

Sustainable supply chain management



Overview

Grupo Éxito is a leading food retail company in South America with a presence in Colombia, Uruguay, and Argentina. The superior purpose, "**Nourishing Colombia with Opportunities**," is a commitment that moves the Company to contribute to the country's construction by transforming realities, working for and with communities, and caring for the planet.

For this reason, environmental and social awareness is part of the values applied transversally in how our employees act. "Our people and sustainability" is one of the 5 corporate strategic pillars through which the sustainability strategy is consolidated and articulated, focusing on customers, employees, communities, and the environment.

Within the sustainability strategy, through the "My Planet" pillar, the Company constantly seeks to maximize the positive impact on the planet, reducing, mitigating, and compensating for the effects of its operations, as well as generating environmental awareness and moving forward hand in hand with its customers, suppliers, and allies. Likewise, through the "Sustainable Trade" pillar, the Company seeks to establish relationships of value and trust with partners and suppliers through local and direct purchasing, promoting sustainable practices and support programs that contribute to their growth, and ensuring sustainability in the supply chains.

Grupo Éxito is committed to ensuring sustainability throughout its supply chains and therefore recognizes the importance of closing gaps in traceability and transparency issues, especially for raw materials that, due to their origin or associated production processes, involve greater social and/or environmental impacts. Therefore, the Company is moving forward in mapping and characterizing supply chains jointly with private label and private label product suppliers. This process allows us to acquire valuable information for decision-making, mobilize alliances, and implement strategies for the sustainable development of suppliers.

Policies Supporting Sustainability Management In Supply Chains

Sustainability Policy

Objective: To provide guidelines to the Company and to offer guidelines to the subsidiaries so that their corporate strategy implements and considers environmental, social, economic, and corporate governance issues in their decision-making

The sustainability policy is framed in the sustainable development agenda defined in the Sustainable Development Goals and the Global Compact, as well as articulated with the guidelines of the parent company. This policy defines 6 challenges that are managed and monitored in an integrated manner to ensure the company's contribution to sustainable development. Sustainable management of the supply chain is promoted mainly through the "Sustainable Trade" and "My Planet" challenges, where management focuses on promoting sustainable supply chains, developing allies and suppliers, maintaining local and direct purchasing, and contributing to the protection of biodiversity together with suppliers to promote deforestation-free supply chains.

Link: <https://www.grupoexito.com.co/es/Politica-Sostenibilidad-ES.pdf>

Environmental Policy

Objective: To state the intentions and general directions related to the company's environmental performance and serve as a guide for establishing objectives and the environmental management goals that guide the organization's continuous improvement.

Almacenes Éxito S.A.'s environmental policy is based on the principles of transparency, compliance, good governance, sustainability, and good relations, which are aligned with the corporate values defined by the organization's senior

management and the Sustainable Development Goals defined in the 2030 Agenda.

This policy encourages the promotion of the development of sustainable supply chains, mainly for the palm oil and beef chains, aligned with the challenge of zero deforestation that is framed in the national and international voluntary agreements, of which the company is an active part; as well as to generate guidelines for the transition of the beef business towards a sustainable livestock farming perspective hand in hand with suppliers, considering productive activities harmonized with the environment and social development.

Link: <https://www.grupoexito.com.co/es/Environmental-Policy-2022-ENG.pdf>

Sustainable Livestock Declaration

Objective: To generate guidelines that promote the transition of the beef business towards a sustainable perspective in coordination with suppliers, considering productive activities harmonized with the conservation of natural ecosystems, and social development.

Through the accompaniment and monitoring of loyal suppliers associated with Grupo Éxito's meat chain, we seek to achieve the incorporation of sustainability standards that demonstrate the commitment to minimum expectations from the environmental, social, and animal welfare point of view, and maximum expectations in terms of efficient management, social development, good livestock practices, continuous improvement, traceability, and packaging.

Link: <https://www.grupoexito.com.co/es/sustainablelivestock>

Biodiversity Policy

Objective: To provide guidelines to the Company for its operations in Colombia, including the supply chain, concerning the integrated management of biodiversity within a framework of sustainable use of natural resources.

Sustainability and care for natural resources are incorporated into each of the business actions, seeking that the company's growth is achieved in harmony with the environment and leveraging the growth of the country. The biodiversity policy is framed within the sustainable development agenda defined in the Sustainable Development Goals and the Global Compact, as well as articulated with the guidelines of the parent company.

Therefore, one of the fronts we seek to strengthen through this policy is to analyze risks and impacts on biodiversity in value chains and work towards deforestation-free supply chains.

Link: <https://www.grupoexito.com.co/es/Biodiversity-Policy-ENG.pdf>

Guidelines for primary production suppliers

Objective: To promote the implementation of Good Agricultural Practices based on Resolution 30021 of 2017 of the Colombian Agricultural Institute and specific requirements established in Resolution 0187 of 2006 of the Ministry of Agriculture and Rural Development, through the Supplier Evaluation Program.

Grupo Éxito is a company committed to sustainability and therefore it is expected that all its suppliers, including primary production suppliers, have practices based on compliance with regulations, treating their employees with dignity, generating safe working conditions, respect for the environment and animal welfare, as established in the Suppliers' Ethics Charter.

Link: <https://www.grupoexito.com.co/es/primarysuppliers2020>

Animal Welfare for the poultry business Policy

Objective: To define commitments and offers guidelines for the production and commercialization of products from the egg/poultry sector, for national brand and own brand, following sustainability standards according to the national poultry sector.

Grupo Éxito represents 3% of the national sales market in the egg category and despite not being directly involved in the breeding, handling, transportation, or transformation processes, it promotes the deepening and continuous improvement of the processes included in the poultry sector, always demonstrating a commitment to animal welfare, quality, safety, environment, labor rights and the applicable regulations enacted by the National Government and its affiliated organizations.

Therefore, it favors those suppliers that implement actions with guidelines in their sustainable production practices in poultry production, such as the supply of water and adequate feed according to their needs, provision of adequate environments for shelter and rest, adequate prevention, diagnosis, and treatment of diseases, and ensure the necessary conditions to avoid mental suffering.

Link: <https://www.grupoexito.com.co/es/animalwelfarepoultry>

Genetically Modified Organisms Use Policy

Objective: To Provide guidelines for the use of genetically modified organisms for its own brand, considering current national regulations and quality and safety standards.

Given that in Colombia the use of Genetically Modified Organisms (GMO) is regulated by Decree 4525 of 2005 of the Ministry of Agriculture and Rural Development, Grupo Éxito complies with such regulations and therefore accepts the presence of GMOs in its raw materials and finished products under its own brand.

Any food or raw material containing GMOs must comply with the requirements of INVIMA and the ICA; in addition, traceability procedures must be in place where the controls applied to raw materials and products associated with GMOs can be evidenced to ensure compliance with quality and safety requirements and applicable legislation.

Link: <https://www.grupoexito.com.co/es/GMO2020>

Ethics Charter

Objective: To define the rules that apply in all cases within the supply chain of Almacenes Éxito and its affiliates or subsidiaries (hereinafter, "Grupo Éxito") to ensure that:

- The collaborators of the suppliers are treated with respect and dignity in a work environment that guarantees their occupational health and safety.
- Purchasing, production, and services are carried out with the greatest possible respect for the environment.
- Business relationships are free of any manipulation, active or passive corruption, extortion, embezzlement, money laundering, and financing of terrorism, and, in general, illegal practices of any kind.

Link: <https://www.grupoexito.com.co/es/Ethics-Charter-2022-ENG.pdf>

Human rights policy

Objective: To establish and communicate the commitments of Almacenes Éxito S.A., from now on named "The Company", related to the respect and guarantee for each of its operations in Colombia.

By the provisions of the Supplier Charter and Code of Ethics, the company reaffirms its commitment to promote responsible trade in its supply chain and invites signatory suppliers to respect the human and labor rights of their employees, maintaining a

work environment that guarantees their occupational health and safety. In addition, it invites the company's suppliers to extend this commitment to their supply chains.

Link: <https://www.grupoexito.com.co/es/Human-Rights-Policy-ENG.pdf>

Transparency program

Objective: To establish the guidelines to be adopted for the prevention, detection, investigation, and response to fraud risks, including bribery and corruption, to mitigate their occurrence. The program is applicable to the different stakeholders with which the Company has any link, including suppliers and third parties.

Link: <https://www.grupoexito.com.co/es/transparency-program.pdf>

Roadmap For Risk Management and Analysis In Supply Chains

As part of Grupo Éxito's commitment to the sustainable management of its supply chains, the Company promotes in all links of the chain responsible production practices, fair working conditions with employees, and a good relationship with the community.

Aligned with the methodology in the Operational Guide on Supply Chain Management published by the Accountability Framework Initiative (AFI) (2019), social and environmental risks are evaluated throughout its supply chains, focusing on priority raw materials.

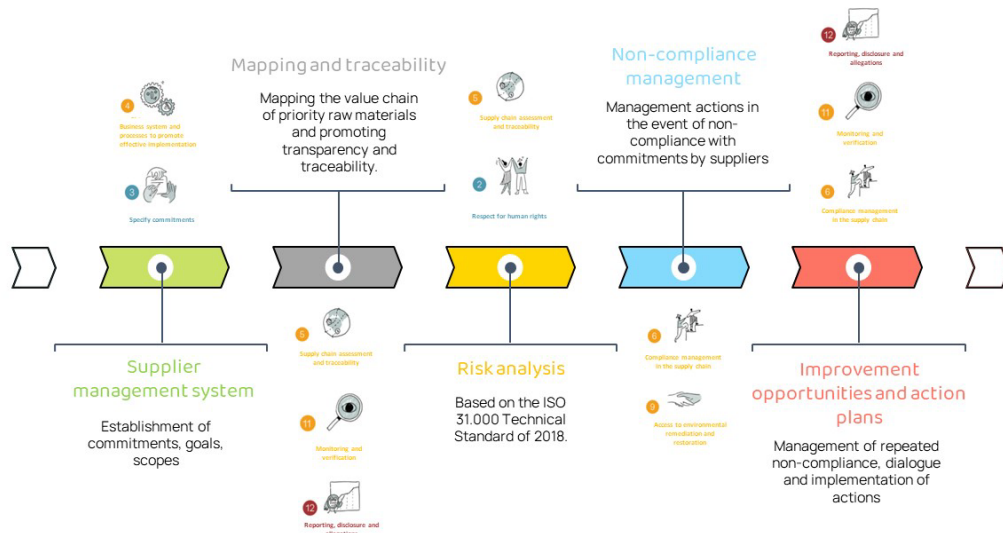


Figure 1. Methodological phases for supply chain management and their relationship with AFI principles.

Priority Raw Materials

Priority raw materials have been defined as those that may be linked to social and environmental impacts, such as deforestation, loss of biodiversity, contamination, human rights, unfavorable labor conditions, and illegality, among others.

For the selection of priority raw materials, those that are most relevant in national and international scenarios are identified through benchmarking, where inputs such as guidelines of the parent company, National Agricultural Survey (DANE, 2019), Regulation of deforestation free-products (Green Deal) (European Parliament, 2023), updates of the Corporate Sustainability Assessment, Zero Deforestation agreements for value chains in Colombia and market trends around sensitive raw materials are reviewed.

Subsequently, the leading countries of origin for the raw materials identified are established using data provided by the Ministry of Industry and Trade through the Regional Opportunities Map (MARO) and the Ministry of Agriculture's Chain Organization Management and Performance Information System (SIOC). This

analysis is supplemented with information from organizations such as Fedegan, Fenalce, Fedecacao, Fedecafé, Conalgodón, and the German Society for International Cooperation (GIZ).

Finally, a risk matrix is prepared based on the ISO 31,000 Technical Standard guidelines, which establishes the severity of risks related to occupational health and safety, human rights and fundamental freedoms, deforestation, biodiversity, water resources, soil, waste generation, greenhouse gas emissions, and transparency. Likewise, the probability of occurrence of each of the evaluated criteria is determined according to the context of each one.

As a result, the primary origin of the priority raw materials is Colombia, except for corn, wheat, soybeans, cashew, tea, and cotton. Table 1 and Table 2 list the priority raw materials for Grupo Éxito.

Table 1. Prioritized raw materials for the food business.

Food		
Fruits and vegetables	Meat and eggs	Mass consumption products
Banana	Beef	Dairy
Potato	Swine	Palm oil
Avocado	Poultry	Sugar cane
Cassava	Fresh Fish	Coffee
Tomato	seafood	Cocoa
Coconut	eggs	Rice
		Cashew nut
		Tea
		Soybean*
		Corn**
		Wheat***

Notes:

* Most of the soybeans in the Colombian domestic market come from the United States (MARO, 2022).

** Most of the corn in the Colombian national market comes from the United States, Argentina, and Brazil (MARO, 2022).

*** Most of the wheat in the Colombian national market comes from Canada and the United States (MARO, 2022).

The raw materials mentioned (corn, wheat, and soybeans) do not come mainly from origins that denote critical risks for the evaluated criteria. However, they are relevant in different international scenarios; therefore, we continue to make efforts to monitor their supply chains for our own-brand suppliers.

Table 2. Prioritized raw materials for the non-food business.

Textiles	Mass consumption products
Cotton	Charcoal Paper

Prioritized raw material certifications

Through dialogue with private label and no-brand suppliers, the Company encourages sustainability certifications for its supply chains and/or products, especially if they are suppliers of priority raw materials. Table 3 shows the percentage of purchases of prioritized raw materials whose suppliers have some sustainable certification for their production processes.

Table 3. Percentage of purchasing of prioritized raw materials whose suppliers have some kind of sustainability certification.

Raw materials	Certifications	% total purchases with certification	Consultation links
Beef	Aval GANSO	22,88%	http://ganso.com.co/index.php/aval-ganso/
Swine	Porkcolombia	59,53%	https://porkcolombia.co/sellos-de-calidad/
	Good Pork Practices-ICA	14,96%	https://www.ica.gov.co/getattachment/af26e0f9-18bb-4fd7-8100-ba74f386ee28/2020R76509.aspx

Raw materials	Certifications	% total purchases with certification	Consultation links
Eggs	Humane Certified	2,41%	https://certifiedhumane.org/
	American Humane Certified	0,37%	https://www.americanhumane.org/
Poultry	NSF	36%	https://www.nsf.org/
Fresh fish and seafood	Good Aquaculture Practices-ICA	20,11%	https://www.ica.gov.co/getattachment/b62ccb80-5075-4f3a-b4f3-4ae983949c17/2016R20186.aspx
	ASC	15,27%	https://asc-aqua.org/
Palm oil	RSPO Mass Balance	100%	https://rspo.org/as-an-organisation/certification/supply-chains/
Sugar	Bonsucro	37,83%	https://bonsucro.com/
Coffee	USDA Organic	0,48%	https://www.usda.gov/topics/organic
Fruits and vegetables	Global GAP, ICA, PRIMUS GFS, KIWA, MAYACERT, ECOCERT	10,25%	https://www.globalgap.org/ https://www.ica.gov.co/areas/agricola-pecuaria/bpa-bpg.aspx https://primusgfs.com/ https://primusgfs.com/ https://www.kiwa.com/ https://www.mayacert.com/ https://www.ecocert.com/

Georeferencing project

Since 2022, Grupo Éxito has launched its supplier georeferencing project to characterize its supply chains in socio-environmental terms through cross-referencing strategic maps. For this, different tools, inputs, and geographic services

in the public domain supported by other organizations and research institutes in Colombia are used (Table 4), seeking transparency regarding the origin of the priority raw materials selected by the Company.

Table 4. Strategic maps used for the characterization of our suppliers' geo-referenced headquarters and agricultural units.

Maps	Source
Protected areas	RUNAP
Moorlands	Resolution 0886 of 2018 (Ministry of Environment, 2018) and SIAC
Agricultural border	UPRA
Change in forest cover	University of Maryland - Global Forest Change 2000-2021
Zoning of soil degradation due to erosion	IDEAM
Red List of Colombian Ecosystems	Etter, A. et al (2017)
Tropical Dry Forest	IAvH (2015)
RAMSAR Wetlands	SIAC
Important Bird Conservation Areas (IBAs)	IAvH (2015)
Territories included in the Territorially Focused Development Programs (In Spanish, PDET)	ART
Areas most affected by the armed conflict (In Spanish, ZOMAC)	ART
Indigenous reserves	ANT

In addition, a platform has been developed with a third party unrelated to the business, allowing the visualization of the geographic location, product portfolio, and attributes related to the production processes of our commercial supplier.

In 2022, we georeferenced 229 Tier 1 private label and non-brand suppliers associated with priority raw materials, such as beef, fish, seafood, avocado, tomato,

coconut, and rice. Table 5 and Table 6 the objectives and key performance indicators established by the Company to promote transparency in its supply chains.

Table 5. Long-term objectives related to transparency in supply chains.

Topic	Objectives	Deadline
Transparency in the supply chain	Guaranteeing geo-referencing for 100% of tier 1 suppliers of priority raw materials for own and non-brand products.	2024

Table 6. Key performance indicators (KPIs) related to transparency in supply chains for priority raw materials.

Topic	KPI	2021	2022	Change
Transparency in the supply chain	Georeferenced suppliers of priority raw materials for own and non-brand.	New	229	0%

References

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