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, enhance their quality of life.

Customer complaints represented 0.47% of total transactions in 2019 and we will continue working to reduce this figure. In the case of technology, we progressed on a fundamental change in our 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. At the same time, the content of the website was improved with the addition of 53,000 new photographs and more than 20,000 product descriptions. We also boosted user-generated content and the e-commerce platform already





has more than 36,000 customer comments. At the same time, we worked 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, thereby complementing their online experience.

In 2019, we also continued to strengthen our corporate governance. Following the human rights due diligence process implemented in 2018, the issues and risks identified were incorporated into the corresponding matrix and managed in 2019. During the year, we also implemented the Governance, Risk and Compliance (GRC) tool, which serves to configure and standardize the business's risk matrices and use and update protocols. In addition, new risks were added to the matrix for continuous monitoring through internal audit surveillance panels, financial-accounting processes and the management of human resources and suppliers. We also updated our Crime Prevention Model (Law N° 20.393), incorporating additional crimes.

In the case of responsible procurement, we continued to increase the number of suppliers evaluated under the SMETA protocol and registered in the SEDEX self-evaluation platform. Our aim is for all our suppliers to be incorporated by 2021.

In 2019, the company also measured its performance using ESG Compass's Stakeholders Sustainable Index (SSIndex). Through a survey, this tool seeks to measure the impact of Sodimac's efforts as regards risk management and monitoring of sustainability in its relations with its different stakeholders (employees, customers, suppliers and the community).

During the year, we launched our first open innovation program with start-ups. Its aim is to serve as a bridge between the company and the entrepreneurship ecosystem, enabling us to attract external capabilities to help in implementing solutions that enhance customer experience. In 2019, 200 start-ups participated in the initiative, out of which we hope to select three to implement projects in 2020.

In 2019, we implemented an investment plan worth 83,000 million Chilean pesos. We were very happy to open a new Homecenter in Santiago's Ñuñoa district, replacing the store where there was a fire in 2014. It has an area of 12,500 m<sup>2</sup> and is our first store in Chile with two floors. We also remodeled the Kennedy Homecenter in Santiago. Both are latest-generation stores, designed with a far more experiential approach that boosts customer experience and inspiration and are equipped with more efficient processes that incorporate the "phygital" concept (combining physical spaces and digital technology).

At the same time, we continued to develop our logistics capabilities. A new automated robot system was implemented at the Lo Espejo Distribution Center to increase the speed and agility of response to the needs of stores and customers, boosting efficiency in the preparation of products and reducing stores' restocking work. 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.

It is important to note that, in evaluating and implementing investments, we seek to listen closely and foresee possible territorial controversies. Since 2018, we have been using a tool known as the Intelligent Territorial Early

Warning Matrix (MIATT), which allows us to analyze projects' limitations and generate the technical, economic and social measures to ensure that our growth is sustainable.

I would like to take advantage of this letter to reiterate our firm commitment to the UN Guiding Principles on Human Rights and Global Compact, the OECD's Guidelines for Multinational Enterprises, the protocols of the Global Reporting Initiative (GRI) and the ISO 26000 standard as well as the voluntary undertakings we have entered into in pursuit of the Sustainable Development Goals (SDGs).

We will continue to advance with conviction along the road of improvement and sustainable development to which we are committed and would appreciate any comment or suggestion you may have that would help us reduce our gaps.

**Eduardo Mizón**  
General Manager Sodimac Chile

# Sodimac and its Context



# Retail Industry

(102-15)

The retail industry is experiencing far-reaching transformations in response to the changes in consumers and their world, in a context of increasing demands and competition.

In response to these changes, Sodimac has increasingly incorporated sustainability into its strategy and accelerated its process of digital transformation. Stores are being transformed 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, complementing their online experience.

## Citizen consumers

Customers' decisions have an ever more developed citizen dimension. They are very aware of their rights and expect companies to go beyond their traditional economic role, committing to causes and contributing decidedly to the fight against climate change and to the solution of social problems that affect the country and the planet.



## Digital transformation

With the development of technology and mass access to mobile devices and social networks, competition is now a click away. Customers can window-shop, compare prices and make their purchases without having to leave their homes, and a simple comment can make or break a brand. This has changed consumers' habits and the way they relate to companies, and the challenge now is to offer the best experience in whichever channel they choose to use.





## New situation in Chile

(102-10)

Chile is a developing country with a series of unresolved problems. These were more evident than ever in the outbreak of social unrest that began on 18 October 2019. It changed the political, economic and social situation in which companies operate and brought with it increased uncertainty.

In the initial stage of this crisis, Sodimac implemented a series of actions in response to the needs of different stakeholders:

- The company provided support for employees of the stores that suffered fires (Los Carreras Homecenter in the center of the city of Concepción and the Constructor store in Santiago's Conchalí district) who were relocated to other stores. Similarly, the company's Imperial subsidiary relocated the employees of its store in the San Bernardo suburb of Santiago where there was also a fire.
- The company arranged with its contractors the relocation of their employees at the Concepción and Conchalí stores.
- Other measures for employees included flexible and shorter working hours, facilities for transport, remote

working, the adjustment of incentives and the payment of bonuses for attendance and punctuality even if, for reasons of force majeure, they were unable to meet the related conditions.

- Ninety-five conversation events took place with the participation of 1,116 employees from all stores, distribution centers and support offices throughout Chile, the results of which will be used to propose improvements for the company and the country.
- When stores reopened on Monday, October 21, after remaining closed during the weekend of October 19 and 20, the company froze its prices throughout the country for 90 days in order to help guard against speculation in the markets it serves.
- To support small and mid-sized suppliers, the company brought forward payment of invoices that complied with its procedures.
- Tenants of space in stores were not charged rent and, in some cases, received help in relocating to new premises.
- The company coordinated with the social organizations with which it has an alliance (Techo, Junto al Barrio, Santiago+B and Movidos x Chile) to evaluate the needs of the community and offer support.

- Surveys were carried out to assess the impact on the communities around the two stores that suffered fires and to determine whether additional measures were required. Based on this information, the company worked with neighbors of the Concepción store and, among other measures, made investments to increase security in the area and mitigate the fire's impact. Work was also undertaken with neighbors of the Homecenter in Santiago's Quilicura neighborhood, who were particularly concerned about the situation and its risks.
- The company also provided support for fire services in the most affected areas, donating equipment.



## Strategic framework

(102-16)

We understand the value that the House has for people's quality of life. This is what gives meaning and transcendence to our work: to improve homes, neighborhoods, communities, cities and society in general. Together, we look after the house of all.

### 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.

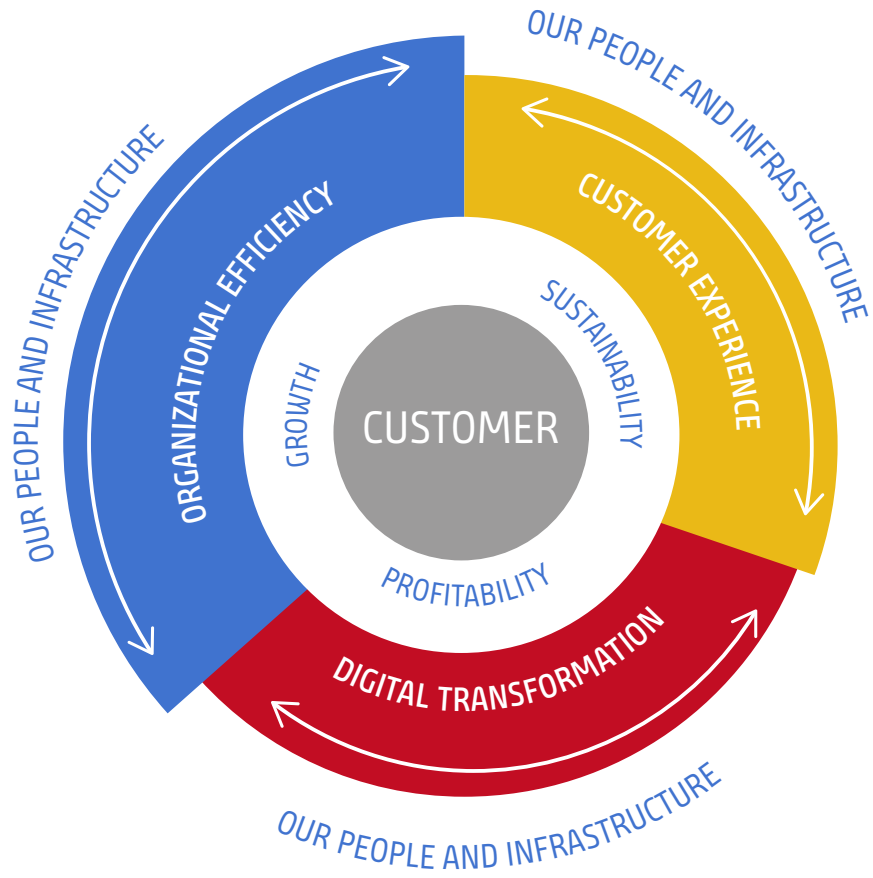
**R**

#### 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.



## Strategic priorities



### EXPERIMENTATION AND SPEED

- Make things happen
- Grow through our achievements
- Dare to try different things

### CUSTOMER AT THE CENTER

- Exceed customers' expectations
- Get to know and listen to the customer
- Take information-based decisions

### COLLABORATION

- Be a single team
- Learn from others
- Generate the best solutions together

### MENTALITY OF CHANGE

- Act with meaning
- Learn and unlearn
- Incorporate new methodologies and knowledge



# Sodimac in Latin America

(102-2; 102-4; 102-5)

Sodimac is the home improvement subsidiary of Falabella, one of Latin America's principal retail platforms. It controls 100% of Sodimac through two companies: Home Trading S.A. (99.9999986%) and Inversiones Parmin SpA (0.0000014%).

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

| COLOMBIA               | 2017           | 2018           | 2019           |
|------------------------|----------------|----------------|----------------|
| Points of sale         | 38             | 40             | 40             |
| Employees              | 8,448          | 8,933          | 9,039          |
| <b>Sales area (m²)</b> | <b>368,383</b> | <b>385,290</b> | <b>386,256</b> |

| PERU                   | 2017           | 2018           | 2019           |
|------------------------|----------------|----------------|----------------|
| Points of sale         | 56             | 56             | 55             |
| Employees              | 9,995          | 9,684          | 9,891          |
| <b>Sales area (m²)</b> | <b>371,714</b> | <b>372,382</b> | <b>376,264</b> |

| ARGENTINA              | 2017          | 2018          | 2019          |
|------------------------|---------------|---------------|---------------|
| Points of sale         | 8             | 9             | 9             |
| Employees              | 1,641         | 1,696         | 1,295         |
| <b>Sales area (m²)</b> | <b>85,941</b> | <b>94,073</b> | <b>94,073</b> |

| BRAZIL                 | 2017           | 2018           | 2019           |
|------------------------|----------------|----------------|----------------|
| Points of sale         | 57             | 53             | 53             |
| Employees              | 3,317          | 3,320          | 3,530          |
| <b>Sales area (m²)</b> | <b>167,434</b> | <b>163,746</b> | <b>172,112</b> |

| URUGUAY                | 2017          | 2018          | 2019          |
|------------------------|---------------|---------------|---------------|
| Points of sale         | 3             | 3             | 3             |
| Employees              | 423           | 441           | 449           |
| <b>Sales area (m²)</b> | <b>24,849</b> | <b>24,849</b> | <b>24,849</b> |

| MEXICO (*)             | 2017     | 2018          | 2019          |
|------------------------|----------|---------------|---------------|
| Points of sale         | -        | 3             | 5             |
| Employees              | 127      | 800           | 1,132         |
| <b>Sales area (m²)</b> | <b>-</b> | <b>34,610</b> | <b>57,209</b> |

(\*): Sodimac opened its first stores in Mexico in 2018.

Source: Sodimac.

# Operational development of Sodimac Chile

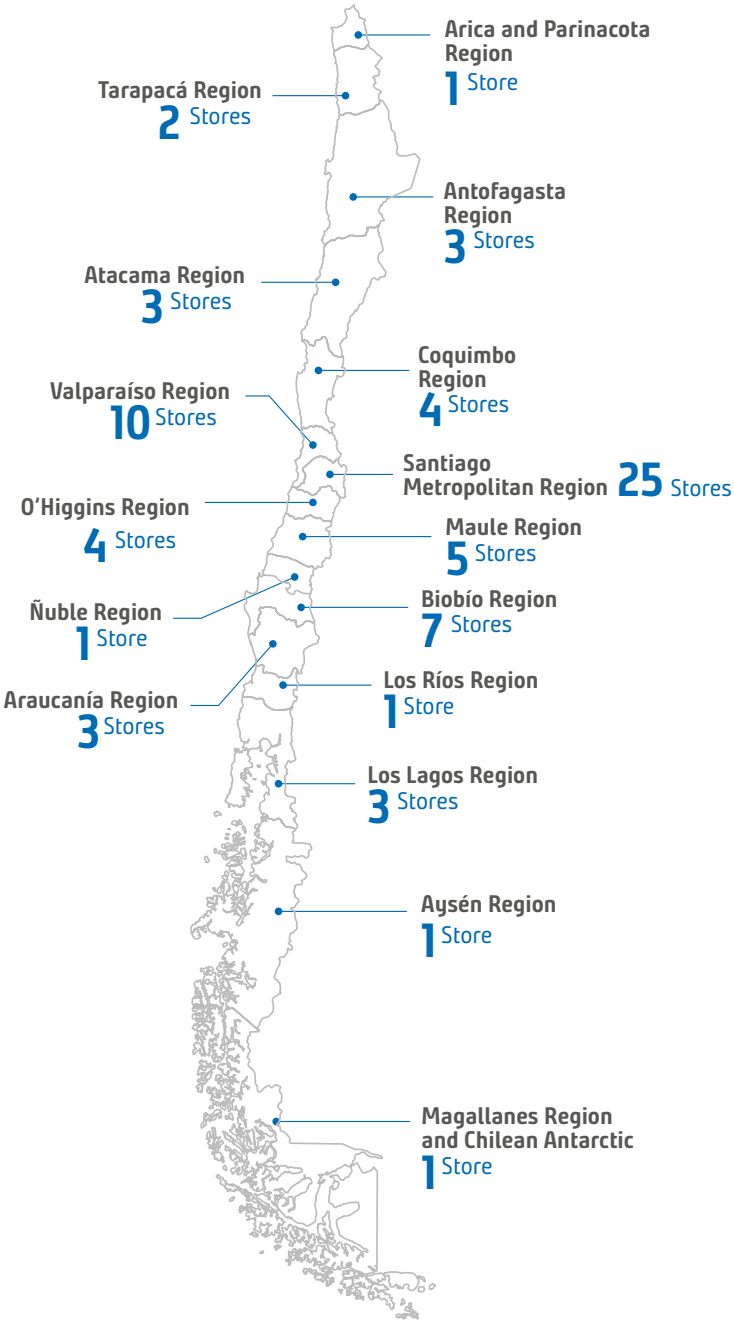
(102-4; 102-6; 102-7; 102-10)

Sodimac has **74 stores** in **42 cities** around Chile.

|                 | 2017    | 2018    | 2019    |
|-----------------|---------|---------|---------|
| Points of sale  | 74      | 74      | 74      |
| Employees       | 18,156  | 18,020  | 17,958  |
| Sales area (m²) | 669,775 | 686,258 | 689,224 |

Notes:

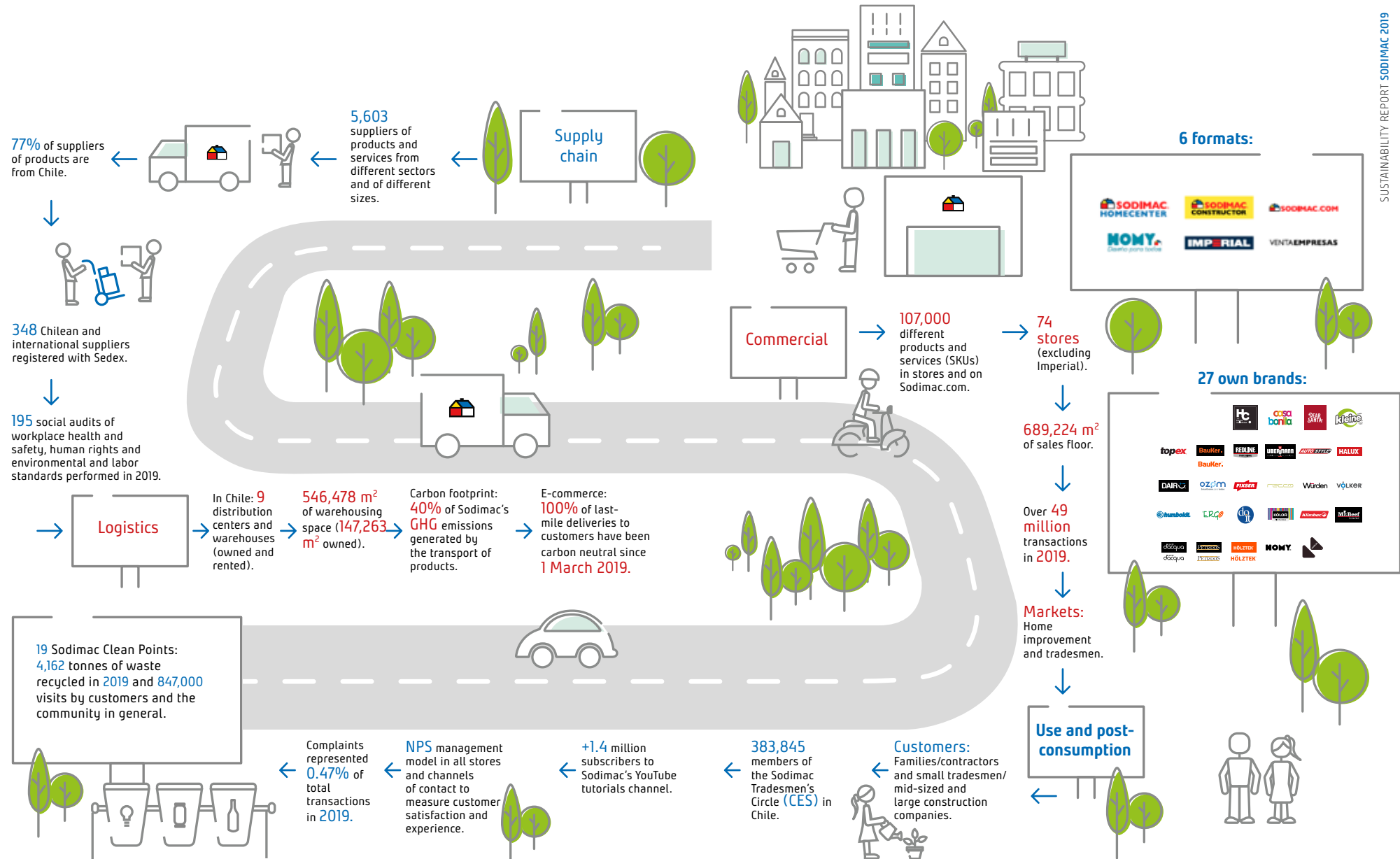
- The workforce includes Sodimac, Sodilog and Traineemac.
- Does not include the company's Imperial subsidiary which has 15 stores and a sales area of 78,456 m².
- In 2019, the Homy store in the Mallplaza Oeste shopping mall was closed as part of the process of building one of the country's first two IKEA stores there.



# Value chain

(102-2; 102-6; 102-7; 102-9)

Sodimac integrates sustainability into all its value chain, from suppliers to customers and the final life cycle of the products it markets. In its different chapters, this Sustainability Report sets out the links in this chain and the stakeholders involved.



# Responsible Growth in Chile





# Responsible Growth in Chile

102-11; 102-26; 102-29; 103-2

Sodimac has a five-year plan through to 2023 that is based around three pillars: growth, profitability and sustainability.



## Sodimac's strategy through to 2023

Sodimac is implementing a strategic plan through to 2023 that focuses on three areas: providing the best customer experience, progressing with the company's digital transformation and increasing its organizational efficiency.

Within the framework of this five-year plan, the company achieved important progress on e-commerce in 2019. This included its integration with the Linio marketplace (which rapidly produced an important increase in online sales) and the introduction of store pick-up points at the holding level.

The company also continued to invest in the automation of logistics. At its Lo Espejo Distribution Center, it introduced

a new system of robots, known as the Super Butler System (SBS), designed to offer a faster and more agile response to the needs of stores and customers, increasing efficiency in the preparation of products and reducing stores' restocking work.

Another important milestone was the opening of a new Sodimac Homecenter in the Ñuñoa district of Santiago. This store, the chain's first in Chile with two floors, has an area of 12,500 m<sup>2</sup> 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 incorporate the "phygital" concept (combining physical spaces and digital technology).

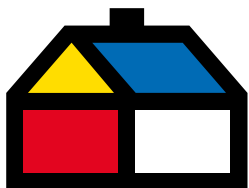
In the area of sustainability, the company implemented community support programs that benefited more than

40,000 people as well as a number of initiatives that contributed to protection of the environment and fostered 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 fires, 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 throughout Chile. The results of these conversations will be used to propose improvements for the company and the country.

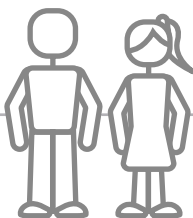


# Building the House of the Future



An undertaking  
that begins today

OUR CUSTOMERS ARE  
AT THE CENTER OF  
OUR HOUSE



This is why we work with passion to offer them a better quality of life and an experience of service that surpasses their expectations.

OUR HOUSE HAS  
THREE PILLARS THAT  
UNDERPIN THIS  
STRATEGY

PILLAR  
1

## GROWTH

We work to improve customer experience as a means of generating loyalty and, therefore, higher sales. We seek to grow our house and, with it, our employees and customers.

PILLAR  
2

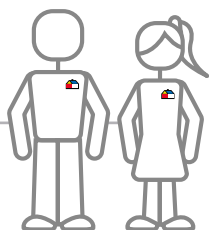
## PROFITABILITY

We challenge ourselves to improve continuously and achieve results that allow us to exceed our targets.

PILLAR  
3

## SUSTAINABILITY

In this house, we respect all those with whom we have contact: employees, suppliers and communities as well as the environment. Together, we build a better future.



WE COULD NOT ACHIEVE  
THIS WITHOUT...

## OUR PEOPLE AND INFRASTRUCTURE

We all play a role in building our house. We ourselves are the motor of change and we do that by putting our values into practice. That is why we strive to develop the best team of people and create an excellent work climate.

Similarly, our infrastructure - stores, warehouses, offices and technology - must keep pace with the business's challenges and be robust, flexible and safe.



## CUSTOMER EXPERIENCE

Through in-depth knowledge of our customers, we are able to offer them the best experience, with a consistent, differentiated and personalized value proposition.



## DIGITAL TRANSFORMATION

We seek to develop an agile culture that fosters collaboration, innovation, learning, teamwork and empowerment. We gather information before making decisions, which always have the customer as their focus.



## ORGANIZATIONAL EFFICIENCY

We seek to simplify, digitize and streamline our processes, using technology, in order to be more efficient and deepen our business.

TO IMPLEMENT OUR  
STRATEGY, WE FOCUS ON  
THREE AREAS

Together we build home  
improvement dreams and projects.



**SODIMAC®**

# Commitment to sustainability

102-11; 103-2

## Evolution of sustainability at Sodimac

For its management of sustainability, Sodimac has a permanent formal structure that is an integrated part of its growth strategy. The company has measurements and indicators of its work that are incorporated into annual performance agreements with the leaders of the organization.

In 2019, the company implemented a series of initiatives that reinforced its commitment to sustainable development.



## Carbon Neutral Home Deliveries

Since 1 March 2019, all deliveries of products acquired by customers online have been carbon neutral, positioning Sodimac as the first company in Chile to make this a permanent commitment.

## Plastics Pact

Sodimac has joined the Chilean Plastics Pact, led by the Fundación Chile technology transfer institute and the Environment Ministry, in order to participate in efforts to propose new ways of making, using, reusing and recycling plastics.

## Desafío Tierra Campaign

In 2019, the Turner Chile media group launched its *Desafío Tierra* (Earth Challenge) proposition, an initiative that called on various public and private bodies to participate in actions that help to give prominence to issues related to caring for the environment. Sodimac was one of the organizations that accepted this challenge,

which also includes mobilizing citizens to take an active role in this field.

Work has initially focused on trying to reduce plastics pollution in the country, with a goal of training 10,000 people in its correct recycling.



## 6D It's Now Campaign – Climate Action

Sodimac volunteers are supporting the reforestation of Santiago's Cerros de Renca Metropolitan Park. This is a 6D climate action initiative, organized by the Cultiva organization and the Avina Foundation, together with the Renca district's municipal government, and supported by Chile's National Forest Service (CONAF) and a number of companies and civil society organizations.

The goal is to plant 30,000 native trees in the park, with an irrigation system for the hottest part of the year. Half of the trees were planted in 2019 and the other 15,000 will be planted during the winter of 2020.

## ESG Measurements

In 2019, the company measured its performance using ESG Compass's Stakeholders Sustainable Index (SSIndex). Through a survey, this tool seeks to measure the impact of Sodimac's efforts in risk management and the monitoring of sustainability on its relations with its different stakeholders (employees, customers, suppliers and the community).



### 2006 - 2009

### FIRST SOCIAL RESPONSIBILITY GUIDELINES



- Creation of a Social Responsibility Area (led by the Legal Affairs Manager)
- Focus on six areas of Social Responsibility
- Undertakings, actions and initiatives in each area
- First Sustainability Report published in 2007.

### 2010 - 2014

### SUSTAINABILITY AND THE STRATEGIC PLAN



- Sustainability established as one of Sodimac's three strategic pillars
- Social Responsibility incorporated into the 2010-2015 Strategic Plan, with objectives and targets
- First Sustainability Policy.

### 2015 - 2019

### INTEGRATION OF SUSTAINABILITY INTO ALL AREAS OF THE BUSINESS



- Indicator to measure the integration of sustainability into all areas of the business
- New Corporate Sustainability Policy (guidelines for all business units across Latin America)
- Close coordination with the units in each country
- Re-targeting of the social investment and community relations strategy through the Building Dreams of Home program
- Update of Human Rights Policy and human rights due diligence
- ESG measurements with stakeholders (employees, customers, suppliers and the community)
- Consolidation of use of the Intelligent Territorial Early Warning Matrix (MIATT) in project evaluation so as to reinforce capacity to listen and foresee possible territorial conflicts
- Progress in reducing the carbon footprint of e-commerce: as from 1 March 2019, all deliveries to customers in Chile have been carbon neutral.



## Sustainability guidelines

(102-11; 102-12; 103-2)

In 2016, Sodimac launched a Corporate Sustainability Policy that encompasses the company's undertakings across all its business units. This Policy identifies priority stakeholders and defines explicit undertakings towards them so that, in its relations with them, the company can address the issues that are most relevant for each group. Through this Policy, the company also strives to align its work with international sustainability standards.

Sodimac is a member of the Global Reporting Initiative (GRI) Global Community, which seeks to increase transparency in companies around the world.

In 2019, Sodimac's parent company, Falabella S.A., was the only Chilean retailer selected for inclusion in the Dow Jones Sustainability World Index (DJSI World). The other members of this Index are listed 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).

### Our employees

Sodimac strives to offer opportunities for workplace development and to relate transparently with employees, respecting freedom of union membership. It fosters dialogue as an essential means of relating; participation and modern leadership styles, with an emphasis on development and constant learning; quality of life and integral wellbeing; care for employees and their safety; respect for people's dignity; respect for diversity; and a healthy pride in belonging to the company.

### Our customers

Sodimac puts the customer at the center of its activities. Through responsible trade and marketing, it ensures the availability, quality and safety of products, respecting customers' rights and seeking to meet their expectations. The company also strives to fulfill its promises, applying fair and transparent commercial policies and providing clear and complete information and the best service.

### Our suppliers

Suppliers are treated transparently and fairly within a general framework based on the concept of responsible procurement and the development of long-term relations with them as strategic partners in the company's value chain. The company implements measures that value, transfer and give priority to suppliers' responsibility as regards economic, social and environmental aspects, under a model of relations that contributes to shared business success and sustainable development.



## Corporate governance and business ethics

Sodimac seeks to ensure compliance with regulation and ethical and transparent conduct in its economic, social and environmental management in accordance with the internationally accepted conceptual framework for sustainability as well as with the company's Ethics Management System and the values set out in the internal ethical norms governing the company's daily management.

## Commitment to the environment

The company works to achieve sustainable development, striving to reduce its environmental impacts and to use resources efficiently. It fosters awareness of the environment and care for it among customers and the community as well as within the organization.

## Commitment to the community

Sodimac seeks to build mutually beneficial relations with the communities where it is present, based on dialogue and responsible management of its impacts. It also seeks to expand the access of lower-income segments of the population to products and services, making an effective contribution to their quality of life, creating local jobs, offering training to customers and the community, encouraging employees to participate in corporate volunteer activities and forming close alliances with institutions with which it has shared interests and common objectives.



## Commitment to the Sustainable Development Goals (SDGs)

(102-11; 102-12)

Sodimac is committed to the Sustainable Development Goals (SDGs), a global United Nations initiative looking ahead to 2030 that seeks to eradicate poverty, protect the planet and ensure prosperity for all as part of a new growth agenda based on sustainability. Chile has signed its own SDGs, defining priorities aligned with the global vision for the world in 2030 and establishing objectives and targets on which the public and private sectors and civil society must work together.

Sodimac has joined this initiative, analyzing the objectives and goals as they relate to its business and the management and reduction of negative impacts. Each of the SDGs, as they relate to material sustainability issues and their management, are discussed in the corresponding chapter of this Report.







Sodimac's work has been highlighted each year by *Sumando Valor* (Adding Value), an initiative created by Chile's Confederation of Production and Commerce (CPC), the country's Manufacturers' Association (SOFOPA), the Global Compact and the ACCIÓN Empresas organization to foster transparency and reporting among companies in Chile. The platform draws attention to cases of business practices that contribute directly to achievement of the 17 SDGs. For further information, see [www.sumandovalor.cl](http://www.sumandovalor.cl).

In this context, Sodimac implements four emblematic programs that it has systematized and put at the disposal of the 2030 Agenda Implementation Council for Chile's 2019 Voluntary National Review. These four programs are the Sodimac School of Excellence, the Sodimac Tradesmen's Circle (CES), the company's Environmental Management Program and the *Construyendo Sueños de Hogar* (Building Dreams of Home) program.

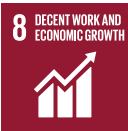





## SUSTAINABLE DEVELOPMENT GOALS





| SDG                                                                                 | Objective                                                                                            | How Sodimac Contributes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | End poverty in all its forms everywhere                                                              | Sodimac supports the work of foundations such as Techo, Junto al Barrio, Movidos x Chile and Santiago+B that help improve the living conditions of vulnerable sectors of the community. Given the importance of having a permanent means of coordinating disaster response, Sodimac forms part of Movidos x Chile, an initiative promoted by the Community of Solidarity Organizations to strengthen networks for collaboration in addressing disasters/crises in the country. For further details, see the Commitment to the Community chapter (page 108).                                                                                                                                                                                                                                                               |
|    | Ensure healthy lives and promote well-being for all at all ages                                      | Sodimac seeks to generate a culture that promotes employees' mental health and general wellbeing through its quality of life programs. In particular, it fosters self-care, stress management and healthy eating and offers talks on prevention of consumption of alcohol and other drugs. For further details, see the Our Employees chapter (page 54).                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|    | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | <p>Sodimac offers training programs through the Sodimac School of Excellence in order to provide employees with comprehensive preparation as retail professionals through a structure of courses that allows them to know which to take in order to further their long-term career development. For further details, see the Our Employees chapter (page 54).</p> <p>Sodimac also has its Tradesmen's Circle (CES), an emblematic inclusive business program. It has now been in existence for 14 years and enables the company to tighten ties with a key 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. For further details, see the Our Customers chapter (page 82).</p> |
|    | Achieve gender equality and empower all women and girls                                              | <p>Sodimac is committed to generating an inclusive, diverse and non-discriminatory workplace. It seeks to identify gender gaps and implements initiatives that promote its women employees' development. For further details, see the Our Employees chapter (page 54).</p> <p>It is also committed to ensuring respect for the UN Guiding Principles on Business and Human Rights in all its activities and at all its operations (Human Rights Policy). For further details, see the Corporate Governance and Business Ethics chapter (page 40).</p>                                                                                                                                                                                                                                                                     |
|   | Ensure availability and sustainable management of water and sanitation for all                       | Sodimac measures and seeks to reduce and mitigate the environmental impacts of its operations, managing and using water efficiently. It will also intensify its development of content for customers about responsible consumption and broaden access to products that enable households to save water. For further details, see the Commitment to the Environment chapter (page 92).                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|  | Ensure access to affordable, reliable, sustainable and modern energy for all                         | <p>In the construction of its stores, Sodimac adheres to environmental standards based on the guidelines of the US Green Building Council.</p> <p>Stores also have an eco-efficient design that takes advantage of natural light and, among other measures, makes extensive use of LED technology. The company has also progressed in the use of non-conventional renewable energies (NCRE). For further details, see the Commitment to the Environment chapter (page 92).</p>                                                                                                                                                                                                                                                                                                                                            |



| SDG                                                                                 | Objective                                                                                                                   | How Sodimac Contributes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> | <p>Sodimac is committed to ensuring respect for the UN Guiding Principles on Business and Human Rights in all its activities and at all its operations (Human Rights Policy). For further details, see the Corporate Governance and Business Ethics chapter (page 40).</p> <p>Sodimac offers training programs through the Sodimac School of Excellence in order to provide employees with comprehensive preparation as retail professionals through a structure of courses that allows them to know which to take in order to further their long-term career development. For further details, see the Our Employees chapter (page 54).</p> <p>In line with its awareness of the importance of caring for its employees, customers and contractors' employees in the daily management of its business, Sodimac has defined a Safety and Occupational Health Policy whose fundamental principles are the permanent strengthening of a culture of prevention and constant improvement of safety standards. For further details, see the Our Employees chapter (page 54).</p> <p>Sodimac prefers to hire full-time employees and its wage policy establishes an entry-level wage that is equal to or above the legal minimum in the country. For further details, see the Our Employees chapter (page 54).</p> <p>Sodimac is committed to generating an inclusive, diverse and non-discriminatory workplace. It seeks to identify gender gaps and implements initiatives that promote its women employees' development. For further details, see the Our Employees chapter (page 54).</p> <p>Sodimac also has its Tradesmen's Circle (CES), an emblematic inclusive business program. It has now been in existence for 14 years and enables the company to tighten ties with a key 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. For further details, see the Our Customers chapter (page 82).</p> <p>Sodimac also asks its suppliers to sign a declaration - available in Spanish, English and Mandarin - about aspects such as business ethics, human rights, workplace health and safety, their selection of their own suppliers, product labeling and advertising, the environment and commitment to the community. For further details, see the Our Suppliers chapter (page 73).</p> |
|  | <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>            | <p>In the construction of its stores, Sodimac adheres to environmental standards based on the guidelines of the US Green Building Council.</p> <p>Stores also have an eco-efficient design that takes advantage of natural light and, among other measures, makes extensive use of LED technology. The company has also progressed in the use of non-conventional renewable energies (NCRE). For further details, see the Commitment to the Environment chapter (page 92).</p> <p>The initiatives that Sodimac implements to protect the planet include the more than 4,000 sustainable products and services it offers; its decision at the beginning of 2018 to cease providing disposable plastic bags in its stores; Its National Network of Clean Points; its Hacienda ECO (Being Eco) campaigns; special catalogues; the Hágalo Usted Mismo (Do It Yourself) capsules to promote the recycling and reuse of disused articles; progress on the use of clean energy through solar panels at the company's installations; and household eco-efficiency measures. For further details, see the Commitment to the Environment chapter (page 92).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| SDG                                                                               | Objective                                                                           | How Sodimac Contributes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p> | <p>Sodimac has consolidated its Construyendo Sueños de Hogar (Building Dreams of Home) program. This initiative, which is of great importance to the company, seeks to contribute to the development of communities where it is present and, since its creation 13 years ago, has implemented 705 projects, which have benefited over 158,000 people and on which 15,000 company volunteers have worked. For further details, see the Commitment to the Community chapter (page 108).</p> <p>Each year, Sodimac supports the work of foundations such as Techo, Junto al Barrio, Movidos x Chile and Santiago+B that help improve the living conditions of vulnerable sectors of the community. Given the importance of having a permanent means of coordinating disaster response, Sodimac forms part of Movidos x Chile, an initiative promoted by the Community of Solidarity Organizations to strengthen networks for collaboration in addressing disasters/crises in the country. For further details, see the Commitment to the Community chapter (page 108).</p> <p>Sodimac forms part of Santiago+B. Through this alliance, it participates in collaborative work to develop and implement solutions to concrete problems that affect Chile's capital, Santiago, encouraging citizens to become the main agents of its transformation into a more prosperous, sustainable resilient and inclusive city. For further details, see the Commitment to the Community chapter (page 108).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|  | <p>Ensure sustainable consumption and production patterns</p>                       | <p>Sodimac believes that transparent, verifiable and comparable communication of an organization's economic, social and environmental performance is an important part of the organization's long-term sustainability. For further details, see the Responsible Growth chapter (page 18).</p> <p>In the construction of its stores, Sodimac adheres to environmental standards based on the guidelines of the US Green Building Council.</p> <p>Stores also have an eco-efficient design that takes advantage of natural light and, among other measures, makes extensive use of LED technology. The company has also progressed in the use of non-conventional renewable energies (NCRE). For further details, see the Commitment to the Environment chapter (page 92).</p> <p>The initiatives that Sodimac implements to protect the planet include the more than 4,000 sustainable products and services it offers; its decision at the beginning of 2018 to cease providing disposable plastic bags in its stores; Its National Network of Clean Points; its Haciendo ECO (Being Eco) campaigns; special catalogues; the Hágalo Usted Mismo (Do It Yourself) capsules to promote the recycling and reuse of disused articles; progress on the use of clean energy through solar panels at the company's installations; and household eco-efficiency measures. For further details, see the Commitment to the Environment chapter (page 92).</p> <p>In 2018, Sodimac joined the Circular Economy 100 (CE100) network of the Ellen MacArthur Foundation and, in 2019, went on to join the Chilean Plastics Pact 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. For further details, see the Commitment to the Environment chapter (page 92).</p> |

| SDG                                                                                 | Objective                                                   | How Sodimac Contributes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Take urgent action to combat climate change and its impacts | <p>Since 1 March 2019, all deliveries of products acquired by customers online have been carbon neutral, positioning Sodimac as the first company in Chile to make this a permanent commitment. For further details, see the Commitment to the Environment chapter (page 92).</p> <p>Sodimac was awarded the Huella Chile (Chile Footprint) Quantification seal for the measurement of its carbon footprint and, in 2019, also received the seals for Reduction and Excellence in recognition of its commitment and continuous improvement. For further details, see the Commitment to the Environment chapter (page 92).</p> <p>In the construction of its stores, Sodimac adheres to environmental standards based on the guidelines of the US Green Building Council.</p> <p>Stores also have an eco-efficient design that takes advantage of natural light and, among other measures, makes extensive use of LED technology. The company has also progressed in the use of non-conventional renewable energies (NCRE). For further details, see the Commitment to the Environment chapter (page 92).</p> <p>The initiatives that Sodimac implements to protect the planet include the more than 4,000 sustainable products and services it offers; its decision at the beginning of 2018 to cease providing disposable plastic bags in its stores; Its National Network of Clean Points; its Haciendo ECO (Being Eco) campaigns; special catalogues; the Hágalo Usted Mismo (Do It Yourself) capsules to promote the recycling and reuse of disused articles; progress on the use of clean energy through solar panels at the company's installations; and household eco-efficiency measures. For further details, see the Commitment to the Environment chapter (page 92).</p> <p>In 2018, Sodimac joined the Circular Economy 100 (CE100) network of the Ellen MacArthur Foundation and, in 2019, went on to join the Chilean Plastics Pact 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. For further details, see the Commitment to the Environment chapter (page 92).</p> |
|  | Promote peaceful and inclusive societies                    | <p>Sodimac believes that transparent, verifiable and comparable communication of an organization's economic, social and environmental performance is an important part of the organization's long-term sustainability. For further details, see the Responsible Growth chapter (page 18).</p> <p>In its activities, Sodimac seeks to comply fully with legal provisions and people's civil and labor rights. It has implemented a Corporate Integrity System to prevent, identify and address situations that could affect safety, the company's image and sustainability and the trust placed in it by its different stakeholders. For further details, see the Corporate Governance and Business Ethics chapter (page 40).</p> <p>Sodimac forms alliances and establishes relations with different business associations and other organizations and participates in working groups where it shares best practices and contributes its experience and knowledge as a means of collaborating in producing better public policies and solving social and environmental problems that affect the country. For further details, see the section on Our Alliances (page 33).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

## Stakeholder Relations

102-11; 102-40; 102-42; 102-43; 102-44

As well as creating economic value, Sodimac strives to contribute to the integral development of its employees, customers, suppliers and shareholders and citizens in general, the financial community and the authorities.

Within this conceptual framework, the company applies a stakeholder engagement policy that clearly sets out the principles that guide the relations established with each stakeholder as well as the responsibilities of each member of the company in this area.

Stakeholder relations are governed by Sodimac's four intrinsic values:

- Respect
- Excellence
- Integrity
- Responsibility

## Vehicles for communication with stakeholders

To engage with stakeholders, the company uses different channels of communication, reflecting its belief that active listening and dialogue are among the key foundations of sustainability.

(D) Daily, (W) Weekly, (M) Monthly, (Q) Quarterly, (HY) Half-yearly, (A) Annually.

| Stakeholders |                                                                                  | Vehicle                                                                |            | Objectives                                                                                                                                                                                                        | Principal Undertakings                                                                                                                                                                               |
|--------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Our people   | All employees at stores, logistics centers and support offices and our unions    | - Open door policy                                                     | (D)        | - Foster a good work climate<br>- Provide opportunities for training and integral development<br>- Strengthen the culture of responsibility and sustainability and ethical conduct<br>- Work together with unions | - Dignified and fair treatment<br>- Integral development<br>- Respect for human and labor rights<br>- Diversity and inclusion<br>- Workplace health and safety                                       |
|              |                                                                                  | - Internal channels of communication (TV channel, intranet and others) | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Weekly “walks”                                                       | (W)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Meetings in stores and other installations                           | (D)<br>(Q) |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Sodimac School of Excellence and other training programs             | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Performance evaluation with feedback                                 | (A)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Integrity Councilors and Integrity Channel                           | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Dialogue with unions                                                 | (M)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Feedback process with stakeholders                                   | (A)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Sustainability Report                                                | (A)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - GPTW Survey                                                          | (A)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
| Customers    | Existing and potential customers who acquire the company’s products and services | - Physical stores and online channels                                  | (D)        | - Continuous improvement in customer satisfaction (measured through NPS)                                                                                                                                          | - Offer safe products with high-quality standards<br>- Listen constantly and provide the best quality of service<br>- Responsible marketing<br>- Protection of security and privacy of personal data |
|              |                                                                                  | - Customer service channels                                            | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Surveys of satisfaction and channels of contact                      | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - SERNAC and channels for complaints in traditional media              | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |
|              |                                                                                  | - Social networks                                                      | (D)        |                                                                                                                                                                                                                   |                                                                                                                                                                                                      |



| Stakeholders |                                                                                                     | Vehicle                                                                    | Objectives                                                                                                                                                                                                          | Principal Undertakings                                                                                                                                                                                                                                                   |
|--------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customers    | Existing and potential customers who acquire the company's products and services                    | - TV program                                                               | - Continuous improvement in customer satisfaction (measured through NPS)                                                                                                                                            | <ul style="list-style-type: none"> <li>- Offer safe products with high-quality standards</li> <li>- Listen constantly and provide the best quality of service</li> <li>- Responsible marketing</li> <li>- Protection of security and privacy of personal data</li> </ul> |
|              |                                                                                                     | - Catalogues                                                               |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - CES                                                                      |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Feedback process with stakeholders                                       |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Sustainability Report                                                    |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Feedback through measurements of corporate reputation (Merco and others) |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
| Suppliers    | The company's strategic partners throughout the value chain, who provide it with goods and services | - Annual Suppliers' Meeting                                                | <ul style="list-style-type: none"> <li>- Promote responsible production practices throughout the value chain</li> <li>- Develop capabilities and collaborative work to the benefit of customers</li> </ul>          | <ul style="list-style-type: none"> <li>- Fair treatment in accordance with norms of TCS code of self-regulation</li> <li>- Ensure compliance with labor and human rights norms and sustainable production environments</li> </ul>                                        |
|              |                                                                                                     | - Meetings with commercial team                                            |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Direct lines of attention, telephone and e-mail                          |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Surveys                                                                  |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Regular meetings with Quality Control area                               |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Supplier Innovation Center (CIP)                                         |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Sedex program                                                            |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - TCS legal compliance area for enquiries and complaints                   |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Product fair                                                             |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Line reviews                                                             |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Feedback process with stakeholders                                       |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Sustainability Report                                                    |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
| Communities  | The communities in the vicinity of stores and other installations                                   | - Direct dialogue (meetings, letters, e-mail and telephone)                | <ul style="list-style-type: none"> <li>- Increase the reach and impact of the programs implemented</li> <li>- Boost the positive impacts of the operation and assume responsibility for negative impacts</li> </ul> | <ul style="list-style-type: none"> <li>- Be a good corporate citizen with close ties with the community, contributing to the development and quality of life of the places where the company is present</li> </ul>                                                       |
|              |                                                                                                     | - Building Dreams of Home program                                          |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Work in the field and Pulso study prior to opening stores                |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Sustainability Report                                                    |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |
|              |                                                                                                     | - Volunteer activities and response to emergencies                         |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                          |

| Stakeholders |                                                                                                                          | Vehicle                                                                    | Objectives | Principal Undertakings                                                                                                                                                                                                                                               |
|--------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Authorities  | Authorities who define the legal and regulatory framework for the sector and its development                             | - Regular and/or occasional meetings                                       | (D)        | <div>- Joint work to address problems of the country</div> <div>- Contribute experience for the improvement of regulation and standards</div> <div>- Regulatory and ethical compliance</div> <div>- Efficient use of resources and respect for the environment</div> |
|              |                                                                                                                          | - Multi-stakeholder initiatives                                            | (D)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Direct line with CMF                                                     | (D)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Direct line with SERNAC                                                  | (D)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Work with SEC on certifications                                          | (M)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Specific reports                                                         | (M)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Annual Report                                                            | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Feedback process with stakeholders                                       | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Sustainability Report                                                    | (A)        |                                                                                                                                                                                                                                                                      |
| Industry     | Business associations and other bodies in which the company participates that seek to raise business standards           | - Participation in business associations and organizations                 | (M)        | <div>- Work together to address common problems</div> <div>- Foster public-private collaboration</div> <div>- Improve business standards</div> <div>- Compliance with fair competition regulation</div>                                                              |
|              |                                                                                                                          | - Business events                                                          | (Q)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Multi-stakeholder initiatives                                            | (M)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Annual Report                                                            | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Sustainability Report                                                    | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Feedback through measurements of corporate reputation (Merco and others) | (A)        |                                                                                                                                                                                                                                                                      |
| Academia     | Universities and technical training centers with which the company collaborates, particularly on training and innovation | - Collaboration through Supplier Innovation Center (CIP)                   | (M)        | <div>- Joint work on innovations of general benefit</div> <div>- Training programs for customers and employees</div> <div>- Promote innovation to address challenges and opportunities</div>                                                                         |
|              |                                                                                                                          | - Direct dialogue                                                          | (W)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Training programs                                                        | (W)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Annual Report                                                            | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Feedback process with stakeholders                                       | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Sustainability Report                                                    | (A)        |                                                                                                                                                                                                                                                                      |
|              |                                                                                                                          | - Feedback through measurements of corporate reputation (Merco and others) | (A)        |                                                                                                                                                                                                                                                                      |

|                        | Stakeholders                                                                                                                                                                       | Vehicle                                                                                                                                                                                                                                                                                                                                                                                                                       | Objectives                                                                                                                                                                                                                                                                                           | Principal Undertakings                                                                                                                                                                                                                          |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NGOs and other experts | Civil society organizations with different areas of specialization with which the company collaborates to raise its standards and contribute to the solution of different problems | <ul style="list-style-type: none"> <li>- Direct communication (letters, e-mail, meetings and telephone) (D)</li> <li>- Alliances and joint activities (M)</li> <li>- Multi-stakeholder initiatives (M)</li> <li>- Annual Report (A)</li> <li>- Feedback process with stakeholders (A)</li> <li>- Sustainability Report (A)</li> <li>- Feedback through measurements of corporate reputation (Merco and others) (A)</li> </ul> | <ul style="list-style-type: none"> <li>- Active listening in order to understand and anticipate the requirements of the context in which the company operates</li> <li>- Collaboration on matters of common interest</li> <li>- Increase the reach and impact of the programs implemented</li> </ul> | <ul style="list-style-type: none"> <li>- Contribute to quality of life, social and economic wellbeing and care for the environment</li> </ul>                                                                                                   |
| Investors              | Holders of Sodimac bonds and shareholders in the parent company which trades on the stock market                                                                                   | <ul style="list-style-type: none"> <li>- Reports on results and filings to CMF (Q)</li> <li>- Investor relations activities organized by parent company (Q)</li> <li>- Annual Report (A)</li> <li>- Feedback process with stakeholders (A)</li> <li>- Sustainability Report (A)</li> </ul>                                                                                                                                    | <ul style="list-style-type: none"> <li>- Corporate transparency</li> <li>- Ethical management and compliance with regulation</li> </ul>                                                                                                                                                              | <ul style="list-style-type: none"> <li>- Safeguard the interests of all shareholders</li> <li>- Promote ethical conduct at all levels of the organization through the Corporate Probity Program</li> <li>- Proactive risk management</li> </ul> |
| Media                  | Journalists and editors, particularly in those countries where the company has operations                                                                                          | <ul style="list-style-type: none"> <li>- Contact by telephone and e-mail (D)</li> <li>- Meetings (M)</li> <li>- Interviews (M)</li> <li>- Press releases (Q)</li> <li>- Financial reports (Q)</li> <li>- Annual Report and Sustainability Report (A)</li> <li>- Seminars and other activities attended by the press (M)</li> <li>- Feedback through measurements of corporate reputation (Merco) (A)</li> </ul>               | <ul style="list-style-type: none"> <li>- Create a relationship of collaboration through which to communicate matters of interest to different stakeholders</li> </ul>                                                                                                                                | <ul style="list-style-type: none"> <li>- Respect for the role</li> <li>- Ethics and rigor in providing information</li> </ul>                                                                                                                   |

## Our alliances

102-11; 102-13; 415-1

Sodimac forms alliances and establishes relations with different business associations and other organizations and participates in working groups where it shares best practices and contributes its experience and knowledge as a means of collaborating in producing better public policies and solving social and environmental problems that affect the country. In 2019, the company contributed over 93 million Chilean pesos to different organizations in the form of membership fees, mostly to business associations and organizations that promote sustainability, sound labor relations, protection of the environment and business ethics.

### Sphere of action: business associations

Sodimac is a member of different business associations related to its commercial activities. Through them, it contributes to the development and progress of the retail and construction sectors and, from its perspective as an advertiser, the advertising industry.

- National Chamber of Commerce, Services and Tourism of Chile, CNC ([www.cnc.cl](http://www.cnc.cl))
- Santiago Chamber of Commerce, CCS ([www.ccs.cl](http://www.ccs.cl))
- Chilean Chamber of Construction, CChC ([www.cchc.cl](http://www.cchc.cl))
- National Advertisers' Association, ANDA ([www.anda.cl](http://www.anda.cl))
- Circle of Companies of the Northern Pan-American Highway, CIRPAN ([www.cirpan.cl](http://www.cirpan.cl))

### Sphere of action: social responsibility and sustainability

The company forms part of local and global initiatives that seek to foster social responsibility and sustainable development.

- United Nations Global Compact ([www.pactoglobal.cl](http://www.pactoglobal.cl))
- Global Reporting Initiative, GRI ([www.globalreporting.org](http://www.globalreporting.org))
- ISO 26000 ([www.iso.org](http://www.iso.org))
- ACCIÓN Empresas ([www.accionempresas.cl](http://www.accionempresas.cl))
- Fundación PROhumana ([www.prohumana.cl](http://www.prohumana.cl))
- Empresas Conscientes ([www.empresasconscientes.com](http://www.empresasconscientes.com))

### Sphere of action: corporate governance and business ethics

Sodimac participates in organizations that seek to strengthen corporate governance and business ethics.

- Chile Transparente ([www.chiletransparente.cl](http://www.chiletransparente.cl))
- Generación Empresarial ([www.generacionempresarial.cl](http://www.generacionempresarial.cl))
- Chilean Council for Advertising Self-Regulation and Ethics, CONAR ([www.conar.cl](http://www.conar.cl))

### Sphere of action: labor relations

The company works with institutions that promote healthy and risk-free workplaces, equality of opportunity and sound labor relations.

- Asociación Chilena de Seguridad, ACHS ([www.achs.cl](http://www.achs.cl))
- Great Place to Work Institute Chile, GPTW ([www.greatplacetowork.cl](http://www.greatplacetowork.cl))
- Jesuit Service for Migrants ([www.sjmchile.org](http://www.sjmchile.org))

### Sphere of action: environment

Through different alliances, Sodimac reinforces its efforts as regards sustainability, protection of the environment and mitigation of its emissions.

- World Wildlife Fund, WWF Chile ([www.wwf.cl](http://www.wwf.cl))
- Chilean Energy Efficiency Agency, AChEE ([www.acee.cl](http://www.acee.cl))
- Chile Green Building Council ([www.chilegbc.cl](http://www.chilegbc.cl))
- National Water Efficiency Initiative ([www.ineh.cl](http://www.ineh.cl))
- Center of Business Leaders against Climate Change ([www.clgchile.cl](http://www.clgchile.cl))
- Chilean Plastics Pact (PCP) ([www.fch.cl](http://www.fch.cl))

### Sphere of action: community

Sodimac collaborates with different organizations that work to eradicate poverty, improve living conditions and help in emergency situations.

- Techo ([www.techo.org](http://www.techo.org))
- Fundación Junto al Barrio ([www.juntoalbarrio.cl](http://www.juntoalbarrio.cl))
- Movidos por Chile ([www.movidosxchile.cl](http://www.movidosxchile.cl))



# Management of Sustainability

102-11; 102-15; 102-43; 102-44; 102-46; 102-47; 103-1

## Strategic issues

Sodimac uses a formal process to identify the issues that are most important for the company and its stakeholders in all different aspects of sustainability. This materiality process serves as an opportunity to analyze the impacts - positive and negative, real and potential - of the business throughout its value chain and to identify the risks and opportunities that need to be managed.

This materiality process involves communication with the company's principal stakeholders (employees, customers, suppliers, representatives of the community and expert bodies) as well as the analysis of secondary information such as the results of surveys, sector-specific studies and measurements such as that carried out by the Great Place to Work Institute (GPTW).

In 2019, in line with its strategic planning, Sodimac Chile continued to work on materiality, which is standardized with the business units in Colombia, Peru, Argentina, Uruguay, Brazil and Mexico so as to have a list of strategic issues for the company as a whole. In this way, the chain can be sure that all these different units are working on the same issues and, through the results obtained, have a clear picture of the issues that need to be managed in each of these operations.

The key issues indicated in the table below reflect the priorities of Sodimac and its stakeholders and where they have an impact on the company's value chain:

| Sodimac Pillar                           | Material Issue                                  | Supply Chain  |       | Logistics (distribution centers and transport) | Commercial Operations |                 |            | Product Use and Post-Consumption |
|------------------------------------------|-------------------------------------------------|---------------|-------|------------------------------------------------|-----------------------|-----------------|------------|----------------------------------|
|                                          |                                                 | International | Local |                                                | Store construction    | Store operation | E-commerce |                                  |
| Corporate Governance and Business Ethics | Sustainability guidelines and management        | ●             | ●     | ●                                              | ●                     | ●               | ●          | ●                                |
|                                          | Stakeholder relations                           | ●             | ●     | ●                                              | ●                     | ●               | ●          | ●                                |
|                                          | Innovation and development                      | ●             | ●     | ●                                              | ●                     | ●               | ●          |                                  |
|                                          | Ethics and anti-corruption                      | ●             | ●     | ●                                              |                       | ●               |            |                                  |
|                                          | Accountability and transparency                 | ●             | ●     | ●                                              | ●                     | ●               | ●          | ●                                |
|                                          | Human rights                                    | ●             | ●     | ●                                              | ●                     | ●               | ●          | ●                                |
|                                          | Management of financial and non-financial risks | ●             | ●     | ●                                              | ●                     | ●               | ●          | ●                                |
|                                          | Regulation and compliance                       | ●             | ●     | ●                                              | ●                     | ●               | ●          | ●                                |
| Employees                                | Quality of life                                 |               |       | ●                                              |                       | ●               |            |                                  |
|                                          | Work climate                                    |               |       | ●                                              |                       | ●               |            |                                  |
|                                          | Diversity and inclusion                         |               |       | ●                                              |                       | ●               |            |                                  |
|                                          | Training and professional development           |               |       | ●                                              |                       | ●               |            |                                  |
|                                          | Social dialogue                                 | ●             | ●     | ●                                              | ●                     | ●               |            |                                  |
|                                          | Workplace health and safety                     | ●             | ●     | ●                                              | ●                     | ●               |            |                                  |
|                                          | Remunerations and benefits                      |               |       | ●                                              |                       | ●               |            |                                  |
| Customers                                | Omnichannel shopping experience                 |               |       | ●                                              |                       | ●               | ●          | ●                                |
|                                          | Advertising ethics                              |               |       |                                                |                       | ●               | ●          | ●                                |
|                                          | Education and responsible consumption           |               |       |                                                |                       | ●               | ●          | ●                                |
|                                          | Health and safety with product                  | ●             | ●     |                                                |                       |                 |            | ●                                |

| Sodimac Pillar | Material Issue                      | Supply Chain  |       | Logistics (distribution centers and transport) | Commercial Operations |                 |            | Product Use and Post-Consumption |
|----------------|-------------------------------------|---------------|-------|------------------------------------------------|-----------------------|-----------------|------------|----------------------------------|
|                |                                     | International | Local |                                                | Store construction    | Store operation | E-commerce |                                  |
| Suppliers      | Sustainable management of suppliers | ●             | ●     |                                                |                       |                 |            |                                  |
|                | Product quality                     | ●             | ●     |                                                |                       |                 |            |                                  |
|                | Management of risks in suppliers    | ●             | ●     |                                                |                       |                 |            |                                  |
|                | Channels for contact and complaints | ●             | ●     |                                                |                       |                 |            |                                  |
|                | Management of small suppliers       | ●             | ●     |                                                |                       |                 |            |                                  |
| Community      | Community relations management      |               |       |                                                | ●                     | ●               |            |                                  |
|                | Local jobs                          |               |       |                                                | ●                     | ●               |            |                                  |
|                | Alliances with community            |               |       |                                                | ●                     | ●               |            |                                  |
|                | Disasters with impact on housing    |               |       |                                                |                       | ●               |            |                                  |
| Environment    | Climate change                      | ●             | ●     | ●                                              | ●                     | ●               |            | ●                                |
|                | Operational eco-efficiency          | ●             | ●     | ●                                              | ●                     | ●               |            |                                  |
|                | Waste management                    |               |       | ●                                              | ●                     | ●               |            | ●                                |
|                | Product life cycle                  | ●             | ●     |                                                |                       |                 |            | ●                                |
|                | Transport and logistics             |               |       | ●                                              |                       |                 | ●          |                                  |
|                | Sustainable products                | ●             | ●     |                                                |                       |                 |            | ●                                |

● Direct impact (responsibility of Sodimac)

● Indirect impact



## Internal structure

102-18; 102-20; 102-26; 102-32

### Sustainability Committee

This Committee coordinates and leads Sodimac's management of sustainability. Given sustainability's role as a fundamental pillar of the business strategy, the Committee's work is transversal to all areas of the company. It is also responsible for approving the Sustainability Report.

This Committee is formed by the managers of different areas:

- General Manager (chair)
- Operations
- Commercial, Marketing and Distance Sales
- Human Resources
- IT
- Procurement and Logistics

- Administration, Finance and Prevention
- Development, Planning and Projects
- Legal Affairs and Sustainability

In 2019, the Committee met four times in order to monitor the company's social and environmental progress in the framework of its strategic planning. It discussed principally issues related to the Sustainability Index, progress towards carbon neutrality and management of engagement.

### Legal Affairs and Sustainability Area

This Area is responsible for leading, coordinating and advising the company's different areas on legal matters and sustainability, seeking to guarantee that the company's current and future projects comply with the law and with local and international norms that are conducive to its growth, profitability and sustainability.

In 2019, the new position of Environment Coordinator was created in this Area.

### Manager of Legal Affairs and Sustainability

- Manages the Legal Area and draws up Sodimac's Sustainability Policy, incorporating plans and actions into the company's strategy;
- Guarantees alignment of the Sustainability Policy with 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 company's voluntary undertakings under the Sustainable Development Goals (SDGs), the ISO 26000 standard and the guidelines of the Global Reporting Initiative (GRI);
- Coordinates the Sustainability Committee;
- Coordinates the Compliance Committee, which periodically reviews risk management so as to ensure compliance with regulation in the company's daily activities;
- Participates in programs defined as strategic for the company;

- Participates in local and international organizations that serve to guide and promote sustainability.

### Assistant Sustainability Manager

- Prepares and designs the sustainability strategy of the company in Chile;
- Controls and coordinates implementation and management of the company's sustainability plan;
- Monitors and controls the social and environmental dimensions of the company's compliance matrix;
- Monitors and controls programs defined as strategic for the company;
- Defines, monitors and controls the company's donations policy;
- Prepares and coordinates the content of the company's Sustainability Report, including its Global Reporting Initiative (GRI) indicators;
- Evaluates and coordinates the different processes of rankings and recognitions and studies of the company's social and/or environmental impacts and corporate reputation.

## Sustainability Coordinator

- Coordinates provision of information from the company's different areas about its economic, social and environmental performance for the calculation of the Global Reporting Initiative (GRI) indicators;
- Participates in the selection and monitoring of undertakings and holds periodic meetings with internal and external bodies;
- Manages and supervises Sedex social audits of local and overseas suppliers;
- Manages and supervises the Construyendo Sueños de Hogar (Building Dreams of Home) community relations program;
- Consolidates the register of requests for donations and supervises compliance with the procedures and internal norms established under the company's donations policy.

## Head of Environment

- Draws up, coordinates and implements environmental guidelines transversally across the company, improving its environmental performance;
- Manages compliance with environmental regulation, standardization of procedures, environmental audits and declarations of emission and transfer of pollutants (RETC);

- Implements operational eco-efficiency policies, strategies and solutions in order to achieve efficient consumption by the company;
- Develops, prepares and consolidates environmental information and indicators.

## Environment Coordinator

- Manages and coordinates the company's environmental measures;
- Monitors compliance with environmental legislation;
- Monitors the waste reduction program;
- Consolidates and analyzes environmental information and indicators.

## Measurement: Sustainability Index

102-II; 102-28; 102-30; 103-3

If a company is to integrate sustainability in a strategic manner, it must take two key factors into account:

1. It must manage sustainability transversally or, in other words, sustainability must be part of the work of all the company's areas under a 360° approach.
2. It is necessary to bear in mind that sustainability is a moving target and what was an aspiration yesterday may be just the minimum today.

In line with this, Sodimac applies a specific tool (an Index), designed by the Vincular Center of the Catholic University of Valparaíso (PUCV), to evaluate sustainability management at all its operations, analyzing their performance from two standpoints:

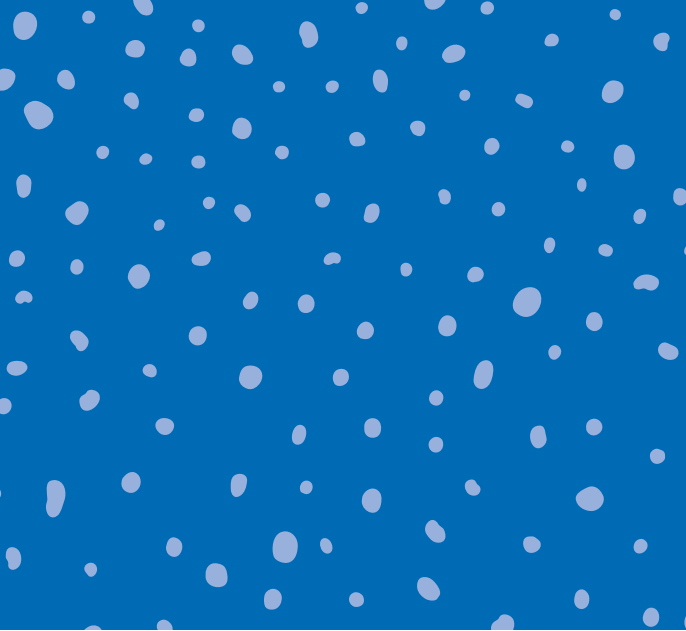
- I. It considers the best practices or processes of world-class companies in the framework of expectations based on regulatory instruments that are recognized internationally and by the Chilean government. These initiatives evolve in line with changes in the global context.
- II. The integration of material or strategic issues into the management of each area is evaluated based on a management cycle which ensures it is being addressed by the company.

In 2019, Sodimac Chile obtained an overall score of 75% in the Index. In other words, it was 74% aligned with world-class practices, based on the principal international guidelines on sustainability, and had achieved 76% integration of material or strategic sustainability issues into the company's management, reflecting its maturity as regards taking into account the actual and potential impacts of its decisions and activities.

## System of incentives

Sodimac has incorporated the Sustainability Index's results into its system of incentives for the general managers and executives of each of its operations. As a result, it establishes annual targets for this indicator and all the areas of the company contribute to the final result, creating a concrete mobilizing effect. This is a world-class practice that Sodimac decided to implement in order to reinforce its commitment to sustainability in a strategic manner.





## Prizes and recognitions

In 2019, Sodimac received the following recognitions:

|                                                                       |                                                   |                                                   |
|-----------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Merco Ranking of Responsible Companies with Best Corporate Governance | 3 <sup>rd</sup> place                             | Merco - El Mercurio                               |
| Corporate Reputation Award                                            | 4 <sup>th</sup> place                             | RepTrak Chile (Reputation Institute) – La Tercera |
| Meaningful Brands                                                     | 5 <sup>th</sup> place                             | Havas Group                                       |
| Merco Ranking of Corporate Reputation                                 | 7 <sup>th</sup> place                             | Merco - El Mercurio                               |
| GPTW Ranking                                                          | 8 <sup>th</sup> place                             | Great Place to Work                               |
| Merco Talent Ranking                                                  | 11 <sup>th</sup> place                            | Merco - El Mercurio                               |
| Consumer Loyalty Prize                                                | Home improvement category                         | Alco, Customer Experience Management Consulting   |
| 2019 Inclusion Prize                                                  | Large company category                            | ACHS                                              |
| <i>Huella Chile</i> (Chile Footprint) recognition                     | Seals of Quantification, Reduction and Excellence | Environment Ministry                              |

# Corporate Governance and **Business Ethics**



# Corporate Governance and Business Ethics

In its activities, Sodimac seeks to comply fully with legal provisions and people's civil and labor rights. It has implemented a Corporate Integrity System to prevent, identify and address situations that could affect safety, the company's image and sustainability and the trust placed in it by its different stakeholders.



## Strategic issues

- Sustainability guidelines and management
- Stakeholder relations
- Innovation and development
- Ethics and anti-corruption
- Human rights
- Accountability and transparency
- Risk management and compliance

## Milestones

- Update of the Crime Prevention Model (Law N°20.393) incorporating additional crimes
- Implementation of the Governance, Risk and Compliance (GRC) tool to configure and standardize the business's risk matrices and use and update protocols
- Incorporation of new risks for continuous monitoring through internal audit surveillance panels, financial-accounting processes and the management of human resources and suppliers
- Third place in Merco ranking of Responsible Companies with Best Corporate Governance.

## Sustainable Development Goals:





## Leadership at Sodimac

### Board of Directors

(102-12; 102-18; 102-19; 102-20; 102-22; 102-24; 102-26; 102-28; 102-31)

Sodimac's corporate governance structure is headed by a Board of nine directors, without deputies, who are elected by the Shareholders' Meeting from among candidates proposed by the company's controlling group. Once directors have been ratified by the Shareholders' Meeting, their appointment is reported to Chile's Financial Market Commission (CMF) and they then undergo an induction process in accordance with the corporate governance policy of the parent company and its subsidiaries. This includes Sodimac's Sustainability Policy.

The Board defines the general policies that guide the company's management, supervises their implementation and answers to the shareholders. Both the Board and senior management adhere to the sustainability model as a strategic business tool, seeking to respond opportunely to all Sodimac's stakeholders in line with:

- ILO Principles concerning Multinational Enterprises and Social Policy
- UN Guiding Principles on Business and Human Rights
- Principles of the UN Global Compact
- Protocols of the Global Reporting Initiative (GRI)
- Sodimac's voluntary undertakings under the Sustainable Development Goals (SDGs)
- ISO 26000 standard.

The Board of Directors supervises the different aspects of the company's performance and management, receiving

regular reports from the General Manager and other senior executives at its meetings. In addition, the Chairman of the Board holds quarterly meetings with the Legal Compliance Area to discuss progress on the internal audit plan and situations of interest.

It is the company's policy that no director can hold an administrative position within it. Nicolás Majluf sits on the Board as an independent director.

Three members of the Board form the Directors' Committee which, in 2019, comprised Nicolás Majluf Sapag, Jaime García Rioseco and Gonzalo Rojas Vildósola. During the year, the Directors' Committee reviewed matters delegated to it by the Board, including the analysis of operations with related parties in accordance with Section XVI of Chile's Law N° 18.046 and the company's habituality policy. The Committee's role also includes reviewing and approving the company's annual internal audit plan and it meets quarterly to examine progress, the risks detected in audits and the plans established by senior management to mitigate these risks.

Channels of dialogue are available to employees through their representatives, who are in permanent contact with Sodimac Chile's Executive Committee, which passes on their concerns or recommendations to the Board of Directors.

As determined by the Shareholders' Meeting of 15 April 2019, each director received a net monthly fee of 50 UF<sup>1</sup> and, in the case of the Chairman, 300 UF. In compliance with the legal requirements established by Chile's Financial Market Commission (CMF), this remuneration is disclosed in the company's Annual Report.

<sup>1</sup> An inflation-indexed currency unit that, as of 31 December 2019, was equivalent to approximately US\$38.



### Board training

In 2019, together with Falabella, Sodimac held a Training and Reflection Meeting for directors and senior management that focused on matters related to improvements in corporate governance, the new demands of digitization, regulatory changes and environmental and sustainability challenges.

### Director with special responsibility for Sustainability Policy

In 2019, Nicolás Majluf, in his capacity as chair of the Directors' Committee, was once again responsible for supervising the implementation of Sodimac's Sustainability Policy. He was charged with reviewing and validating the initiatives implemented and providing guidance and continuous feedback to the Directors' Committee and, through it, the Board.



## Board of Directors

(102-22; 102-23; 405-1)



### 1. Nicolás Majluf Sapag

Industrial civil engineer  
Catholic University of Chile  
RUT: 4.940.618-5  
Date of appointment: 25/04/2016

### 2. José Luis Del Río Goudie

Industrial civil engineer  
Catholic University of Chile  
RUT: 4.773.832-6  
Date of appointment: 25/04/2016

### 3. Gonzalo Rojas Vildósola

Economist and business administrator  
Adolfo Ibáñez University  
RUT: 6.179.689-4  
Date of appointment: 25/04/2016

### 4. Juan Pablo Del Río Goudie

CHAIRMAN  
Architect  
Catholic University of Chile  
RUT: 5.898.685-2  
Date of appointment: 25/04/2016

### 5. Jaime García Rioseco

Economist  
Catholic University of Chile  
RUT: 5.894.661-3  
Date of appointment: 25/04/2016

### 6. Sandro Solari Donaggio

Industrial civil engineer  
Catholic University of Chile  
RUT: 9.585.729-9  
Date of appointment: 26/06/2018

### 7. Cecilia Karlezi Solari

Businesswoman  
RUT: 7.005.097-8  
Date of appointment: 25/04/2016

### 8. Paola Cúneo Queirolo

Business administrator  
University of Chile  
RUT: 8.506.868-7  
Date of appointment: 25/04/2016

### 9. Elizabeth Lehmann Cosoi

Economist and business administrator  
Catholic University of Chile  
RUT: 11.625.647-9  
Date of appointment: 25/04/2017

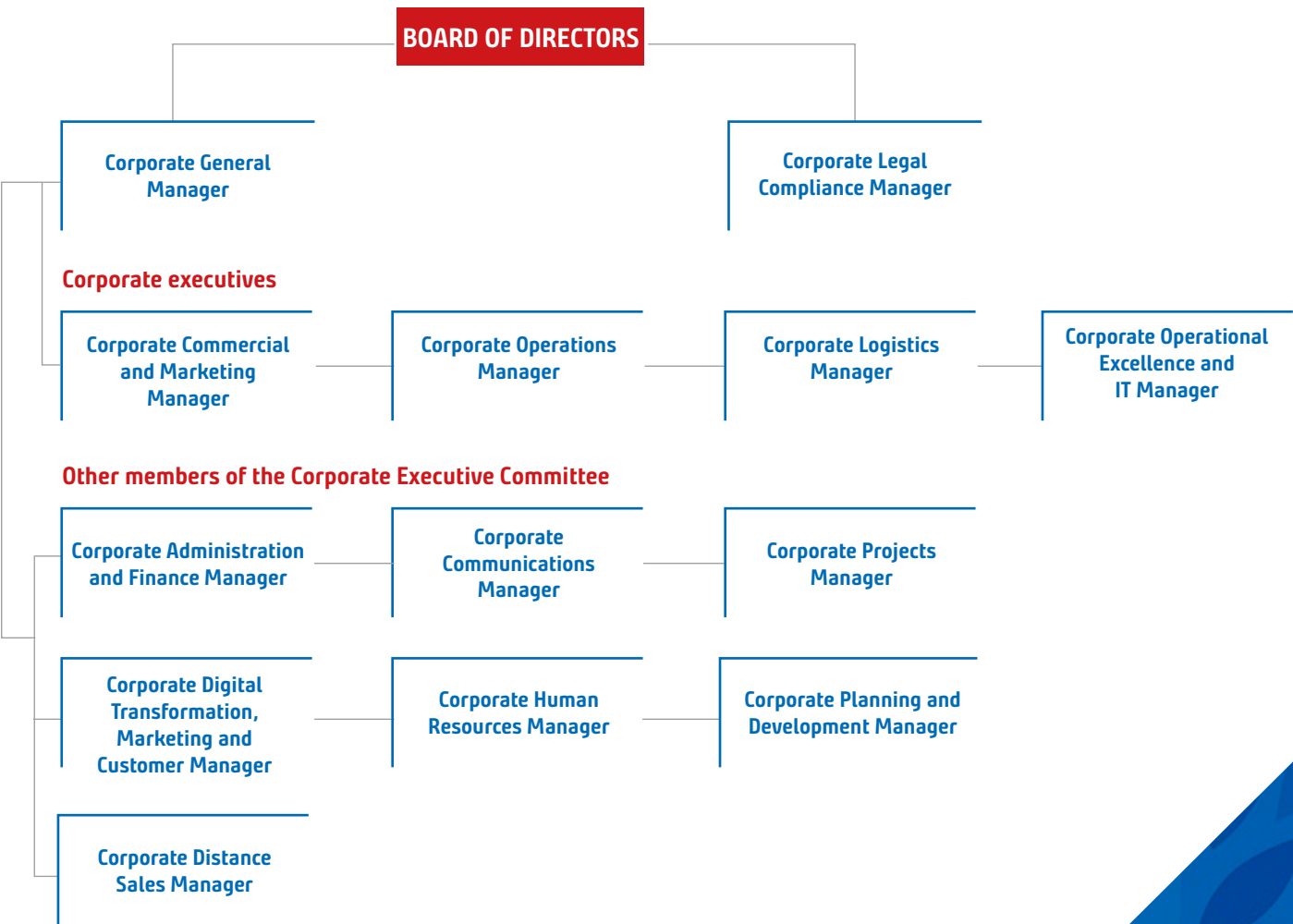
## Senior Management

(102-19; 102-22)

The company’s senior management is structured in such a way as to provide agile and efficient leadership of the business in support of the company’s internationalization policy. It is headed by the Corporate General Manager to whom the General Managers of Sodimac Argentina and Uruguay, Sodimac Brazil, Sodimac Chile, Sodimac Colombia, Sodimac Peru and Sodimac Mexico report. The Corporate General Manager also chairs a Corporate Executive Committee that meets weekly.

The mission of this management team is to achieve responsible growth in all the company’s markets, taking advantage of the synergies of an international-scale operation whilst also respecting the culture and particular characteristics of each country. Sodimac Chile and its Imperial subsidiary each also has its own Executive Committee which controls and manages their economic, social and environmental development and seeks to ensure transparent and ethical conduct.

## Organizational chart



## Corporate Executive Committee

(As of 31 December 2019)

(102-18)



### Corporate executives

#### 1. Francisco Errázuriz López

Corporate Logistics Manager  
Civil engineer  
RUT: 12.032.587-6  
Date of appointment: 1/01/2012

#### 2. Nerea Ollo Iparraguirre

Corporate Operational Excellence  
and IT Manager  
Economist and business administrator  
RUT: 24.422.819-4  
Date of appointment: 1/02/2018

#### 3. Enrique Gundermann Wylie

Corporate General Manager  
Industrial civil engineer  
RUT: 9.900.567-K  
Date of appointment: 30/10/2012

#### 4. Wilhelm Ramberg Arnillas

Corporate Operations Manager  
Industrial engineer  
ID: 10060384  
Date of appointment: 15/04/2014

#### 5. Francisco Torres Larraín

Corporate Commercial and  
Marketing Manager  
Industrial civil engineer  
RUT: 7.006.016-7  
Date of appointment: 1/08/2006

### Otros integrantes del comité ejecutivo corporativo

#### Nicolás Cerda Moreno

Corporate Legal Compliance Manager  
Economist and business administrator  
RUT: 5.894.587-0  
Date of appointment: 1/08/2006

#### Fabio De Petris Duarte

Corporate Administration  
and Finance Manager  
Industrial civil engineer  
RUT: 15.325.237-8  
Date of appointment: 1/09/2018

#### Alejandro Hörmann Orezolli

Corporate Communications Manager  
Publicist  
RUT: 8.596.614-6  
Date of appointment: 1/08/2006

#### Eduardo Isaacson Plaza

Corporate Projects Manager  
Architect  
RUT: 21.448.467-6  
Date of appointment: 1/08/2006

#### Cristóbal Merino Morales

Corporate Planning and Development  
Manager  
Civil engineer  
RUT: 13.882.646-5  
Date of appointment: 16/10/2017

#### Sebastián Simonetti

Corporate Distance Sales Manager  
Industrial civil engineer  
RUT: 13.442.409-5  
Date of appointment: 1/03/2019

#### Mariasol Soto Becerra

Corporate Human Resources Manager  
Business administrator  
ID: 40705743  
Date of appointment: 1/12/2016

#### Danny Szántó Narea

Corporate Digital Transformation,  
Marketing and Customer Manager  
Industrial civil engineer  
RUT: 7.979.722-7  
Date of appointment: 1/04/2018



## Sodimac Chile Executive Committee

(As of 31 December 2019)

(102-18; 102-19; 102-22; 102-26; 102-29)

The Sodimac Chile Executive Committee is responsible for leading the company's economic, social and environmental performance in this country. It holds weekly monitoring meetings as well as quarterly meetings at which it reviews strategic planning, reporting the results of the company's different areas to the General Manager, who subsequently informs the Board of Directors.

### 1. Ignacio Román Moreno

Planning, Development and Projects Manager

Industrial civil engineer

RUT: 13.951.261-8

Date of appointment: 1/09/2016

### 2. Juan Carlos Corvalán Reyes

Legal Affairs and Sustainability Manager  
Lawyer

RUT: 8.662.785-K

Date of appointment: 1/08/2006

### 3. Manuel López Pacheco

Legal Compliance Manager Sodimac Chile and Subsidiaries

Accountant and business administrator

RUT: 8.378.631-0

Date of appointment: 1/09/2016



### 4. Mariano Ariel Imberga

Operations Manager

Industrial engineer

RUT: 24.547.340-0

Date of appointment: 1/03/2015

### 5. Fernando Valenzuela del Río

Administration, Finance and Prevention Manager

Economist and business administrator

RUT: 9.571.294-0

Date of appointment: 1/10/2014

### 6. Luiz Ricardo Santos García

Acting Supply Chain Manager

Industrial engineer

RUT: 25.522.977-K

Date of appointment: 1/09/2019

### 7. Claudia Castro Hruska

Human Resources Manager

Economist and business administrator

RUT: 9.122.599-9

Date of appointment: 1/10/2014

### 8. Eduardo Mizón Friedemann

General Manager

Industrial civil engineer

RUT: 9.586.083-4

Date of appointment: 1/08/2006

### 9. Ignacio Monteverde

Commercial, Marketing and Distance Sales Manager

Industrial Civil Engineer

RUT: 23.421.767-4

Date of appointment: 1/09/2019

### 10. Cristián Andrés Huidobro Alarcón

IT Manager Chile

Industrial civil engineer with specialization in IT

RUT: 12.721.807-2

Date of appointment: 4/11/2019



## Mobilizing the leaders

(102-35)

Sodimac uses a system of incentives to align its managers and executives with the company's strategic goals. The incentives include bonuses tied to economic targets and specific environmental and social matters.

The results of the company's Sustainability Index, which measures its annual progress in this field, is used as a factor in calculating the variable remunerations of the general managers and executive teams of each of the company's business units.

The senior management of Sodimac S.A. and its subsidiaries - comprising the members of the Executive Committee, area managers and assistant managers and business unit managers - received remunerations and incentives for a total of 18,245,289,000 Chilean pesos in 2019 as compared to 19,710,329,000 pesos in 2018.

Years of service payments to executives leaving the company reached 738,904,000 pesos in 2019 and 1,092,877,000 pesos in 2018.

*For further details, see the company's Annual Report (www.sodimac.cl).*



## Ethics and human rights

(102-16; 102-17; 103-2; 205-2)

### Sodimac's ethical framework

The sustainability of Sodimac's activities calls for the creation and strengthening of mechanisms to safeguard respect for human rights in all their dimensions as well as values and ethical principles and the rejection of corrupt practices. This stance is anchored in respect and consideration for the human person and his or her

dignity and fundamental rights as the pillar and key focus of all the actions of the company, its executives and employees in general.

Sodimac takes into account the potential impacts its decisions may have for the human rights of the company's principal stakeholders, establishing the following mechanisms of prevention, mitigation and remediation:

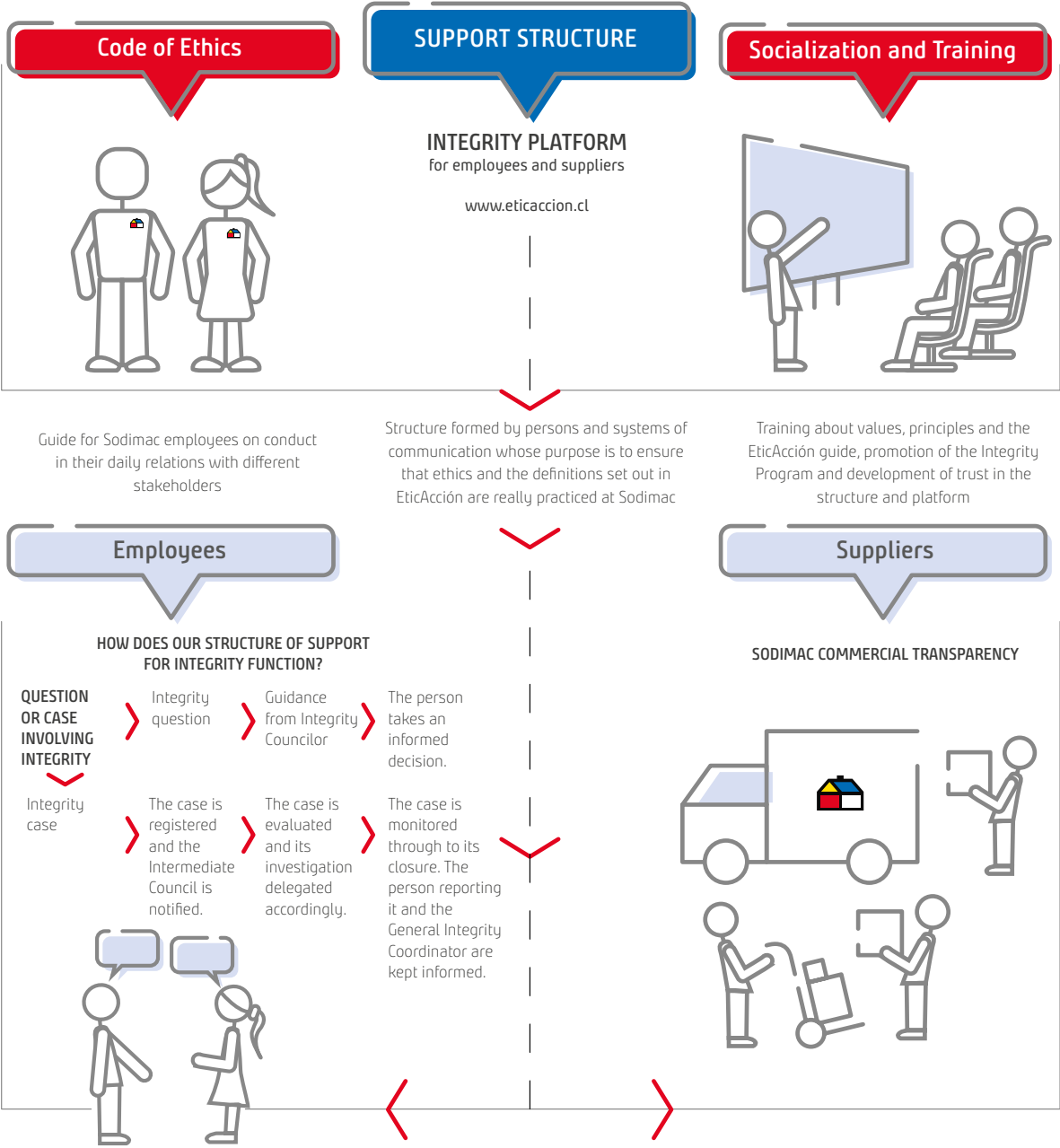
- Corporate Integrity Program
- Intelligent Territorial Early Warning Matrix (MIATT)
- Responsible marketing and trade programs
- Framework for relations with suppliers (Sodimac Commercial Transparency Policy)
- Supplier management and development system.

# Corporate Integrity Program

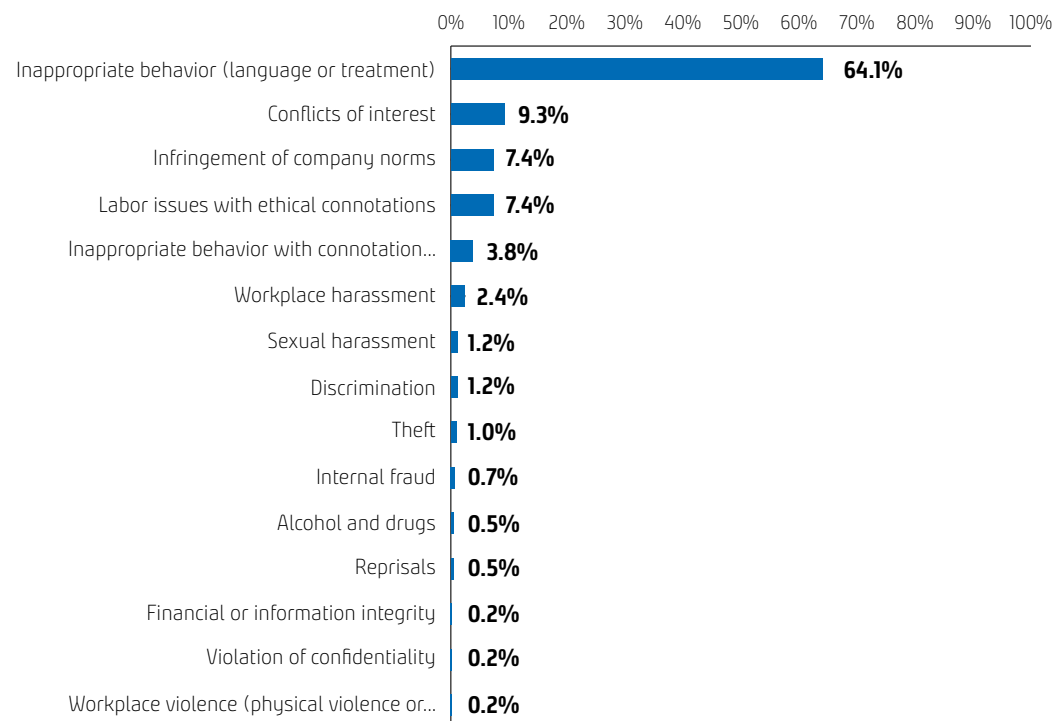
(102-16)

Sodimac has a Corporate Integrity Program through which to identify, prevent and address possible situations at odds with the company's values.

This system is designed to prevent conduct such as fraud, conflicts of interest and abuse of power. It incorporates the elements envisaged in Chilean Law N° 20.393 on companies' criminal responsibility in the event of the crimes it refers to (national or international bribery, money laundering and the financing of terrorism and its receiving). The system also includes an online platform and a direct channel of contact for incident reporting and enquiries that guarantee confidentiality of the identity of the person making the report and ensure its investigation and an appropriate solution. This model provides for proper investigation of any incident that is reported, its registration and information about the results. The system has representation and a formal structure at the different levels of the company, including the Board of Directors.



## Types of ethical complaints



## Integrity channel

(406-1)

Employees or any other stakeholder can use an online platform, which operates 24 hours a day, to report any incidents or enquire about matters related to integrity. Employees can also talk directly to one of the company's Integrity Councilors. This function is exercised by social assistants, employed by the company, who have been trained to advise employees and channel their concerns and reports. The process guarantees users' confidentiality, investigation of the matter and an appropriate solution.

The online platform is operated externally to Sodimac as a service for all Falabella subsidiaries. This further guarantees its necessary impartiality, objectivity and confidentiality.

In 2019, 567 reports (enquiries or complaints) relating to situations that occurred at Sodimac were received through this channel. Out of this total, 75% were presented anonymously and 25% under confidentiality of identity. They corresponded to situations that included workplace harassment, conflicts of interest and unethical attitudes. Out of the cases, 82% were analyzed and their investigation completed while 18% were still under investigation as



of 31 December 2019. During the year, nine reports of discrimination were received and investigation of eight of the cases was completed, all of which were judged to be unproven, while, as of year-end, one investigation was ongoing.

The investigations arising from reports to the platform resulted in 33 dismissals.

| N° of reports                     | 2017 | 2018 | 2019 |
|-----------------------------------|------|------|------|
| Anonymous                         | 172  | 308  | 424  |
| Under confidentiality of identity | 39   | 123  | 143  |
| Total                             | 211  | 431  | 567  |

Source: Sodimac.

### Compliance

Sodimac worked with the BH Compliance consultancy firm to certify the effectiveness of the model it has implemented to administer, supervise and prevent infractions of Chilean Law N° 20.393 on companies' criminal responsibility.

In 2019, in accordance with the legal modifications introduced in Law N° 20.393 by Laws N° 21.121 and 21.132, Sodimac updated its crime prevention model to incorporate the new types of crimes included in norms on companies' criminal responsibility such as crimes of corruption between individuals, disloyal administration, incompatible negotiation, undue appropriation and the pollution of water.

During the year, the company also implemented the Governance, Risk and Compliance (GRC) tool to configure and standardize the business's risk matrices and use and update protocols.





# Risk management and compliance

(102-30; 205-1; 205-2)

## Risk management system

Sodimac has a methodology for the opportune detection of risks that could negatively affect achievement of its business objectives and relations with its different stakeholders. This is accompanied by controls and the definition of responsibilities for the risks’ prevention and/or mitigation.

The company’s risk matrix includes economic, social, labor, environmental, ethical and corporate governance aspects of the business. It is based on a survey of risks in each of the company’s different areas, which have been integrated with its financial and commercial risks and those related to processes and operational insurance.

Traditional and non-traditional risks are managed through a model that divides them into four broad areas: operational risks, compliance risks, physical safety, and IT risks. For each of these areas, there is a committee headed by the General Manager of Sodimac Chile and coordinated by the Legal Affairs and Sustainability Area, the Administration, Finance and Prevention Area and the IT Area.

In 2019, new risks were added to the matrix for continuous monitoring through internal audit surveillance panels, financial-accounting processes and the management of human resources and suppliers.

In 2019, the Operational Risk and Compliance Risk Committees met monthly. Expanded meetings also took place with the company’s principal executives, chaired by the General Manager. These meetings sought to identify and assess inherent risks, check the existing controls and their effectiveness, determine the residual risks (the level of risk after implementation of controls) and define action plans for those inherent risks that had not been sufficiently mitigated. Presentations were made to the Executive Committee and the Directors’ Committee, the body through which the Board is informed about the business’s risks and the corresponding mitigation plans and gives instructions about compliance with undertakings and their prioritization.

## Human rights due diligence

(102-29; 412-1)

Following the human rights due diligence process implemented in 2018, in accordance with the UN Guiding Principles on Business and Human Rights, the issues and risks identified were incorporated into the corresponding company matrix in 2019 and were managed by the Operational Risk Committee. The due diligence process covered the 74 stores, support office and distribution centers of Sodimac Chile and involved the participation of executives, employees, suppliers, contractors and union leaders, including 63 interviews and the review of 217 documents.

| Risk Committee                         | Processes or Areas of Risks     |
|----------------------------------------|---------------------------------|
| Risks related to operational processes | Acquisition of goods            |
|                                        | Credit and debt collection      |
|                                        | Financial and budget management |
|                                        | Real estate investments         |
|                                        | Logistics and procurement       |
|                                        | Marketing                       |
|                                        | Operations                      |
|                                        | Accounts                        |
|                                        | Labor relations                 |
|                                        | Sales                           |

(\*) Human rights issues and risks were incorporated transversally into processes.

| Risk Committee | Processes or Areas of Risks  |
|----------------|------------------------------|
| IT risks       | IT governance                |
|                | Business continuity          |
|                | Information security         |
|                | IT development and changes   |
|                | IT operations and monitoring |



| Risk Committee   | Processes or Areas of Risks        |
|------------------|------------------------------------|
| Compliance risks | Environmental                      |
|                  | Product quality                    |
|                  | Commercial                         |
|                  | Accounting                         |
|                  | Labor                              |
|                  | Municipal                          |
|                  | Norms applicable to all businesses |
|                  | Criminal                           |
|                  | Tax                                |

| Risk Committee                   | Processes or Areas of Risks                |
|----------------------------------|--------------------------------------------|
| Risks related to physical safety | Fire                                       |
|                                  | Customer accidents                         |
|                                  | Workplace accidents/occupational illnesses |
|                                  | Infrastructure collapse                    |
|                                  | Social emergencies                         |
|                                  | Explosions/leaks                           |
|                                  | Environmental impact                       |

## Audits and control measures in stores

The Legal Compliance Area implements an audit plan which addresses all the risks of the business, giving priority to the most vulnerable processes. It submits the results to senior management in the form of a report setting out conclusions and recommendations for each case. In 2019, it carried out 325 on-site audits and 1,152 remote audits, based on an audit control panel in stores, warehouses, subsidiaries and the central offices.

Sodimac provides special training for the employees of areas exposed to a greater risk of corruption, setting out guidelines, procedures and ethical norms for the exercise of their functions. In 2019, this probity training was received by 9% of the company's total workforce. The company also continued to provide in-person training for exposed positions, which covered 228 executives out of a total of 294 such positions. In addition, the company implemented the *Mi Cliente* (My Customer) program of training on customers' rights.

| N° of auditable units         | 2017       | 2018       | 2019       |
|-------------------------------|------------|------------|------------|
| Stores and sales to companies | 81         | 81         | 80         |
| Warehouses                    | 33         | 36         | 30         |
| Subsidiaries (*)              | 3          | 3          | 3          |
| Support office                | 161        | 151        | 173        |
| <b>Total</b>                  | <b>279</b> | <b>271</b> | <b>286</b> |

(\*) Companies with ownership relation to Sodimac.

| Training courses                | N° of employees 2017 | N° of employees 2018 | N° of employees 2019 |
|---------------------------------|----------------------|----------------------|----------------------|
| Prevention and losses           | 1,217                | 1,249                | 1,025                |
| External security personnel (*) | 616                  | 699                  | 620                  |
| Internal auditing               | 17                   | 16                   | 16                   |
| <b>Total</b>                    | <b>1,850</b>         | <b>1,964</b>         | <b>1,661</b>         |

(\*) The personnel of external security companies must have attended the OS-10 course given by the Chilean Police Service. Sodimac also trains external security personnel in human rights issues and customer treatment and dignity.

Source: Sodimac.

## Control measures in stores, distribution centers and central offices

The Legal Compliance Area applies a continuous audit model, using the IT system known as remote control panel, geared to the early detection of any deviation from pre-established accounting, financial and operating procedures. The system is supported by other areas of the company such as Sales to Companies, Finance, Treasury, Loss Prevention and Operations.

The most common measures taken to address incidents of corruption include general, selective and daily inventories. The situations addressed in reports permit the adoption of measures such as training and dismissal.

## Measures to combat corruption (205-3)

| Situation detected                                     | Measures adopted  | 2017   | 2018   | 2019   |
|--------------------------------------------------------|-------------------|--------|--------|--------|
| Losses (theft detected)                                | General inventory | 94     | 101    | 109    |
|                                                        | Daily inventory   | 24,852 | 23,086 | 28,347 |
|                                                        | Control panel     | 1,301  | 1,264  | 1,152  |
|                                                        | Training          | 4      | 21     | 1      |
| Failure in procedures                                  | Reprimand         | 3      | 23     | 5      |
|                                                        | Dismissal         | 8      | 21     | 7      |
|                                                        | Dismissal         | -      | -      | 4      |
| Abuse of power (workplace harassment and labor issues) | Dismissal         | -      | -      | 2      |
| Undue appropriation (internal fraud and theft)         | Dismissal         | 1      | -      | 20     |

Source: Sodimac.



# Our Employees





# Our Employees

Sodimac seeks to be a good place to work and to improve continuously in attracting, training and retaining talent, fostering its employees' workplace development and quality of life in a framework of fluid and transparent labor relations.



## Strategic issues

- Quality of life
- Work climate
- Diversity and inclusion
- Training and professional development
- Social dialogue
- Workplace health and safety
- Remunerations and benefits

## Milestones

- In the GPTW ranking, Sodimac was eighth among the best companies with more than 1,000 employees for which to work in Chile.
- In the context of the social crisis, the company sought to reinforce its ability to listen and engage in dialogue, holding 95 conversation events in which 1,116 employees around Chile participated.
- Collective bargaining processes took place with five unions, involving over 8,000 employees.
- Sodimac surpassed the percentage of employees with disabilities required under Chile's Workplace Inclusion Law.
- The company began to implement the eNPS tool to increase its capacity to listen to employees and further improve their workplace experience.

## Sustainable Development Goals:



# Talent management and integral development

## Training

(404-I)

Sodimac offers training and promotion programs aligned with its employees' life projects, interests, knowledge and skills, equipping them to take on new roles.

In 2019, courses were held to standardize the face-to-face evaluation method and tie it to international selection standards. In addition, nine training fairs for sales personnel took place, 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 company's different omnichannel services.

In total, 494,633 hours of training were provided, benefiting 17,276 employees and representing an average of 28 hours per employee.

## Hours of training: Company

|      | N° of employees | Hours   |
|------|-----------------|---------|
| 2017 | 21,054          | 617,398 |
| 2018 | 19,571          | 511,617 |
| 2019 | 17,276          | 494,643 |

## Hours of training: SENCE

|      | N° of employees | Hours   |
|------|-----------------|---------|
| 2017 | 12,504          | 323,168 |
| 2018 | 11,995          | 263,911 |
| 2019 | 11,079          | 321,305 |

Source: Sodimac.

|                                      | 2017           |                |                | 2018           |                |                | 2019           |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                      | Total hours    | Hours women    | Hours men      | Total hours    | Hours women    | Hours men      | Total hours    | Hours women    | Hours men      |
| <b>Training by type of post</b>      |                |                |                |                |                |                |                |                |                |
| Managers and assistant managers      | 12,860         | 2,868          | 9,992          | 12,152         | 2,990          | 9,162          | 14,464         | 3,873          | 10,591         |
| Professional and technical personnel | 109,714        | 46,468         | 63,247         | 83,049         | 34,213         | 48,836         | 74,460         | 34,004         | 40,456         |
| Other employees                      | 494,824        | 163,327        | 331,496        | 416,416        | 125,091        | 291,324        | 405,709        | 129,671        | 276,038        |
| <b>Total</b>                         | <b>617,398</b> | <b>212,663</b> | <b>404,735</b> | <b>511,617</b> | <b>162,295</b> | <b>349,322</b> | <b>494,633</b> | <b>167,548</b> | <b>327,085</b> |

Source: Sodimac.

|                                            | 2017            |              |               | 2018            |              |               | 2019            |              |               |
|--------------------------------------------|-----------------|--------------|---------------|-----------------|--------------|---------------|-----------------|--------------|---------------|
|                                            | N° of employees | N° of women  | N° of men     | N° of employees | N° of women  | N° of men     | N° of employees | N° of women  | N° of men     |
| <b>Training by gender and type of post</b> |                 |              |               |                 |              |               |                 |              |               |
| Managers and assistant managers            | 529             | 118          | 411           | 499             | 115          | 384           | 503             | 119          | 384           |
| Professional and technical personnel       | 3,668           | 1,604        | 2,064         | 3,376           | 1,515        | 1,861         | 3,469           | 1,556        | 1,913         |
| Other employees                            | 16,857          | 6,136        | 10,721        | 15,696          | 5,512        | 10,184        | 13,304          | 5,008        | 8,296         |
| <b>Total</b>                               | <b>21,054</b>   | <b>7,858</b> | <b>13,196</b> | <b>19,571</b>   | <b>7,142</b> | <b>12,429</b> | <b>17,276</b>   | <b>6,683</b> | <b>10,593</b> |

Source: Sodimac.





## Sodimac School of Excellence

(404-2)

The Sodimac School of Excellence, which is administered by the Human Resources Area, focuses on the integral training of retail professionals, offering a structure of courses that allows employees to know which to take in order to further their long-term career development. The courses include project management, customer service, sale of projects, commercial management on the sales floor, products, teamwork and labor laws.

Most courses are given by Sodimac's Traineemac subsidiary, a technical training organization (OTEC) that is certified under ISO 9001 and Chilean Norm (NCH) 2778:2015.

In 2019, the company provided 494,633 hours of training through the School of Excellence, benefiting a total of 17,276 employees of whom 10,593 were men and 6,683 were women.

## Scholarships

As a means of complementing the training offered by the School of Excellence, the company also provided 119 scholarships for higher education, including 115 for language training and two for master's courses, in 2019.



## Digital transformation courses

In order to provide a better service to customers, Sodimac continued to train employees in the use and management of digital tools and to promote the usability of all the applications the company has implemented to facilitate internal management.

In 2019, it focused on the implementation of SAP Learning, a 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. This helped to foster employees' self-management of their training.

## Certification of workplace skills

In 2019, 563 employees, including sales and checkout personnel and shelf stockers, received certification of their workplace skills. Out of this total, 288 were from the Santiago Metropolitan Region, 105 from the Biobío Region, 99 from the Valparaíso Region, 41 from the Maule Region and 30 from the Antofagasta Region. All those participating in the process were found to be competent, positioning them for their development within the company and encouraging them in their personal and workplace growth.

## Professional development

(404-2)

### Succession plans

Sodimac has a system for identifying, measuring and developing workplace skills that is geared to employees' career development. The model facilitates promotion decisions by permitting detection of a person's development potential for consideration when a key post becomes vacant.

All the company's stores have a succession plan which is used to define promotions to positions as store manager and assistant store manager and to select employees to attend special diploma courses to strengthen their leadership and retail management skills. In 2019, there were nine promotions (six men and three women): six heads of department to assistant manager and three assistant managers to manager.

The company also applies a Seed Plan to cover vacancies as head of sales department in stores from among employees who do not currently occupy a leadership position. The program serves to accompany participants in their development process during which they pass through different stages of evaluation, training and internship to prepare them for the new position and facilitate their adaptation to it. In 2019, 371 employees applied to participate in the program and 66 are currently at the last training and selection stage.

### Internal promotion processes

The company offers employees the opportunity to progress within the organization through internal promotion processes as well as by applying to another store that, because of its proximity to their home, would contribute to their quality of life. Full-time and part-time employees can apply for any vacancy that does not fall within the Succession Plan or Seed Plan. In 2019, 403 internal promotion processes were opened, attracting 1,928 applicants. Out of these positions, 186 were filled internally, corresponding to 46% of the processes, the same percentage as in 2018. In 2019, vacancies for stores, distribution centers, support offices and the call center that were advertised externally on the website attracted over 44,000 applicants.

|      | Internal promotion processes |
|------|------------------------------|
| 2017 | 936                          |
| 2018 | 686                          |
| 2019 | 403                          |

Source: Sodimac.



### Internship program

In 2019, Sodimac participated in Talentum, a Falabella 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, encourage the exchange of good practices and cultures between companies, generate internal networks and contribute to the speed of implementation of the group's strategic projects.



## Sodimac Leadership Academy

The Sodimac Leader Model and its four pillars - people and processes, management of results, customer experience and driver of change – are the reason why the company has a Leadership Academy.

It decided that the model's guidelines would be transmitted to all the company's leaders through first and second-line executives, who would, in turn, serve as a reference and ambassadors of the model. They participated in a Train the Trainers course, initially to learn themselves and then to train to pass their knowledge on to other employees.

This initiative aims to align executives, reinforcing a common sense of purpose in the exercise of their leadership and deepening the collaboration and commitment of all the participants. The workshops are themselves a training activity and develop leadership skills, providing an opportunity for reflection and discussion in which behaviors and values are modeled for their subsequent transmission to the rest of the organization. In 2019, 1,602 leaders were trained, representing a 70% coverage rate.

A number of initiatives are currently being implemented to train and strengthen the defined skills. Specific courses, talks, workshops and seminars were added to the leaders' training plan so they can further develop their skills for managing people, the business and its processes. A total of 186 leaders participated in this program, which comprised three courses: Performance Management Techniques, Team Management, and Leadership for Work Team Management.

The Sodimac Leadership Academy also implemented a Leadership 3.0 program to teach management tools that enhance the development of the company's leaders.

## Performance evaluation (404-3)

Performance Evaluation is a formal process that takes place once a year and includes all employees who have been with Sodimac for at least three months. In 2019, 99% of employees who complied with the criterion were evaluated, equivalent to a total of 15,623 people of whom 60% were men and 40% were women.

The company also implements a 360° Evaluation Process at the management level. In 2019, 162 executives (125 men and 37 women) were evaluated through this process.

In 2019, Sodimac made important changes and improvements in its performance evaluation, which will be applied in 2020. They simplify the process and incorporate new skills that are common to all Falabella group businesses and countries. The changes also included migration to a new evaluation platform that is more flexible and intuitive and has new functionalities. The changes were accompanied by an important communications campaign for all the organization. It included talks, in-person and online explanatory workshops and the distribution of material, covering the evaluators and those evaluated at all the company's facilitators.

## Performance evaluation Employees evaluated

|      | Women | Men   | Total  |
|------|-------|-------|--------|
| 2017 | 5,727 | 8,472 | 14,199 |
| 2018 | 5,783 | 8,642 | 14,705 |
| 2019 | 6,214 | 9,409 | 15,623 |

Source: Sodimac.

## Recruitment: Giving priority to local hiring (202-2)

In order to contribute to employees' quality of life as well as the development of communities in the vicinity of its stores, Sodimac gives priority to hiring people from the area around its stores and distribution centers. However, senior management posts, given the role involved and experience required, are usually filled through internal promotion processes.

The company has alliances with different organizations related to communities near its stores (municipal governments, social organizations, universities, professional training institutes and technical training centers that offer free training). In this way, it can provide employment and development opportunities and have a positive impact for low-income young people.



## New hires

| Type of post                         | 2017         |              | 2018         |              | 2019         |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                      | Men          | Women        | Men          | Women        | Men          | Women        |
| Managers and assistant managers      | 19           | 1            | 20           | 8            | 23           | 12           |
| Professional and technical personnel | 184          | 122          | 262          | 184          | 165          | 103          |
| Other employees                      | 4,187        | 1,723        | 3,490        | 1,391        | 2,354        | 1,047        |
| <b>Total by gender</b>               | <b>4,390</b> | <b>1,846</b> | <b>3,772</b> | <b>1,583</b> | <b>2,542</b> | <b>1,162</b> |
| <b>Total</b>                         | <b>6,236</b> |              | <b>5,355</b> |              | <b>3,704</b> |              |

Source: Sodimac.

## Remunerations

(202-1)

Sodimac prefers to hire full-time employees and, under its wage policy, offers an entry-level wage that is equal to or above the legal minimum in the country. An employee receiving the entry-level wage is one who has recently joined the company, is less than 30 years of age and does not have training or higher education. A large percentage of such employees have recently completed their secondary education and this is their first job.

This policy favors the employment of young people and the training of retail professionals.

|      | Chilean minimum wage (CLP) | Sodimac entry-level wage (CLP) | Ratio Sodimac vs. country |
|------|----------------------------|--------------------------------|---------------------------|
| 2017 | 271,620                    | 405,697                        | 1.49                      |
| 2018 | 288,000                    | 430,800                        | 1.50                      |
| 2019 | 301,000                    | 450,246                        | 1.50                      |

**Gross wage.** Sodimac entry-level wage includes bonuses.

Source: Sodimac.

## Culture, work climate and quality of life

Using the Great Place to Work model, Sodimac carries out annual measurements of the work climate at all its formats.

The Human Resources Area presents the results to each of the company's different areas so as to analyze the indicators and, together with the teams, draw up action plans for improvement or ongoing progress.

In those areas where results fall short of the company's standards, an advisory and support process is implemented, including opportunities for one-on-one conversations with area and line managers as well as dynamic focus group sessions with the employees so as to understand the results from different perspectives.



## GPTW: A historical result

In 2019, the Great Place to Work (GPTW) Institute decided to differentiate its rankings by company size, measured in terms of number of employees.

In its ranking of companies in Chile with more than 1,000 employees, Sodimac took eighth place, with a score of 81 points. This was its highest position ever.

A total of 15,033 employees answered the survey, equivalent to a response rate of 86%, up by one point on 2018. In addition, the company achieved a Trust Index of 81 points.



## GPTW response rate (N° of employees)

| 2017   |       | 2018   |       | 2019   |       |
|--------|-------|--------|-------|--------|-------|
| 13,915 |       | 15,902 |       | 15,033 |       |
| Women  | Men   | Women  | Men   | Women  | Men   |
| 5,248  | 8,253 | 5,905  | 9,540 | 5,553  | 9,074 |

**Note:** The difference between the sum of men and women and the total number of answers occurs because not all employees identified themselves by gender.

**Source:** Sodimac.

## Response rate by type of post

| Cargos | Manager/<br>assistant<br>manager | Supervisor/<br>line<br>manager | Professional/<br>technical<br>personnel | Administrative/<br>operational<br>personnel |
|--------|----------------------------------|--------------------------------|-----------------------------------------|---------------------------------------------|
| 2017   | 480                              | 1,492                          | 755                                     | 11,009                                      |
| 2018   | 508                              | 1,639                          | 868                                     | 12,887                                      |
| 2019   | 462                              | 1,543                          | 1,166                                   | 11,018                                      |

**Note:** The difference between the sum of men and women and the total number of answers occurs because not all employees identified themselves by gender.

**Source:** Sodimac.

| Index       | 2017 | 2018 | 2019 |
|-------------|------|------|------|
| Trust Index | 77   | 81   | 81   |
| Gestalt     | 81   | 86   | 85   |

**Trust Index:** Corresponds to the average of all the survey's dimensions.

**Gestalt:** Corresponds to the question as to whether it is a good company for which to work.

**Source:** Sodimac.

## Employees and the social crisis

In the face of the social crisis that erupted in Chile on 18 October 2019, the company's priority was the safety of its employees and customers. The measures it took included an adjustment of working hours, the facilitation of transport, changes in incentives and an increase in remote working.

Employees at stores that suffered fires (the Los Carreras Homecenter in the center of Concepción and the Constructor store in Santiago's Conchalí district) were relocated to other stores. Similarly, the Imperial subsidiary relocated employees of its San Bernardo store in Santiago.

Towards the end of the year, normal operations were gradually resumed but a decision was taken to maintain the earlier closing time (8.30 pm in most stores from Monday to Saturday and 8.00 pm on Sundays). In the retail industry, it is not easy to reduce opening hours because these are based on customers' needs and habits, but this measure will contribute to a better quality of life for the company's employees.

## Conversing in the context of the crisis

In a bid to further develop the company's ability to listen to its employees and boost dialogue with them, 95 conversation events were held with the participation of 1,116 employees from all stores and distribution centers around Chile.

These meetings took place in November and December and it is expected that the feedback obtained will prove extremely valuable in proposing improvements for the company and the country.

## Employee NPS

In 2019, Sodimac began to apply the eNPS (employee Net Promoter Score) survey as an additional means of learning about employees' views, identifying key moments in their experiences and detecting opportunities for improvement. The voluntary and confidential survey is quick to answer and is applied quarterly.

A committed and satisfied team is vital for the company and is key to delivering a good customer experience and meeting the expectations of its different stakeholders.

## Quality of life

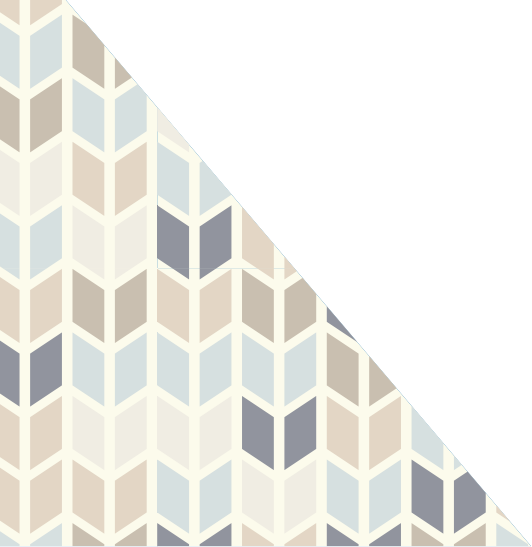
(401-2)

Sodimac implements programs that seek to enhance employees' job satisfaction and ability to balance their personal and working lives, thereby contributing to the wellbeing of both employees themselves and their families. The company provides more than 70 different types of employee benefits related to the family, housing, education, health, insurance coverage, special assistance, bonuses and recognitions.

| Principal benefits ('000 CLP)          | 2017       | 2018       | 2019       |
|----------------------------------------|------------|------------|------------|
| Holiday bonus                          | 4,592,905  | 4,747,299  | 5,293,345  |
| Seniority and length of service        | 865,067    | 957,172    | 965,003    |
| Special assistance                     | 3,267,621  | 3,775,295  | 4,028,035  |
| Christmas and Independence Day bonuses | 1,728,921  | 1,910,306  | 1,974,039  |
| Nursery                                | 1,111,276  | 972,138    | 1,007,340  |
| Transport benefits                     | 2,984,352  | 3,187,954  | 3,406,169  |
| Benefits for uniform and work clothes  | 1,393,242  | 1,575,790  | 1,329,032  |
| Corporate events                       | 2,364,257  | 2,579,293  | 2,022,267  |
| Canteen and meals                      | 11,742,090 | 13,233,166 | 12,872,973 |

Source: Sodimac.





## Principal programs

### Social assistance

Sodimac has a network of 65 social assistants, located in all its stores, warehouses, distribution centers and offices around Chile to attend the needs of employees and their families, offering personalized and confidential guidance.

The company also systematically helps and supports employees who have problems with alcohol and drugs, offering advice, derivation for treatment and follow-up monitoring as well as, in some cases, financial support for rehabilitation through an agreement with the Paréntesis Foundation. In 2019, four employees received support.

### Housing Program

Sodimac seeks to support employees' efforts to realize their dream of homeownership, providing information about state benefits (advice and guidance on applying for housing subsidies) as well as about the help Sodimac itself offers. In 2019, it provided loans to 45 employees for a total of approximately 19 million Chilean pesos.

The company also continued to implement the *Nuestra Casa Contigo* (Our House with You) program under which

vulnerable employees can obtain support to improve their homes. The company contributes economic resources while company volunteers help with the work. In 2019, this program benefited 84 employees who met the requirements and a total of 120 projects were implemented in their homes.

### Health Program

Through the advice provided by the company's social assistants around the country, the Health Program seeks to protect and foster employees' physical health, helping them to make correct use of their healthcare plans and related benefits. The company has collective agreements with the Colmena and Consalud private health insurers under which employees can choose between exclusive plans or the insurer's other plans at preferential prices as compared to their market value. The company also offers employees complementary health, dental and catastrophic insurance through the Chilena Consolidada insurance company. Financed jointly by the company and the employee, this insurance offers different levels of coverage for employees and their dependents. At present, 8,921 employees and 6,333 dependents use this insurance.

### Sports Program

Given the importance of employees' physical and mental health and its contribution to good workplace relations and the work climate, the company implements a Sports Program under which 311 activities took place in 2019. They included principally regional championships, healthy work break programs, fitness training, football and table tennis matches, Pilates, yoga, Zumba and dance classes, races and gym activities.

#### Participants in sports activities

|      |        |
|------|--------|
| 2017 | 12,224 |
| 2018 | 14,619 |
| 2019 | 24,928 |

Source: Sodimac.

### Quality of Life Program

Sodimac aims to create a culture that fosters employees' mental health and integral wellbeing through both prevention and assistance. The principal initiatives implemented in 2019 included activities related to self-care, stress management and healthy eating as well as talks on consumption of alcohol and other drugs. In 2019, a total of 501 activities were organized in which 26,553 employees from the company's different facilities around the country participated.

## Cultural Program

As a way of contributing to the integral development of employees and their families, Sodimac organizes an annual calendar of cultural events that includes concerts, art exhibitions, plays, dance events, cultural outings, ballroom dancing, and painting and photography competitions. In addition, each workplace organizes different artistic activities related to the culture of the region.

In 2019, 8,671 employees and their family members participated in cultural activities around the country.

### Participants in cultural activities

|      |       |
|------|-------|
| 2017 | 7,496 |
| 2018 | 9,033 |
| 2019 | 8,671 |

Source: Sodimac.

## Flexible Work Program

Under the theme of *+Tiempo para Ti* (+Time for You), the company seeks to help employees balance their personal and working lives. In 2019, 1,329 employees took advantage of one of the three alternatives it offers:

- **Flexible working hours:** Employees not involved in the operation of stores and distribution centers can choose between three options of working hours, providing this is compatible with their functions.
- **Remote work:** Employees can opt to work remotely, providing that the post and work tools permit.
- **Leave of absence:** Employees can ask for time off without pay to use according to their needs. Two options are available: two blocks of five working days or up to three months.

## Sodimac Library

Sodimac has a library for the use of employees. With a collection of 2,967 books, its collection ranges from complementary reading for school-age children to the great classics of literature and all types of novels. Through their respective heads of human resources, employees from Arica in the north of Chile to Punta Arenas in the south can borrow from it.

## Inclusion and diversity

Since 2015, when it introduced its Inclusion, Diversity and Non-Discrimination Policy, Sodimac has been working in a planned, systematic and integrated manner to ensure that, in its workplaces, no-one is excluded on grounds other than their professional contribution.

In order to guarantee the effectiveness of internal processes, a new diversity and inclusion module was added to the company's employee induction process in 2019. Its aim is to ensure that all new hires are aligned with the company's principles and take diversity into account.

The Human Resources team also received online training on diversity and inclusion. This course covered all diversities

(gender equity, senior citizens, people with disabilities, sexual diversity, migrants and indigenous peoples).

In a further initiative, Sodimac collaborated with the government and, in particular, its National Employment and Training Service (SENCE) by offering inclusive work experience. This allows people in a process of social reintegration, women heads of household and people with disabilities to put into practice the knowledge they have acquired in courses on sales, e-commerce and shelf restocking, thereby improving their employment prospects and helping them to develop transversal skills.

In order to enable everyone to contribute on the basis of what makes them unique, Sodimac implements a series of initiatives for different diversities.



## People with disabilities

Sodimac's commitment to workplace inclusion and the professional-labor development of people with disabilities has been reflected, since 2018, in a special hiring program that aims to create the conditions in which, with the necessary adjustments, people with disabilities can perform on equal conditions. To this end, the company participates actively in different public-private initiatives that allow it to incorporate and share best practices.

The company's Inclusion Program for People with Disabilities includes a selection process with an inclusive approach, training on diversity and disability for the direct work team, an adapted induction process and monitoring of the person's adaptation to the job.

As part of these efforts, the heads of human resources and social assistants in all the cities where Sodimac has stores and distribution centers receive training so they can, in turn, instruct and support the different teams on the effective adaptation of persons with disabilities.

In addition, the Human Resources Area has a Diversity and Inclusion Coordinator, who reports to the Quality of Life section.

As of end-2019, Sodimac Chile employed 227 people with disabilities out of whom 188 were recognized as such under the country's Workplace Inclusion Law. They represented 1.05% of the company's workforce, putting it ahead of the legally required 1%.

The company has been adapting the infrastructure of its different workplaces in line with the requirements of universal access, improving demarcations and the signage indicating accessible spaces, installing ramps and tactile paving and reducing the height of counters.



## Gender equity

(405-1; 405-2)

In 2019, the Falabella group participated in the Latin American Par survey, which measures the gender equity performance of companies, government bodies and small and mid-sized enterprises (SMEs). Through this survey, Sodimac sought to assess gender gaps in order to implement initiatives that foster the development of its women employees.

The company's system of remunerations considers only variables related to a person's professional value and there is not, therefore, a significant pay gap between men and women in equivalent positions.

Similarly, the talent succession plans in place in stores allow employees to progress to positions of greater responsibility, based on objective factors and on equal conditions.

Women make up 40% of the company's workforce. They account for 18% of store managers, 24% of assistant managers and 44% of line managers.

Significant progress has been achieved in the IT area which employs 77 women of whom 21 are line managers.

Sodimac understands that, in order to promote women's workplace development, it is very important to advance in co-responsibility. In line with this, it has implemented measures that include flexible hours, with the possibility of working from home or modifying starting and leaving times.

Over 15 years ago, the company increased postnatal leave for fathers to eight days, up from the legal five days, in order to allow them to spend more time with their family.

Gender wage gap

| Post, responsibility or function     | Average gross wage of female executives and other female employees as percentage of that of male equivalents |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Managers and senior executives       | 86%                                                                                                          |
| Professional and technical personnel | 100%                                                                                                         |
| Other employees                      | 102%                                                                                                         |

Source: Sodimac.

Interculturality

Since 2018, Sodimac has been a member of the Network of Intercultural Companies, an organization created to share initiatives related to cultural diversity. It also has alliances with different civil society organizations, including the Jesuit Service for Migrants, that promote the hiring of people from other countries.

As of December 2019, Sodimac had 905 foreign employees, representing 23 different nationalities, distributed in different posts from Arica to Punta Arenas. It has addressed this

issue from a standpoint of respect under which no culture is viewed as superior to another. This approach is supported by a Manual on Hiring Migrants and Intercultural Communication. Through the Chile Valor organization, it offers skill certification workshops for migrant workers and Spanish courses, particularly for Haitians.

Sexual diversity

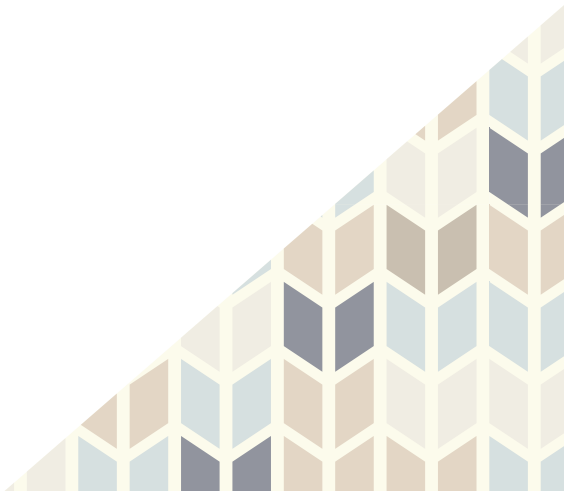
In managing its business, Sodimac is guided by criteria based on respect for all people, without any distinction on the grounds of gender identity or sexual orientation.

This conviction was reflected in its decision, as an organization, to consider a civil union as equivalent to marriage for the purpose of employee benefits.

It also has a Gender Transition Protocol to facilitate the process of incorporation of transgender people. Sodimac respects expression of identity and, therefore, also

the social name of people in transition and provides education on the process so as accompany them in the best possible way.

In 2019, the company marked a new milestone by adhering to Pride Month, an activity that was publicized on both its internal platforms and social networks.





## Senior citizens

Sodimac promotes interaction between different generations within the organization, valuing the contribution to the work climate made by its over-60 employees who, with their experience of work and life in general, help to raise the company's service standards.

As of end-December, the company employed 232 senior citizens, many of whom joined the company in this stage of their lives.

## Social reintegration

In 2019, Sodimac joined the +R Project, an initiative that seeks to foster the labor market inclusion of young people who have been serving a sentence in one of the homes of the National Service for Minors (SENAME). In December 2019, the company hired its first of these young people, with the support of the Proyecto B Foundation, which monitors their adaptation to the job.



# Prevention and Safety

(403-1; 403-2; 403-4; 403-9; 403-10)

## Care for and the safety of employees

The importance that, in its daily work, Sodimac attaches to care for its employees, customers and contractors' employees is reflected in its Safety and Occupational Health Policy. It seeks to achieve constant progress in the company's culture of prevention and continuous improvement in its safety standards.

At Sodimac, the prevention of workplace accidents and occupational illnesses is supported by the ISO 45001 standard on occupational health and safety management systems, which guarantees the continuous improvement of operational risk control processes.

All the company's installations have active Joint Worker-Management Health and Safety Committees and they receive training on accident investigation and management. Each year, the company also holds courses, campaigns and inspection walks and implements action and monitoring plans to foster self-care and minimize conditions and conduct that can imply risk. In addition, in order to underscore the role of prevention in the day-to-

day operation of stores and warehouses, each installation awards a monthly recognition to the employee who has stood out on risk prevention.

Transversal work plans and individual plans for each particular facility are also implemented based on the causes of the accidents that do occur. In this way, the company can focus resources more efficiently and, through a process of continuous improvement, resolve the problems detected.

## Strategic Alliance with ACHS

Sodimac's Risk Prevention area has a strategic alliance with the Asociación Chilena de Seguridad (ACHS), a workplace health and safety insurer, under which joint preventive activities are implemented. It also includes a Personalized Safety Plan and the behavior-based Accident Prevention Program.

In 2019, the Personalized Plan was implemented in 12 stores and one supply chain facility, selected because they showed the greatest deviation in their indicators.

Under the Plan, support was provided to their management and continuous work was undertaken on the cause of accidents, seeking best practices through which to minimize them. The results were positive and accidents were down by 33% on the previous year.

The alliance also includes a Behavioral Accident Prevention Process (BAPP). This project, which has been implemented in 12 installations and is now in the process of implementation in three stores and one supply chain facility, identifies and modifies habits that negatively influence risk exposure. The results have been very satisfactory and, in 2019, the program achieved a 14% reduction in accidents, demonstrating the benefits of fostering a much deeper and lasting culture of prevention.



## Accident and lost time rates

(403-2)

Over the past decade, Sodimac has successfully reduced its accident rate and lost days of work (absenteeism on accident-related medical grounds).

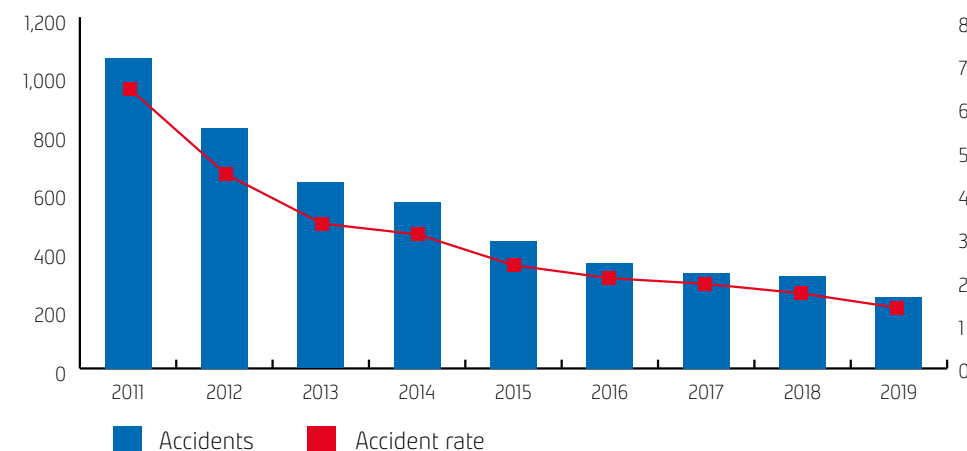
- In 2019, the company's accident rate, at 1.35, marked a historical low. This compared to a rate of 6.39 in 2011, implying a reduction of 77% - or 814 fewer accidents - in eight years.
- In 2019, the company reported a lost time rate of 22.35, down by 65% on 2011 and equivalent to 7,256 fewer lost days.
- The company also addressed the matter of accidents on the way to and from work, which averaged one accident per day, representing a reduction of 18%.

These results are thanks to a corporate policy that focuses on care for people and on fostering a culture of prevention.

This has positioned the company as having one of the retail sector's lowest lost time rates and implies that the risk-related mark-up on its workplace safety and health insurance premiums is 0.0%.

In 2019, the company experienced 251 workplace accidents, including occupational illnesses, and 3,935 days of work were lost (including those attributable to accidents that occurred in 2018).

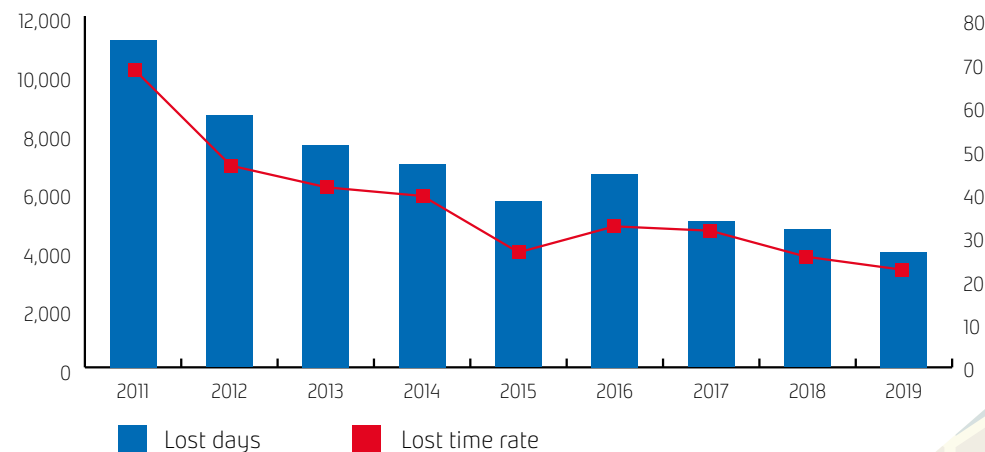
### Accidents and accident rate



Calculated as  $\text{n}^\circ \text{ of accidents} / \text{average n}^\circ \text{ of employees} \times 100$ .

Source: ACHS

### Lost days and lost time rate



Calculated as  $\text{n}^\circ \text{ of lost days} / \text{average n}^\circ \text{ of employees} \times 100$ .

Source: ACHS





## Accidents, lost days and fatalities

| Zone or region               | 2017                       |            |                        |            | 2018                       |            |                        |            | 2019                       |            |                        |            |
|------------------------------|----------------------------|------------|------------------------|------------|----------------------------|------------|------------------------|------------|----------------------------|------------|------------------------|------------|
|                              | Lost days due to accidents | Accidents  | Occupational illnesses | Fatalities | Lost days due to accidents | Accidents  | Occupational illnesses | Fatalities | Lost days due to accidents | Accidents  | Occupational illnesses | Fatalities |
| Northern Zone                | 672                        | 37         | 1                      | 0          | 594                        | 36         | 0                      | 0          | 373                        | 26         | 1                      | 0          |
| Central Zone                 | 288                        | 36         | 0                      | 0          | 298                        | 35         | 1                      | 0          | 522                        | 34         | 0                      | 0          |
| Southern Zone                | 804                        | 82         | 2                      | 0          | 851                        | 90         | 1                      | 0          | 795                        | 67         | 2                      | 0          |
| Santiago Metropolitan Region | 3,215                      | 171        | 1                      | 0          | 2,964                      | 155        | 2                      | 0          | 1,411                      | 124        | 3                      | 0          |
| <b>Men</b>                   | <b>3,529</b>               | <b>250</b> | <b>2</b>               | <b>0</b>   | <b>3,161</b>               | <b>214</b> | <b>3</b>               | <b>0</b>   | <b>2,136</b>               | <b>177</b> | <b>4</b>               | <b>0</b>   |
| <b>Women</b>                 | <b>1,450</b>               | <b>76</b>  | <b>2</b>               | <b>0</b>   | <b>1,546</b>               | <b>102</b> | <b>1</b>               | <b>0</b>   | <b>965</b>                 | <b>74</b>  | <b>2</b>               | <b>0</b>   |
| <b>Total</b>                 | <b>4,979</b>               | <b>326</b> | <b>4</b>               | <b>0</b>   | <b>4,707</b>               | <b>316</b> | <b>4</b>               | <b>0</b>   | <b>3,935</b>               | <b>251</b> | <b>6</b>               | <b>0</b>   |

**Note:** Lost days due to accidents include days attributable to accidents in previous years.

**Source:** ACHS



# Relations with unions

(102-41; 407-1)

As of end-2019, Sodimac Chile had five company unions, five inter-company unions and one union for a single establishment. They all operate under a single tax number (RUT) and together had 14,014 members. This represented a unionization rate of 78%, well above the Chilean average.

With its trade unions, Sodimac seeks to maintain fluid relations, anchored in dialogue, mutual collaboration and trust. This approach is based on four fundamental pillars:

- Respect for people
- Commitment to their personal and professional development
- Legitimacy of union organizations
- Adherence to the law.

## Unionization

|      | N° of employees | Percentage |
|------|-----------------|------------|
| 2017 | 13,153          | 72%        |
| 2018 | 13,978          | 78%        |
| 2019 | 14,014          | 78%        |

Source: Sodimac.

## Collective bargaining processes

In 2019, collective negotiations took place with five of the company's unions, representing a total of 8,052 employees, equivalent to 45% of the workforce. These processes, which were concluded without a need for mediation, led to the signing of four benefit extension agreements.

## Permanent dialogue

Between March and December, the company's executives hold meetings every month or every other month with the leaders of the Sodimac, Homecenter, Sintrabos, Nocesur and Autónomo Unions. At these meetings, the union representatives raise different concerns and the company, in turn, informs them about relevant matters.

Store unions (inter-company) have meetings with store managers, the Business Partner (regional head of people) and the corresponding head of human resources whenever matters arise which the union needs to discuss with the company.

All unions can contact the Labor Relations team, as and when they need, by e-mail, WhatsApp or telephone.

## Union training

Through a training program for union leaders, Sodimac seeks to foster their development of skills that strengthen labor relations and collective bargaining processes.

In 2019, it organized a training workshop for delegates and leaders who participated in the Annual Convention of the Nocesur Union. The eight-hour activity, with a teacher from the Sodimac School of Excellence, focused on communication techniques and conflict resolution.

## Judicialization of labor cases

In 2019, 162 complaints of a labor nature were filed against the company and were handled by its legal team. By the end of the year, 149 cases had been resolved and 13 were still under investigation.

### Labor cases

|      | Nº of complaints |
|------|------------------|
| 2017 | 426              |
| 2018 | 168              |
| 2019 | 162              |

Source: Sodimac.

## Outsourcing at Sodimac

Sodimac has an Outsourcing Unit to design and implement policies that guarantee compliance with labor obligations as regards contractors' employees and help to improve their working conditions. This Unit provides training about labor laws in stores throughout the country, focusing specifically on outsourcing, in a bid to foster self-regulation and generate balanced relations between outsourced workers and their employers, guarding against lawsuits and fines for infringements of labor regulation.

In 2019, 206 lawsuits were filed by contractors' employees. They were handled by the Outsourcing Unit and 113 were settled during the year while the others are pending.

The company has a system for controlling access to all its installations (stores, warehouses and distribution centers). This system verifies whether a person is authorized to access an installation to provide services (external, occasional and transport personnel), taking into account the documents required by law and the safety of the outsourced personnel.

In the context of the social crisis in Chile in the last quarter of the year, the company arranged with contractors the

relocation of employees working at the stores which burned down (Los Carreras Homecenter in the center of the city of Concepción and the Constructor store in Santiago's Conchalí district).

|                      | 2017  | 2018  | 2019  |
|----------------------|-------|-------|-------|
| Contractors (*)      | 105   | 118   | 123   |
| Nº of employees (**) | 4,799 | 5,258 | 5,744 |
| Nº of inspections    | -     | -     | -     |
| Nº of fines          | -     | -     | -     |

(\*) Includes only centrally-controlled contractors. Occasional contractors are controlled by each store.

(\*\*) Out of the average 5,744 contractors' employees in 2019, 3,534 were men and 2,210 were women.

Source: Sodimac.



# Our Suppliers





# Our Suppliers

Sodimac views its suppliers as strategic allies and seeks to build long-term mutually beneficial relations with them, based on clear rules and responsible management policies.



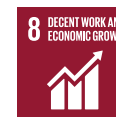
## Strategic issues

- Sustainable supplier management
- Product quality
- Management of risks in suppliers
- Channels for communication and complaints
- Management of small suppliers

## Milestones

- Launch of Sodimac Chile's first open innovation program for start-ups.
- 195 international and Chilean suppliers registered with Sedex and evaluated under the SMETA protocol.
- Quality and sustainability declaration signed by 346 international suppliers.
- Participation of 219 suppliers in ESG Compass's SSIndex survey.

## Sustainable Development Goals:





Sustainable supply chain management

(102-9; 204-1)

Sodimac has a broad value chain that comprises over 5,600 companies of different sizes. With its suppliers, the company establishes relations that favor efficient coordination, supported by complementary capabilities, innovation, assured production and sensitivity to the needs of customers.

Each year, under the company's Responsible Procurement Policy, the best products are selected from trusted manufacturers in Chile and many other markets around the world. These manufacturers are subject to strict quality controls.

Local suppliers account for around 77% of the company's procurement in Chile. In 2019, the remaining 23% was imported mainly from Asia, South America, North America and Europe.

Share of sales by origin of products

| Origin   | 2017 | 2018 | 2019 |
|----------|------|------|------|
| Imported | 24%  | 25%  | 23%  |
| Chilean  | 76%  | 75%  | 77%  |

Source: Sodimac.

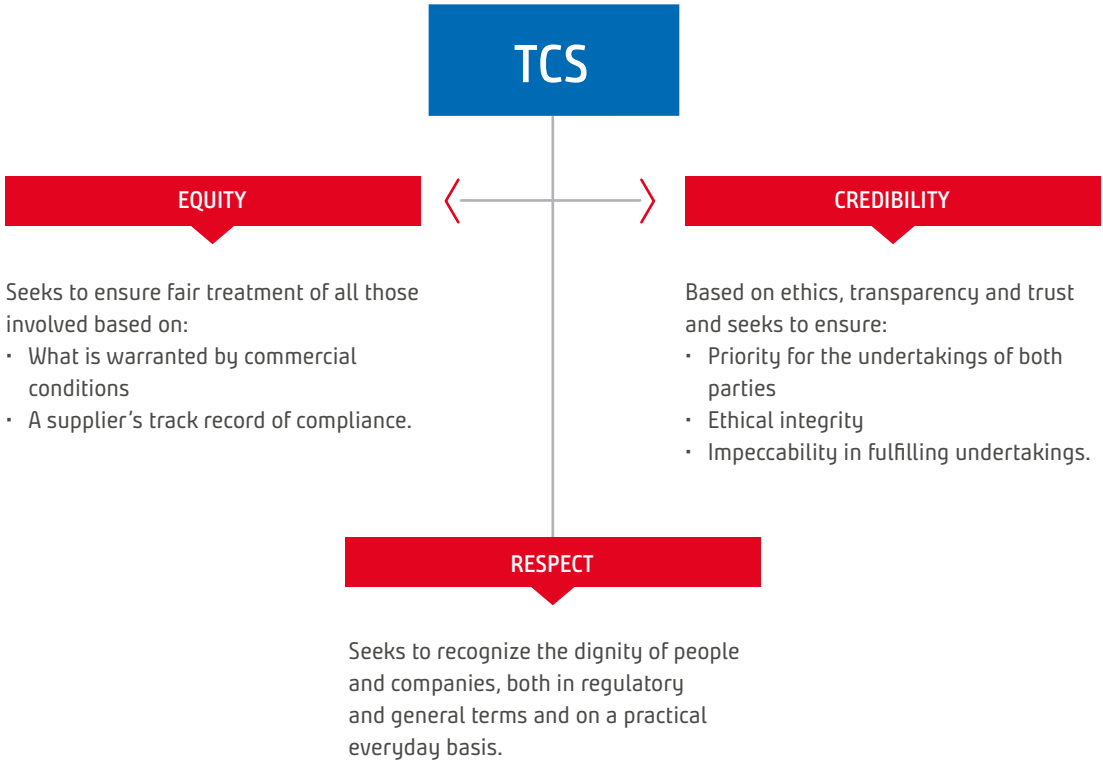
As well as price, Sodimac's procurement strategy takes into account the supplier's continuity over time, the quality and safety of its products, continuous improvement policies, good labor practices, an appropriate work climate, the use of personal protective equipment and respect for local and international labor regulation.

Sodimac Commercial Transparency

(102-17)

The company's relations with its suppliers are governed by the Sodimac Commercial Transparency (TCS) policy, a formal self-regulation framework that permits joint work under clear rules. This policy addresses the following:

- Principles and commercial ethics
- Area of application
- Procurement of goods and services
- Charges and discounts to suppliers
- Support for increasing and guaranteeing sales
- Quality control of goods and services
- Use of brands, patents and similar intellectual property
- Conduct and norms as regards sustainability
- Role of TCS Compliance Office.



For further information (in Spanish), visit [www.sodimac.com](http://www.sodimac.com) (nuestra empresa/proveedores).

In this framework and that of its commitment to human rights, Sodimac seeks to ensure that child labor is not used in its supply chain and does not use suppliers who employ children. In 2019, no cases of child labor were reported or detected among the suppliers inspected.

Sodimac seeks to contribute to the proper commercial development of its suppliers by, for example, paying them within no more than 30 days, particularly in the case of small and mid-sized enterprises (SMEs). In this way, it seeks to increase trust and the stability of its commercial relations. In the context of the social crisis in Chile in the last quarter of the year, the company adhered to the call of the Chilean Association of Entrepreneurs (ASECH) and made an additional effort to pay SMEs earlier than usual.

In 2019, suppliers used the channels for communication and complaints provided by Sodimac to report seven cases of possible breaches of TCS norms. These were investigated and resolved and the corresponding measures were taken to correct each situation.

The company's Legal Compliance Area is responsible for overseeing compliance with these principles.

## Supplier evaluation

(308-2; 407-1; 414-2)

In 2019, Sodimac continued to work with Sedex (Supplier Ethical Data Exchange), an international non-profit organization that promotes improvements in business practices as regards compliance and social responsibility. With its advice, the company implements a responsible procurement program, providing its suppliers with information about compliance with labor, environmental and ethical standards.

In 2019, a number of Chilean and international suppliers joined this initiative, taking the total using the platform to 258.

In Chile, as part of the company's work with the supply chain, 195 local and international suppliers were evaluated, an increase of 71 on the previous year, in order to supervise their compliance with the workplace health and safety, human rights, environmental and labor standards demanded by Sodimac. In addition, five suppliers were subject to an initial audit and 46 were monitored for their progress in implementing corrective measures required as a result of earlier audits.

Through the Sedex platform, suppliers are themselves able to assess their performance on labor, ethical, environmental and health and safety matters, applying best practices in their processes and administering key information (certifications and/or audits) for sharing with clients who also use this platform.

### Total suppliers audited through Sedex system

| Origin       | 2017       | 2018      | 2019       |
|--------------|------------|-----------|------------|
| Chilean      | 42         | 47        | 122        |
| Overseas     | 79         | 42        | 73         |
| <b>Total</b> | <b>121</b> | <b>89</b> | <b>195</b> |

### Results of evaluations through Sedex system, 2019

| Origin       | Monitoring | Acceptable | Total      |
|--------------|------------|------------|------------|
| Chilean      | 42         | 80         | 122        |
| Imported     | 67         | 6          | 73         |
| <b>Total</b> | <b>109</b> | <b>86</b>  | <b>195</b> |

Source: Sodimac.

## Supplier Sustainability Questionnaire

(308-2; 407-1; 414-1)

Sodimac also asks its suppliers to sign a declaration - available in Spanish, English and Mandarin - about aspects such as business ethics, human rights, workplace health and safety, their selection of their own suppliers, product labeling and advertising, the environment and commitment to the community. In 2019, a total of 346 overseas suppliers, or 67% of all the company's overseas suppliers, signed this undertaking.

In Chile, seven evaluations of suppliers' installations were conducted, of which four corresponded to own brands, out of a total of 148 companies in the supply chain. The evaluations examined aspects such as product quality and application of the sustainability questionnaire. During the year, factories of Asian suppliers were also evaluated on quality issues.

| Supplier Questionnaire (*)                 | 2017  | 2018 | 2019 |
|--------------------------------------------|-------|------|------|
| Total overseas suppliers                   | 1,111 | 805  | 518  |
| Suppliers who signed Sodimac questionnaire | 703   | 544  | 346  |

(\*) Considers suppliers active for several years.

Source: Sodimac.

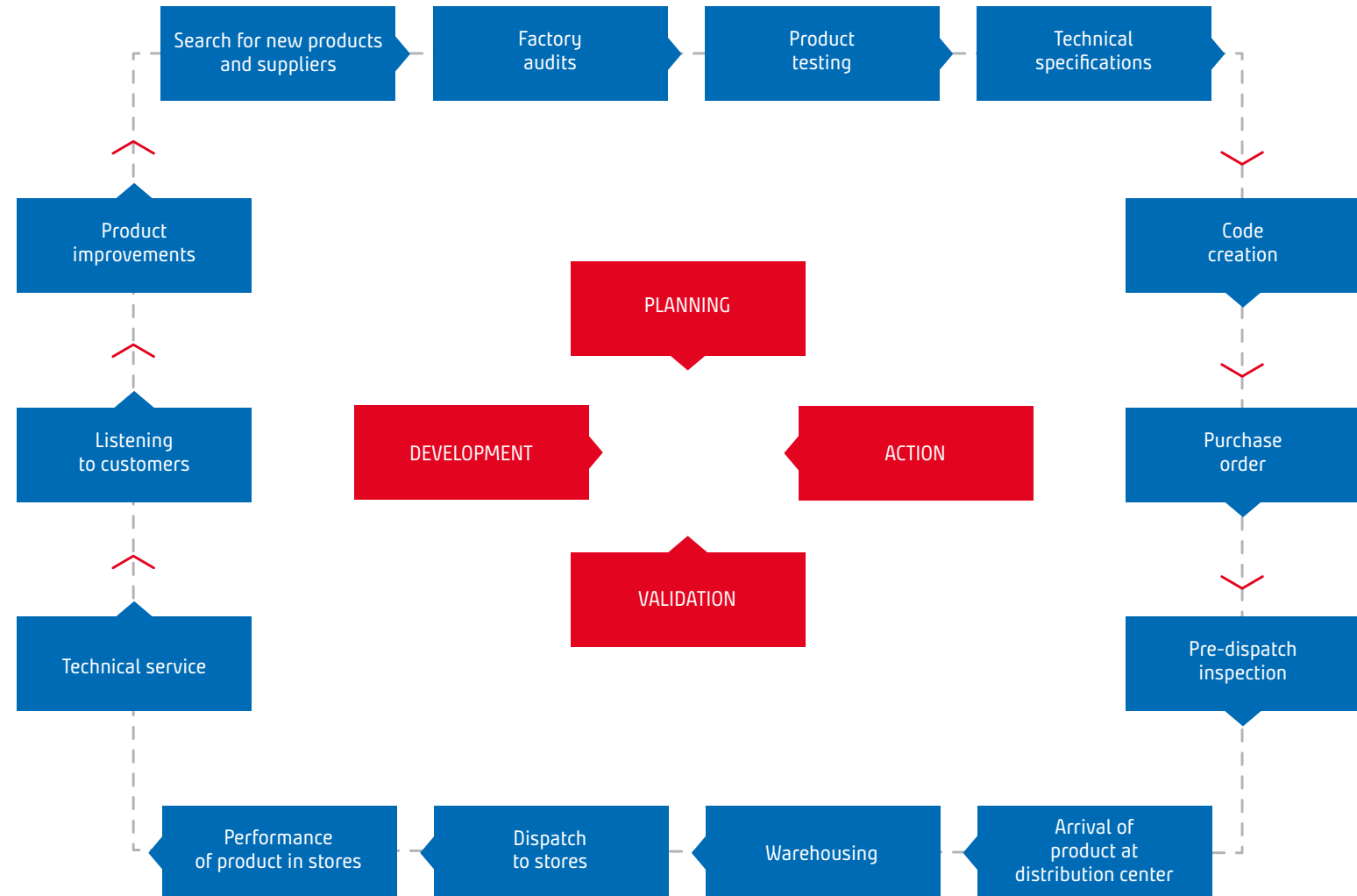
## ESG Compass Survey

Sodimac uses ESG Compass's Stakeholders Sustainable Index (SSIndex) management tool. This survey complements the company's own efforts on risk management and sustainable monitoring of its relations with suppliers. In 2019, 219 suppliers participated in the survey.

## Product quality and safety (416-1)

Sodimac controls the quality of products from their incorporation into its sales assortment through to after-sales service, seeking to ensure compliance with high local and international standards. To this end, it works with service companies and organizations specialized in evaluation, certification and regulation in order to guarantee its customers' safety and trust and ensure the necessary inventory in its warehouses and stores.

### Product Quality and Safety



## Inspections in Chile and overseas

(417-1)

After selecting a product and making contact with potential overseas suppliers, Sodimac visits their installations to verify their capacity and solvency. The products ordered are then subjected to strict quality controls by specialized international companies. They examine the product as a whole, verifying that it faithfully complies with the requested specifications and that the materials, manuals, labeling, barcode, packing and palleting are as required. They also take into account the product’s technical specifications, components and functional characteristics, analyzing each point required by the company’s Quality Control area. In 2019, 3,040 international inspections of this type were carried out.

These controls also apply to products acquired from local suppliers. In both cases, corrective inspections take place if errors are detected in a product, which must be remedied by the supplier. In all inspections, a product may be accepted or rejected and its dispatch authorized or not.

| International inspections | 2017  | 2018  | 2019  |
|---------------------------|-------|-------|-------|
| Asia                      | 4,870 | 5,092 | 2,929 |
| Europe                    | 41    | 36    | -     |
| Africa                    | 27    | -     | -     |
| Americas                  | 113   | 223   | 111   |

Source: Sodimac.

| Suppliers inspected | 2017 | 2018 | 2019 |
|---------------------|------|------|------|
| Asia                | 713  | 527  | 346  |

Source: Sodimac.

### Inspections in Chile

| Result of inspection | 2017       | 2018       | 2019       |
|----------------------|------------|------------|------------|
| Approved             | 355        | 357        | 251        |
| Rejected             | 63         | 28         | 23         |
| <b>Total</b>         | <b>418</b> | <b>385</b> | <b>274</b> |

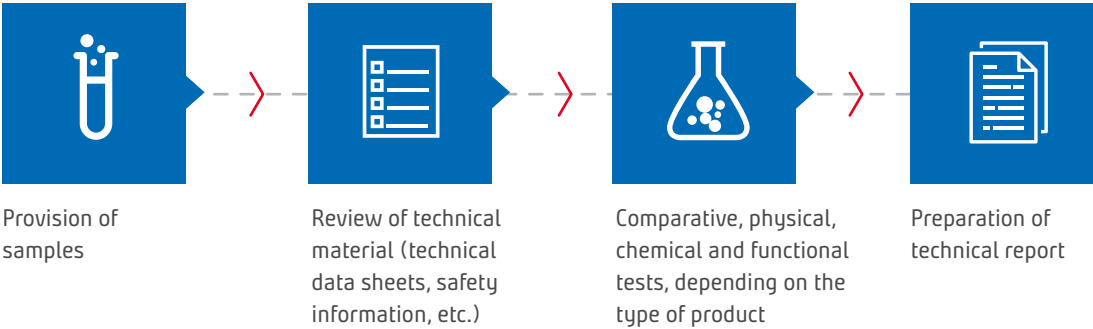
Source: Sodimac.

## Product testing

(416-1)

In order to verify the safety and usability of products, particularly electrical products and furniture, Sodimac’s Quality Control area hires the services of local and overseas laboratories. Sodimac also encourages suppliers themselves to use external laboratories to test their products as back-up for their incorporation into its catalogue.

### Internal Testing Cycle



| Product testing        | 2017      | 2018        | 2019      |
|------------------------|-----------|-------------|-----------|
| Product tests in Chile | 993 units | 2,911 units | 909 units |

Source: Sodimac.





Own brands and technical support

(416-1)

In the case of the products which Sodimac has made and labeled as own brands, it takes even greater responsibility for their quality, functioning and after-sales service. Much of the work of its Quality Control area involves monitoring these products in the different stages of their life cycle. The company currently markets 1,590 own brand products.

For own brand tapware products and those using electricity or some fuel, Sodimac has a technical service exclusively for their repair, the provision of spares and response to customers’ requirements. In 2019, it dealt with a total of 17,142 products of different types.

In addition, customers can use a network of technical support modules located in 59 stores around the country. They are staffed by experts who help clients with how to start to use the product they have acquired and the best way to do so and, if necessary, refer them to the technical service.

Customers attended by Technical Support

|      |         |
|------|---------|
| 2017 | 520,098 |
| 2018 | 352,812 |
| 2019 | 640,419 |

Source: Sodimac.

Recalls

(417-2)

In line with its commitment to customers’ safety, Sodimac has strict protocols for the preventive review of products or their recall if they pose a risk. In 2019, it was not necessary to recall any own brand products.

Product Use Experience Laboratory

Sodimac’s Corporate Quality Control area also seeks to ensure that customers have a positive experience of products. For this purpose, it has a Product Use Experience Laboratory, certified under the LEAN philosophy, with mechanical, electrical, chemical and materials testing facilities as well as areas for the installation, assembly and application of products. Using top-level measuring and testing equipment, the laboratory’s specialized personnel assess products for the different South American markets prior to their procurement. In addition, products that are already on the market are assessed, together with a team of product development engineers, defining improvements in their design as part of a process of continuous improvement.

In 2019, the Laboratory evaluated 1,606 products, including testing prior to their incorporation into the company’s assortment and of those already available in its stores.



# Innovation and supplier development

Sodimac fosters a concept of co-creation of products. This is implemented through the Supplier Innovation Center (CIP), created by the company in 2012, to manage and systematize its joint work with suppliers. By using this model, the company is able to put its extensive knowledge of customers' demands and expectations at the service of suppliers so they can work creatively and more directly and generate products, services, business models, experiences and processes that are more closely tailored to consumers' needs. This has historically resulted in the introduction of new products with a high value-added component into the chain's assortment.

These efforts are complemented by the [www.sodimacinnovacion.cl](http://www.sodimacinnovacion.cl) portal, which the company launched in 2017. It serves as an efficient and easy-to-use tool through which companies of different sizes, inventors and entrepreneurs can present projects that may potentially serve as concrete solutions. This open innovation tool has resulted in a rapid increase in the presentation of proposals for the development of services, products, software and experiences. More than 450 suppliers have registered with the program to which over 890 solutions have been presented in different areas.

## Sodimac Chile's first open innovation program

In 2019, Sodimac Chile launched its first open innovation program. The initiative, implemented in alliance with the INNSPIRAL corporate innovation accelerator and the Imagine Lab business accelerator, is designed to serve as a bridge between the entrepreneurship ecosystem and the company, enabling it to access external capabilities for the creation of solutions that can enhance customer experience.

The initiative attracted over 200 start-ups and, following the different application, pre-selection and evaluation stages of the process, five finalists were selected. As of end-2019, the company was working with them, 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.





## Inclusive trade

Sodimac supports small entrepreneurs in the development of products that have real commercial feasibility and meet the company's quality standards. Once the products are ready, the entrepreneurs can market them through the company's stores. Under this line of work, which seeks to have a positive social impact, the company has collaborated with the Espacio Mandela and Lalen initiatives.

The first of these initiatives seeks to contribute to the reintegration of people who have been in prison, offering them opportunities for technical and more general training while they are serving their sentence in the Santiago Sur Prison. Based on the cooperative model, Sodimac contributes its experience and knowledge, helping them to acquire skills that can provide a stable income once they are released. Folding wooden tables

and coffee and side tables made under this initiative have been sold in stores, meeting with an excellent response from customers.

In 2019, the company further developed its strategic alliance with Espacio Mandela and inaugurated a Sodimac Warehouse inside the prison. This will facilitate the participants' access to raw materials and enable them to respond to orders more quickly.

The Lalen initiative is the work of a group of micro-entrepreneurs who designed a line of cushions inspired by Chilean nature and the ancestral Mapuche culture. They are made by the Education and Work Center (CET) of the Puente Alto Prison and are marketed through Homy stores.

## Business fairs

In 2019, as part of the work of its Supplier Innovation Center (CIP), Sodimac attended three business fairs: Sistema B's fair in Santiago's Lo Barnechea district in May; the Integrare Santiago inclusive business fair in June; and Sistema B's fair in the Santiago municipal district in October.

At these three events, Sodimac interviewed more than 44 suppliers of services and products, including catering and hotel services, corporate gifts, facilities services, graphics (signage), outsourcing of personnel and work clothing, for their potential incorporation as suppliers.

At the end of the year, as a result of these contacts, the company was evaluating RED Maestra, a plumbing company formed exclusively by women, for incorporation into its installation services area.

# Our Customers





# Our Customers

All Sodimac's platforms for customers are equipped with listening tools to provide the company with first-hand feedback about their needs. Using this information, the company seeks to structure a differentiating range of products and services and implement improvements through which to enhance the shopping experience and generate ever higher levels of customer satisfaction.



## Strategic issues

- Shopping experience
- Product information
- E-commerce
- Education and responsible consumption
- Responsibility towards the customer

## Milestones

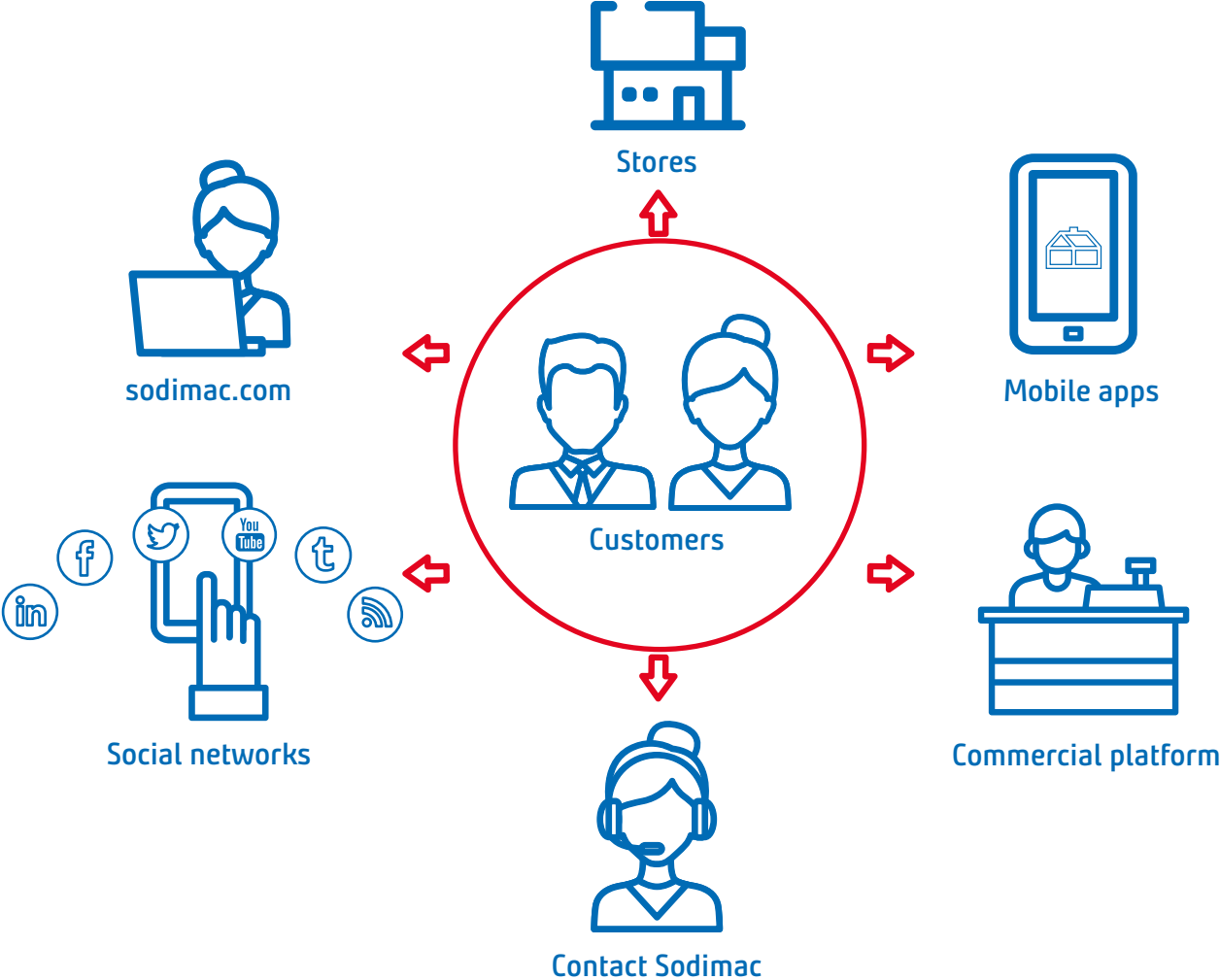
- 4<sup>th</sup> place in the Reputation Institute's RepTrak Chile ranking
- 5<sup>th</sup> place in the Havas Group's ranking of Meaningful Brands
- 7<sup>th</sup> place in the Merco ranking of corporate reputation
- Organization of the 7<sup>th</sup> version of Sodimac Constructor's Great Tradesmen's Training Fair, the largest event of its type in Chile.

## Sustainable Development Goals:



# Shopping experience

Sodimac applies an omnichannel strategy that seeks to create value for customers regardless of the platform they use and to respond to the profound changes occurring in consumption habits as a result of the digital transformation and the mass use of e-commerce.



## Omnichannel and e-commerce

In line with these consumer trends, the company has continued to make important investments. It implemented a fundamental change in its 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. At the same time, the content of the website was improved with the addition of 53,000 new photographs and more than 20,000 descriptions. Another priority in 2019 was to boost user-generated content on the e-commerce platform, which 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.

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, which are complemented by their online experience.

In the case of store sales, the concept of extra-assortment sales, associated services and advice on sales through Internet 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.

More than 250 Internet modules have been installed in stores and the click & collect service (online purchase and store collection) is available at all stores. By the end of the year, 15 collection points in Falabella and Tottus stores could also be used to pick up Sodimac orders, offering customers greater convenience.

Over 100,000 products and services are available on Sodimac.com and the range is constantly growing. In 2019, more than 20,000 new products were incorporated by using the marketplace model while the introduction of the cross-border model meant that customers had access to more than 800 products from other countries, 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.

## Listening to customers

Sodimac has in place a series of permanent listening channels through which to attend customers' requirements in different areas. They include:

- Customer call center
- Suggestion boxes in stores
- E-mails to Sodimac personnel
- Company website and social media
- Open line, letters to the National Consumer Service (SERNAC) and the media
- Mystery shopper measurements
- Channels for receiving enquiries and complaints that are open to all stakeholders, including customers.

Contact with customers is also boosted through Facebook, Twitter, LinkedIn, Pinterest, Instagram and YouTube and there is an online community that follows the content generated by Sodimac, shares it with others and provides feedback in the form of enquiries, comments, congratulations and recommendations.

In 2019, there was an average 52% increase in the company's followers on social networks, reaching a total of 4,166,537 followers and 20,835 positive appearances. Other achievements of the year in this field included 125 million visits to the company's website and 66 million visits to its YouTube channel.



## Customer satisfaction

(102-43)

All Sodimac stores, e-commerce channels and the Sales to Companies area use the Net Promoter Score (NPS) system to measure customers' level of satisfaction and perception of the quality of their shopping experience. This feedback, which is analyzed daily, is used to introduce improvements in processes and the company's value proposition and changes in physical and technological infrastructure as well as service standards and other aspects that make for greater satisfaction of customers' expectations.

In 2019, the company also began to measure employees' NPS. Given that a good customer experience starts with a good internal client experience, this measurement can provide valuable feedback for use in creating better action plans for the end consumer.

The company also created a Customer Experience area, reorganizing work teams to take a more strategic look at NPS management and setting up an expert team exclusively to solve after-sales cases. Through this new structure, the work methodology with stores (Internal Circle) and the transversal areas of the business (External Circle) was strengthened.

In 2019, 215,116 NPS surveys were answered online and, when asked if they would recommend a Sodimac store to a relative or friend, 67% responded with a score of between 9 and 10 points (on a scale of 1 to 10). These customers are considered brand promoters.

| Satisfaction survey | 2017    | 2018    | 2019    |
|---------------------|---------|---------|---------|
| Customers surveyed  | 194,740 | 270,142 | 215,116 |
| 9-10 points         | 65%     | 67%     | 67%     |
| 7-8 points          | 21%     | 19%     | 19%     |
| 0-6 points          | 14%     | 14%     | 14%     |

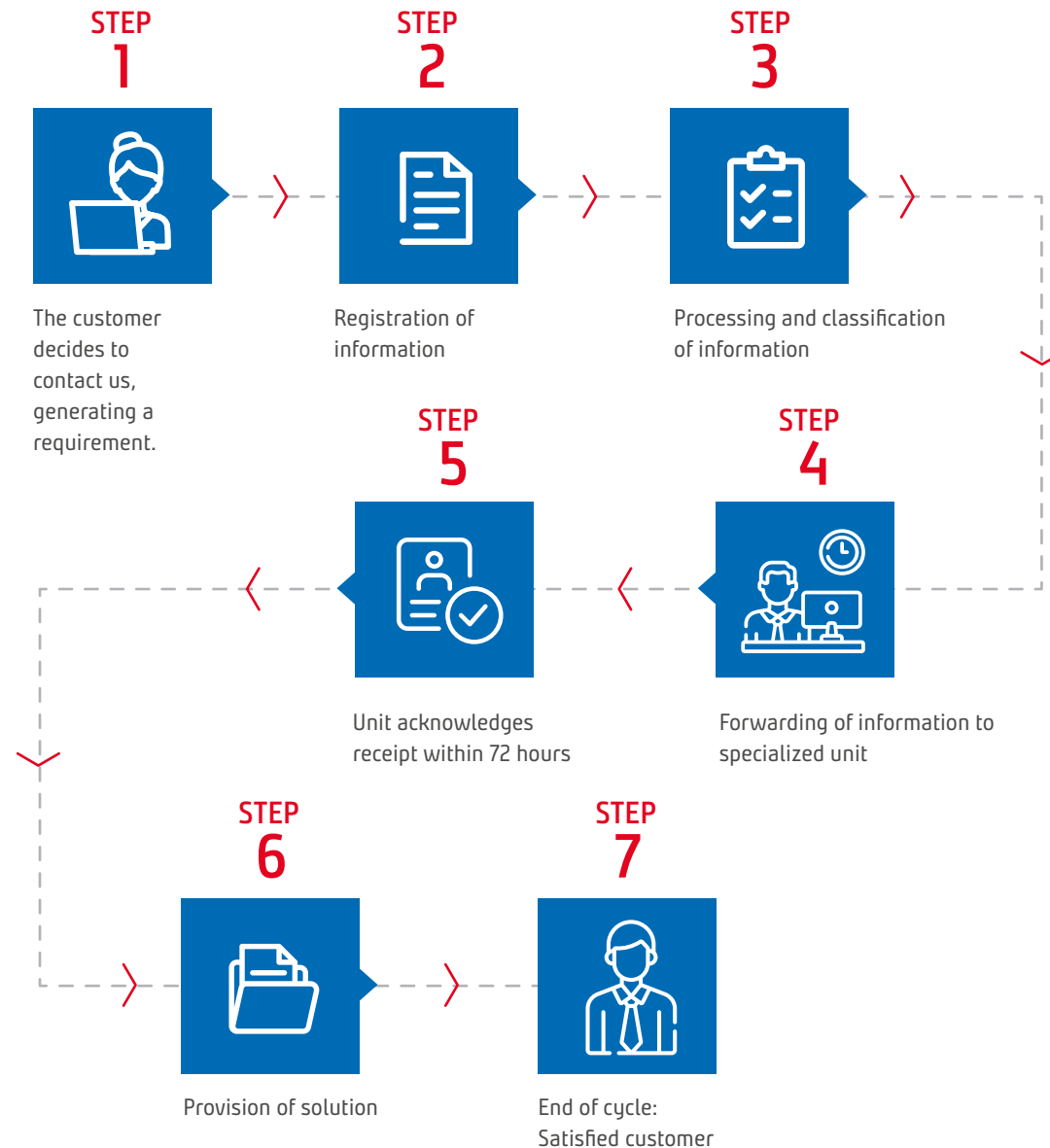
Source: Sodimac.

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.

## Handling of requests and complaints

(102-17)

Through its Customer Service area, Sodimac has in place a mechanism for processing and responding to all the requests, enquiries, congratulations, suggestions and complaints it receives from customers through the channels indicated above. In 2019, 228,580 communications were received of which 205,133, or 90%, were received online, by the call center or, for example, through the boxes placed in stores for this purpose. This was equivalent to 0.47% of total transactions during the year.





|      | Customer requirements (*) |
|------|---------------------------|
| 2017 | 186,409                   |
| 2018 | 202,951                   |
| 2019 | 228,580                   |

Source: Sodimac.

(\*) Excludes requirements resolved in the first telephone contact with the customer through the call center.

| Type of requirement | 2017 | 2018 | 2019 |
|---------------------|------|------|------|
| Complaint           | 63%  | 62%  | 62%  |
| Request             | 22%  | 23%  | 25%  |
| Enquiry             | 8%   | 7%   | 8%   |
| Congratulations     | 7%   | 8%   | 6%   |
| Suggestion          | 0.3% | 0.3% | 0.2% |

Source: Sodimac.

**SERNAC**  
Servicio Nacional del Consumidor

|                                  | 2017           |             | 2018           |             | 2019           |             |
|----------------------------------|----------------|-------------|----------------|-------------|----------------|-------------|
| Area of complaint                | N°             | %           | N°             | %           | N°             | %           |
| Delivery service                 | 51,451         | 44%         | 55,109         | 44%         | 62,808         | 45%         |
| Internet                         | 20,584         | 18%         | 23,273         | 18%         | 31,047         | 22%         |
| Products                         | 17,078         | 15%         | 18,183         | 14%         | 16,726         | 12%         |
| Installation service/tool rental | 9,090          | 8%          | 11,722         | 9%          | 13,611         | 10%         |
| Sales area                       | 7,854          | 7%          | 7,169          | 6%          | 6,265          | 4%          |
| Others                           | 4,036          | 3%          | 3,973          | 3%          | 3,898          | 3%          |
| Other store services             | 3,989          | 3%          | 3,760          | 3%          | 3,659          | 3%          |
| Checkouts                        | 2,666          | 2%          | 2,666          | 2%          | 2,956          | 2%          |
| <b>Total</b>                     | <b>116,748</b> | <b>100%</b> | <b>125,855</b> | <b>100%</b> | <b>140,970</b> | <b>100%</b> |

Source: Sodimac.

## Sodimac-SERNAC Agreement

Sodimac has an interoperability agreement with Chile's National Consumer Service (SERNAC) that facilitates handling of customers' complaints. The system operates using a platform, developed by SERNAC, which provides Sodimac with immediate notification when a complaint is received and the company undertakes to respond within seven working days. In 2019, Sodimac received 4,303 complaints through this channel and their resolution helped the company to adopt corrective measures.



## Responsible trade and marketing

Sodimac seeks to ensure the proper availability, quality and safety of the products and services it offers, fulfilling its promises, respecting customers' rights and applying fair and transparent commercial policies. The company's marketing communications are based on good faith, fair competition and practices designed using a sustainable approach and based on ethical advertising criteria.

## Advertising ethics

Sodimac is a member of Chile's National Advertisers' Association (ANDAs) and voluntarily adheres to the Code of Advertising Ethics and principles of the country's Council for Advertising Self-Regulation and Ethics (CONAR). Similarly, it adheres to and is certified under the Code of Self-Regulation of the Chilean Association of Direct and Digital Marketing (AMDD), which addresses general matters of responsibility and ethics in activities related to direct marketing.

## Brand building

In Sodimac's effort to incorporate best practices and communication about sustainability, it has significantly increased its use of digital platforms. This permits contact and dialogue with different audiences and, at the same time, provides the opportunity to create communities that help to generate deeper and more binding connections with the brand. Examples of these initiatives include *Fanáticos de la casa* (Fanatical about the house), *La Pasión por el fútbol* (Passion for football), *Fanáticos de las mascotas* (Fanatical

about pets) and *Haciendo ECO* (Being Eco), which focuses on creating awareness about responsible consumption.

The company's brand-positioning work receives constant feedback through different measurements. In 2019, the company took 4<sup>th</sup> place in the Reputation Institute's RepTrak Chile ranking, 5<sup>th</sup> place in the Havas Group's Meaningful Brands measurement and 7<sup>th</sup> place in the Merco ranking of corporate reputation.

## Personal data and information security (418-1)

Sodimac handles customers' information in strict compliance with the law, which requires total confidentiality of all their personal data and prohibits its transfer to third parties. The company has rigorous internal protocols and security systems in line with the highest national and international standards.

In 2019, there were no reports or formal complaints related to the violation of privacy or data leakage.

## Product recalls (417-2)

The company's responsibility towards its customers implies that it immediately halts the sale of any product that may pose a risk to them and implements a preventive recall. This includes coordination with suppliers so they take the corresponding corrective measures to ensure compliance with regulation. Special emphasis is placed on these procedures in the case of own brand products. In 2019, there were no cases that called for application of this protocol.

*For further information, see the Our Suppliers chapter of this Report.*

## Legal regulation and lawsuits

(417-2; 417-3; 419-1)

In 2019, 66 lawsuits were filed against the company under Chile's Consumer Law. This was slightly down on 2018.

Sodimac has been implementing training in different areas of the company to reinforce employees' understanding of its corporate compliance program.

## Legal cases - Lawsuits

| Grounds                           | 2017        |                      | 2018        |                     | 2019        |                     |
|-----------------------------------|-------------|----------------------|-------------|---------------------|-------------|---------------------|
|                                   | N° of cases | Amount               | N° of cases | Amount              | N° of cases | Amount              |
| Product, information and labeling | 27          | \$10,945,689         | 32          | \$7,502,911         | 12          | \$2,287,990         |
| Health and safety                 | 12          | \$23,532,086         | 12          | \$4,793,145         | 12          | \$2,691,145         |
| Others                            | 39          | \$ 88,898,312        | 23          | \$20,534,821        | 21          | \$6,811,580         |
| Delivery non-compliance           | -           | -                    | -           | -                   | 23          | \$3,773,605         |
| Advertising and marketing         | 9           | \$1,866,689          | 2           | \$366,980           | -           | -                   |
| <b>Total</b>                      | <b>87</b>   | <b>\$125,242,776</b> | <b>69</b>   | <b>\$33,197,857</b> | <b>68</b>   | <b>\$15,564,320</b> |

**Note:** The amounts indicated (in Chilean pesos) are the amount paid at the end of the lawsuit.  
**Source:** Sodimac.

### Mi Cliente Program

In 2019, the company implemented the special *Mi Cliente* (My Customer) training program to reinforce employees' knowledge about customers' rights and increase their awareness of the role they play in this field.

### Actitud Program

As part of its constant quest to improve customer experience at its stores, Sodimac designed the *Actitud* (Attitude) training program to strengthen the skills of sales and checkout personnel throughout the chain. This was one of the largest training initiatives of the year, covering 4,337 employees, with positive results in terms of customer service and experience.

## Education and responsible consumption

(413-1)

Sodimac’s commitment to sustainable development envisages a circular economy strategy that starts with the design and packaging of products and goes through to their recycling and reuse, covering the whole chain from a 360° standpoint.

The company 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. They include several lines of cleaning products and storage and household items manufactured with plastic waste received at the company’s Clean Points, an initiative that is the result of an alliance with TriCiclos and Comberplast.

The company’s assortment also includes products that are verifiably efficient in their use of energy or water or are free of volatile organic compounds (VOCs), which are harmful to health. In addition, Sodimac contributes to inclusive trade by carrying products that generate a positive impact on society.

Sodimac also participates in campaigns that seek to create awareness and contribute to protection of the environment and the fight against climate change. In 2019, they included Earth Hour, Save the Earth, Change the Climate, *Desafío Tierra* (Earth Challenge), *Haciendo ECO* (Being ECO) and 6D with the reforestation of Santiago’s Renca Hill.

*For further information, see the Commitment to the Environment chapter of this Report.*

### Sodimac’s Tradesmen’s Circle

The Sodimac Tradesmen’s Circle (CES), the company’s emblematic inclusive business program, has now been in existence for 14 years and 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.

The CES has over 380,000 members throughout Chile. *(For further information, see [www.circulodeespecialistas.cl](http://www.circulodeespecialistas.cl)).*

| CES activities                       | 2017    | 2018    | 2019    |
|--------------------------------------|---------|---------|---------|
| N° of members                        | 416,000 | 402,123 | 388,000 |
| N° of members with SEC certification | 60      | 60      | 60      |
| N° of training sessions              | 624     | 497     | 495     |
| N° of scholarships                   | 2,625   | 2,650   | 2,773   |

Source: Sodimac.

Through the CES, Sodimac has a scholarship plan for tradesmen in alliance with the following institutions: Catholic University of Concepción, University of Talca, DECON UC, Santo Tomás University (UST), DuocUC, Ceduc UCN, Metropolitan Technical University (UTEM), Los Andes University (UDLA) and the Technological Development Corporation (CDT) of the Chilean Chamber of Construction (CChC). In 2019, 2,773 scholarships were awarded.

The courses offered included Plumbing and Installation of Sanitary Artifacts, Household Electrical Installation, Installation and Maintenance of Solar Photovoltaic Panels, Low-Pressure Plumbing, Construction with Metal Profiles, Drinking Water and Sewage Installations and Installation and Maintenance of Air Conditioning Systems.

Once they have completed their training, the scholarship holders receive a diploma to certify the knowledge and skills acquired.





## Great Tradesmen's Training Fair

In March, the seventh version of the Great Tradesmen's Training Fair took place. Organized by Sodimac Constructor, this is the most important free-of-charge event for the development and professionalization of Chile's construction sector. The Fair, in Santiago's Estación Mapocho Convention Center, lasted three days and was visited by 20,000 people.

It included over 300 free training sessions that were attended by 18,000 people and followed by a further 50,000 online. It included the Best Chilean Tradesman competition, in which over 3,800 people participated.



## Manitos a la Obra

After a pause in 2018, the company once again held a series of *Manitos a la Obra* (Little Hands to Work) workshops. Through this initiative, it seeks to relate creatively to children, offering them and their families the opportunity to discover skills and participate in a fun way in manual activities related to projects that could be useful in the home.



## Hágalo Usted Mismo

Through its *Hágalo Usted Mismo* (Do It Yourself) program, Sodimac seeks to address needs and problems that are common to all households. Using channels that include videos on YouTube, workshops at stores for customers and special sections in its catalogues, it provides information on home maintenance and repair and, for example, how to make different items.

For further information, see [www.hagaloustedmismo.cl](http://www.hagaloustedmismo.cl).

## Hágalo Usted Mismo en Comunidad

For the second consecutive year, Sodimac implemented its *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, enhance their quality of life.

The workshops are taught by the Proyecto Propio Foundation in collaboration with other

organizations with which Sodimac has alliances. They include modules on home maintenance, helping families to save money and generating projects that inspire families, neighbors and the community. Over the course of the year, 110 workshops took place in different parts of Chile.

For further information, see [www.hagaloustedmismo.cl/encomunidad](http://www.hagaloustedmismo.cl/encomunidad).

# Commitment to the *Environment*



# Commitment to the Environment

Sodimac supports the fight against climate change by measuring and seeking to reduce and mitigate the environmental impacts of its operations and making more efficient use of resources. It also implements initiatives to raise awareness and foster care for the environment throughout its value chain.



## Strategic issues

- Carbon footprint
- Energy efficiency
- Sustainable products
- Waste management
- Efficient logistics and transport

## Milestones

- Since 1 March 2019, all deliveries of products acquired online by customers have been carbon neutral, positioning Sodimac as the first company in Chile to make this a permanent commitment.
- The *Huella Chile* (Chile Footprint) program awarded Sodimac its Quantification seal as well as the Reduction and Excellence seals for its commitment and continuous improvement.
- Sodimac inaugurated a new Clean Point at the Open shopping mall in the town of La Calera, taking the total to 19 across 11 regions of the country.
- The company joined the Chilean Plastics Pact, led by Fundación Chile and the Environment Ministry.
- Together with another 12 companies, Sodimac signed a Clean Production Agreement for the collective management of disused electrical and electronic products.

## Sustainable Development Goals:





# Combating climate change

(302-1; 302-4; 305-1; 305-2; 305-3; 305-4; 305-5)

Sodimac measures and seeks to reduce and mitigate the direct and indirect greenhouse gas (GHG) emissions generated by its activities in order to improve its environmental performance and meet its goal of a 30% reduction in the carbon footprint under its control (Scopes 1 and 2) by 2021. Thanks to this work of continuous improvement, the company achieved important progress in 2019.

## Carbon footprint

Sodimac has measured its carbon footprint every year since 2010. It applies the methodology established by the Greenhouse Gas Protocol in a process designed with the support of the Proyectae engineering company.

The annual measurement of the company's GHG emissions includes:

- Use of fossil fuels and the leakage of refrigerant gases in sources controlled or owned by the company;
- Indirect emissions related to the electricity consumed by the company in its installations (stores, offices and warehouses);

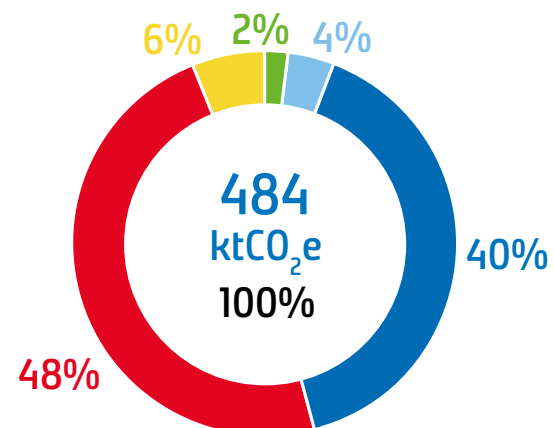
- Emissions related to the transport of products, the transport used by customers to visit stores, the transport of employees, the manufacture of operating inputs for the company's stores and offices, the disposal of waste and recycling, business travel, e-commerce and the production of fuels.





## Carbon Footprint

Inventory of GHG Emissions



8 ktCO<sub>2</sub>e

**Fuels and refrigerant gases**

Scope 1

| Source            | % CO <sub>2</sub> e |
|-------------------|---------------------|
| Diesel            | 5%                  |
| Natural gas       | 1%                  |
| LPG               | 69%                 |
| Refrigerant gases | 14%                 |
| Gasoline          | 12%                 |



20 ktCO<sub>2</sub>e

**Electricity**

Scope 2

| Origin                                     | GWh | % CO <sub>2</sub> e |
|--------------------------------------------|-----|---------------------|
| Purchased from National Electricity System | 46  | 100%                |
| Attributable to 100% NCRE                  |     | Con                 |
| Own solar generation                       | 85  | 0%                  |
|                                            | 3   | 0%                  |



194 ktCO<sub>2</sub>e

**Transport of products**

Scope 3

| Type                          | % CO <sub>2</sub> e |
|-------------------------------|---------------------|
| Imports                       | 43%                 |
| Sales under Sodimac's control | 22%                 |
| Sales by third parties        | 35%                 |



231 ktCO<sub>2</sub>e

**Transport used by customers**

Scope 3

| Means of transport | M pkm | % CO <sub>2</sub> e |
|--------------------|-------|---------------------|
| Private car        | 954   | 94%                 |
| Public transport   | 339   | 6%                  |
| Bicycle and foot   | 19    | 0%                  |



31 ktCO<sub>2</sub>e

**Others**

Scope 3

| Source                 | % CO <sub>2</sub> e |
|------------------------|---------------------|
| Transport of employees | 66%                 |
| Waste and recycling    | 10%                 |
| Production of fuels    | 8%                  |
| Business travel        | 7%                  |
| Inputs and services    | 5%                  |
| E-commerce             | 4%                  |

Source: proyectae

The results for 2019 show that:

- GHG emissions reached 484,000 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), down by 14% on the previous year. This reduction was explained principally by lower emissions related to the transport of products, a drop in the number of visitors to stores and better energy management.
- The principal sources of emissions were product transport and logistics (40%), transport used by customers to visit stores (48%) and transport of employees (4%). In 2018, the electricity consumed was an important source but, due to the measures implemented, it is no longer one of the three principal sources of emissions.
- Out of its total emissions, Sodimac has more direct control over those referred to as "Scope 1" and "Scope 2", with their origin in the use of fossil fuels, the leakage of refrigerant gases and electricity consumption, which together totaled 28,000 tCO<sub>2</sub>e (equivalent to 5.7% of the company's total carbon footprint). Of these, 71% corresponded to electricity consumption.
- In 2019, Scope 1 and 2 emissions were down by 13% on the previous year. This reflected control measures and efficient use of energy, an increase in purchases of renewable energy and the installation of solar panels.
- In the case of Scope 3 emissions, 43% was explained by the transport of products and 50% by the transport used by customers to visit stores. Over these emissions, Sodimac exercises indirect control through transport and logistics contracts with third parties and improvements in its e-commerce system which help to reduce customers' travel to stores. Because indirect information is used to calculate Scope 3 emissions, the reported figures are less accurate than for Scopes 1 and 2.
- GHG emissions intensities for Scopes 1 and 2 were 40 kgCO<sub>2</sub>e/m<sup>2</sup> of sales floor and 0.42 kgCO<sub>2</sub>e/UF of sales.
- Total GHG emissions intensities for Scopes 1, 2 and 3 were 706 kgCO<sub>2</sub>e/m<sup>2</sup> of sales floor and 7.3 kgCO<sub>2</sub>e/UF of sales.
- The company implemented a number of different initiatives to manage its carbon footprint, both internally and in collaboration with suppliers. They included carbon-neutral deliveries, the installation of solar panels, the purchase of renewable energy, an energy monitoring and management system, the eco-design of containers and packaging and the use of carbon-neutral taxi services for employees. Together, these measures avoided the emission of 40,929 tCO<sub>2</sub>e, equivalent to 8.5% of the company's carbon footprint.

## Environmental expenditure and investment

In 2019, Sodimac implemented a number of important environmental investments.

| Project ('000 CLP)                            | 2017             | 2018             | 2019             |
|-----------------------------------------------|------------------|------------------|------------------|
| Changes in lighting                           | 954,009          | 1,810,477        | 847,196          |
| Clean Points                                  | 491,434          | 828,628          | 680,358          |
| Waste treatment                               | 86,007           | 94,250           | 77,811           |
| Carbon footprint measurement                  | 13,511           | 13,805           | 14,119           |
| REP inventory                                 | 35,495           | 34,357           | 20,670           |
| Environmental declarations                    | 74,622           | 59,560           | 68,988           |
| Environmental platform                        | 37,767           | 51,802           | 36,265           |
| Waste warehouse                               | 19,852           | 55,798           | 9,500            |
| Eco-products consultancy                      | -                | 21,876           | -                |
| Sponsorship of Sustainable Construction Forum | -                | 2,500            | -                |
| Organic waste (canteen)                       | -                | 1,099            | -                |
| <b>Total</b>                                  | <b>1,712,697</b> | <b>2,974,152</b> | <b>1,754,907</b> |

Source: Sodimac.

## Carbon-neutral transport of employees

In 2019, as part of its efforts to reduce and offset its carbon footprint, Sodimac began to use the Cabify platform for the transport of employees. Journeys with this service totaled 38,658 km against which it offset 7.6 tCO<sub>2</sub>e.

Cabify measures its emissions and offsets them through the Madre de Dios reforestation project in the Amazon.

## Recognition from the Huella Chile program

Sodimac has participated in the *Huella Chile* (Chile Footprint) program since 2018. This program was created by the Environment Ministry to promote the measurement, reporting and management of GHG emissions and the upload of this information to the National GHG Inventory System.

During its second year of active participation in the program, Sodimac once again obtained its Quantification seal for the measurement of its carbon footprint. In addition, it was awarded the Reduction and Excellence seals for its commitment and continuous improvement in this field.



## Operational eco-efficiency

In the construction of its stores, Sodimac applies international environmental standards based on the guidelines of the US Green Building Council. In 2008, it opened a store in the city of Copiapó in northern Chile that was the first retail store in Latin America to obtain Silver category LEED certification. This was subsequently also obtained by the Sodimac Homecenter in Santiago's Quilicura district and the company's corporate offices in the city's Renca district.

The company has adopted a policy that all new stores or buildings related to its operations must have a design based on international sustainable development guidelines, with architectural and infrastructure standards that are conducive to the efficient use of resources. In 2019, the company made progress in its switch to LED lighting, converting 27 stores around the country. In the last quarter, it also implemented a pilot energy monitoring and control system at four stores. This system manages lighting of the sales floor during the night as well as demand at peak hours, and was able to save close to 0.17 GWh, equivalent to avoiding the emission of 70 tCO<sub>2</sub>e.

The company has an Environmental area, which is responsible for identifying risks and leading initiatives to comply with environmental regulation as well as other measures to ensure that the company operates with responsibility towards the environment.



## Progress on renewable energies

Together with Solarity, an international distributor and wholesaler of photovoltaic systems, and EfeSolar, a company that specializes in photovoltaic solutions, Sodimac is implementing a project under which the roofs of 46 of its installations in Chile will be equipped with solar panels between 2017 and 2020. They will generate up to 34% of the company's total electricity consumption.

In 2019, 33 plants were installed and 19 are already in operation at different stores around the country, producing close to 3.5 GWh and avoiding the emission of 1,412 tCO<sub>2</sub>e. Once fully operational, these panels will generate approximately 46

GWh/year, equivalent to the consumption of more than 19,000 Chilean households, and avoid the annual emission of some 20,000 tonnes of CO<sub>2</sub>.

In a further contribution to the company's use of renewable energies, 38 stores and other installations around Chile are switching to non-conventional renewable energy (NCRE) under an agreement signed by the Falabella group with Acciona Energía in 2017. In 2019, Sodimac acquired close to 85 GWh under this agreement, avoiding the emission of 34,432 tCO<sub>2</sub>e, equivalent to around 7% of the company's carbon footprint.

## Water footprint

(303-5)

Given the nature of its activities, Sodimac does not consume water for industrial purposes. It is used only for employees in showers and canteens and for customer bathrooms.

The drinking water consumed at the company's stores, distribution centers and support offices is supplied by each town and city's water company and is discharged into the public wastewater system in accordance with the regulation in force. Because store consumption is low and the company does not use water for industrial purposes, it does not have specific projects for recycling or reusing water.

In 2019, work continued on gathering information about the company's water consumption. This gave a total consumption of 1,429,225 m<sup>3</sup>. However, only 43 installations are billed directly by the corresponding water company and, in other cases, consumption was estimated.

The challenge for 2020 will be to measure the consumption of all stores around the country in order to implement water efficiency plans.

At the same time, the company will implement an online training program to address environmental issues that include water. The program will include modules to raise awareness and on measures to save water that are applicable to the homes of employees and their families as well as the company's workplaces.

The company will also continue to prepare content for customers about responsible water use and to encourage the mass use of products that help households to save water.



## Carbon-neutral e-commerce

Since 1 March 2019, all deliveries of products acquired by customers online have been carbon neutral. This included the two Cyber Day events, in May and October, when the company's sales showed an important increase.

Sodimac was the first company in Chile to make this a permanent commitment, adopting a model that offsets the emissions generated by e-commerce deliveries through the purchase of carbon credits from internationally registered renewable energy projects implemented in Chile.

In 2019, the company offset 80,830 journeys for the home delivery of 1,235,940 orders, neutralizing the equivalent of 3,351 tCO<sub>2</sub>e.

The system is registered with the Santiago Climate Exchange (SCX), which issues a CO<sub>2</sub> Neutral certification license for the delivery process, guaranteeing the compliance and traceability of the previous stages. On [www.sodimac.com](http://www.sodimac.com), customers can choose the renewable energy project to be used to offset their delivery.

*For further information, see [www.scx.cl](http://www.scx.cl).*



# Compliance and waste management

(306-2)

## Regulatory compliance

(307-1)

Sodimac's Sustainability Policy is implemented in accordance with environmental legislation and the different undertakings into which the company has entered voluntarily. It also files declarations with the Register of Emission and Transfer of Pollutants (RETC), a platform created by Chile's Environment Ministry to facilitate citizens' access to information about organizations' emissions, waste and the transfer of pollutants.

The legal environmental requirements to which the company adheres are divided into 12 areas:

### 1. Waste management and disposal

For this purpose, the company has temporary waste storage facilities that have permits from the Health Ministry's Regional Office (SEREMI) and are duly registered, along with the person responsible, with the RETC online system in which each collection is reported. Movements are reported to the National Waste Declaration System (SINADER) and the System for Declaration of Hazardous Waste (SIDREP) and an update of the database is filed monthly.

### 2. Emissions from fixed sources

The company registers all the generators sets and fire pumps of each of its establishments and monitors their fuel consumption and hours of use on a monthly basis. It also files an annual declaration for each store in the RETC system.

### 3. Light pollution

In the Antofagasta, Atacama and Coquimbo Regions of northern Chile, the type and angle of outside lighting are regulated so as not to interfere with the operations of the astronomical observatories that exist in this part of the country.

### 4. Canteens

Canteens require authorization from the Health Ministry's Regional Office (SEREMI). In addition, they must comply with a number of infrastructure requirements.

### 5. Monitoring of Environmental Approval Resolutions (RCAs)

Certain projects must be submitted to Chile's Environmental Impact Evaluation System through the presentation of either an Environmental Impact Study or an Environmental Impact Declaration. This process culminates with the award of an Environmental Approval Resolution (RCA), which sets out all the related environmental undertakings. The Lo Espejo Distribution Center, for example, has two RCAs.

### 6. Pest control

Regular pest control and sanitization processes take place, according to the needs of each installation, maintaining cleanliness and hygiene for both employees and customers and complying with the applicable regulation.

### 7. Hazardous substances

These include liquefied gas for cranes, paints and solvents. Requirements are established for their display in stores.

### 8. Extended Producer Responsibility (REP) Law

This Law obliges the manufacturers and importers of priority products to take responsibility for them once their useful life has ended. It applies to six priority products.





9. Permits from the Superintendency of Electricity and Fuels

These are required for interior electrical and gas installations and for the storage of liquid fuels.

10. Municipal permits

These include planning permission and authorization for the use of a new building as well as business operating licenses.

11. Industrial review

This is a document evaluating the risks that the operation of a building or other infrastructure poses in terms of the damage and harm it could cause to employees, the neighborhood and the community. Activities can be classified as inoffensive, a nuisance, unhealthy, polluting or hazardous. Its aim is to establish the conditions in which activities are located in accordance with Municipal Zoning Plans and in harmony with their residential surroundings and the environment.

12. Health report

This document testifies to an industrial establishment’s compliance with environmental and health and safety regulation. Under Article 83 of Chile’s Health Code, it is a prerequisite for the definitive municipal permit for the installation, expansion or change of location of an industry or a commercial or warehousing activity.

Sodimac has a policy on the recovery and recycling of its own waste and that generated by the community. It includes programs designed to ensure the correct disposal of waste.

Waste management  
(306-2)

Disposal of non-hazardous waste

In alliance with Sociedad Recuperadora de Papel (Sorepa), Sodimac implements a plan for recycling the paper and cardboard used by suppliers as packaging for their products. In 2019, 5,176 tonnes of material were recycled, including white and magazine paper, cardboard and mixed

white paper and white and colored thin cardboard as well as plastic film and wood. During the year, the company also generated 28,050 tonnes of non-hazardous waste for which it does not yet have a recycling or reuse plan. This was sent to a duly authorized landfill.



| Type of recycling                            | Unit | 2017   | 2018   | 2019   |
|----------------------------------------------|------|--------|--------|--------|
| Waste sent to landfill                       | t    | 28,539 | 29,295 | 28,050 |
| Waste recycled                               | t    | 5,447  | 5,663  | 5,176  |
| Own recycling – cardboard, paper and bobbins | t    | 5,094  | 5,190  | 4,728  |
| Own recycling – plastic film                 | t    | 207    | 215    | 244    |
| Own recycling – wood                         | t    | 146    | 258    | 204    |

Source: Sodimac.

## Disposal of hazardous waste

The company has a program for the elimination from its stores of solid and liquid waste that could be harmful to people or the environment. It covers the disposal of used batteries, fluorescent tubes, electronic articles, empty paint tins, solvent containers, oils and solid waste contaminated with hydrocarbons, all of which are stored in duly labeled plastic containers under a Standard Operating Procedure (POE) for hazardous materials. In the areas where chemicals are stored, all stores have equipment for handling spillages appropriately.

Veolia, a company certified for the collection and transport of hazardous waste, is responsible for taking this waste to the final disposal plant where it is rendered inert and subjected to a recovery process while all those elements of which use cannot be made or which do not have value undergo chemical and physical treatment.

### Hazardous waste

|                  | 2017       | 2018      | 2019      |
|------------------|------------|-----------|-----------|
| <b>Total (t)</b> | <b>141</b> | <b>93</b> | <b>85</b> |

Source: Sodimac.

## National Network of Clean Points

Sodimac's National Network of Clean Points is in line with the company's "zero waste" target. These facilities not only help households to minimize their waste but also reduce the impact of the company's own operations.

The Clean Points receive 12 types of recyclable material with a guaranteed form of recovery, which is compacted and sent to recycling companies. The materials include PET plastics, polythene, polypropylene, polystyrene, glass, aluminium, scrap metal and food cans, tetra pack containers, cardboard, paper, newspapers and magazines. Since 2018, under an alliance between Sodimac and the WOM telecommunications company, the Clean Points have also received electronic waste (old mobile phones, tablets and cables) for recycling or, through the Chilenter Foundation, reuse. The process includes the extraction and reuse of different components that can be harmful to the environment.

In 2019, the company decided to move the Clean Point in the Puerta del Mar shopping mall in the city of La Serena to the parking lot of the Balmaceda Sodimac Homecenter in the same city to facilitate its use by customers and the community of the Coquimbo Region in general. It also

opened a new Clean Point next to the Sodimac Constructor in the Open shopping mall in the town of La Calera. This is now the largest facility in the Quillota Province.

As of end-2019, there were a total of 19 Clean Points across 11 regions of Chile, including the facility at the company's headquarters in Santiago. This made it the largest network of its type in the country. Since its creation in 2010, the Clean Points have received over 3.4 million visits and recycled 18,899 tonnes of material.

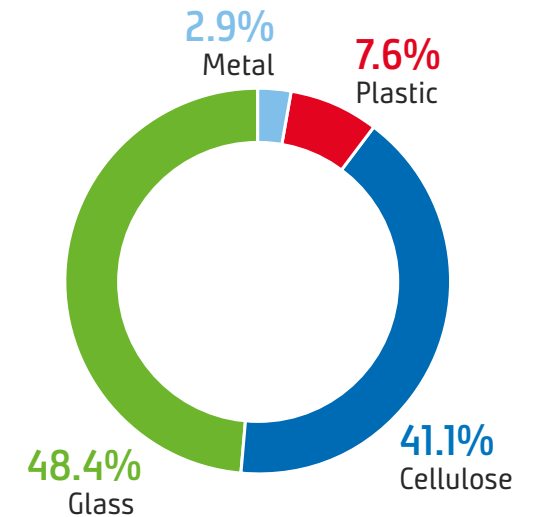
### Recycling at Clean Points

|               | 2017           | 2018           | 2019           |
|---------------|----------------|----------------|----------------|
| <b>Tonnes</b> | <b>2,553</b>   | <b>3,206</b>   | <b>4,162</b>   |
| <b>Visits</b> | <b>505,263</b> | <b>832,049</b> | <b>847,097</b> |

Source: Triciclos.

### Material Recycled, 2019

Type of material



Source: Triciclos.



## Alliance with Polpaico

In 2019, Sodimac signed an alliance with the Polpaico construction materials producer until which joined the National Network of Clean Points, extending the coverage of this initiative, which is present in 11 regions of Chile. Through this alliance, Sodimac seeks to deepen its commitment to sustainability and contribute to raising Chile's recycling rate.



## Promoting recycling for customers

In the context of the implementation of Chile's Extended Producer Responsibility Law (the "REP Law"), an initiative that seeks to harness the efforts of the public and private sectors as well as consumers, Sodimac is contributing its experience to encourage organizations and households to improve their waste reduction, reuse and recycling habits. In this work, it is supported by organizations that include the Santiago Chamber of Commerce (CCS) and the Chilean-North American Chamber of Commerce (AmCham). The initiatives it has implemented include:

- As part of its waste management, Sodimac recycles paper, cardboard and stretch film and is progressing on the disposal of wood, achieving a recycling rate of close to 21% of the post-industrial waste generated by its stores.
- Through its National Network of Clean Points, the company contributes to management of the community's waste.
- It is carrying out a study of the materials and an inventory of the containers and packaging of over 3,000 own brand products and implementing a right-sizing program, proposing improvements to containers to
- modify their size, weight or materials as necessary. Since 2017, the company has been working with suppliers of some lines of products such as lighting, introducing changes in packaging that have reduced the use of plastic.
- In 2016, Sodimac signed a Clean Production Agreement to establish a management plan, ahead of implementation of the REP Law. In 2019, this resulted in the recovery of 152 tonnes of old batteries from its Car Center customers.
- The company has also continued to manage the old tires of its Car Center customers, recovering 290 tonnes in 2019.
- As part of a program to recover disused items from customers for repair and/or recycling, the company implements *Haciendo ECO* (Being ECO) campaigns. In 2019, the campaigns included the recycling of furniture, car batteries, barbecues and white goods, totaling 44.6 tonnes of material and 41 pieces of furniture.
- In 2018, Sodimac signed a Zero Waste to the Landfill Disposal Clean Production Agreement that seeks, within 24 months, to minimize the generation of solid waste and increase its reuse with a view to a definitive reduction in the waste that the signatory companies send to a landfill. Through this agreement, it is possible to match the supply of solid waste with

the recycling companies that belong to the National Recycling Industry Association (ANIR), contributing to the development of the recycling industry and facilitating the construction of a closed cycle in waste management.

As part of this initiative, the company implemented a circular economy project for the pallet and wood waste generated at its stores. Through an alliance with Armony, a recycling company, a product called Mulch was developed from this wood waste and is sold in Sodimac stores. This project applies a reverse logistics system, using the trucks that deliver Mulch to stores to take wood waste away for processing.

## Sodimac adheres to Clean Production Agreement for electrical and electronic goods

In 2019, Sodimac signed a new Clean Production Agreement (APL), designed to create a collective system for the management of used electrical and electronic goods and improve information about the sector. Thirteen companies, coordinated by the Santiago Chamber of Commerce (CCS), have joined the initiative, proposed by the government's Sustainability and Climate Change Agency (ASCC). It also includes the Traperos de Emaus organization in representation of grassroots collectors.

One of the main actions of the Agreement, which will be implemented within 24 months, will be to define a model for the inclusion of grassroots recyclers in the management and handling of this waste, taking into account the challenges as regards its storage, transport

and pre-treatment and its hazardousness. It will also draw up a map of existing public-private initiatives and pilots for the recovery and reuse of post-consumption electric and electronic articles in order to gather reliable information about real management capacity. In addition, public education campaigns about management of waste of this type will be implemented.

This will enable companies to prepare for the correct implementation of Law N° 20.920 by designing a management system that addresses the complexity of the electrical and electronic goods market, with its variety of products, models and useful lives as well as the presence of substances classified as hazardous waste.



## Adhesion to Circular Economy 100

Sodimac is a member of the Circular Economy 100 (CE100) network of the Ellen MacArthur Foundation, a global public-private community of companies, entrepreneurs, governments and academic institutions that work together to overcome the criteria of the linear economy

and its negative impact on ecosystems and to protect the environment. The participants share knowledge and experience and seek opportunities for joint projects through which to move towards a circular economy.

## Sodimac joins the Chilean Plastics Pact

By joining the Chilean Plastics Pact (PCP), an initiative led by the Fundación Chile technology transfer institute and the Environment Ministry, Sodimac is helping to rethink the future of plastics, together with other actors in the value chain: companies, the public sector and NGOs.

The initiative forms part of the Global Network of Plastics Pacts, which was launched by the Ellen

MacArthur Foundation in the UK in 2018. It seeks to promote joint work, generating collaboration and innovation to propose new ways of producing, using, reusing and recycling plastics.

Chile is the third country to implement a Plastics Pact, after the UK and France, and the first in Latin America and among emerging economies to join this Global Network.



## Reduction of containers and packaging and changes in materials

As part of its Sustainability Policy, Sodimac is working to minimize potential waste in the form of the packaging of the products it markets. It is implementing a right-sizing program to optimize packaging in such a way as to reduce consumption of plastic and cardboard (through packaging properly tailored to the size of the product). This also implies benefits in terms of lower CO<sub>2</sub> emissions since, by permitting the transport of more products in a single delivery, it reduces fuel consumption as well as making for greater efficiency in the use of space in containers, warehouses and stores.

The company has also set itself the challenge of ensuring that 100% of the containers and packaging of the products it markets is recyclable by 2020, starting with its own brands.

In 2019, work with suppliers meant that the packaging of 3,403 SKUs was redesigned and reduced while, in the case of 1,600 SKUs, the material of the packaging was modified so that it is recyclable in Chile. This meant a saving of 507 TEUs of maritime and overland cargo capacity, equivalent to the avoidance of 1,656 tCO<sub>2</sub>e of emissions.

## Promoting sustainability

### Education and responsible consumption

Sodimac seeks to promote awareness of the environment among its customers, employees, suppliers and the community in general, fostering their gradual incorporation of criteria for its care and a circular economy. For this purpose, it takes advantage of different platforms such as its catalogues, website, advertising campaigns and

presence in stores as well as its *Hágalo Usted Mismo* (Do It Yourself) program to heighten community awareness and help generate changes in conduct that contribute to the combat of climate change and its effects. The company also facilitates access to sustainable products and services and promotes their use.

## ECO products and services

One of the tangible measures taken by Sodimac to facilitate responsible consumption and the efficient use of resources is its constant expansion of the range of sustainable ECO products and services available in stores and on Sodimac.com. In order to carry their special labeling, these products and services must comply with the standards and requirements established by the company's Quality Control area.

In 2018, Sodimac set itself the goal of doubling its assortment of products and services with environmental and social attributes and over 4,000 are now available.

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, Sodimac contributes to inclusive trade by carrying products that generate a positive impact on society.

The company's ECO products include several lines of cleaning products and storage and household items that are 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.

## Sustainable products

|                           | Aspect of sustainability                    | 2017         | 2018         | 2019         |
|---------------------------|---------------------------------------------|--------------|--------------|--------------|
| Efficient consumption     | Energy saving and efficiency                | 570          | 544          | 1,620        |
|                           | Water saving and efficiency                 | 231          | 78           | 392          |
| Healthy home              | Healthy home                                |              |              | 1,629        |
| Sustainable production    | Products from sustainably managed forests   | 279          | 997          | 425          |
| Circularity and recycling | Recycled, reused and biodegradable products | 373          | 25           | 347          |
| Inclusive trade           | Inclusive products                          |              |              | 58           |
|                           | <b>TOTAL</b>                                | <b>1,453</b> | <b>1,644</b> | <b>4,413</b> |

Source: Sodimac.

## Pequeñas acciones, generan grandes cambios.

Haz un eco positivo en tu casa, en el barrio y en el planeta, eligiendo productos y servicios comprometidos con el medioambiente y la sociedad.

Encuentra más de 4.000 productos con estos íconos:

CIRCULARIDAD Y RECICLAJE

Productos con más de un 50% de contenido reciclado. Biodegradables, reutilizables o rearmados.

HOGAR SALUDABLE

Productos que aportan a un ambiente interior sano y libre de partículas químicas dañinas en el hogar.

CONSUMO EFICIENTE

Productos que comprobadamente permiten ser más eficientes en el consumo de energía o agua.

PRODUCCIÓN SUSTENTABLE

Productos fabricados cuidando los recursos naturales y mitigando el impacto ambiental.

COMERCIO INCLUSIVO

Productos comprometidos con las causas sociales y el desarrollo inclusivo.

Sodimac.com/haciendodeco



## No more plastic bags

Since April 2018, Sodimac has no longer provided disposable plastic bags at its stores in Chile. This was the culmination of a process on which the company embarked in 2009 to manage and gradually reduce their use in the chain, encouraging customers to prefer reusable bags. In this way, Sodimac acted ahead of new legislation which came into force on 1 August 2009, as well as earlier municipal regulation.

The measure implied the elimination of over 46 million bags, equivalent to 471 tonnes of plastic, which the company had been providing for customers each year. It resulted in a reduction of 848 tCO<sub>2</sub>e in the company's carbon footprint, assisting it in its efforts to achieve a 30% reduction in its GHG emissions by 2021.

## Support for public-private initiatives

Each year, Sodimac supports initiatives implemented by public and private institutions to promote care for the environment.

### Earth Hour

In 2019, Sodimac once again supported Earth Hour, the largest global initiative to create awareness of climate change. On the night of March 30, it switched off the signs on the fronts of all its stores, distribution centers and administrative offices around the country for one hour.

Sodimac also promoted the activity on social media and in its online channel as well as making announcements about it to customers in stores and involving its employees.

### Desafío Tierra

In 2019, the company joined the *Desafío Tierra* (Earth Challenge) alliance established by the Turner media group (Chilevisión, CNN Chile and CDF), a multi-platform initiative that seeks to give prominence to issues related to the environment and mobilize citizens to take an active role in caring for it. Its first campaign sought to create awareness of the need to reduce single-use plastics.

In a bid to encourage people to commit actively to the recycling of plastic, the first 10,000 people to register as

leaders of *Desafío Plástico* (Plastics Challenge) received a mini-recycling kit.

These kits are produced by Comberplast, which makes them from plastic collected at Sodimac's National Network of Clean Points. The organizations participating in *Desafío Plástico* are the National Association of Plastics Manufacturers (ASIPLA), CCU, Coca-Cola, Comberplast, Fundación Chile, Sodimac and TriCiclos.



# Commitment to the **Community**





# Commitment to the Community

Sodimac believes in sustainable growth and in acting responsibly and creating value for the communities where its operations have an impact. To this end, it has permanent channels for listening to their views and engaging with them. It also has social investment policies, encourages employees to participate in corporate volunteer projects and actively supports different foundations that seek to improve people's quality of life.



## Strategic issues

- Management of community relations
- Local jobs
- Corporate volunteer programs

## Milestones

- The *Construyendo Sueños de Hogar* (Building Dreams of Home) program implemented 83 projects, involving 1,100 volunteers and benefiting 40,190 people, as well as internal projects that benefited 84 employees.
- The Third National Meeting of the Community of

Sodimac Volunteers, which took place in March, brought together representatives of stores and distribution centers from around Chile as well as the company's corporate headquarters.

- In 2019, the company updated its Intelligent Territorial Early Warning Matrix (MIATT), a tool for the early detection of possible territorial controversies that may arise as a result of projects involving stores or other installations.
- In the context of the social crisis that erupted in October, the company worked specifically with the community around the Concepción Homecenter, which burned down, and neighbors of its store in Santiago's Quilicura district; it also surveyed the area around the Constructor store in the Conchalí district, which suffered a fire.

## Sustainable Development Goals:



# Sodimac and the local community

(413-1) (413-2)

Sodimac makes a point of evaluating its impact on the communities where it has its operations, carrying out both qualitative and quantitative studies in order to gain a better understanding of their needs and expectations and be in a position to design strategies that permit mutually beneficial relations.

The company also strives to provide clear and timely information about its projects to the authorities, formal and informal leaders and neighbors, explaining the calendar for the construction process and the negative impacts as well as the positive externalities (job creation and social and environmental initiatives) that arise from the construction of a store.

In 2019, a new Sodimac Homecenter opened in the Ñuñoa district of Santiago. This store, the first in Chile with two floors, has an area of 12,500 m<sup>2</sup> and replaced a store that suffered a fire in 2014. The Kennedy Homecenter in Santiago was also remodeled. Both stores were designed with a more experiential approach that boosts customer experience and inspiration and are latest-generation stores with processes that are more efficient for consumers and enhance the “phygital” concept (combining physical spaces and digital technology).

In Ñuñoa, nearby residents were invited to take a tour of the new store, led by its manager, to enable them to get to know it, particularly as regards security matters and care for the environment. Together with local residents, volunteers from the store also improved the La Quilla public square, marking an important milestone in the relationship and ongoing dialogue that began after the fire at the previous store.

## Local job creation

Sodimac gives priority to hiring people who live within each store’s area of influence. In this way, it is able not only to create jobs for the surrounding community but also reduce employees’ commuting times.

As part of this policy, the company participates in different job fairs as a means of attracting local talent. It also has alliances with different institutions that offer

free technical training to low-income young people so they can acquire knowledge that facilitates their labor market insertion.

In 2019, the company hired 3,704 new employees (2,542 men and 1,162 women).





## Territorial management

By developing its capacity to listen to stakeholders, Sodimac seeks to foresee territorial controversies that could arise as a result of the construction of new stores or other facilities. Since 2018, the Planning, Development and Projects Area has used a tool specially developed for the company, known as the Intelligent Territorial Early Warning Matrix (MIATT). Its application in each territory where the company plans to build, extend or remodel facilities means that the company's Sustainability Policy is taken into account in the investment evaluation process.

Through this tool, it is possible to analyze projects' limitations and generate the technical, economic and social measures to ensure that the projects comply not only with regulation but also the company's standards as regards sustainable growth. Its purpose is to identify territorial indicators that could compromise the company's sustainability and reputation, ensuring they are managed in a timely manner, even if a project is implemented by outside contractors, rather than directly by the company itself.

In 2019, 13 new projects and seven store renovations or expansions were evaluated. During the year, new variables were also incorporated into the MIATT, increasing its analytical power and predictive capacity.

### Territorial work with neighbors in the context of the social crisis

(413-2)

During the social crisis that erupted in October, the Los Carrera Sodimac Homecenter in the center of the city of Concepción and the Sodimac Constructor in Santiago's Conchalí district suffered fires. In both cases, employees were relocated to other stores. However, the company also wanted to understand the effect of these events on the surrounding communities and, if necessary, be in a position to take additional measures.

It surveyed these communities and, after analyzing the information gathered, decided there was a need to work specifically with the neighbors of the Concepción store. This involved a number of investments to increase security in the area and mitigate the fire's impact as well as actions to keep the community informed about the measures. In addition, the company

donated equipment to the local fire service and organized a workshop to help with stress management and emotional containment.

In the case of the Conchalí store, the area's characteristics and the absence of immediate residential neighbors meant that specific measures were not required.

Although the Sodimac Homecenter in Santiago's Quilicura district did not suffer a fire, the company decided that it was necessary to work with its neighbors who were particularly concerned about the situation and its risks. In this case, the store's communications and coordination with its neighbors were tightened and, on completion of this work, an activity for children was organized.

### Construyendo Sueños de Hogar

Together with its employees, Sodimac has consolidated one of Chile's most important corporate volunteer programs: *Construyendo Sueños de Hogar* (Building Dreams of Home). This initiative, which is of great importance to the company, seeks to contribute to the development of the communities of which it forms part. Since its launch 13 years ago, the program has implemented 705 projects that have benefited over 158,000 people and in which more than 15,000 company volunteers have participated.

Under the program, neighborhood or community organizations can apply for support for projects to improve, repair or remodel infrastructure or public spaces. Sodimac provides the necessary materials and their transport while company volunteers work together with the community to implement the project in a collaborative and participatory effort that is a key part of the program.

The program has a Consultative Council that includes company directors and leaders of civil society. Its mission is to carry out a global evaluation of the program and oversee its proper application, contributing advice and points of view about the principal issues that involve society and its relations with Sodimac.

In 2019, *Construyendo Sueños de Hogar* supported different community organizations from Arica in the north of Chile to Punta Arenas in the south, implementing 83 projects, that involved 1,404 volunteers and benefited 40,190 people. The projects selected included work with foundations for the protection of children, the elderly, people with cancer and people with disabilities; municipal and other schools; crèches and nursery schools; neighborhood associations, indigenous associations; sports centers; and fire services. In addition, recreational spaces and community vegetable gardens were built and communities' surroundings in general were improved.

The program also supports employees with projects to improve their homes and quality of life. In 2019, it supported 120 projects of this type, benefiting 84 employees.

For further information, see [www.construyendosuenosdehogar.cl](http://www.construyendosuenosdehogar.cl).

## Construyendo Sueños de Hogar

|      | N° of projects | Direct and indirect beneficiaries (*) |
|------|----------------|---------------------------------------|
| 2017 | 96             | 29,674                                |
| 2018 | 110            | 24,607                                |
| 2019 | 83             | 40,190                                |

(\*) The number of beneficiaries depends on the scope of each project.  
Source: Sodimac.

## Area of projects supported

| Area                   | 2017 | 2018 | 2019 |
|------------------------|------|------|------|
| Social organizations   | 34%  | 65%  | 44%  |
| Education              | 55%  | 25%  | 35%  |
| Healthcare             | 5%   | 4%   | 10%  |
| Protection of children | -    | -    | 6%   |
| Sports                 | 4%   | 4%   | 4%   |
| Culture                | 2%   | 2%   | 1%   |

Source: Sodimac.

## Type of direct beneficiaries

|                                                        | N°        | %           |
|--------------------------------------------------------|-----------|-------------|
| Children and young people                              | 45        | 54%         |
| People with disabilities                               | 10        | 12%         |
| People living in social housing or shantytowns         | 9         | 11%         |
| Senior citizens                                        | 5         | 6%          |
| People living in vulnerable sectors and/or rural areas | 4         | 5%          |
| Indigenous people                                      | 3         | 4%          |
| Homeless people                                        | 2         | 2%          |
| People related to public services (fire service)       | 2         | 2%          |
| Women in situation of exclusion                        | 1         | 1%          |
| People with problems of access to medical treatment    | 1         | 1%          |
| People using primary public health services            | 1         | 1%          |
| <b>Total</b>                                           | <b>83</b> | <b>100%</b> |

Source: Sodimac.

## Type of organization

|                                        | N°        | %           |
|----------------------------------------|-----------|-------------|
| Functional community organization      | 37        | 44.6%       |
| Foundation/NGO/non-profit organization | 28        | 33.7%       |
| Territorial community organization     | 9         | 10.8%       |
| Public body                            | 5         | 6.0%        |
| Indigenous association                 | 3         | 3.6%        |
| Municipal union                        | 1         | 1.2%        |
| <b>Total</b>                           | <b>83</b> | <b>100%</b> |

Source: Sodimac.

## Sodimac Community of Volunteers

The Third National Meeting of the Sodimac Community of Volunteers took place in March 2019 and was attended by 200 representatives of stores and distribution centers around Chile and the company's headquarters.

At the meeting, the participants shared experiences and had the opportunity to participate in practical training workshops on topics related to the implementation of projects under the *Construyendo Sueños de Hogar* program.

In 2019, 1,404 company volunteers donated a total of 13,207 hours of work.



## Reforestation of the Cerros de Renca Metropolitan Park

In 2019, Sodimac volunteer workers supported the reforestation of Santiago's Cerros de Renca Metropolitan Park, participating in a 6D climate action activity, organized by the Cultiva organization and the Avina Foundation, together with the Renca district's municipal government. The initiative was also supported by Chile's National Forest Service (CONAF) and a number of companies and civil society organizations. The

goal is to plant 30,000 native trees in the park, half of which were planted in 2019 by a total of 5,000 volunteers. The project also involves an irrigation system for the hottest part of the year. The other 15,000 trees will be planted during the winter of 2020.

For further information, see [www.6ditsnow.org](http://www.6ditsnow.org).





## Our alliances

(102-13)

Every year, Sodimac supports the work of foundations that help to improve the community's quality of life.



### TECHO

Sodimac collaborates with Techo, an NGO, in its work to eradicate shantytowns in Chile, offering it special prices, financial resources and logistics support. Each year, the company also implements a national campaign to collect donations from its customers and asks volunteers from all its stores to help the organization in the implementation of its projects. Sodimac suppliers are also encouraged to join it in this commitment.

In 2019, the company supported the institutional campaign under which, in a call for integrated cities, Techo built 14 definitive housing projects in different regions of the country. In addition, it donated 47 million pesos obtained through sales of Agua Late bottled water at all its stores.

*For further information, see [www.techo.org/chile](http://www.techo.org/chile).*

### Junto al Barrio Foundation

Sodimac contributes financially to the different projects implemented by the Junto al Barrio Foundation in vulnerable communities in Chile. In 2019, it donated 130 million Chilean pesos and, through its *Construyendo Sueños de Hogar* program, participated in community projects in the Renca and Valparaíso municipal districts.

Together, the company and the Foundation also planned to launch the Día del Barrio (Day of the Neighborhood), an initiative to help neighbors get to know each other, develop ties of trust and identify community activities through which to improve their neighborhood. However,

the event, which was scheduled for October 20, had to be put on hold because of the eruption of the social crisis two days earlier.

*For further information, see [www.juntoalbarrio.cl](http://www.juntoalbarrio.cl).*





## Movidos x Chile

Given the importance of a permanent structure for coordination in response to an emergency, Sodimac participates in *Movidos x Chile* (Moved for Chile), an initiative promoted by the Community of Solidarity Organizations to facilitate collaboration among different organizations in the event of a natural disaster and/or other type of crisis in the country.

For this purpose, the company has protocols with procedures as well as an Emergency Operational Committee.

These protocols were applied during activities to assist communities affected by the fires in woodland and urban areas of the port of Valparaíso that occurred in November and December 2019. The necessary information was collected in coordination with the *Movidos x Chile* team and Sodimac was asked to help with 245 houses that had been burned down and the more than 100 people affected.



In response, the company provided 500 debris removal kits, containing gloves, masks, goggles, shovels and wheelbarrows, which were used by the volunteers who assisted in the areas most affected by the fires.

*For further information, see [www.movidosxchile.cl](http://www.movidosxchile.cl).*

## Santiago+B

Since 2018, Sodimac has supported Santiago+B, an initiative that fosters collaboration between companies, universities, foundations, public institutions, entrepreneurs and citizens in designing and implementing solutions to concrete problems affecting Chile's capital city. Its aim is to encourage citizens to become the main agents of Santiago's transformation into an increasingly prosperous, sustainable, resilient and inclusive city. In 2019, the company supported the Guardians of the Planet contest in which citizens of the Santiago Metropolitan Region were invited to work in their neighborhoods or communities on issues related to care for the planet such as green areas, reuse, recycling, saving water, cleaner energies, air quality and reduction of the use of disposable plastics.

*For further information, see [www.guardianesdelplaneta.cl](http://www.guardianesdelplaneta.cl).*



# Appendices

- Economic Development
- Sodimac Chile Workforce
- Inventory of GHG Emissions
- GRI Index
- Independent Assurance Statement
- Feedback Questionnaire
- Glossary



# Appendix 1

(102-7; 201-1)

## Economic development

In 2019, Sodimac continued to consolidate its leadership as the principal company in its sector in Chile, achieving a market share that, including its Imperial subsidiary, reached 23.9%. At 2,092,652,566,000 Chilean pesos, its revenues were down on 2018, due largely to lower store revenues.

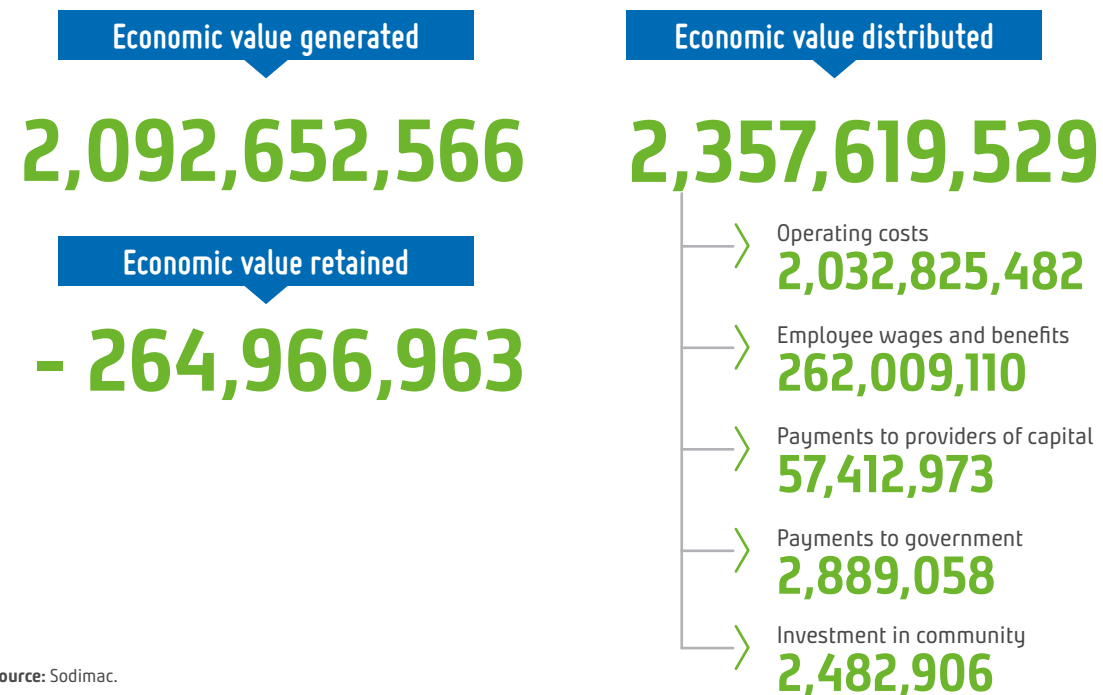
| Economic performance ('000 CLP) | 2017            | 2018            | 2019           |
|---------------------------------|-----------------|-----------------|----------------|
| Operating income                | 2,058,298,063   | 2,169,506,069   | 2,092,652,566  |
| Operating costs                 | - 1,428,050,533 | - 1,492,383,885 | -1,473,123,084 |
| Operating margin                | 617,190,226     | 677,122,184     | 619,529,482    |
| Payment of dividends *          | 64,314,722      | 50,137,028      | 18,867,613     |
| Profits                         | 66,057,531      | 67,143,340      | 10,049,515     |

Source: Sodimac.

\* Does not include dividends to non-controlling interests or net provision of minimum dividend.

## Economic value generated and distributed, 2019

('000 CLP)



Source: Sodimac.

## Economic value generated and distributed

The company's development strategy has effects on each of its groups of stakeholders:

### Suppliers: Operating costs

The company's operating costs, including exploitation costs and administration and marketing expenses, reached 2,035,308,388,000 Chilean pesos in 2019, down by 1% from 2,061,926,888,000 pesos in 2018.

### Employees: Wages and benefits

In 2019, expenditure on wages and benefits reached 262,009,110,000 Chilean pesos, up from 261,490,561,000 pesos in 2018.

### Banks, financial institutions and shareholders: Payments to providers of capital

The company paid 57,412,973,000 Chilean pesos to providers of capital in 2019, down from 66,640,230,000 pesos in 2018. This included payments to the company's shareholders and financial costs.

### Government: Payments and taxes

In 2019, earnings tax paid to the government totaled 2,889,058,000 Chilean pesos, down from 21,998,160,000 pesos in 2018.

### Community: Contributions and investments

In 2019, Sodimac invested 2,482,906,000 Chilean pesos in different projects that benefited the community. Key initiatives included the *Construyendo Sueños de Hogar* program, the Clean Points recycling network, CES scholarships and donations to the Techo organization and the Junto al Barrio Foundation.

### Financial assistance received

In 2019, Sodimac used 2,040,968,000 Chilean pesos from the SENCE tax credit for employees' training and education.

| Financial assistance from the government ('000 CLP)       | 2017             | 2018             | 2019             |
|-----------------------------------------------------------|------------------|------------------|------------------|
| <b>Donations</b>                                          |                  |                  |                  |
| Tax credit                                                | 183,239          | 261,470          | 208,327          |
| <b>Fixed asset credit</b>                                 |                  |                  |                  |
| Use of credit (upper limit of 500 monthly tax units, UTM) | 23,486           | 24,176           | 24,812           |
| <b>SENCE credit</b>                                       |                  |                  |                  |
| SENCE certificate                                         | 1,581,547        | 1,773,856        | 1,807,849        |
| <b>Total</b>                                              | <b>1,788,272</b> | <b>2,059,502</b> | <b>2,040,968</b> |

Source: Sodimac.

## Tax principles

(207-1)

As part of Falabella S.A., Sodimac adheres to its Tax Policy for the materialization of its contribution to society through the taxes to which it is liable under Chilean legislation. Application of this policy by the company is supervised by a Tax Committee formed by representatives of the Finance, Legal Compliance and Accounting Areas, which reports to the General Manager.

The company has established the following tax principles:

- Compliance with its obligations under tax law, applying plausible and good-faith interpretations of tax norms;
- Truthful description of all operations and transactions without the use of structures

that distort the underlying economic situation, which was the legitimate business reason for these operations or transactions, to reduce the applicable tax or take advantage of tax benefits for which the company would not otherwise be eligible;

- Collaborative, truthful and fair relations with the tax authorities through representatives especially appointed for this purpose;
- Due consideration of these tax principles in business decisions with tax implications.

In line with the reduction in the company's results, it paid earnings tax of 2,889,058,000 Chilean pesos in 2019, down from 21,998,160,000 pesos in 2018.



# Appendix 2

## Sodimac Chile workforce

### Workforce by geographical area, working day and type of contract

(102-8)

As of end-2019, Sodimac had 17,993 employees of whom 60% were men and 40% were women.

### Employees by geographical area

|                              | 2017          |           | 2018          |           | 2019          |           |
|------------------------------|---------------|-----------|---------------|-----------|---------------|-----------|
|                              | Full-time     | Part-time | Full-time     | Part-time | Full-time     | Part-time |
| Northern Zone                | 1,625         | 814       | 1,585         | 767       | 1,529         | 782       |
| Central Zone                 | 1,841         | 1,023     | 1,862         | 975       | 1,824         | 976       |
| Southern Zone                | 2,576         | 1,435     | 2,569         | 1,326     | 2,497         | 1,376     |
| Santiago Metropolitan Region | 6,359         | 2,483     | 6,568         | 2,368     | 6,543         | 2,466     |
| <b>Total</b>                 | <b>18,156</b> |           | <b>18,020</b> |           | <b>17,993</b> |           |

Source: Sodimac.

## Employees by type of working day

|              | 2017          |              | 2018          |              | 2019          |              |
|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
|              | Full-time     | Part-time    | Full-time     | Part-time    | Full-time     | Part-time    |
| <b>Total</b> | <b>12,401</b> | <b>5,755</b> | <b>12,584</b> | <b>5,436</b> | <b>12,393</b> | <b>5,600</b> |
|              | <b>18,156</b> |              | <b>18,020</b> |              | <b>17,993</b> |              |

Full-time: 45 hours; Part-time: less than 45 hours.

Source: Sodimac.

## Employees by type of contract

|                     | 2017          |       | 2018          |       | 2019          |       |
|---------------------|---------------|-------|---------------|-------|---------------|-------|
|                     | Men           | Women | Men           | Women | Men           | Women |
| Indefinite contract | 9,209         | 6,323 | 10,108        | 6,864 | 9,914         | 6,756 |
| Fixed-term contract | 1,819         | 805   | 745           | 303   | 853           | 470   |
| Subtotal            | 11,028        | 7,128 | 10,853        | 7,167 | 10,767        | 7,226 |
| <b>Total</b>        | <b>18,156</b> |       | <b>18,020</b> |       | <b>17,993</b> |       |

Source: Sodimac.

## Workforce by type of post and gender

(102-8; 405-1)

In 2019, 128 women held executive posts at Sodimac, accounting for around 24% of all such posts. Sodimac's wage policy is based on variables related to professional value and does not distinguish by gender so there are no wage gaps between women and men.

### Managers and assistant managers

|                | 2017       |            | 2018       |            | 2019       |            |
|----------------|------------|------------|------------|------------|------------|------------|
| Age range      | Men        | Women      | Men        | Women      | Men        | Women      |
| Less than 30   | 3          | 1          | 2          | 1          | 1          | 3          |
| 30-49          | 258        | 86         | 259        | 92         | 259        | 97         |
| 50 and over    | 127        | 29         | 136        | 30         | 145        | 28         |
| <b>Total</b>   | <b>388</b> | <b>116</b> | <b>397</b> | <b>123</b> | <b>405</b> | <b>128</b> |
| <b>Total %</b> | <b>77%</b> | <b>23%</b> | <b>76%</b> | <b>24%</b> | <b>76%</b> | <b>24%</b> |

Source: Sodimac.

### Professional and technical personnel and other employees

|                | 2017          |              | 2018          |              | 2019          |              |
|----------------|---------------|--------------|---------------|--------------|---------------|--------------|
| Age range      | Men           | Women        | Men           | Women        | Men           | Women        |
| Less than 30   | 4,413         | 2,034        | 4,088         | 1,900        | 3,827         | 1,821        |
| 30-49          | 4,622         | 4,036        | 4,693         | 4,112        | 4,772         | 4,128        |
| 50 and over    | 1,605         | 942          | 1,675         | 1,032        | 1,763         | 1,149        |
| <b>Total</b>   | <b>10,640</b> | <b>7,012</b> | <b>10,456</b> | <b>7,044</b> | <b>10,362</b> | <b>7,098</b> |
| <b>Total %</b> | <b>60%</b>    | <b>40%</b>   | <b>60%</b>    | <b>40%</b>   | <b>59%</b>    | <b>41%</b>   |

Source: Sodimac.

## New hires

|                                      | 2017            |              | 2018            |              | 2019            |              |
|--------------------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
|                                      | N° of employees |              | N° of employees |              | N° of employees |              |
| Type of post                         | Men             | Women        | Men             | Women        | Men             | Women        |
| Managers and assistant managers      | 19              | 1            | 20              | 8            | 23              | 12           |
| Professional and technical personnel | 184             | 122          | 262             | 184          | 165             | 103          |
| Other employees                      | 4,187           | 1,723        | 3,490           | 1,391        | 2,354           | 1,047        |
| <b>Total men/women</b>               | <b>4,390</b>    | <b>1,846</b> | <b>3,772</b>    | <b>1,583</b> | <b>2,542</b>    | <b>1,162</b> |
| <b>Total</b>                         | <b>6,236</b>    |              | <b>5,355</b>    |              | <b>3,704</b>    |              |

|                                         | 2017         |             | 2018         |             | 2019         |             |
|-----------------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| New hires by geographical area (stores) | Men          | Women       | Men          | Women       | Men          | Women       |
| Santiago Metropolitan Region            | 1,649        | 928         | 1,446        | 696         | 1,038        | 536         |
| Central Zone                            | 619          | 214         | 565          | 225         | 392          | 144         |
| Northern Zone                           | 732          | 271         | 549          | 208         | 351          | 159         |
| Southern Zone                           | 968          | 294         | 702          | 260         | 521          | 180         |
| <b>Rate of new hires</b>                | <b>21.9%</b> | <b>9.4%</b> | <b>18.1%</b> | <b>7.7%</b> | <b>12.8%</b> | <b>5.7%</b> |

Source: Sodimac.

## Turnover by geographical area and age

(401-1)

### Turnover by geographical area

| Geographical area                           | 2017         |              | 2018         |              | 2019         |              |
|---------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                             | Men          | Women        | Men          | Women        | Men          | Women        |
| Santiago Metropolitan Region                | 1,698        | 878          | 1,791        | 816          | 1,345        | 648          |
| Central Zone                                | 504          | 213          | 619          | 230          | 425          | 167          |
| Northern Zone                               | 560          | 280          | 694          | 266          | 335          | 139          |
| Southern Zone                               | 888          | 328          | 858          | 245          | 574          | 219          |
| <b>Total annual exits</b>                   | <b>3,650</b> | <b>1,699</b> | <b>3,962</b> | <b>1,557</b> | <b>2,679</b> | <b>1,173</b> |
| <b>Annual turnover by geographical area</b> | <b>33.1%</b> | <b>23.8%</b> | <b>36.5%</b> | <b>21.7%</b> | <b>24.9%</b> | <b>16.2%</b> |
| <b>Average annual turnover</b>              | <b>28.5%</b> |              | <b>29.1%</b> |              | <b>20.6%</b> |              |

### Turnover by age

| Age range                        | 2017         |              | 2018         |              | 2019         |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                  | Men          | Women        | Men          | Women        | Men          | Women        |
| Less than 30                     | 2,312        | 791          | 2,362        | 722          | 1,726        | 551          |
| 30-49                            | 1,098        | 768          | 840          | 477          | 797          | 525          |
| 50 and over                      | 240          | 140          | 760          | 358          | 156          | 97           |
| <b>Total annual exits</b>        | <b>3,650</b> | <b>1,699</b> | <b>3,962</b> | <b>1,557</b> | <b>2,679</b> | <b>1,173</b> |
| <b>Annual turnover by gender</b> | <b>33.1%</b> | <b>23.8%</b> | <b>36.5%</b> | <b>21.7%</b> | <b>24.9%</b> | <b>16.2%</b> |
| <b>Average annual turnover</b>   | <b>28.5%</b> |              | <b>29.1%</b> |              | <b>20.6%</b> |              |

Turnover = Annual exits/workforce as of December.

Includes all causes of dismissal.

Source: Sodimac.

## Voluntary turnover by geographical area and age

### Voluntary turnover by geographical area

| Geographical area                           | 2017         |              | 2018          |              | 2019         |              |
|---------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
|                                             | Men          | Women        | Men           | Women        | Men          | Women        |
| Santiago Metropolitan Region                | 471          | 279          | 536           | 284          | 477          | 274          |
| Central Zone                                | 151          | 51           | 161           | 63           | 154          | 63           |
| Northern Zone                               | 194          | 81           | 268           | 93           | 145          | 57           |
| Southern Zone                               | 252          | 82           | 228           | 80           | 177          | 69           |
| <b>Total annual exits</b>                   | <b>1,068</b> | <b>493</b>   | <b>1,193</b>  | <b>520</b>   | <b>953</b>   | <b>463</b>   |
| <b>Annual turnover by geographical area</b> | <b>9.70%</b> | <b>6.90%</b> | <b>10.99%</b> | <b>7.26%</b> | <b>8.85%</b> | <b>6.41%</b> |
| <b>Average annual turnover</b>              | <b>8.30%</b> |              | <b>9.12%</b>  |              | <b>7.63%</b> |              |

### Voluntary turnover by age

| Age range                                | 2017         |              | 2018          |              | 2019         |              |
|------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
|                                          | Men          | Women        | Men           | Women        | Men          | Women        |
| Less than 30                             | 752          | 280          | 762           | 268          | 660          | 242          |
| 30-49                                    | 262          | 183          | 248           | 151          | 251          | 186          |
| 50 and over                              | 54           | 30           | 183           | 101          | 42           | 35           |
| <b>Total annual exits</b>                | <b>1,068</b> | <b>493</b>   | <b>1,193</b>  | <b>520</b>   | <b>953</b>   | <b>463</b>   |
| <b>Average annual turnover by gender</b> | <b>9.70%</b> | <b>6.90%</b> | <b>10.99%</b> | <b>7.26%</b> | <b>8.85%</b> | <b>6.41%</b> |
| <b>Average annual turnover</b>           | <b>8.30%</b> |              | <b>9.12%</b>  |              | <b>7.63%</b> |              |

Source: Sodimac.

# Appendix 3

(302-4; 305-1; 305-2; 305-3; 305-5)

## Inventory of Greenhouse Gas (GHG) Emissions<sup>1</sup>

### Sodimac - Carbon Footprint

|                            |                                              | 2017                | 2018                | 2019                |                |
|----------------------------|----------------------------------------------|---------------------|---------------------|---------------------|----------------|
| Scope                      | Source                                       | ktCO <sub>2</sub> e | ktCO <sub>2</sub> e | ktCO <sub>2</sub> e | %              |
| 1                          | Fuel consumption in fixed and mobile sources | 8.4                 | 7                   | 7                   | 1.4%           |
| 1                          | Refrigerant gases                            | 1.5                 | 2.2                 | 1                   | 0.2%           |
| <b>Subtotal Scope 1</b>    |                                              | <b>9.9</b>          | <b>9.2</b>          | <b>8</b>            | <b>1.6%</b>    |
| 2                          | Energy consumption                           | 29                  | 22                  | 20                  | 4.1%           |
| <b>Subtotal Scope 2</b>    |                                              | <b>29</b>           | <b>22</b>           | <b>20</b>           | <b>4.1%</b>    |
| 3                          | Principal inputs                             | 3.1                 | 1.9                 | 1                   | 0.3%           |
| 3                          | Waste and recycling                          | 3                   | 3.1                 | 3                   | 0.6%           |
| 3                          | E-commerce                                   | 0.8                 | 1.1                 | 1                   | 0.3%           |
| 3                          | Business travel                              | 2.6                 | 3                   | 2                   | 0.5%           |
| 3                          | Customers' transport to stores               | 233                 | 243                 | 231                 | 47.8%          |
| 3                          | Transport of employees                       | 22                  | 22                  | 20                  | 4.2%           |
| 3                          | Transport of products                        | 215                 | 257                 | 194                 | 40.1%          |
| 3                          | Production of fuels/energy                   | 2.3                 | 2.5                 | 3                   | 0.5%           |
| <b>Subtotal Scope 3</b>    |                                              | <b>482</b>          | <b>533</b>          | <b>456</b>          | <b>94.3%</b>   |
| <b>Total GHG emissions</b> |                                              | <b>521</b>          | <b>565</b>          | <b>484</b>          | <b>100.00%</b> |

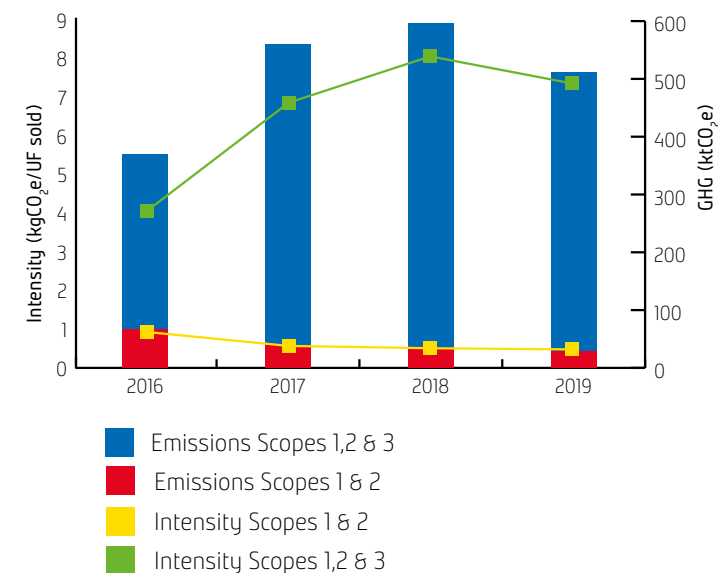
Source: Proyectae.

<sup>1</sup> ktCO<sub>2</sub>e = 1,000 tonnes of carbon dioxide equivalent.

## Intensity of GHG emissions

(305-4)

### GHG emissions by annual sales (UF)

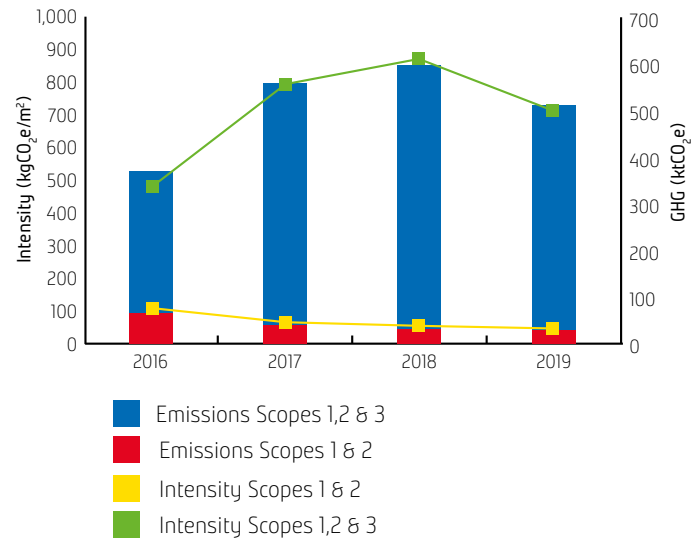




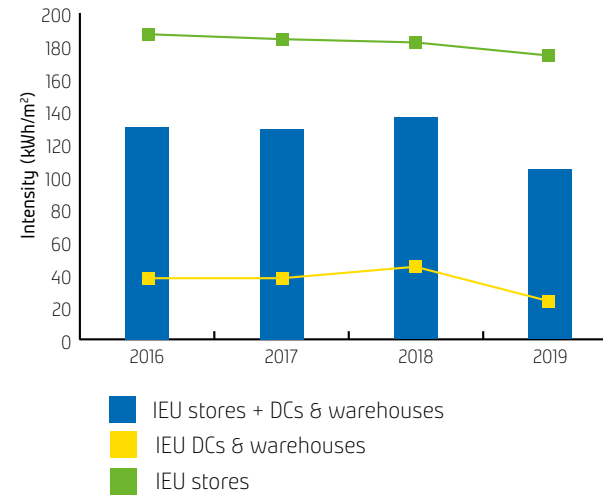
## Intensity of energy use

(302-3)

### Intensity of emissions by store area

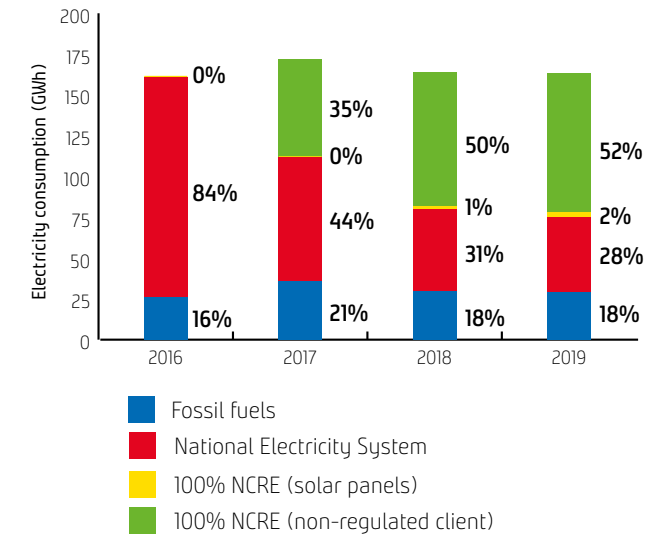


### Intensity of energy use (IEU) by area



## Distribution of energy consumption by source

### Energy consumption by source



Source: Proyectae.

Note: Improved information was obtained for the area of warehouses and stores and was used to recalculate the indicators for 2016-2018.

# GRI Index

## 2019 Sustainability Report Standards (GRI)

### GRI Content Index

(102-55)

| Standard                                                       | Standard Number | Indicator                                                    | Page                           |
|----------------------------------------------------------------|-----------------|--------------------------------------------------------------|--------------------------------|
| GRI 102: General Disclosures<br>1. Profile of the organization | 102-1           | Name of the organization                                     | 3                              |
|                                                                | 102-2           | Activities, brands, products, and services                   | 14 to 16                       |
|                                                                | 102-3           | Location of headquarters                                     | 3                              |
|                                                                | 102-4           | Location of operations                                       | 14                             |
|                                                                | 102-5           | Ownership and legal form                                     | 14                             |
|                                                                | 102-6           | Markets served                                               | 15, 16                         |
|                                                                | 102-7           | Scale of the organization                                    | 15, 16, 116                    |
|                                                                | 102-8           | Information on employees and other workers                   | 118                            |
|                                                                | 102-9           | Supply chain                                                 | 16, 74                         |
|                                                                | 102-10          | Significant changes to the organization and its supply chain | 11, 15                         |
|                                                                | 102-11          | Precautionary principle or approach                          | 18, 20, 22, 24, 29, 33, 34, 37 |
|                                                                | 102-12          | External initiatives                                         | 6, 22, 24, 41                  |
|                                                                | 102-13          | Membership of associations                                   | 33, 113                        |
| GRI 102: General Disclosures<br>2. Strategy                    | 102-14          | Statement from senior decision-maker                         | 6 to 8                         |
|                                                                | 102-15          | Key impacts, risks, and opportunities                        | 10, 11, 34                     |
| GRI 102: General Disclosures<br>3. Ethics and integrity        | 102-16          | Values, principles, standards, and norms of behavior         | 12, 46, 47                     |
|                                                                | 102-17          | Mechanisms for advice and concerns about ethics              | 46, 74, 85                     |

| Standard                                                  | Standard Number | Indicator                                                                     | Page                                                      |
|-----------------------------------------------------------|-----------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|
| GRI 102: General Disclosures<br>4. Governance             | 102-18          | Governance structure                                                          | 14, 36, 41, 44, 45                                        |
|                                                           | 102-19          | Delegating authority                                                          | 41, 43, 45                                                |
|                                                           | 102-20          | Executive-level responsibility for economic, environmental, and social topics | 36, 41                                                    |
|                                                           | 102-22          | Composition of the highest governance body and its committees                 | 41, 42, 43, 45                                            |
|                                                           | 102-23          | Chair of the highest governance body                                          | 42                                                        |
|                                                           | 102-24          | Nominating and selecting the highest governance body                          | 41                                                        |
|                                                           | 102-26          | Role of highest governance body in setting purpose, values, and strategy      | 18, 36, 41, 45                                            |
|                                                           | 102-28          | Evaluating the highest governance body's performance                          | 37, 41                                                    |
|                                                           | 102-29          | Identifying and managing economic, environmental, and social impacts          | 18, 45, 50                                                |
|                                                           | 102-30          | Effectiveness of risk management processes                                    | 37, 50, 51                                                |
|                                                           | 102-31          | Review of economic, environmental, and social topics                          | 41                                                        |
|                                                           | 102-32          | Highest governance body's role in sustainability reporting                    | 36                                                        |
|                                                           | 102-35          | Remuneration policies                                                         | 46                                                        |
| GRI 102: General Disclosures<br>5. Stakeholder engagement | 102-40          | List of stakeholder groups                                                    | 29 to 32                                                  |
|                                                           | 102-41          | Collective bargaining agreements                                              | 70                                                        |
|                                                           | 102-42          | Identifying and selecting stakeholders                                        | 29 to 32                                                  |
|                                                           | 102-43          | Approach to stakeholder engagement                                            | 29 to 32, 34, 85                                          |
|                                                           | 102-44          | Key topics and concerns raised                                                | 29, 34                                                    |
| GRI 102: General Disclosures<br>6. Reporting practice     | 102-45          | Entities included in the consolidated financial statements                    | 2                                                         |
|                                                           | 102-46          | Defining report content and topic boundaries                                  | 34                                                        |
|                                                           | 102-47          | List of material topics                                                       | 34, 35                                                    |
|                                                           | 102-48          | Restatements of information                                                   | There were no restatements during the period.             |
|                                                           | 102-49          | Changes in reporting                                                          | There were no significant changes in Scope or Boundaries. |
|                                                           | 102-50          | Reporting period                                                              | 2                                                         |
|                                                           | 102-51          | Date of most recent report                                                    | 2                                                         |
|                                                           | 102-52          | Reporting cycle                                                               | 2                                                         |
|                                                           | 102-53          | Contact point for questions regarding the report                              | 2, 128                                                    |
|                                                           | 102-54          | Claims of reporting in accordance with the GRI Standards                      | 2                                                         |
|                                                           | 102-55          | GRI content index                                                             | 123 to 126                                                |

| Standard                                        | Standard Number | Indicator                                                                       | Page                                                                      |
|-------------------------------------------------|-----------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| GRI 102: General Disclosures External Assurance | 102-56          | External assurance                                                              | 3, 127                                                                    |
| GRI 103: Management Approach                    | 103-1           | Explanation of the material topic and its boundary                              | 34, 35                                                                    |
|                                                 | 103-2           | The management approach and its components                                      | 18 to 23, 46                                                              |
|                                                 | 103-3           | Evaluation of the management approach                                           | 37                                                                        |
| Economic Category                               |                 |                                                                                 |                                                                           |
| GRI 201: Economic Performance                   | 201-1           | Direct economic value generated and distributed                                 | 116, 117                                                                  |
| GRI 202: Market Presence                        | 202-1           | Ratios of standard entry level wage by gender compared to local minimum wage    | 59                                                                        |
|                                                 | 202-2           | Proportion of senior management hired from the local community                  | 58                                                                        |
| GRI 204: Procurement Practices                  | 204-1           | Proportion of spending on local suppliers                                       | 74                                                                        |
| GRI 205: Anti-Corruption                        | 205-1           | Operations assessed for risks related to corruption                             | 50 to 52                                                                  |
|                                                 | 205-2           | Communication and training about anti-corruption policies and procedures        | 46, 50 to 52                                                              |
|                                                 | 205-3           | Confirmed incidents of corruption and actions taken                             | 52                                                                        |
| GRI 206: Anticompetitive Behavior               | 206-1           | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | There were no legal actions on these grounds during the reporting period. |
| GRI 207: Taxes                                  | 207-1           | Approach to tax                                                                 | 117                                                                       |
| Environmental Category                          |                 |                                                                                 |                                                                           |
| GRI 302: Energy                                 | 302-1           | Energy consumption within the organization                                      | 93, 94, 122                                                               |
|                                                 | 302-3           | Energy intensity                                                                | 122                                                                       |
|                                                 | 302-4           | Reduction of energy consumption                                                 | 93, 122                                                                   |
| GRI 303: Water and effluents                    | 303-5           | Water consumption                                                               | 97                                                                        |
| GRI 305: Emissions                              | 305-1           | Direct (Scope 1) GHG emissions                                                  | 93 to 95, 121                                                             |
|                                                 | 305-2           | Energy indirect (Scope 2) GHG emissions                                         | 93 to 95, 121                                                             |
|                                                 | 305-3           | Other indirect (Scope 3) GHG emissions                                          | 93 to 95, 121                                                             |
|                                                 | 305-4           | GHG emissions intensity                                                         | 93 to 95, 121                                                             |
|                                                 | 305-5           | Reduction of GHG emissions                                                      | 93 to 95, 121                                                             |
| GRI 306: Effluents and Waste                    | 306-2           | Waste by type and disposal method                                               | 99, 100                                                                   |
| GRI 307: Environmental Compliance               | 307-1           | Non-compliance with environmental laws and regulations                          | 99, 100                                                                   |
| GRI 308: Supplier Environmental Assessment      | 308-2           | Negative environmental impacts in the supply chain and actions taken            | 75                                                                        |



| Standard                                                  | Standard Number | Indicator                                                                                                                     | Page                                                                      |
|-----------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Social Performance Category                               |                 |                                                                                                                               |                                                                           |
| GRI 401: Employment                                       | 401-1           | New employee hires and employee turnover                                                                                      | 120                                                                       |
|                                                           | 401-2           | Benefits provided to full-time employees that are not provided to temporary or parttime employees                             | 61                                                                        |
|                                                           | 401-3           | Parental leave                                                                                                                | 64                                                                        |
| GRI 403: Occupational Health and Safety                   | 403-1           | Occupational health and safety management system                                                                              | 67                                                                        |
|                                                           | 403-2           | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 67, 68                                                                    |
|                                                           | 403-4           | Worker participation, consultation, and communication on occupational health and safety                                       | 67                                                                        |
|                                                           | 403-9           | Work-related injuries                                                                                                         | 68, 69                                                                    |
|                                                           | 403-10          | Work-related ill health                                                                                                       | 68                                                                        |
| GRI 404: Training and Education                           | 404-1           | Average hours of training per year per employee                                                                               | 55                                                                        |
|                                                           | 404-2           | Programs for upgrading employee skills and transition assistance                                                              | 56, 57, 58                                                                |
|                                                           | 404-3           | Percentage of employees receiving regular performance and career development reviews                                          | 58                                                                        |
| GRI 405: Diversity and Equal Opportunity                  | 405-1           | Diversity of governance bodies and employees                                                                                  | 42, 64, 119                                                               |
|                                                           | 405-2           | Ratio of basic salary and remuneration of women to men                                                                        | 65                                                                        |
| GRI 406: Non-discrimination                               | 406-1           | Incidents of discrimination and corrective actions taken                                                                      | 48                                                                        |
| GRI 407: Freedom of Association and Collective Bargaining | 407-1           | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk                | 70, 75                                                                    |
| GRI 412: Human Rights Assessment                          | 412-1           | Operations that have been subject to human rights reviews or impact assessments                                               | 50                                                                        |
| GRI 413: Local Communities                                | 413-1           | Operations with local community engagement, impact assessments, and development programs                                      | 89, 109, 110, 111                                                         |
|                                                           | 413-2           | Operations with significant actual and potential negative impacts on local communities                                        | 110                                                                       |
| GRI 414: Supplier Social Assessment                       | 414-1           | New suppliers that were screened using social criteria                                                                        | 75                                                                        |
|                                                           | 414-2           | Negative social impacts in the supply chain and actions taken                                                                 | 75                                                                        |
| GRI 415: Public Policy                                    | 415-1           | Political contributions                                                                                                       | Sodimac does not make political contributions.                            |
| GRI 416: Customer Health and Safety                       | 416-1           | Assessment of the health and safety impacts of product and service categories                                                 | 76 to 78                                                                  |
| GRI 417: Product and Service Labeling                     | 417-1           | Requirements for product and service information and labeling                                                                 | 77                                                                        |
|                                                           | 417-2           | Incidents of non-compliance concerning product and service information and labeling                                           | 78, 88                                                                    |
|                                                           | 417-3           | Incidents of non-compliance concerning marketing communications                                                               | 88                                                                        |
| GRI 418: Customer Privacy                                 | 418-1           | Substantiated complaints concerning breaches of customer privacy and losses of customer data                                  | There were no legal actions on these grounds during the reporting period. |
| GRI 419: Compliance                                       | 419-1           | Non-compliance with laws and regulations in the social and economic area                                                      | 88                                                                        |

# External Assurance Statement



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## Limited Assurance Statement of Sodimac S.A. 2019 Sustainability Report (free translation from the original in Independent Spanish)

To the President and Directors of  
Sodimac S.A.

### Scope

We have performed an independent limited assurance examination of the information and data presented in Sodimac S.A. 2019 Sustainability Report.

Preparation of the Sustainability Report is the responsibility of the Management of Sodimac S.A. The Management of Sodimac S.A. is also responsible for the data and the affirmations included in the Sustainability Report, definition of the scope and management and control of the information systems that have provided the reported information.

### Standards and Assurance Procedures

Our review has been performed in accordance with the International Standard on Assurance Engagements ISAE 3000, established by the International Auditing and Assurance Board of the International Federation of Accountants and the version GRI Standards of the guidelines for the preparation of sustainability reports under the Global Reporting Initiative (GRI).

We conducted our limited assurance procedures in order to:

- ▶ Determine whether the information and data presented in the 2019 Sustainability Report are duly supported by evidence.
- ▶ Verify the traceability of the information disclosed by Sodimac S.A. in its 2019 Sustainability Report.
- ▶ Determine whether Sodimac S.A. has prepared its 2019 Sustainability Report in accordance with the Content and Quality Principles of the GRI Standards.
- ▶ Confirm Sodimac S.A. self-declared "Core" option of the GRI Standards to its report.

### Work Performed

Our limited assurance procedures included enquiries to the Management of Sodimac S.A. involved in the development of the Sustainability Report process, in addition to other analytical procedures and sampling methods as described below:

- ▶ Interviews with key Sodimac S.A. personnel, to assess the 2019 Sustainability Report preparation process, the definition of its content and its underlying information systems.
- ▶ Review of supporting documents provided by Sodimac S.A.
- ▶ Review of formulas and calculations by recalculation.
- ▶ Review of the 2019 Sustainability Report to ensure its phrasing and format does not mislead the reader regarding the information presented.

### Our Responsibility

Our responsibility is limited to the procedures mentioned above, corresponding to a limited assurance which is the basis for our conclusions.

### Conclusions

Subject to our limitations of scope noted above and based on our procedures for this limited assurance of Sodimac S.A. Sustainability Report, we conclude that nothing has come to our attention that would cause us to believe that:

- ▶ The information and data disclosed in Sodimac S.A. 2019 Sustainability Report are not presented fairly.
- ▶ Sodimac S.A. 2019 Sustainability Report has not been prepared in accordance with the GRI Standards for the preparation of sustainability reports under the Global Reporting Initiative.
- ▶ Sodimac S.A. self-declared "Core" option does not meet the GRI Standards requirements for this option.

### Improvement Recommendations

Without affecting our conclusions as set out above, we have detected some improvement opportunities for the Sodimac S.A. Sustainability Report 2019, which are detailed in a recommendations report presented to Sodimac S.A. Administration.

Truly Yours,

EY Consulting SpA.

Elanne Almeida  
Partner PI, Advisory  
April 29<sup>th</sup>, 2020

I-00193/20

FMS/pmc  
60241993



# Feedback Questionnaire

(102-53)

We would like to know your opinion. Please send a scanned copy of the questionnaire or a digital photograph to:

**Juan Carlos Corvalán R.**

Legal Affairs and Sustainability Manager

E-mail: jcorvalan@sodimac.cl

**Pablo Urbina M.**

Assistant Sustainability Manager

E-mail: purbina@sodimac.cl

**1. To which of the following groups of Sodimac stakeholders do you belong?** Please tick an alternative.

- |                                       |                                    |
|---------------------------------------|------------------------------------|
| <input type="checkbox"/> Shareholders | <input type="checkbox"/> Community |
| <input type="checkbox"/> Employees    | <input type="checkbox"/> NGO       |
| <input type="checkbox"/> Customers    | <input type="checkbox"/> Media     |
| <input type="checkbox"/> Suppliers    |                                    |

**2. Which of the following chapters of the Report did you find most interesting?** Please score from 1 to 5 where 1 is the least important and 5 is the most important.

- |                                               |                                        |
|-----------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Corporate governance | <input type="checkbox"/> Our customers |
| <input type="checkbox"/> Our employees        | <input type="checkbox"/> Environment   |
| <input type="checkbox"/> Our suppliers        | <input type="checkbox"/> Community     |

**3. In your view, which topic should have been addressed in greater depth?** Please score from 1 to 5 where 1 is the least important and 5 is the most important.

- ☐ Economic performance
- ☐ Relations with government
- ☐ Relations with employees
- ☐ Relations with suppliers
- ☐ Relations with customers
- ☐ Environmental impact
- ☐ Community relations

# Glossary

## Assurance

Review of an organization's processes and systems by an independent third party in order to assure compliance with certain standards or norms. In the case of sustainability reports, for example, it consists in review of the report by independent third parties who verify that the information it contains is accurate and reflects the company's situation.

## Auditing

Process to verify compliance with a certain norm or standard which may refer to quality or environmental, social or other matters. The process may culminate in certification under a particular standard such as ISO 9001 or ISO 14000. Audits of social responsibility tend to include quality aspects and environmental and social standards.

## Benchmarking

Comparison of a company's systems, processes, results or best practices with those of other companies in the same sector or other sectors. Permits identification of trends and/or opportunities for improvement.

## Biodiversity

A wide variety of ecosystems and natural patterns that have arisen as a result of numerous evolutionary processes, genetic differences in each species and interactions with the environment as the basis of life on the planet.

## Carbon footprint

A measure of the impact of human activities on the global climate, expressed in terms of the amount of greenhouse gases (GHGs) produced during the life cycle of a product or service. In order to simplify the presentation of information and permit comparisons, emissions of different GHGs (water vapor, carbon dioxide, methane, nitrous oxides, ozone and chlorofluorocarbons) are expressed in equivalent tonnes of CO<sub>2</sub> (tCO<sub>2</sub>e).

## Circular economy

The economic and production model in which the value of products, materials and resources remains in the economy for as long as possible and waste is minimized (Source: European Commission). It is based on the management of waste through the 3Rs (reduction, recycling and reuse). The underlying idea is that the current linear flow of materials (resources-products-waste) needs to be transformed into a circular flow (resource-product-recycled resource).

## Climate change

The increase in the average temperature of the planet attributed directly to human activity which, by changing the composition of the atmosphere, raises temperatures, augmenting the natural variations in climate seen over comparable periods of time.

## Code of conduct

Formal declaration of a company's ethical principles and norms of behavior towards stakeholders that must be applied in all its operations. Unlike legal obligations, codes of conduct are voluntary and are adopted as part of the company's commitment to social responsibility and as a means of guiding its leaders and employees in how to address the day-to-day dilemmas that arise when moral decisions have economic implications. Many companies have begun to expand application of their codes of conduct to their supply chain.

## Corporate governance

The manner in which a company or organization is led and managed from the strategic standpoint and that of its organizational culture, based on ethical principles and incorporating the culture of sustainability in its decision-making.

## Dialogue with stakeholders

Also referred to as "stakeholder engagement"; the process through which a company consults its stakeholders about their expectations and incorporates these into its sustainability strategies and plans.

## Energy efficiency

Those practices or activities that reduce the amount of energy used to produce a unit of a product or service or to reach the energy requirements related to a certain level of comfort. (Source: World Energy Council)

## Global Reporting Initiative (GRI)

Founded in 1997, a joint initiative of the Coalition for Environmentally Responsible Economies (CERES), an NGO, and the United Nations Environment Programme (UNEP) which seeks to ensure the quality, rigor and usefulness of companies' sustainability reports. To this end, it drew up the GRI Sustainability Reporting Guidelines, setting out the principles and indicators to be reported. It also has a complementation agreement with the International Organization for Standardization (ISO) so as to assure the new ISO 26000 standard on social responsibility. The fifth version of the GRI guidelines, known as Standards, was drawn up in 2016 and came into force on 1 July 2018.



## Greenhouse gases (GHGs)

A phenomenon under which certain gases in the earth's atmosphere retain part of the energy the land emits when warmed by solar radiation. This process is accentuated by their emission and the high concentration, principally of CO<sub>2</sub>, in the atmosphere as a result of the burning or evaporation of fossil fuels such as oil, coal and natural gas. This causes overheating and contamination of the earth's surface.

## Innovation

The transformation of an idea into a new or improved product, service or operating process. If an understanding of the context is one of the bases of innovation, knowledge about stakeholders' expectations may be an important input for the process of business innovation.

## ISO 26000

A standard developed by the International Organization for Standardization (ISO), also known as the Social Responsibility Standard. In order to respect the culture and legislation of each country, its guidelines are general and non-specific. It is not, therefore, a management system standard. Similarly, it was not drawn up for third-party certification or auditing but can be assured. It can be used by any type of organization, whether public or private, large or small, for-profit or non-profit, in either developing or industrialized countries.

## Material topics

Those topics that reflect the organization's significant economic, environmental and social impacts or that substantively influence the assessments and decisions of stakeholders. To determine if an aspect is material, qualitative analysis, quantitative assessment and discussion are recommended. To prepare a report in accordance with the GRI Standards, an organization is required to report on its material topics (Source: GRI Standards Glossary).

## Responsible procurement

The incorporation by an organization of procurement policies, best supply practices and fair treatment of suppliers. This is achieved by establishing systems for selecting and evaluating suppliers which include environmental and social criteria that ensure proper payment conditions and foster alliances of mutual interest.

## Responsible supply chain management

The practice that identifies and controls the economic, social and environmental impacts of an organization's procurement practices. To this end, it acts on two fronts: a) ensuring that practices towards suppliers are ethical through the creation of and adherence to an internal Code of Conduct which prevents abusive contractual conditions; and b) ensuring selection of those suppliers who control and manage their social and environmental impacts, scrutinizing them according to evaluation and selection criteria based on compliance with social and environmental requirements.

## Retail

The economic sector that comprises companies specializing in the mass marketing of products or services, including stores and, particularly, large chains of stores such as supermarkets, department stores, home improvement stores, hardware stores, pharmacies and bookstores.

## Social responsibility (ISO 26000 definition)

The responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:

- contributes to sustainable development, including health and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behavior; and
- is integrated throughout the organization and practiced in its relationships.

## Stakeholder engagement

Any activity or activities implemented in a bid to create opportunities for dialogue between an organization and one or more of its stakeholders in order to allow the organization to make informed decisions.

## Stakeholders

Entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.

Stakeholders can include those who are invested in the organization (such as employees and shareholders) as well as those who have other relationships to the organization (such as other workers who are not employees, suppliers, vulnerable groups, local communities, NGOs or other civil society organizations). (Source: GRI Standards Glossary.)

## Standard operating procedures

Documents that standardize procedures at Sodimac Chile's stores, distribution centers and support offices, simplifying training and maximizing time and resources.

## Sustainability

The rational and responsible use of natural resources and energy; that is, permitting and fostering their renewal and avoiding the extinction of natural resources and flora and fauna. It is also understood as the growth of an organization taking into account social responsibility towards its surroundings and the human groups where it operates.

## Sustainability Report

Report prepared by a company to give account of the results of its economic, social and environmental management. It includes information about its activities and impacts in these three spheres during the reporting period. It is a vehicle for transparent disclosure through which to report to and communicate with the company's stakeholders about its impacts on employees, customers, suppliers, the community and the environment and through which to foster dialogue between the parties. It generally covers the following key areas: ethical principles, product and capital markets, working conditions, human rights, the environment and the community. In the case of sustainability reporting, the Global Reporting Initiative (GRI) is an internationally accepted standard for companies of all sizes and sectors.

## Sustainable development

Development that satisfies the needs of the present without compromising the ability of future generations to satisfy their needs. It involves taking economic, social and environmental factors and their interdependence into account in an organization's decisions and activities.

## Sustainable Development Goals (SDGs)

A universal call to adopt measures to end poverty, protect the planet and ensure peace and prosperity for all. The 17 goals defined for 2030 Agenda for Sustainable Development - approved by world leaders in September 2015 at a historic UN summit - officially came into force on 1 January 2016. Over the following 15 years, under these new universally applicable goals, countries agreed to intensify their efforts to eradicate poverty in all its forms, reduce inequality and combat climate change while ensuring that no one is left behind. For further information, see <https://sustainabledevelopment.un.org/>.

## Transparency

Openness about an organization's actions and impacts and willingness to communicate them clearly, accurately and fully.

## UN Global Compact

An international initiative of voluntary commitment to ethical conduct whose aim is for all companies or organizations in any country to incorporate its Ten Principles on human rights, labor, the environment and anti-corruption into their strategies and operations ([www.unglobalpact.org](http://www.unglobalpact.org)).



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