



 **SODIMAC**  
Sustainability  
Report

2016

# ABOUT THIS REPORT

This is Sodimac Chile's Tenth Sustainability Report. It was prepared in accordance with the Core option of the 2016 Guidelines of the Global Reporting Initiative (GRI). It provides an account of the company's economic, social and environmental performance between 1 January and 31 December 2016. (For previous reports, see [www.sodimac.cl](http://www.sodimac.cl)).

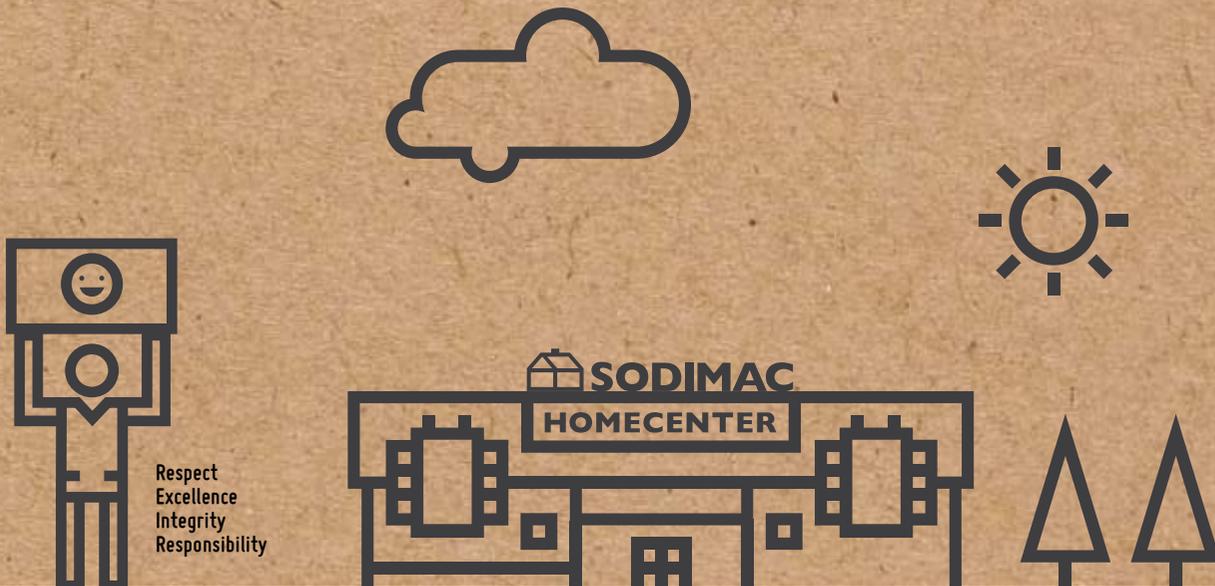
The Report also allows the company to comply with the Communication on Progress required under the United Nations Global Compact and the company's commitment to its Ten Principles which seek to strengthen human rights, labor norms, protection of the environment and the combat of corruption.

The Report refers to the performance of Sodimac Chile and does not cover either its business units in other countries or its Imperial subsidiary In Chile, which publish their own sustainability reports (available on their websites).

We are interested in your opinions. Please send any comments or suggestions to:

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# SODIMAC S.A.

 **SODIMAC**  
Sustainability  
Report  
**2016****R.U.T.**

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This Sustainability Report was externally assured by EY's CC&SS Assurance in order to ensure the accuracy and reliability of the information reported. A copy of EY's External Assurance Statement can be found on page 123 of this Report.

**Design:**

Espacio Vital

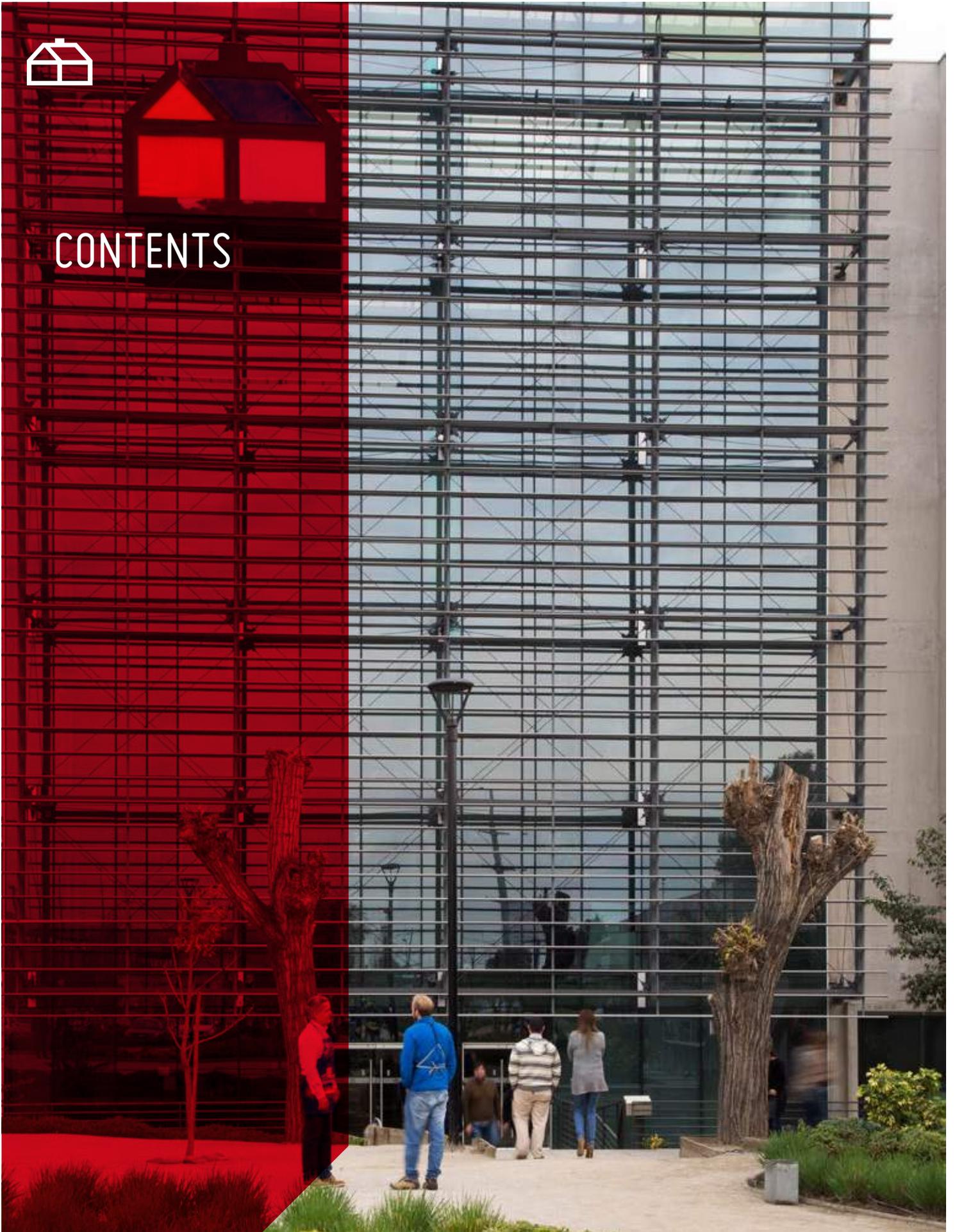
**Photographs:**

Sodimac Archive





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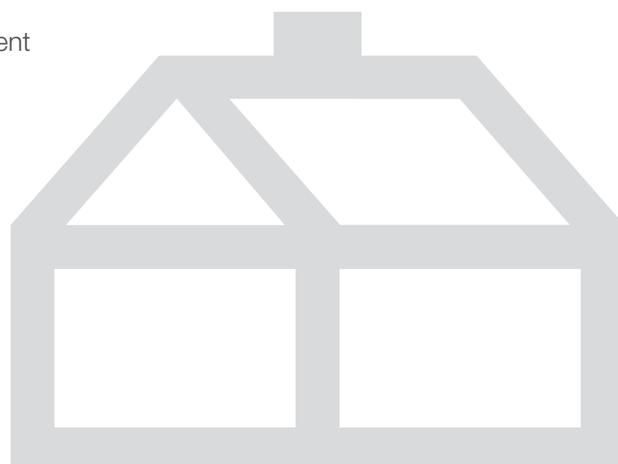
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# LETTER FROM THE GENERAL MANAGER OF SODIMAC CHILE



**Eduardo Mizón F.**  
General Manager  
SODIMAC CHILE

I am pleased to share with you Sodimac Chile's Tenth Annual Sustainability Report. For a decade now, we have been transparently reporting our progress and challenges in accordance with the undertakings that, under our Sustainability Policy, we have explicitly entered into with our different stakeholders.

Over the years, we have evolved towards a formal management structure under which sustainability is integrated into our business strategy throughout the value chain. We have been measuring the extent of this integration since 2015 using a tool (our Sustainability Index) that takes into account the best practices of world-class companies and assesses how each area of the company is managing the issues we have identified as the most important for responding to expectations and meeting the goals and targets we have defined across all aspects of sustainability. The one-point increase in our score in this Index last year in Chile shows that, as we mature, significant progress becomes ever harder to achieve.

In 2016, we made great efforts to enhance service quality, introducing improvements in distance sales processes and operational and logistics efficiency so as to respond to our customers' expectations. This was reflected in an annual average 15% improvement in the indicator of customer satisfaction (NPS).

In a pioneering move not only in Chile but also Latin America, Sodimac decided to incorporate the Index's targets and results as a factor in the company's incentives system. This is a world-class practice which Sodimac has decided to implement in order to reinforce its commitment to sustainability in a strategic manner. In this way, we hope to generate a mobilizing effect at the regional level.

In 2016, Sodimac completed its strategic planning for the period from 2016 through to 2021, based around the same three pillars of our development strategy: growth, profitability and sustainability. All the different levels of the company, including the Board of Directors, participated in this process.

Despite slower economic growth and a contraction of the construction market, we invested US\$60 million in Chile in 2016. This included investments in logistics and IT as well as changes in operational and commercial processes and other initiatives through which to respond to our customers' increasing demands and the development of e-commerce. We also began work on the stores we will open in 2017 in

the city of La Serena in central-northern Chile and the Los Dominicos district of Santiago. Like other segments of the retail industry, our company is making far-reaching changes in operational, commercial, technological and logistics processes so as to grow its digital capabilities and integrate them with its network of stores.

2016 was also a complex year for Sodimac in that, during a normal collective bargaining process, we were unable to reach agreement with the Homecenter union. This resulted in a legal strike by practically half the company's workforce, which lasted 26 days. This has prompted us to rethink how we can continue to deepen our understanding of our employees and their expectations and translate this into concrete actions that allow us to strengthen labor relations, build bridges of trust and, ultimately, ensure that the company's development is perceived as creating shared value which also benefits our employees. The strike occurred in a year when our organization had its best work climate indicators but clearly this no longer suffices. Our employees expect much more of us and, in response, we have talked to different



stakeholders and carried out diagnostic work in order to address and progress in challenges in this field.

In 2016, we made great efforts to enhance service quality, introducing improvements in distance sales processes and operational and logistics efficiency so as to respond to our customers' expectations. This was reflected in an annual average 15% improvement in the indicator of customer satisfaction (NPS). This is a priority area on which we will continue to focus. We seek to accompany our customers through large and small actions across very different spheres, ranging from the advice they can find in our catalogues, on our television channel and on YouTube to the training workshops we offer for families and professionals. In this context, I cannot omit to mention the fourth version of the Great Training Fair for Tradesmen through which we offered 210 free courses and were able to provide training to more than 20,000 people.

During the year, we continued to work with Sedex, an international organization that supports us in

the implementation of a responsible procurement program. We asked more suppliers to join this initiative and achieved the registration of 97 local and international companies. We also intensified monitoring of our supply chain, carrying out 85 social audits of suppliers to verify their compliance with the workplace health and safety, environmental and labor standards and respect for human rights which Sodimac demands.

In the case of the environment, we received over 370,000 visitors at our *Puntos Limpios* (Clean Points) around Chile and they recycled more than 2,300 tonnes of waste. Using the plastic waste they collect, we worked with the TriCiclos organization and Comberplast, a specialized company, to start production and marketing in our stores of a line of products made from this recycled material. According to information from TriCiclos, this is the first circular economy initiative to be implemented by a retailer in South America. With TriCiclos, we also began to implement a pilot project in two neighborhoods of Santiago under which we offer a household

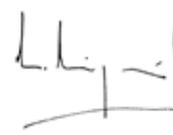


recycling service that includes training, a kit of waste bins and their collection from homes. However, despite these initiatives, we still have pending environmental targets. We understand the enormous pressing challenges we face as a result of climate change and have set ourselves the goal of reducing our own impacts and of fostering care for the environment among our suppliers and customers. Sodimac's undertaking is to achieve a 30% reduction in its greenhouse gas emissions in Chile by 2030 and, to this end, we have created an environmental area within the company that is responsible for transversal coordination of all its environmental efforts.

I would like to take advantage of this letter to reiterate our commitment to the UN Guiding Principles on Human Rights, the Principles of the UN Global Compact, the OECD's Guidelines for Multinational Enterprises, the protocols of the Global Reporting Initiative (GRI) and the ISO 26000 standards. It is also important to note that Sodimac is committed to the Sustainable Development Goals (SDGs) and has analyzed these goals and their related targets with

reference to its business in order to manage and reduce negative impacts. Only by developing responsibly, on the basis of values and ethical principles, total respect for human rights in their broadest expression and absolute rejection of corrupt practices, will we be able to build a company that endures over time.

We are aware that sustainability is a moving target and that what was an aspiration yesterday may today become just the minimum. We would like to thank you for all the feedback you can give us so as to help us to continue reducing our gaps and make progress each day in building a better company.



**Eduardo Mizón Friedemann**

General Manager  
SODIMAC CHILE



# SODIMAC AND ITS CONTEXT

The profound changes taking place in consumers are transforming the retail industry. Sodimac faces a context where competition is ever more intense and demands ever greater.

## TRENDS

### 1. Citizen consumers

Customers' decisions now have a far more developed citizen dimension and they expect more of companies. It no longer suffices for companies to make an economic contribution; they must also create social and environmental value, contributing through their activities to resolve problems faced by citizens and the country.

VALUE  
+ SOCIAL  
+ ENVIRONMENTAL





## 2. E-commerce and mass use of technologies

Technological advances are driving a revolution in the consumption habits of Latin Americans. With the growth of social networks and the mass penetration of Internet and mobile devices, competition is now a click away and customers can window-shop, compare prices and make their purchases without having to leave their homes.

WINDOW-SHOP  
COMPARE PRICES  
AND BUY

1 **CLICK**  
AWAY



The scope and speed of these changes in the market and in consumers call for far-reaching transformations in the way the retail industry is understood and managed.

In response, Sodimac has formally incorporated sustainability as part of its strategy and is in the process of digitizing the organization, integrating the real and virtual worlds ever more closely, not only as an opportunity to sell more but also as a way of better satisfying its customers' expectations. To this end, it is deploying an omnichannel strategy that seeks to offer them an experience of the brand that is consistent and exceeds their expectations, regardless of the channel of contact they use.

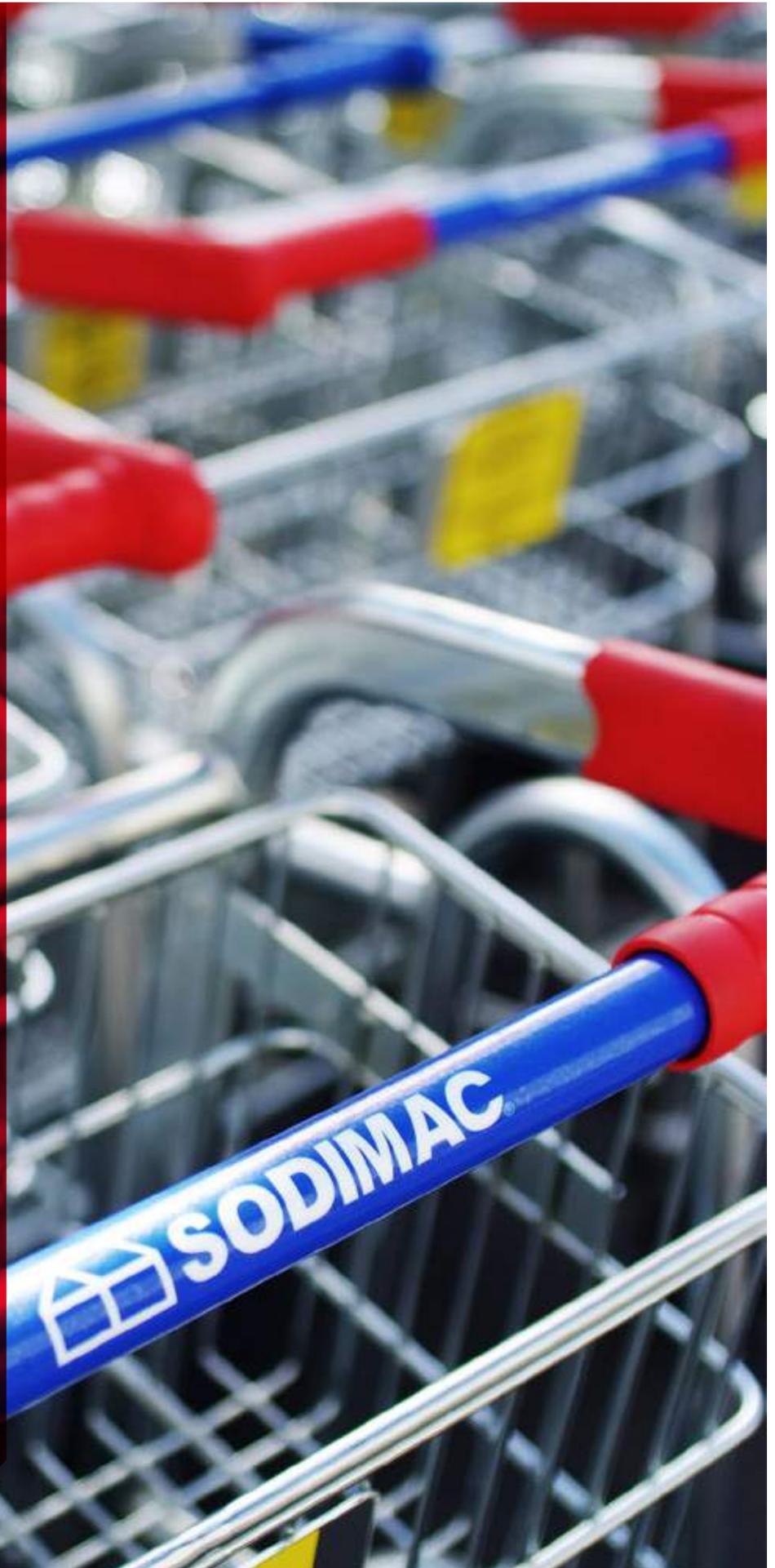
### Slowing economies

In 2016, the economies of Chile and the other countries where Sodimac has operations slowed. This affected consumer confidence, consumption and the construction industry.



## STRATEGIC FRAMEWORK

Through months of work in which all the different levels of the company around the region participated, Sodimac defined a unique “narrative” which is the hallmark that distinguishes it in every country and gives meaning to each person’s role in the organization.



## Sodimac's Narrative and Purpose

*We are an organization devoted to home improvement. We have grown and have different companies and formats that go to make up our identity. Today we are Sodimac, Maestro, Dicico, Imperial, Homy, Constructor, Homecenter and Construdecor and, together, have a great history onto which we will continue to build, growing in people and countries, with a strong sense of collaboration. We are all part of the Falabella group of companies whose inspiration is service. We are proud to be a diverse organization, with a global vocation, where our differences and numerous cultural styles are a true asset as we seek to achieve our purpose: **Together We Build Dreams and Home Improvement Projects.***

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

We view our success not only in terms of growth and profitability but also of being the company that is most loved, admired and respected by our employees, suppliers, customers and communities. We know that affection comes only when we live in accordance with the values of REIR - Respect, Excellence, Integrity and Responsibility - that are our hallmark.

Our challenge today is to look to the future and understand how to continue helping our customers and communities to improve the quality of life given to them by their homes. We have to be able and open to adapt to the new needs of different lifestyles. We must innovate and, above all, collaborate.

It is we ourselves, people, who make this possible. We strive each day to achieve our purpose: Together We Build Dreams and Home Improvement Projects.





# Purpose, Mission and Vision

## OUR

---

### PURPOSE

TOGETHER WE BUILD DREAMS AND HOME IMPROVEMENT 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:

- **RESPECT**

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

- **EXCELLENCE**

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

- **INTEGRITY**

We are honest, transparent and fair and seek to achieve consistency between what we say and what we do.

- **RESPONSIBILITY**

We are responsible in all our relations and take responsibility for all we do and the impacts we have on the present and the future.



# SODIMAC IN LATIN AMERICA

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

Sodimac operates in six countries and, in 2018, will open its first stores in Mexico. Its investments outside Chile are made through subsidiaries of its parent company and it manages its operations in different markets in a coordinated manner.

<b>COLOMBIA</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Points of sale	34	35	38
Employees	7,670	7,958	8,290
Sales area (m <sup>2</sup> )	332,394	342,282	376,888

<b>PERU</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Points of sale	56	57	56
Employees	9,670	9,633	9,348
Sales area (m <sup>2</sup> )	364,062	372,401	342,942

<b>ARGENTINA</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Points of sale	8	8	8
Employees	1,510	1,619	1,519
Sales area (m <sup>2</sup> )	84,289	83,736	83,736

<b>BRAZIL</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Points of sale	58	59	55
Employees	2,853	3,150	2,989
Sales area (m <sup>2</sup> )	124,757	142,798	147,573

<b>URUGUAY <sup>(1)</sup></b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Points of sale		2	3
Employees		359	375
Sales area (m <sup>2</sup> )		19,211	24,319

(1) Figures for Uruguay are shown as from 2015, the year Sodimac inaugurated its first two stores there.

Source: Sodimac.

# Operational Development of Sodimac Chile

Sodimac has 71 stores in 37 cities around Chile.

CHILE	2014(*)	2015 (*)	2016 (*)
Points of sale	70	72	71
Employees	18,857	17,783	17,238
Sales area (m <sup>2</sup> )	621,534	636,849	636,849

(\*): Sales area does not include Reconstructores or the Ñuñoa Homecenter store which suffered a fire in 2014. It also excludes the company's Imperial subsidiary which has 14 stores and a sales area of 74,990 m<sup>2</sup>. The number of stores in 2016 is less than in 2015 because the Ñuñoa Homecenter was excluded.

Source: Sodimac.

**71**  
stores

**37**  
cities

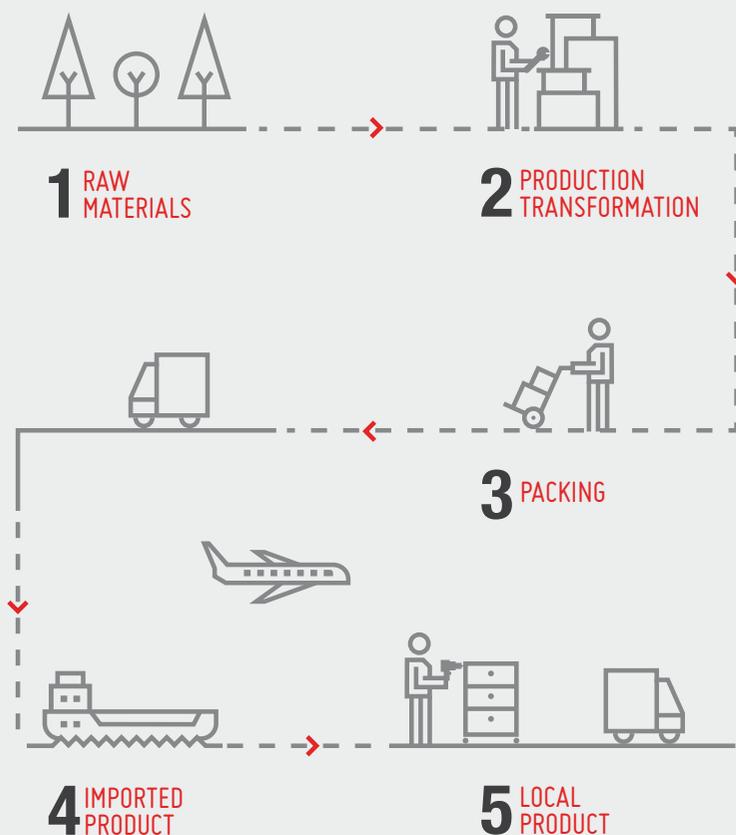




# VALUE CHAIN

Sodimac understands that sustainability must be addressed throughout the company's value chain, from the supply chain to customers through to 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. The diagram below illustrates Sodimac's business holistically:



## SUPPLY CHAIN

Sodimac works with approximately

**1,300**

suppliers from different sectors and of different sizes.

**79%**

are local products.

**97**

local and international suppliers registered with Sedex.

**85**

social audits of workplace health and safety, human rights, environmental and labor standards.



## LOGISTICS

In Chile:

# 15 DISTRIBUTION

centers and warehouses  
(owned and rented).

Around

## 450,000

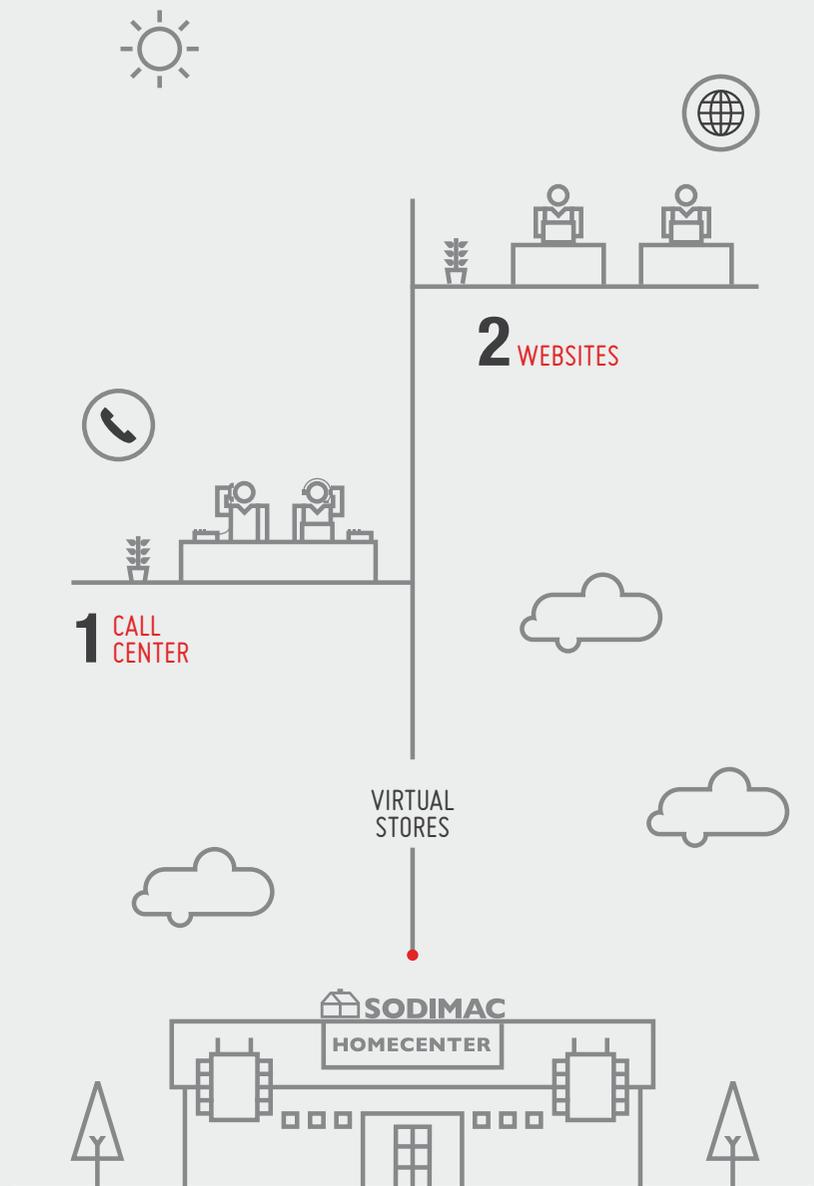
m<sup>2</sup> of storage space  
(200,000 m<sup>2</sup> owned).

The principal distribution center  
is located in Lo Espejo (Santiago).

Carbon footprint:

## 52%

of Sodimac's greenhouse gas  
(GHG) emissions are generated  
by the transport of products.





COMMERCIAL

Approximately  
**25,000**  
 different products (SKU)

**71**  
 points of sale

**636,849**  
 m<sup>2</sup> of sales floor

MARKETS

Home Improvement	Home Maintenance and Repair	New Construction
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STORE FORMAT



OWN BRANDS





## PRODUCT USE AND AFTER-SALES SERVICE

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### CUSTOMERS

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Families (heads of household)

Tradesmen (contractors and small tradesmen)

Companies (mid-sized and large construction companies)

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400,880 members of the Tradesmen's Circle (CES) from Arica in northern Chile to Punta Arenas in the south.

Net Promoter Score (NPS) management model implemented in all stores and channels of contact in order to measure customers' satisfaction and perceptions of the quality of their shopping experience.

Complaints equivalent to 0.22% of total transactions in 2016.

14 Sodimac Clean Points: over 2,300 tonnes of waste recycled in 2016 and more than 370,000 visits by customers and the community in general.



# RESPONSIBLE GROWTH

# SODIMAC HOMECENTER

YA  
ABRIMOS

VEN A HACER  
REALIDAD  
TUS PROYECTOS.





# SODIMAC STRATEGY 2016-2021

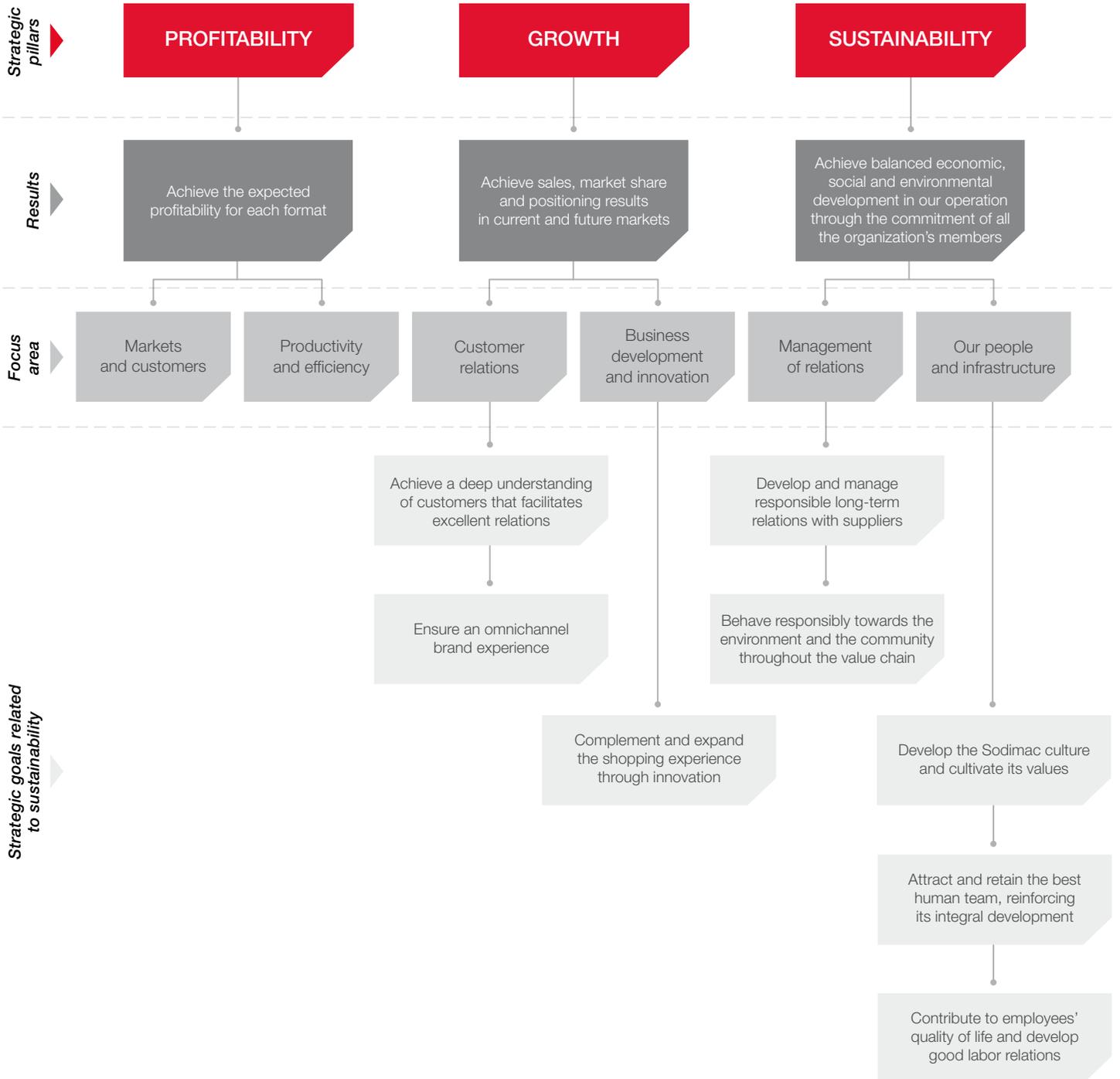
*In 2016, Sodimac completed its strategic planning for the period from 2016 through to 2021, based around the same three pillars of growth, profitability and sustainability. All the different levels of the company, including the Board of Directors, participated in this process.*

Sodimac's value proposition for its customers gives pride of place to contributing to their quality of life and realization of the projects of their dreams through a better experience of interaction with the brand. To this end, the company focuses on achieving strategic goals across six key areas. The strategy and the goals specifically related to sustainability are shown in the figure below.

The strategy defined clearly indicates where Sodimac wants to be by 2021, with goals, targets and strategic projects as well as indicators through which to measure its progress. The results related to the sustainability pillar will be communicated in the company's annual reports.



## TOGETHER WE BUILD DREAMS AND HOME IMPROVEMENT PROJECTS





# COMMITMENT TO SUSTAINABILITY

## EVOLUTION OF SUSTAINABILITY AT SODIMAC

Since it published its first Sustainability Report ten years ago, Sodimac has taken very important steps, evolving from the implementation of isolated initiatives to an approach that, with the integration of sustainability as part of its business strategy, implies a formal management structure, measurement of this integration and concrete indicators through which to tie sustainability to executives' incentives.



# Evolution of Sustainability at Sodimac



## INTEGRATION OF SUSTAINABILITY INTO ALL AREAS OF THE BUSINESS

### 2015-2016

- Indicator to measure 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.
- 2016-2021 Strategy.



## SUSTAINABILITY AND THE STRATEGIC PLAN

### 2010-2014

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



## FIRST SOCIAL RESPONSIBILITY GUIDELINES

### 2006-2009

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



# Sustainability Guidelines

In 2016, Sodimac launched a Corporate Sustainability Policy that encompasses the undertakings of all its business units. As a first step towards drawing up this policy, the company identified priority stakeholders and defined explicit undertakings towards them. In this way, the company seeks to address the issues that are most important for each group of stakeholders as part of its relations with them. Through this Policy, the company also strives to align its work with international sustainability standards.

Sodimac's 2016-2021 Strategy is completely consistent with this Sustainability Policy and seeks to achieve progress on the company's undertakings.

## OUR EMPLOYEES

We strive to offer opportunities for workplace development, to relate transparently with our workforce and to respect freedom of union membership. We foster 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 well-being, care for and the safety of our employees, respect for people's dignity and diversity and a healthy pride in belonging to our company.



## OUR CUSTOMERS

We put the customer at the heart of our activities through responsible trade and marketing, ensuring the availability, quality and safety of our products, respecting customers' rights, seeking to meet their expectations and fulfill our promises, applying fair and transparent commercial policies and providing clear and complete information and the best service.





## OUR SUPPLIERS

We treat our suppliers transparently and fairly, adhering to a general framework based on the concept of responsible procurement. We develop long-term relations with them as strategic partners in our supply chain, implementing 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 the success of our common business and to sustainable development.

## CORPORATE GOVERNANCE AND BUSINESS ETHICS

We seek to ensure ethical and transparent conduct and compliance with regulation in our economic, social and environmental management in accordance with the guidelines that make up the internationally accepted conceptual framework for sustainability as well as with our Ethics Management System and the values set out in our internal ethical norms for the company's daily management.

## COMMITMENT TO THE ENVIRONMENT

We work to achieve sustainable development and, therefore, strive to reduce our environmental impacts by using resources efficiently throughout the operation. We foster awareness and care for the environment among our customers and in the community as well as within our organization.

## COMMITMENT TO THE COMMUNITY

We seek to build mutually beneficial relations based on dialogue and responsible management of our impacts on the communities in which we are present, expanding the access of lower-income segments of the population to products and services that effectively allow them to improve 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 we have shared interests and objectives.





# STAKEHOLDER RELATIONS

At Sodimac, we understand that sustainability is rooted in active listening to our stakeholders.

**D** DAILY    **W** WEEKLY    **M** MONTHLY    **Q** QUARTERLY    **HY** HALF-YEARLY    **A** ANNUALLY

	GENERAL CHANNELS OF INFORMATION	SELECTIVE CHANNELS OF INFORMATION	CHANNELS OF ENGAGEMENT
CORPORATE GOVERNANCE	• Annual Report <b>A</b>	• Management Reports <b>M</b>	• Meetings with Board <b>M</b>
	• Website <b>D</b>	• Board Reports <b>M</b>	• Meetings with General Manager <b>W</b>
	• Ordinary Shareholders' Meeting <b>Q</b>		• Meeting sessions and videoconferences <b>D</b>
	• Sustainability Report <b>A</b>		• Direct channels of attention: Telephone and e-mail <b>D</b> • Feedback from stakeholders (Sustainability Report) <b>A</b>
CUSTOMERS	• Annual Report <b>A</b>	• <i>Hágalo Usted Mismo</i> magazine <b>M</b>	• Network of commercial offices and points of sale <b>D</b>
	• Website <b>D</b>	• Tradesmen's Circle (CES) magazine <b>M</b>	• Website suggestions box <b>D</b>
	• Store Information Modules <b>D</b>	• Television program <b>W</b>	• Direct channels of attention: Phone help line, letters to SERNAC and media
	• Sustainability Report <b>A</b>	• <i>Hágalo Usted Mismo</i> <b>W</b>	• Satisfaction surveys <b>W</b>
		• Catalogues <b>W</b>	• Customer call center <b>D</b>
		• CES for tradesmen <b>D</b>	• Feedback from stakeholders (Sustainability Report) <b>A</b> • Social networks <b>D</b>
SUPPLIERS	• Annual Report <b>A</b>	• Information by e-mail <b>D</b>	• Meetings with line managers <b>D</b>
	• Website <b>D</b>	• Production course <b>A</b>	• Direct lines of attention: Telephone and e-mail <b>D</b>
	• Sodimac Commercial Transparency Policy (TCS)	• Person responsible for SMEs <b>A</b>	• Surveys <b>A</b>
	• Sustainability Report <b>A</b>		• National Suppliers' Meeting <b>A</b>
			• Regular meetings with Quality Control Area <b>W</b>
			• TCS Compliance Office for Enquiries, Claims and Complaints <b>D</b>
			• Products Fair <b>M</b>
		• Line Review <b>Q</b> • Feedback from stakeholders (Sustainability Report) <b>A</b>	

	GENERAL CHANNELS OF INFORMATION	SELECTIVE CHANNELS OF INFORMATION	CHANNELS OF ENGAGEMENT
EMPLOYEES	• Annual Report	<b>A</b> • Intranet	<b>D</b> • Suggestions box <b>D</b>
	• Website	<b>D</b> • Intranet - Human Resources online	<b>Q</b> • Digital TV channel via Intranet <b>D</b>
	• Intranet	<b>D</b> • Head of Human Resources in stores and distribution centers	<b>D</b> • Dialogue with unions <b>M</b>
	• Sodimac TV	<b>D</b> • Sodimac School of Excellence	<b>D</b> • Inductions and training fairs <b>D</b> <b>M</b>
	• Sustainability Report	<b>A</b>	• Daily and quarterly information meetings (stores and support offices) <b>D</b>
			• Best of the Quarter Breakfasts with managers <b>Q</b>
			• Performance evaluation with feedback <b>A</b>
			• Store Leaders Development, Checkout Leaders Development and Management Leaders Development courses <b>M</b>
			• Trust Meetings <b>A</b>
			• System of contact with Human Resources and Corporate Transparency Platform <b>D</b>
AUTHORITIES	• Annual Report	<b>A</b> • Specific reports to public bodies of interest such as the SVS, SERNAC and FNE <b>M</b>	<b>D</b> • Regular and/or occasional meetings <b>D</b>
	• Website	<b>D</b>	• Permanent dialogue with bodies of interest <b>D</b>
	• Sustainability Report	<b>A</b>	• Direct line with SVS <b>D</b>
			• Direct line with SERNAC <b>D</b>
COMMUNITY	• Annual Report	<b>A</b> • <i>Buen Vecino</i> Program	<b>D</b> • Meetings with local bodies <b>D</b>
	• Website	<b>D</b> • Information by e-mail	<b>D</b> • Direct channel of communication: Letters, e-mail and telephone <b>D</b>
	• Sustainability Report	<b>A</b>	• Feedback from stakeholders (Sustainability Report) <b>A</b>
			• Pulso study (prior to opening stores) <b>Q</b>

Source: Sodimac.

## Our Alliances

*Sodimac considers it important to create alliances and establish relations with different business and issue-specific organizations and to contribute to the development of public policy. By participating in different working groups, the company is able to share best practices and contribute its experience and knowledge.*

### 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. It belongs to the following associations:

- 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)).

### 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 RSE ([www.accionrse.cl](http://www.accionrse.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 foster 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))
- National Service for Women, SERNAM ([www.sernam.cl](http://www.sernam.cl)).

### SPHERE OF ACTION: ENVIRONMENT

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

- World Wildlife Fund ([www.wwf.cl](http://www.wwf.cl))
- Fundación Chile ([www.fch.cl](http://www.fch.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))
- Construction Products Environmental Declaration Program, DAPCO ([www.dapco.cl](http://www.dapco.cl))
- Center of Business Leaders against Climate Change ([www.clgchile.cl](http://www.clgchile.cl)).

### SPHERE OF ACTION: COMMUNITY

Sodimac collaborates with different organizations that foster and support inclusive business as well as innovation and also work to help eradicate poverty and assist young people undergoing rehabilitation:

- Techo ([www.techo.org](http://www.techo.org))
- Teletón ([www.teleton.cl](http://www.teleton.cl))
- Fundación Nuestros Hijos ([www.fnh.cl](http://www.fnh.cl))
- Fundación Junto al Barrio ([www.juntoalbarrio.cl](http://www.juntoalbarrio.cl)).



**COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)**



On 25 September 2015, world leaders adopted a set of global goals that, as part of a new sustainable development agenda, seek to end poverty, protect the planet and ensure prosperity for all. Each goal has specific targets to be achieved over the next 15 years.

These Sustainable Development Goals (SDGs), which Chile has signed, define priorities for sustainable development internationally and the related aims for 2030. If these goals and targets are to be achieved, it will be necessary for the public and private sectors and civil society to work together. Sodimac is committed to the SDGs and has analyzed the goals and targets related to its business (shown below) so as to manage and reduce its negative impacts. Each of these goals, as they relate to material sustainability issues and their management, are indicated in the corresponding chapter of this Report.





# MANAGEMENT OF SUSTAINABILITY

## STRATEGIC SUSTAINABILITY ISSUES

In 2013, Sodimac established a formal process for identifying the issues that are most important for the company and its stakeholders as regards all 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.

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



Each year, Sodimac updates these strategic issues in the light of what has occurred in the previous year, both internally and externally in the retail industry and the country in general.

In 2016, the company adopted two important measures as regards strategic issues: it linked materiality with its strategic planning for 2016-2021 and it standardized materiality across its business units in Chile, Colombia, Peru, Argentina, Uruguay and Brazil so as to compile a list of strategic issues for the company as a whole. In this way, it can be sure that the

different units are managing the same issues and, on the basis of the results, new operations in other countries will have clarity as to which issues they should be managing.

The key issues indicated in the table below show 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 AFTER-SALES SERVICE
		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 AFTER-SALES SERVICE
		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 the 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

Given that sustainability is a key pillar of Sodimac's business strategy, it is important that its management be transversal to all areas of the company. Since 2006, it has, therefore, been led by a Sustainability Committee.

This Committee is formed by the managers of the different areas:

- General Manager (chair)
- Operations
- Commercial, Marketing and Distance Sales
- Human Resources
- IT
- Supply and Logistics
- Administration, Finance and Prevention
- Development, Planning and Projects
- Homy
- Legal Affairs and Sustainability

In 2016, the Committee met four times, discussing principally environmental management, the Sustainability Index, corporate reputation and labor issues.

The Committee is also responsible for approving the company's Sustainability Report.

## Legal Affairs and Sustainability Area

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

### FUNCTIONS

#### Legal Affairs and Sustainability Manager

- Manage the Legal Area and draw up Sodimac's Sustainability Policy, incorporating plans and actions into the company's strategy;
- Seek to guarantee 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);
- Coordinate Sodimac's Sustainability Committee, which is formed by the company's senior executives;
- Coordinate the Compliance Committee which periodically reviews risk management so as to ensure total compliance with regulation in the company's daily activities;
- Participate actively in programs defined as strategic for the company through to 2021;
- Participate in local and international organizations that serve to guide and promote sustainability.

### Assistant Sustainability Manager

- Prepare and design the sustainability strategy of the company in Chile;
- Control and coordinate implementation and management of the company's sustainability plan;
- Monitor and control the social and environmental dimensions of the company's compliance matrix;
- Monitor and control programs defined as strategic for the company through to 2021;
- Define, monitor and control the company's donations policy;
- Prepare and coordinate the content of the company's Sustainability Report, including its Global Reporting Initiative (GRI) indicators;
- Evaluate and coordinate the different processes of rankings and recognitions and the company's studies of social and/or environmental impact and corporate reputation.

### Sustainability Coordinator

- Coordinate 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;
- Participate in the selection and monitoring of undertakings and hold periodic meetings with internal and external bodies;
- Manage and supervise the Sedex project of Social Audits of local and overseas suppliers;
- Consolidate the register of requests for donations that are received and supervise

compliance with procedures and internal norms relating to the company's donations policy.

### Head of Sustainable Commercial Development

- Draw up, coordinate and implement the company's sustainable commercial development guidelines as regards both eco-efficient and inclusive fair trade products;
- Implement commercial solutions in products and services for customers;
- Develop, prepare and consolidate information and indicators about sustainable commercial development;
- Implement waste management in the commercial area of the company, including lines of action for compliance with Chile's Extended Producer Responsibility (REP) Law.

### Environmental Expert

This new post was incorporated into the Legal Affairs and Sustainability Area in 2016.

- Draw up, coordinate and implement environmental guidelines transversally across the company, improving its environmental performance;
- Manage compliance with environmental regulation, the standardization of procedures, environmental audits and declarations of emission and transfer of pollutants (RETC);
- Implement operational eco-efficiency policies, strategies and solutions in order to achieve efficient consumption by the company;
- Develop, prepare and consolidate environmental information and indicators.





## MEASURING INTEGRATION

If a company is to integrate sustainability in a strategic manner, it must take at least two factors into account. First, it must manage sustainability transversally or, in other words, this cannot be confined to a specific area of the company but must be part of the work of all its areas under a 360° approach. Second, it is necessary to be aware that sustainability is a moving target and what was an aspiration yesterday may become just the minimum today.

In order to take these two factors into account, Sodimac designed a specific tool (an Index) to evaluate its sustainability management at all its operations in Latin America. In this evaluation, it analyzes its performance from two standpoints:

- Best practices of world-class companies. These practices or processes form part of expectations based on the international regulatory instruments that are recognized around the world and by the Chilean government. They reflect the best practices or examples available in each area and evolve in line with changes in the global context.
- Integration of material or strategic issues into the management of each area. Each material or strategic issue is evaluated based on a management cycle which ensures it is being addressed by the company.

In 2016, Sodimac Chile applied the Sustainability Index for the second time and obtained an overall score of 67%, implying that, although much has been achieved, it still has pending challenges. Its score represented an increase of one point on the first measurement, which can be considered only a modest achievement. However, the company has reached a level at which each step is a challenge. In addition, the bar against which the company measures itself is a moving target, making the task even more difficult.

In the case of the first standpoint from which the Index measures the company's performance or, in other words, the practices of world-class companies, its best results were for customers and employees. This does not mean that Sodimac performs perfectly in these areas or that it does not have challenges but that it has the necessary processes in place and these are world-class.

The challenges revealed by this part of the Index have to do mostly with emerging issues such as companies' role in respect for human rights, which it is necessary to formalize and deepen, and a need for transparency beyond that traditionally practiced by Chilean companies. In addition, although Sodimac has implemented

*In 2016, the second year in which the Sustainability Index was applied, Sodimac Chile scored*

**67%**

and consolidated valuable environmental initiatives, such as the measurement of its carbon footprint and its national network of Clean Points recycling collection facilities, the Index revealed that further important efforts are required to position it as a world-class company and, in response, it has created a new area to coordinate its efforts in this field.

As regards the second standpoint measured by the Index or, in other words, management of strategic issues, it showed for the second consecutive year that the company's greatest challenges lie in continuous improvement. This is one of the aspects of its management that Sodimac will continue to reinforce and formalize in the process of integration of its strategic issues.

In a pioneering move not only in Chile but also Latin America, Sodimac decided to incorporate the Index's results as a factor in calculation of the incentives received by its general managers and the executives of each of its operations. As a result, it has established annual targets for this indicator and all the areas of the company contribute to its results, creating a mobilizing effect. This is a world-class practice which Sodimac has decided to implement in order to reinforce its commitment to sustainability in a strategic manner.





# CORPORATE GOVERNANCE AND BUSINESS ETHICS

Sodimac manages its business according to strict ethical parameters, seeking to ensure compliance with regulation and respect for people's civil and labor rights. The company has established a Corporate Integrity System in order to guard against, identify and address possible situations that could be detrimental to its safety, image and sustainability and the trust placed in it by its different stakeholders.



## STRATEGIC ISSUES

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

## MILESTONES

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- 2016 Corporate Sustainability Prize, in the Corporate Governance category, from Chile's Manufacturers' Association (SOFOFA) and the Sustainability Center of the Adolfo Ibáñez University.
- 2<sup>nd</sup> place in the Merco ranking of Responsible Companies with the Best Corporate Governance.

## SUSTAINABLE DEVELOPMENT GOALS:

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# Leadership at Sodimac

## BOARD OF DIRECTORS

Sodimac's corporate governance structure is headed by a nine-member Board of Directors elected by the Shareholders' Meeting. The Board defines the general policies that guide the organization's management, supervises their implementation and answers to the shareholders. The controlling group puts proposals for directors to the Shareholders' Meeting, taking into account their professional experience, specialized knowledge and the independence required for the position.

Once directors have been ratified by the Shareholders' Meeting, their appointment is reported to Chile's Superintendency of Securities and Insurance (SVS) and they then undergo an induction process in accordance with the corporate governance policy of the parent company and its subsidiaries. This process also includes Sodimac's Sustainability Policy.

Both the Board and senior management adhere to the sustainability model as a strategic tool. This is reflected in a formal Sustainability Policy that considers and responds opportunely to all Sodimac's stakeholders in line 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 standards and the protocols of the Global Reporting Initiative (GRI).

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. As an internal policy, no director holds an administrative position in the company.

Three members of the Board form the Directors' Committee which, in 2016, comprised Nicolás Majluf Sapag, Jaime García Rioseco and Gonzalo Rojas Vildósola. In October 2016, the Directors' Committee reviewed the company's general financial statements, the implementation of its Sustainability Policy, its KPIs or related indicators and its challenges in these areas.

The Shareholders' Meeting evaluates the Board's performance annually in the light of the economic, social and environmental targets established for the year.

Mechanisms of communication for putting forward proposals or making observations are regulated by Chile's Corporations Law. Any shareholder can send a letter about concerns or request a meeting with the company's most senior corporate governance body.

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

As determined by the Shareholders' Meeting of 25 April 2016, each director received a net monthly fee of 50 UF<sup>1</sup> and, in the case of the Chairman, 300 UF for each meeting attended. In compliance with the legal requirements established by Chile's Superintendency of Securities and Insurance (SVS), this remuneration is disclosed in the company's Annual Report where a detailed breakdown can be found.

<sup>1</sup> An inflation-indexed currency unit that, as of 31 December 2016, was equivalent to approximately US\$39.

# Board of Directors



Standing (from left to right):

**Nicolás Majluf Sapag**  
INDUSTRIAL CIVIL ENGINEER  
Catholic University of Chile

**Gonzalo Rojas Vildósola**  
ECONOMIST AND BUSINESS  
ADMINISTRATOR  
Adolfo Ibáñez University

**Juan Pablo Del Río Goudie**  
CHAIRMAN  
Architect  
Catholic University of Chile

**Jaime García Rioseco**  
ECONOMIST  
Catholic University of Chile

**Carlo Solari Donaggio**  
INDUSTRIAL CIVIL ENGINEER  
Catholic University of Chile

Seated (from left to right):

**Juan Carlos Cortés Solari**  
ECONOMIST AND BUSINESS  
ADMINISTRATOR  
University of Nevada, USA

**Paola Cúneo Queirolo**  
BUSINESS ADMINISTRATOR  
University of Chile

**Cecilia Karlezi Solari**  
BUSINESSWOMAN

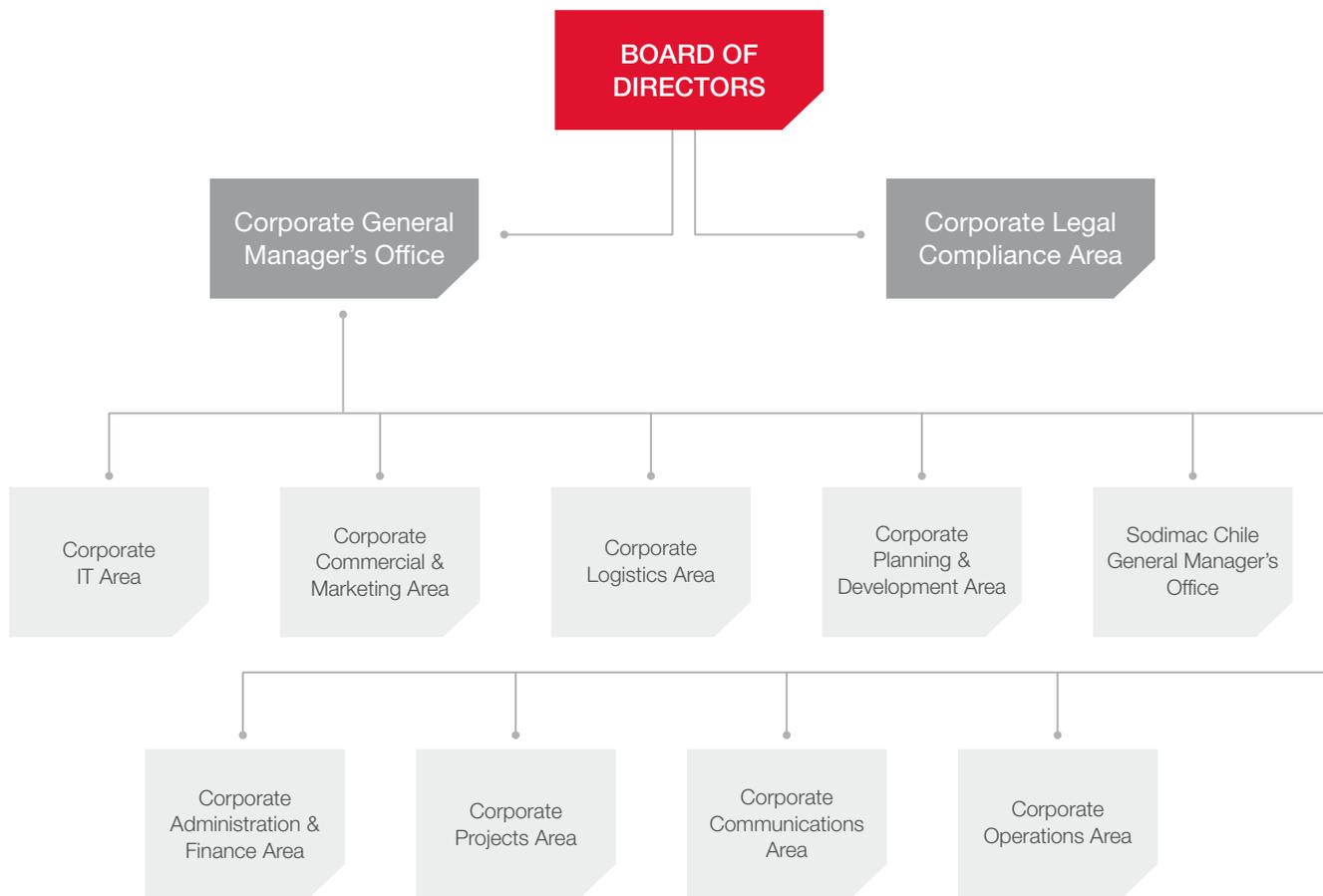
**José Luis Del Río Goudie**  
INDUSTRIAL CIVIL ENGINEER  
Catholic University of Chile

**Note:** The Board was appointed on 25 April 2016. On 25 April 2017, Elizabeth Lehmann Cosoi was appointed to replace Juan Carlos Cortés Solari.



# Senior Management

Organizational chart



The company's senior management 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, a structure that permits agile and efficient leadership of the business in support of the company's internationalization policy. This Committee meets weekly.

The mission of this management team is to achieve responsible growth in all the company's markets, harnessing the synergies of an international-scale operation whilst always respecting the culture and specific characteristics of each country. Both Sodimac Chile and its Imperial subsidiary also have their own Executive Committees which control and manage their economic, social and environmental development and seek to ensure transparent and ethical conduct.

# Corporate Executive Committee



Standing (from left to right):

**Wilhelm Ramberg Arnillas**  
CORPORATE OPERATIONS MANAGER

**Nicolás Cerda Moreno**  
LEGAL COMPLIANCE MANAGER

**Sebastián Simonetti Vicuña**  
CORPORATE PLANNING AND  
DEVELOPMENT MANAGER

**Alejandro Hörmann Orezolli**  
CORPORATE COMMUNICATIONS  
MANAGER

**Francisco Errázuriz López**  
CORPORATE LOGISTICS MANAGER

**Eduardo Isaacson Plaza**  
CORPORATE PROJECTS MANAGER

Seated (from left to right):

**Octavio Donoso Alarcón**  
CORPORATE IT MANAGER

**Enrique Gundermann Wylie**  
CORPORATE GENERAL MANAGER

**Francisco Torres Larraín**  
CORPORATE COMMERCIAL  
AND MARKETING MANAGER

**Daniel Lazo Varas**  
CORPORATE ADMINISTRATION  
AND FINANCE MANAGER

# Sodimac Chile Executive Committee



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, examining the results of the company's different areas about which the General Manager subsequently informs the Board of Directors.

From left to right:

**Néstor Villanueva Cerutti**  
Homy Manager

**Danny Szántó Narea**  
Commercial, Marketing  
and Internet Sales Manager

**Manuel López Pacheco**  
Legal Compliance Manager,  
Sodimac Chile and subsidiaries

**Claudia Castro Hruska**  
Human Resources Manager

**Osvaldo García Dans**  
Operations Manager

**Eduardo Mizón Friedemann**  
General Manager

**Mariano Imberga**  
Supply Chain Manager

**Bernarda Valderrama Mena**  
IT Manager

**Fernando Valenzuela del Río**  
Administration, Finance  
and Prevention Manager

**Ignacio Román Moreno**  
Planning, Development  
and Projects Manager

**Juan Carlos Corvalán Reyes**  
Legal Affairs and  
Sustainability Manager

## Mobilizing the Leaders

*In 2016,  
remunerations  
and incentives  
totaled*

**15,726**  
MILLION PESOS

Sodimac has in place a system of incentives as a tool for aligning its managers and executives with the strategic goals it has defined for the period in question. This implies that the company's executives receive bonuses in accordance with economic targets and tied to specific environmental and social matters.

In 2016, Sodimac decided to incorporate the results of the Sustainability Index, which measures annual progress in the economic, social and environmental aspects of its sustainability performance, as a factor in the variable remunerations of its general managers and the executive teams of each of its business units.

Sodimac Chile's senior management - comprising the members of the Executive Committee, area managers, assistant managers and business unit managers - received remunerations and incentives for a total of 15,726 million Chilean pesos in 2016 as compared to 13,648 million Chilean pesos in 2015.

Years of service payments to executives leaving the company reached 285 million Chilean pesos in 2016 and 417 million Chilean pesos in 2015. Further details can be found in the company's Annual Report.





# Ethics and Human Rights

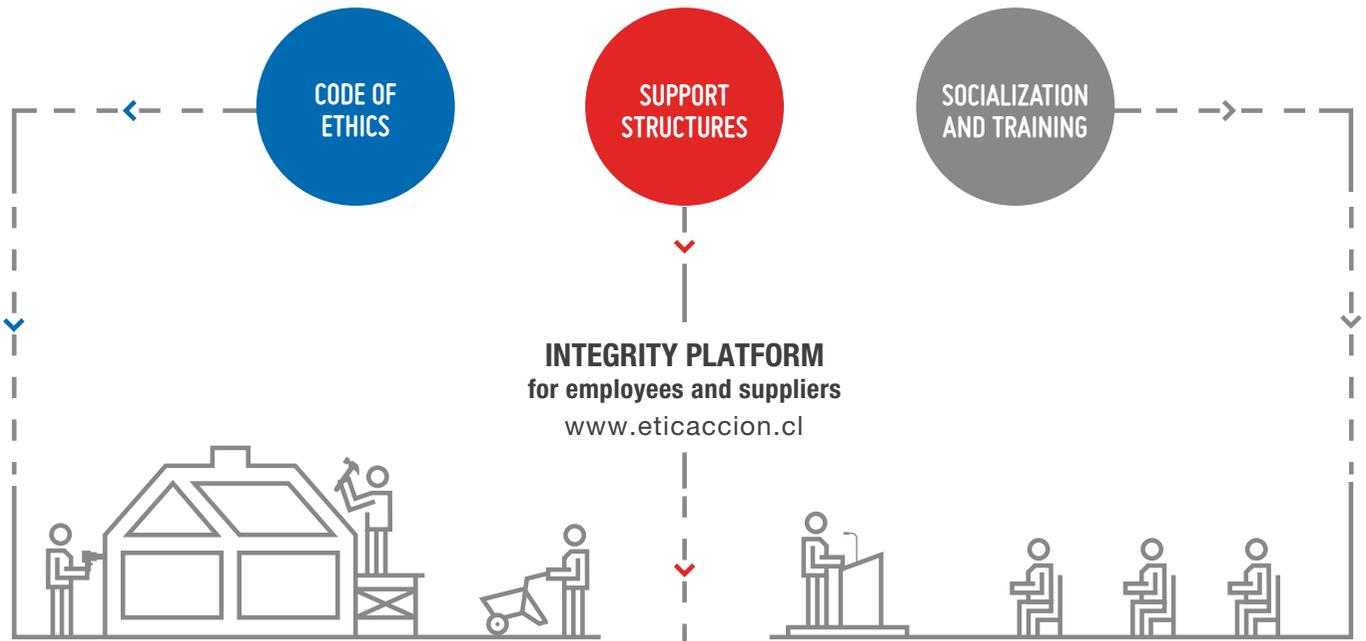
The sustainability of Sodimac's activities calls for the creation and strengthening of mechanisms to safeguard respect for human rights in their broadest expression as well as ethical values and principles and rejection of corrupt practices. This stance is anchored in respect and consideration for the human person, 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's human rights policy seeks to translate understanding of our commitment into compliance in all our actions and decisions. For this reason, we will take into account potential impacts on the human rights of our principal stakeholders and will establish mechanisms for their prevention, mitigation and remediation through our Corporate Integrity System, our measurement of community perceptions, our responsible marketing and trade policies, our framework for relations with suppliers (Sodimac Commercial Transparency Policy) and our supplier management and development system.

## **CORPORATE INTEGRITY SYSTEM**

Sodimac has established a Corporate Integrity System through which to identify, prevent and address possible situations that are at odds with the company's values, including matters related to human rights.

# Corporate Integrity System



Guide for Sodimac employees on conduct in their daily relations with different stakeholders.

Structure formed by persons and communications systems whose aim is that ethics and the definitions set out in EticAcción are really practiced at Sodimac.

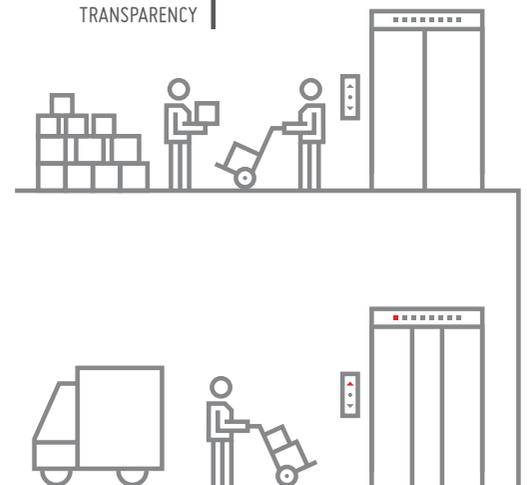
Training about values, principles and the EticAcción guide to promote the Integrity System and build trust in the structure and platform.

## EMPLOYEES

HOW DOES OUR STRUCTURE OF SUPPORT FOR INTEGRITY FUNCTION?

QUESTION OR CASE INVOLVING INTEGRITY	> Integrity question	> Guidance from Integrity Councilor	> The person takes an informed decision.
Integrity case	> The case is registered and the Intermediate Council is notified.	> The case is evaluated and its investigation delegated accordingly.	> The case is monitored through to its closure and the person reporting it and the General Integrity Coordinator are kept informed.

## SODIMAC COMMERCIAL TRANSPARENCY | SUPPLIERS





This Corporate Integrity System ensures 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. As well as helping to prevent conduct such as fraud, conflicts of interest and abuse of power, it incorporates elements of the voluntary system proposed under Chilean Law 20.393 to avoid companies' criminal responsibility in the event of the crimes of bribery of a national or international official, money laundering and the financing of terrorism.

The System includes an online platform and a direct channel of contact for incident reporting and enquiries and guarantees confidentiality of the identity of the person making the report, its investigation and a proper solution.

In 2016, the Corporate Integrity Platform received 191 reports of which 59% were presented anonymously and 41% under confidentiality of identity. They corresponded to situations that included workplace harassment, conflict of interest and unethical attitudes. Out of the cases registered in the Platform, 74% were analyzed and their investigation completed while 26% are still under investigation.

<b>N° OF REPORTS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Anonymous	100	149	113
Under confidentiality of identity	69	104	78
<b>TOTAL</b>	<b>169</b>	<b>253</b>	<b>191</b>

Source: Sodimac.

# Risk Management and Compliance

## RISK MANAGEMENT SYSTEM

Sodimac has a methodology for the opportune and consistent identification of risks that could negatively affect the achievement of its business objectives. This is accompanied by controls and the definition of responsibilities for the risks' prevention and/or mitigation. For further information, see the company's Annual Report ([www.sodimac.com](http://www.sodimac.com)).

In 2016, Sodimac completed an update of its risk matrix, including economic, social, labor, environmental, ethical and corporate governance aspects. This update involved a survey of risks in each of the company's different areas, with the participation of all their teams. The risks identified were integrated with the company's financial and commercial risks and those related to its processes and operational insurance.

The company established a model for managing the traditional and non-traditional risks that have been incorporated into its risk matrix. They fall into four broad areas: operational risks, compliance risks, physical safety and IT risks. For each of these areas, a committee was created, headed by the General Manager of Sodimac Chile, and they are coordinated, respectively, by the Administration, Finance and Prevention Area, the Legal Affairs and Sustainability Area, the Administration, Finance and Prevention Area and the IT Area.

During the year, these committees met monthly to identify and assess inherent risks (which would exist if there were no controls to mitigate them); identify the controls already in place and their effectiveness; determine the residual risks (the level of risk after the implementation of controls); and define action plans for those inherent risks that have not been sufficiently mitigated.

RISK COMMITTEE	PROCESSES OR AREAS OF RISKS
RISKS RELATED TO OPERATIONAL PROCESSES	Procurement of goods
	Lending and debt collection
	Financial and budget management
	Real estate investments
	Logistics and supply
	Marketing
	Operations
	Accounts
	Labor relations
	Sales

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/illnesses
	Collapse of infrastructure
	Social emergencies
	Explosions/leaks
	Environmental impact

## PREVENTION AND CONTROL MEASURES IN STORES

The Legal Compliance Area implements an audit plan which takes into account 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 2016, it carried out 695 onsite audits and 1,120 remote audits based on an audit control panel, including stores, warehouses, subsidiaries and central offices.

Sodimac also provides special training for employees in areas exposed to a greater risk of corruption, setting out guidelines, procedures and ethical norms for the exercise of their functions. In 2016, this probity training was received by 21% of the company's total workforce.

N° OF AUDITABLE UNITS	2014	2015	2016
Stores	77	81	81
Warehouses	20	20	29
Subsidiaries (*)	3	3	3
Support offices	146	146	153
<b>TOTAL</b>	<b>246</b>	<b>250</b>	<b>266</b>

(\*) Companies with ownership relation to Sodimac.

TRAINING COURSES	N° OF EMPLOYEES 2014	N° OF EMPLOYEES 2015	N° OF EMPLOYEES 2016
Prevention and losses	943	1,102	1,159
External security personnel (*)	950	800	713
Internal auditing	19	20	17
<b>TOTAL</b>	<b>1,912</b>	<b>1,922</b>	<b>1,889</b>

(\*) 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

Throughout 2016, the Legal Compliance Area implemented the 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 or operating procedures. In addition, it carries out special audits in response to reports received through different channels, including particularly the EticAcción system supported by the Corporate Integrity Platform.

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

The Control Panel system operates at the national level and is supported by other areas of the company such as Sales to Companies, Finance, Treasury, Loss Prevention and Operations.

## ACCIÓN: +PROBITY PROGRAM

Sodimac participates in the *+Probidad* (+Probity) Program of Acción, a Santiago-based organization. This Program seeks to contribute collaboratively to strengthening policies and practices related to business probity, including the prevention of corruption, management of conflicts of interest, free competition and consequence management. The Program already has 18 companies from different sectors that are committed to strengthening their ethics and compliance policies.

### ANTI-CORRUPTION MEASURES

SITUATIONS DETECTED	MEASURES ADOPTED	2014	2015	2016
LOSSES (THEFTS DETECTED)	General inventories	95	86	97
	Selective inventories	34	98	45
	Daily inventories	24,333	24,247	25,914
	Remote audits: Control Panel	853	900	1,120
FAILURES IN PROCEDURES	Training	-	5	1
	Reprimand	2	3	-
	Dismissal	2	-	11
ABUSE OF POWER	Dismissal	-	-	-
UNDUE APPROPRIATION	Dismissal	9	5	-
INAPPROPRIATE CONDUCT	Dismissal	-	-	1

Source: Sodimac.



## OUR EMPLOYEES

Sodimac recognizes the crucial role played by its employees and has a strong commitment to them. The strategic goals it has established include the attraction, training and retention of the best human team, seeking to foster its members' integral development and quality of life, and, for this, it views good labor relations as essential. The legal strike which occurred in late 2016 reflected the company's pending challenges in this field which it will address with decision and as a priority as part of a process of continuous improvement.



### STRATEGIC ISSUES

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

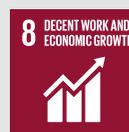
### MILESTONES

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- Recognition from SENCE and OTIC CChC as one of the companies in Chile that provides most training.
- 586,641 hours of training in 2016.
- Recognition in the Great Place to Work ranking (1<sup>st</sup> in Home Improvement retail category).
- 13,621 employees participated in sports and cultural activities.
- 2,050 employees participated in corporate volunteer activities.

### SUSTAINABLE DEVELOPMENT GOALS:

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# Talent Management and Integral Development

## TRAINING

Sodimac seeks to develop the talent of its people, offering them training programs and promoting their professional growth in line with their life project, interests, knowledge and skills for taking on a new role.

In 2016, the company provided 586,641 hours of training of different sorts, benefiting a total of 18,313 employees of whom 11,401 were men and 6,912 were women. In order to be eligible for training, employees had to have been hired before 30 September 2015 and not have taken 180 days or more of sick leave.



One of the key pillars of these efforts to boost skills and foster integral development is the Sodimac School of Excellence, which forms part of the Human Resources Area. Its purpose is to train integral retail professionals through a structure of courses that allows employees to know which to take for their long-term career development. Since it was created in 1999, the Sodimac School of Excellence has provided over 6 million hours of training through courses which all have their respective codes with the government's National Training and Employment Service (SENCE).

The courses include project management, customer service, sale of projects, commercial management on the sales floor, products, team work 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.

### Hours of Training: Company

	N° OF EMPLOYEES	HOURS USED
2014	18,870	409,698
2015	19,977	513,331
2016	18,313	586,641

### Hours of Training: SENCE

	N° OF EMPLOYEES	HOURS USED
2014	10,621	239,863
2015	14,551	292,530
2016	14,183	296,234

Source: Sodimac.



TRAINING BY TYPE OF POST	HOURS USED	2015		2016		
		HOURS WOMEN	HOURS MEN	HOURS USED	HOURS WOMEN	HOURS MEN
Managers and assistant managers	11,288	2,254	9,034	22,204	5,297	16,907
Professional and technical personnel	120,071	45,417	74,654	147,861	62,713	85,148
Others	381,972	140,668	241,304	416,576	147,607	268,969
<b>TOTAL</b>	<b>513,331</b>	<b>188,339</b>	<b>324,992</b>	<b>586,641</b>	<b>215,617</b>	<b>371,024</b>

Source: Sodimac.

TRAINING BY TYPE OF POST	N° EMPLOYEES	2015		2016		
		N° WOMEN	N° MEN	N° EMPLOYEES	N° WOMEN	N° MEN
Managers and assistant managers	495	2,254	9,034	507	114	393
Professional and technical personnel	3,783	45,417	74,654	3,677	1,571	2,106
Others	15,699	140,668	241,304	14,129	5,227	8,902
<b>TOTAL</b>	<b>19,977</b>	<b>188,339</b>	<b>324,992</b>	<b>18,313</b>	<b>6,912</b>	<b>11,401</b>

Source: Sodimac.

# Professional Development

In 2016, 665 internal promotion processes took place around Chile, attracting

**2,108**  
APPLICATIONS

## SUCCESSION PLANS

Sodimac strives to enable employees to develop their career within the company. To this end, it has a system for the identification, measurement and development of workplace skills that facilitates promotion decisions by permitting detection of a person's development potential and taking it into account when a strategic or key post becomes vacant at a specific time and in a particular area.

All the company's stores have a succession plan which is used to define promotions to positions as store manager and assistant manager and to select employees to attend special diploma courses to strengthen their leadership and retail management skills. In 2016, 23 promotions took place (19 heads of department to assistant manager and four assistant managers to store manager).

## Specialized Training in Stores and Supply Chain

PROGRAM	PARTICIPANTS		HOURS	
	2015	2016	2015	2016
Diploma in Leadership Skills and Retail Management (Adolfo Ibáñez University)	23	22	2,258	5,850
Diploma in Retail Management (DuocUC)	30	30	3,182	3,051
Diploma in Supply Logistics Management (USACH)	25	25	2,387	2,214

Source: Sodimac.

## Internal promotion processes

Sodimac invites employees to apply for vacancies that become available, thereby offering people who already form part of the organization an opportunity to obtain promotion within it.

This procedure has proved extremely effective in that 57% of promotions in stores are the result of these internal processes and succession plans. In 2016, 665 such processes were opened around the country, attracting a total of 2,108 applications.

INTERNAL PROMOTION PROCESSES	
2014	932
2015	810
2016	665

Source: Sodimac.

# Performance Evaluation

Performance Evaluation is a formal process that takes place once a year and includes all employees who have worked at Sodimac for at least three months. In 2016, 98% of employees were, therefore, evaluated, equivalent to a total of 15,014 people, of whom 60% were men and 40% were women.

The company also implements a 360 Evaluation Process at the management level. In 2016, 220 executives were evaluated through this process.

Given the importance which the company attaches to performance evaluation, 3,548 hours of training were provided in 2016 for line managers whose role in this process is key.

## Performance Evaluation

	EMPLOYEES TRAINED	HOURS OF TRAINING	EMPLOYEES EVALUATED
2014	1,946	10,069	14,799
2015	472	3,376	14,492
2016	449	3,548	15,014

Source: Sodimac.

## Priority for local hiring

In order to contribute to the quality of life of its employees as well as the development of communities close to its stores, Sodimac gives priority to hiring people from these areas, recruiting around 90% of its personnel according to this criterion. However, senior management posts, given the role involved and experience required, are usually filled through internal promotion processes.

As part of this policy, the company has in place a plan through which it seeks to maintain close relations with communities and their municipal governments. In 2016, this was reflected in its presence in three job fairs around Chile. It also has alliances with technical training institutions and social organizations that offer free training to vulnerable young people so they can acquire knowledge and experience that facilitate their future labor market insertion.

## New Hires

TYPE OF POST	2015		2016	
	MEN	WOMEN	MEN	WOMEN
Managers and assistant managers	7	2	17	5
Professional and technical personnel	114	86	87	80
Others	2,899	986	2,277	782
Total men/women	3,020	1,074	2,381	867
<b>TOTAL</b>	<b>4,094</b>		<b>3,248</b>	

Source: Sodimac.



## Compensation

Sodimac prefers to hire full-time workers in order to foster employability and the training of retail professionals. Through its wage policy, which establishes an entry-level wage that is equal to or above the legal minimum in Chile, it also seeks to favor the employment of young people.

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.

	<b>CHILEAN MINIMUM WAGE (CLP)</b>	<b>SODIMAC ENTRY-LEVEL WAGE (CLP)</b>	<b>RATIO SODIMAC VS. COUNTRY</b>
2014	225,000	356,336	1.58
2015	241,000	360,496	1.50
2016	257,500	385,177	1.50

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

## Gender Equity and Inclusion

### INCLUSION, DIVERSITY AND NON-DISCRIMINATION POLICY

In 2015, Sodimac introduced an Inclusion, Diversity and Non-Discrimination Policy. Through a planned, systematic and comprehensive approach, it seeks to ensure that the company is a place where everyone, with their similarities and differences, can contribute to the organization’s strategic and competitive advantages and that no one is excluded on grounds not related to their professional contribution, creation of value and productivity.

In 2016, this +Diversity policy was reflected in:

- An inclusive ceremony to mark the start of the year of which all employees, regardless of their beliefs and religion, could feel part. It was attended by 580 employees as well as being streamed to stores, warehouses and distribution centers around the country;
- A photography competition, “A view with a focus on ourselves” in which 137 employees participated.

# Relations with Unions

## WORKPLACE INCLUSION

The company is committed to the workplace inclusion and development of people with a disability. As of end-2016, 124 people with some disability were working for the company of whom four had joined it during the year.

## GENDER EQUITY

Sodimac has supported different initiatives implemented by Chile's National Service for Women (SERNAM) whose objective is to work towards a management model that permits progress on gender equity in the workplace through actions that start with recruitment and selection and that also seek to facilitate a balance between work and family and personal life.

In 2016, 114 women held executive posts at Sodimac, accounting for 23% of all such posts. There is no significant difference in the remunerations of women as compared to men in similar posts.

### Gender Wage Gap

POST, RESPONSIBILITY OR FUNCTION	RATIO OF AVERAGE GROSS WAGE OF FEMALE EXECUTIVES AND OTHER EMPLOYEES TO THAT OF MALE EQUIVALENTS
Managers and senior executives	92%
Professional and technical personnel	101%
Others	102%

With its different trade unions, Sodimac seeks to establish fluid and permanent relations, anchored in dialogue, mutual collaboration and trust. This policy is based on four fundamental pillars: respect for people, commitment to their personal and professional development, the legitimacy of union organizations and adherence to the law.

Each year, Sodimac implements plans to strengthen unionization and relations with its employees' representatives. They include a Union Training Program and monthly meetings with the unions.

At 78%, unionization at Sodimac is well above the Chilean average. As of end-2016, it 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 13,517 members.

During the year, a collective bargaining process for the period 2016-2018 took place with the National Union of Homecenter Workers which represented 8,298 people. Despite the dialogue that existed and the relation of collaboration that has always existed between Sodimac and its unions, it called a legal strike on 9 November 2016. It lasted for 26 days, concluding after the difference between the positions was narrowed and an agreement reached.

Following the strike, the company has focused on drawing lessons, rebuilding trust and re-establishing ties on the basis of which to continue advancing towards the future.

## Work Climate

### Unionization

	N° OF EMPLOYEES	PERCENTAGE
2014	14,004	74%
2015	13,769	77%
2016	13,517	78%

Source: Sodimac.

Although Sodimac is part of the retail sector, with its competitive dynamics and complex structure of working days, it accounts for a proportionally smaller number of cases and lawsuits against the sector at the government's Directorate of Labor. In 2016, 83 complaints of a labor nature were made against the company. These were handled by its Legal Area and 59 were resolved while the other 24 are still under investigation.

### Labor Complaints

	N° OF COMPLAINTS
2014	58
2015	61
2016	83

Source: Sodimac.

Sodimac takes annual measurements of the work climate in order to monitor its evolution and take measures for its improvement. In 2016, 13,927 employees, equivalent to 82% of the workforce, answered the voluntary survey of the Great Place to Work Institute. The results showed a Trust Index of 77% at the overall company level, which represented an increase of two points on the previous year.

The Human Resources Area presents the survey's results to the teams of each of the company's different areas so as to identify best practices and use their comments and feedback as a basis for measures for improvement. In this process, it asks further questions in order to better understand situations before intervening in those areas with more problems. Through work climate workshops, it seeks to gather information about the perceptions of these areas' employees and ideas for improving communication, motivation and relations and introducing significant changes that contribute to make Sodimac a better place to work.

In 2016, a series of measures were implemented to accompany stores, central areas of the company, warehouses and distribution centers in a bid to facilitate processes of improvement and changes in relations between line managers and their teams and among peers. To this end, individual interviews took place and focus groups and opportunities for conversation with line managers were organized.

GPTW RESPONSE RATE (N° OF EMPLOYEES)			
	2014	2015	2016
	13,147	14,338	13,927

INDEX	2014	2015	2016
Trust Index	69%	75%	77%
GPTW	72%	79%	80%

**Trust Index:** Corresponds to the average of all the survey's dimensions.  
**GPTW:** Corresponds to the question as to whether it is a good company for which to work.

## Quality of Life

*In 2016, the company offered more than*

**70**  
**EMPLOYEE**  
**BENEFITS**

Sodimac implements programs and measures that seek to enhance the quality of life of its employees and their families, contributing to their well-being, satisfaction at work and a balance between life and work.

These measures include more than 70 different employee benefits related to the family,

housing, education, health, insurance coverage, special assistance, bonuses and recognitions. Employees' perceptions of these benefits are measured annually through the Great Place to Work (GPTW) survey. In 2016, 87% of employees who responded to the survey considered that Sodimac offers benefits that are special and unique.

<b>PRINCIPAL BENEFITS ('000 CLP)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Holiday bonus	4,023,006	4,399,000	4,426,828
Seniority and length of service	555,392	715,811	813,337
Special assistance	1,982,731	2,675,044	2,945,574
Christmas and Independence Day bonuses	1,703,755	1,803,347	1,781,432
Nursery	1,061,436	1,197,707	1,212,150
Travel benefits	2,593,820	2,775,998	2,859,138
Benefits for uniform and work clothes	1,090,863	1,506,422	1,316,309
Corporate events	1,775,729	1,679,024	1,913,908
Casino and meals	10,228,178	11,024,108	11,322,410

*Source: Sodimac.*



## PRINCIPAL PROGRAMS

### **+Vivienda**

The **+Vivienda** (+Housing) program provides tools that facilitate and support employees' efforts to realize their dream of home ownership. In 2016, different steps were taken to inform them about the state benefits available and those provided by Sodimac for acquiring their own home. Around the country, 2,556 employees attended talks, workshops and other informative events.

As well as providing advice and guidance on applying for state subsidies, Sodimac offers loans for the purchase of housing which, in 2016, were obtained by 22 employees, representing a total of over 18 million Chilean pesos.

### **+Sano**

The **+Sano ¡Qué rico es comer así!** (+Healthy, how good to eat this way!) program seeks to foster changes in habits, providing information that gradually modifies the way people eat. Regular activities such as workshops, talks and training sessions are offered in all workplaces and, in 2016, were attended by 26,235 employees. A healthy menu is also available every day in the canteens that exist in each of the company's stores and other installations, accompanied by nutritional information to encourage its use.

### **+Salud**

Through its **+Salud** (+Health) program, the company seeks to promote and protect the physical health of its employees, offering advice and assistance for the correct use of health insurance plans and related benefits. This advice is available from the company's social assistants throughout the country.

Health operations implemented in the workplace benefited 8,069 employees during 2016 and included mammograms and ophthalmic, dental and preventive programs. In addition, 786 loans were provided to employees to cover different

high-cost treatments, principally their hospitalization or that of their dependents.

Sodimac also has a complementary health agreement with Sermecoop, a cooperative, which reimbursed the cost of 375,675 medical attentions, equivalent to a total of more than 3,247 million Chilean pesos.

### **+Tú**

The **+Tú** (+You) program aims to create a culture that fosters employees' mental health and integral well-being through both prevention and assistance.

The principal initiatives implemented in 2016 included a series of activities to foster self-care and stress management. They took place in all the company's installations in Chile and were attended by 2,167 people.

All the company's stores in Chile are also equipped with special rooms in which employees can take a rest break while the support office has a gym and the main distribution center has a swimming pool and other sports facilities.

### **+Deporte**

In order to contribute to employees' physical and mental health, strengthen the work climate and foster harmonious workplace relations, the company implements a **+Deporte** (+Sport) program through which 8,304 employees participated in sports activities in 2016. These included regional championships, healthy work break programs, fitness training, football and table tennis matches, Pilates, yoga, zumba and dance classes and races.



In addition, the program offers financial support for employees who excel at their particular sport and, in 2016, three employees received this support. In order to promote a healthy lifestyle and encourage cycling, the company also organized a *Pedalear te hace bien* (Pedaling does you good) campaign in November in which 176 employees participated.

#### PARTICIPANTS IN SPORTS ACTIVITIES

2014	6,025
2015	9,635
2016	8,304

Source: Sodimac.

#### +Cultura

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.

The company establishes important alliances with government and private bodies so as to be able to offer activities to employees throughout the country. In 2016, 5,317 employees and family members participated in 17 cultural activities in Santiago and the regions.

#### PARTICIPANTS IN CULTURAL ACTIVITIES

2014	7,324
2015	6,453
2016	5,317

Source: Sodimac.

#### Sodimac Library

In the Sodimac Library, employees can find books that range from complementary reading for their 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 any of the 2,900 books. In 2016, a total of 2,911 employees used the Library.

#### Social assistance

Sodimac has a network of 53 social assistants, located in all its stores, warehouses, distribution centers and offices around the country. They offer employees and their families personalized and confidential guidance and help in resolving their problems.

In 2016, in addition to the loans made available for cases of hospitalization or major health problems, the company provided economic assistance to 165 employees who faced some situation of social emergency. This assistance totaled over 40 million Chilean pesos.

As part of its policy on the problematic use of alcohol and other drugs, Sodimac systematically seeks to help and support employees affected by this problem, offering advice, derivation for treatment and follow-up monitoring and, in some cases, financial support for rehabilitation. In 2015, 14 employees received support.

## Workplace Safety and Health

Care for its employees and customers and their safety are a top priority for Sodimac. All its installations have Level 4 prevention certification under the ACHS Safety and Occupational Health Management System which is the most demanding and permits more effective risk control.

All the company's installations have active Joint Worker-Management Health and Safety Committees and, together with the Asociación Chilena de Seguridad (ACHS), a workplace health and safety insurer, the company offers courses for them, focusing on the investigation and management of the accidents that do occur. At the same time, in order to strengthen the role

of these Committees, it encourages them to award a monthly recognition to the employee who has stood out on risk prevention.

Other activities in 2016 included courses, campaigns and walks as well as action plans and monitoring to minimize conditions and behaviors that entail risk and to foster self-care.

An important feature of the year in this field was the progress achieved towards compliance with standards which allowed the company to begin its process of certification under the OHSAS 18001 international safety and occupational health standard.



In 2016,  
28 courses  
were taught,  
representing

**60,576**  
HOURS OF  
TRAINING

## EDUCATION AND PROMOTION OF SAFETY

In 2016, 28 courses were given to minimize conditions and conduct that put employees at risk and to foster self-care. These courses were attended by 5,639 employees and represented a total of 60,576 hours of training. Together with the ACHS, a further 648 courses were also offered and were attended by 6,443 employees, representing a total of 24,786 hours of training.

<b>TRAINING BY SODIMAC</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
N° of courses	33	43	28
N° of employees	3,599	12,027	5,639
N° of hours	12,637	62,797	60,576

*Source: Sodimac.*

<b>TRAINING BY ACHS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
N° of courses	182	816	648
N° of employees	2,054	14,317	6,443

*Source: Sodimac.*

## INCIDENT, ACCIDENTABILITY AND ABSENTEEISM RATES

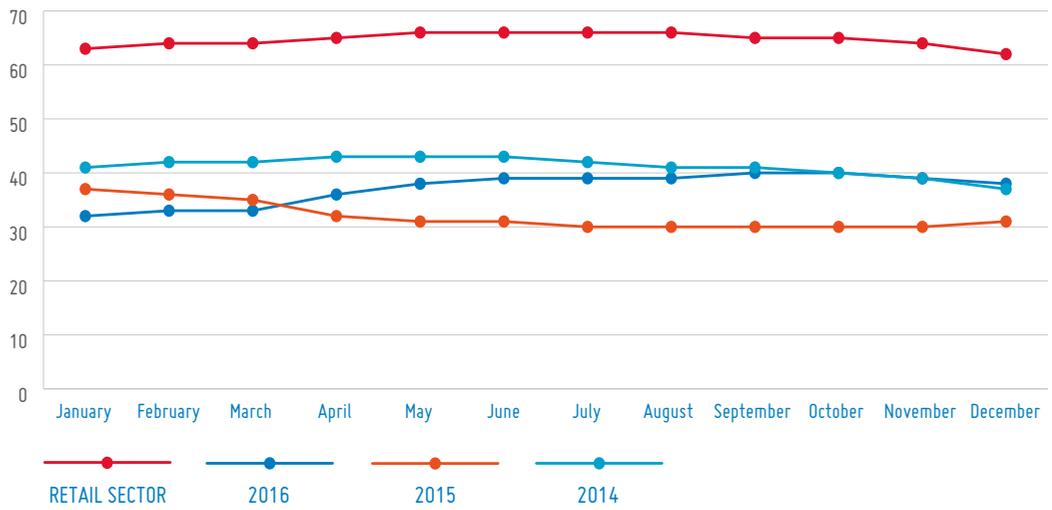
The company supervises, provides advice on and promotes compliance with its Risk Prevention Program. For Sodimac, it is a priority to work together with the Joint Worker-Management Health and Safety Committees which exist in all its stores and other installations and in which 100% of employees are represented. To this end, it seeks to equip these Committees with technical tools and help them strengthen the role which the law assigns them, offering courses for them each year in conjunction with the ACHS.

Each year, the company also recognizes those employees who go beyond their responsibilities as regards risk prevention and occupational health, awarding prizes to the best stores, the best risk prevention professionals and the best Worker-Management Committee.

Thanks to these efforts, Sodimac has achieved a sustained reduction in its accidentability and incident rates since 2013. In 2016, they represented a drop of 35% and 11%, respectively, almost bettering the average for the retail sector as a whole.

### INCIDENT RATE

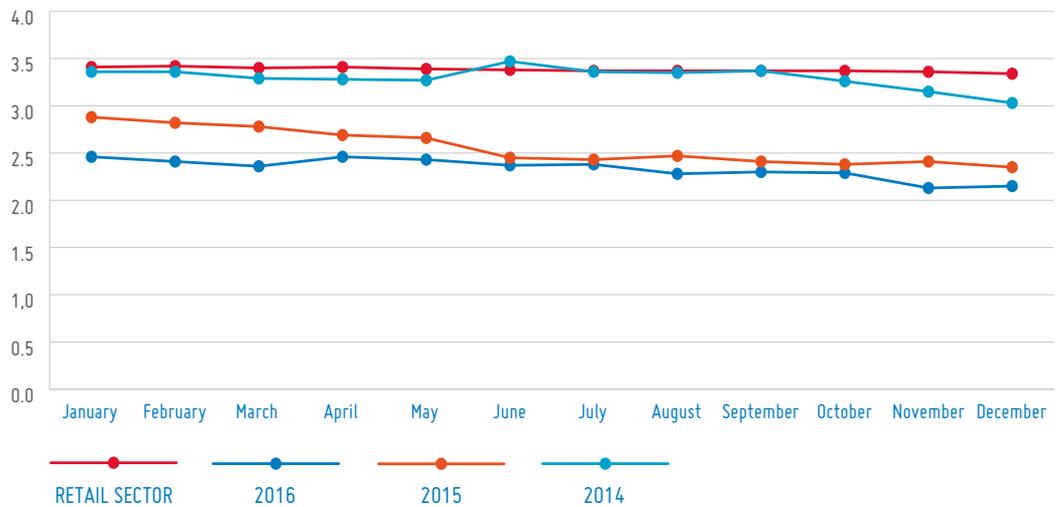
Calculated as:  $N^{\circ}$  of lost days / Average  $n^{\circ}$  of employees x 100.



Source: Sodimac.

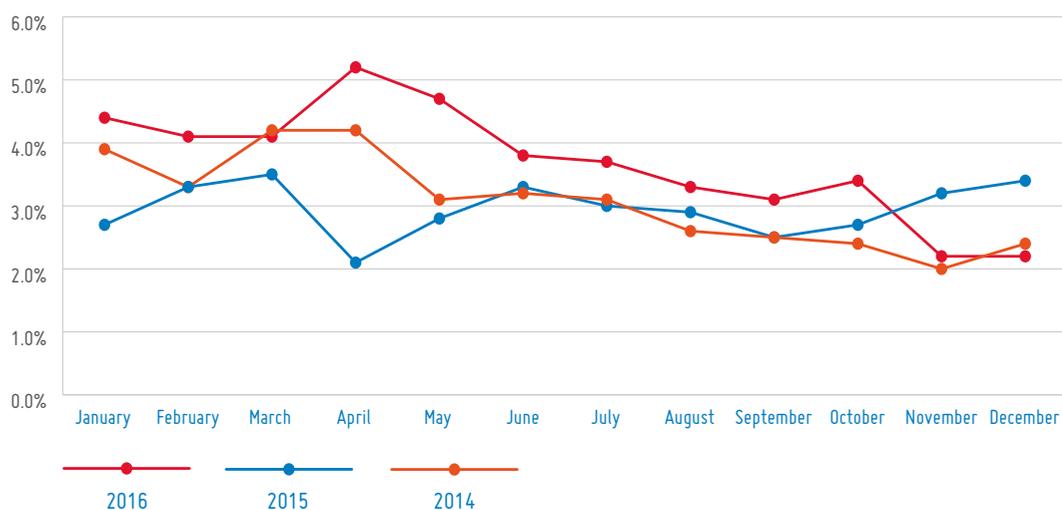
### ACCIDENTABILITY RATE

Calculated as:  $N^{\circ}$  of accidents / Average  $n^{\circ}$  of employees x 100.



Source: Sodimac.

## RATE OF ABSENTEEISM FOR WORKPLACE ACCIDENTS

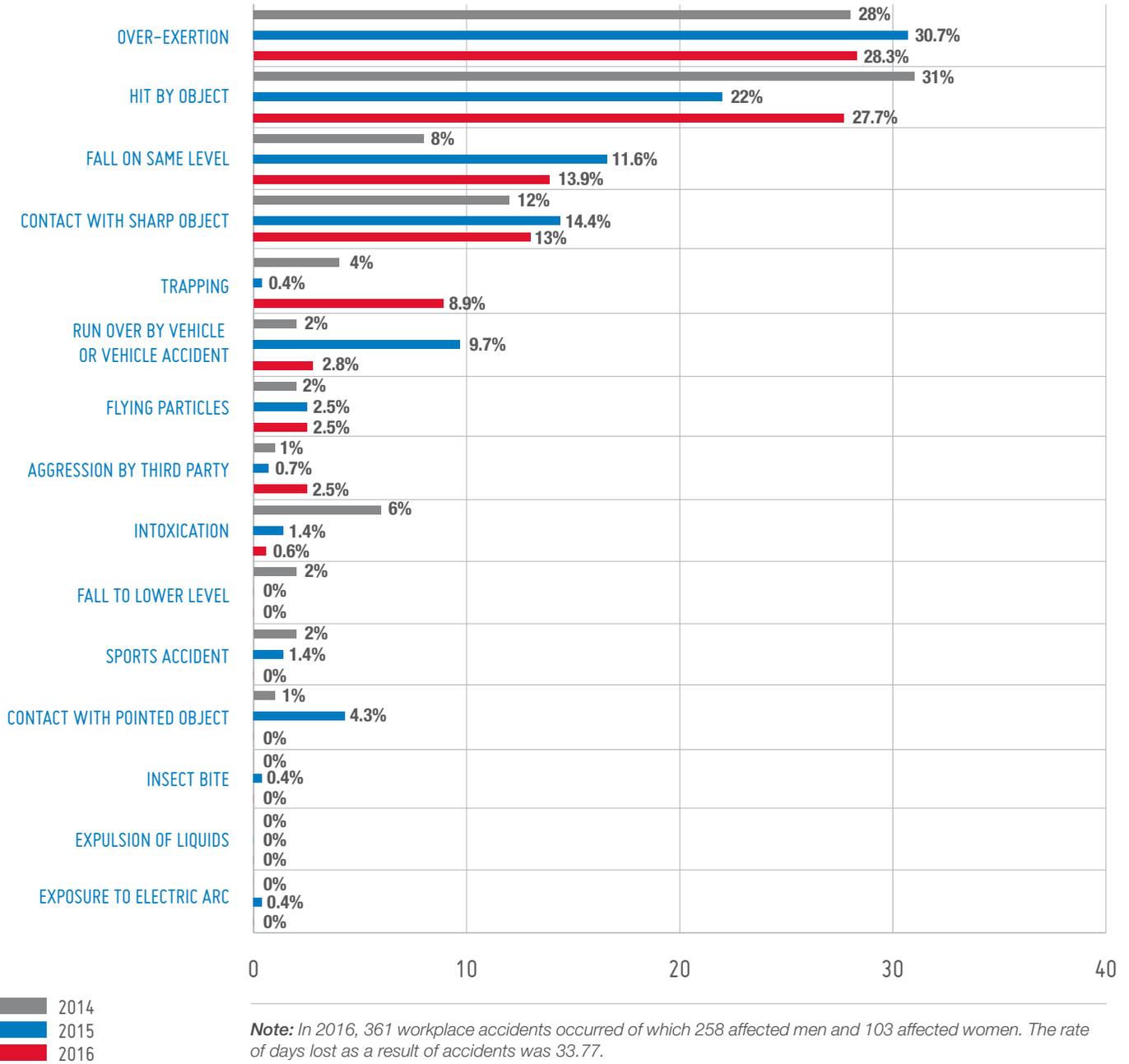
Calculated as:  $N^{\circ}$  of employees / Lost days /  $N^{\circ}$  of employees / Lost hours x 100.

Source: Sodimac.

ZONE OR REGION	2014				2015				2016			
	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	631	67	0	0	864	65	0	0	799	47	4	0
Central Zone	1,281	122	0	0	902	49	1	0	402	36	2	0
Southern Zone	1,128	92	0	0	1,013	83	0	0	1,163	74	1	0
Santiago Metropolitan Region	3,898	287	1	1	2,887	239	0	0	4,230	204	4	0
<b>MEN</b>	<b>5,042</b>	<b>432</b>	<b>1</b>	<b>1</b>	<b>4,412</b>	<b>312</b>	<b>1</b>	<b>0</b>	<b>258</b>	<b>258</b>	<b>5</b>	<b>0</b>
<b>WOMEN</b>	<b>1,896</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>1,254</b>	<b>124</b>	<b>0</b>	<b>0</b>	<b>103</b>	<b>103</b>	<b>6</b>	<b>0</b>
<b>TOTAL</b>	<b>6,938</b>	<b>568</b>	<b>1</b>	<b>1</b>	<b>5,666</b>	<b>436</b>	<b>1</b>	<b>0</b>	<b>361</b>	<b>361</b>	<b>11</b>	<b>0</b>

Source: Sodimac.

### Principal Injuries in accidents



## Outsourcing at Sodimac

Sodimac has an Outsourcing Unit exclusively to design and implement policies that guarantee compliance with labor obligations and contribute to improving the working conditions of indirect employees. In stores throughout the country, this Unit provides training about labor laws, focusing specifically on outsourcing.

The aim is to foster the capacity for self-regulation in a quest for balanced relations between employers and outsourced workers, guarding against lawsuits and fines for breaches of labor regulation. To this end, the Outsourcing Unit, together with the Chilean government's Directorate of Labor, organized the fifth Tripartite Working Group in which contractors received training on matters that included work contracts, the working day and rest periods, protection of maternity, basic rights, remunerations and workplace health and safety.

In 2016, 105 lawsuits were filed by indirect employees. These were handled by the Outsourcing Unit and 61 were settled during the year whilst the others are pending.

	2014	2015	2016
Contractors (*)	64	79	93
Nº of employees (**)	4,230	4,325	4,374
Nº of inspections	4	4	0
Nº of fines	5	0	0

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

(\*\*) Out of the 4,374 contractors' employees in 2016, 2,490 were men and 1,884 were women.

Source: Sodimac.



## OUR SUPPLIERS

Sodimac views its suppliers as a prolongation of the company and, therefore, seeks to establish long-term mutually beneficial relations with them, working together according to clear rules and seeking to foster responsible operating practices.



### STRATEGIC ISSUES

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- Sustainable supplier management
- Quality control
- Management of risks in suppliers
- Channels for communication and complaints
- Management of small suppliers

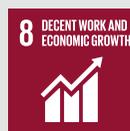
### MILESTONES

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- 97 international and local suppliers registered with Sedex.
- 85 social audits carried out according to the Sedex SMETA protocol.
- Quality and sustainability declarations signed by 747 international suppliers.
- Sales of over 7,560 million Chilean pesos by the Innovation Center.

### SUSTAINABLE DEVELOPMENT GOALS:

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# Sustainable Supply Chain Management

Sodimac Chile works with some 1,300 suppliers of different sizes. Each year, under the company's responsible procurement policy, its executives select from Chile and different markets around the world the best products at the best price from trusted manufacturers, which are subject to strict quality control.

Local suppliers account for 79% of Sodimac Chile's procurement while, in 2016, its imports reached US\$453 million (FOB), sourced from markets that included Asia, South America, North America and Europe.

## Sales by origin of supplier

ORIGIN	2014	2015	2016
Imported	28%	23%	21%
Local	72%	77%	79%

Source: Sodimac.

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

The company strives to maintain a broad and stable base of suppliers. With them, it seeks to have relations that favor efficient coordination, the complementarity of capabilities, innovation, assured output and a particular sensitivity to customers' needs.



# Commercial Transparency

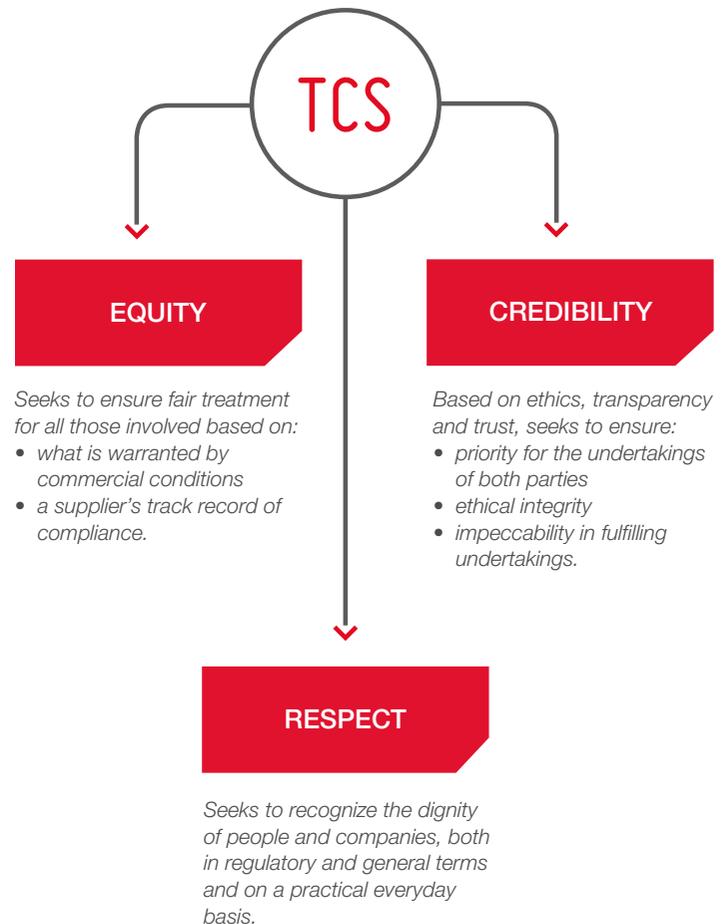
The company's relations with its supply chain are governed by the Sodimac Commercial Transparency Policy (TCS), a formal framework of norms of self-regulation that focuses not only on the commercial relationship but also on conduct and norms as regards responsible operation and sustainability. In this way, Sodimac is able to establish open and transparent relations with counterparts, working together with them under clear rules.

In the framework of the TCS and Sodimac's commitment to human rights, the company seeks to ensure that no child labor is used in its supply chain. In 2016, no cases of child labor were reported or found among the suppliers inspected.

Each year, Sodimac also provides an Innovation Course for its suppliers through which it seeks to increase their awareness of social and environmental sustainability and encourage them to adopt the corresponding practices.

In addition to these requirements, Sodimac tries 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 SMEs. In this way, it seeks to promote their long-term growth, increasing the stability of its commercial relations and the trust on which they are based.

Under the TCS, the company's Legal Compliance Area is responsible for ensuring compliance with these principles. In 2016, two suppliers used the channels for communication and complaints established by Sodimac to report cases of possible breaches of TCS norms. These were investigated and resolved, with the corresponding measures taken to correct each situation.



## WHAT DOES THE TCS ADDRESS?

- **Principles and commercial ethics**
- **Area of application**
- **Procurement of goods and services**
- **Charges to and discounts for suppliers**
- **Support for increasing and guaranteeing sales**
- **Control of quality 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, visit [www.sodimac.com](http://www.sodimac.com) (nuestra empresa/proveedores).



## Supplier Evaluation

In 2016, Sodimac continued to work with Sedex to share information about ethical compliance and labor and environmental standards with its suppliers. This was reflected in a responsible procurement program to reduce risks, protect the company's reputation and monitor practices and non-compliances in the supply chain.

Sedex (Supplier Ethical Data Exchange) is an international non-profit organization which seeks to promote improvements in business practices as regards supply-chain ethics and responsibility.

In 2016, Sodimac asked specific suppliers to join this initiative as a result of which 97 international and local suppliers have adhered

to it. The company also intensified monitoring of its value chain, carrying out 85 social audits to verify compliance with the workplace health and safety, human rights, environmental and labor standards which Sodimac demands.

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.



**Process of risk evaluation, self-evaluation, prioritization of suppliers, registration with Sedex, auditing, improvement plans and corrective measures.**

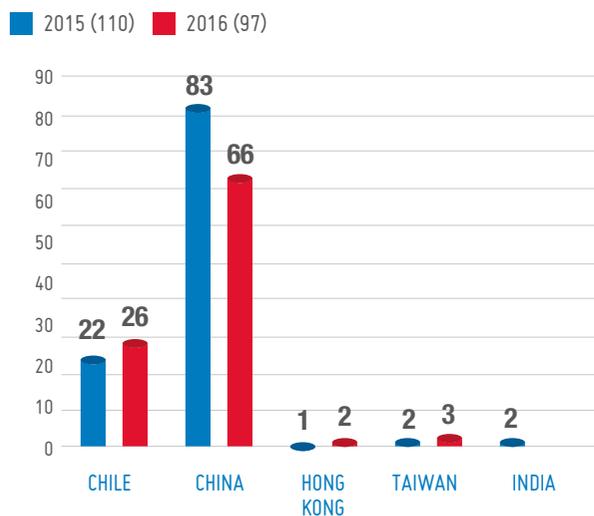


The process established under the Sodimac Supplier Evaluation Program begins with analysis of the supply chain in the light of criteria as regards procurement, sales, ownership and the social and environmental risks of the type of product. On the basis of this, strategic suppliers are prioritized for their incorporation into the Evaluation Program. The supplier must then agree to join the Program, undertake a self-evaluation and submit to an audit of its labor and ethical standards. In this way, the company seeks to ensure that its suppliers know about and are in a position to implement best social, ethical and environmental practices.

## KEY RESULTS

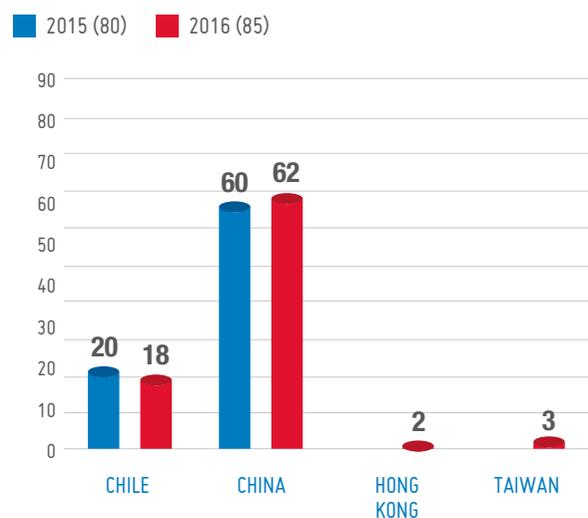
- The principal opportunities for improvements identified as a result of the audits included aspects related to the storage of chemicals, training in and use of personal protection equipment, the formalization of documentation and back-up protocols on ethical matters.
- In 2017, work will focus on the gaps detected in audits of suppliers carried out in previous years.

### SUPPLIERS REGISTERED



Source: Sodimac.

### SUPPLIERS AUDITED



Source: Sodimac.

### SUPPLIER SUSTAINABILITY QUESTIONNAIRE

As well as the evaluation that takes place through Sedex, Sodimac also asks its suppliers to sign a declaration in the form of a questionnaire, available in Spanish, English and Mandarin, about aspects such as business ethics, human rights, workplace health and safety, selection of their own suppliers, product labeling and advertising, the environment and commitment to the community.

In 2016, a total of 884 Asian suppliers, or 88% of all the company's overseas suppliers, signed this undertaking. Over the course of the year, 37 factories of Asian suppliers were also evaluated as regards quality issues.

## Product Quality and Safety

In Chile, 204 suppliers' factories were evaluated in 2016 as regards product quality and the sustainability questionnaire, auditing suppliers that have commercial agreements with Sodimac of whom 28 were new suppliers.

QUESTIONNAIRE FOR SUPPLIERS (*)	2014	2015	2016
Total overseas suppliers	1,002	807	844
Suppliers who signed Sodimac questionnaire	425	561	747

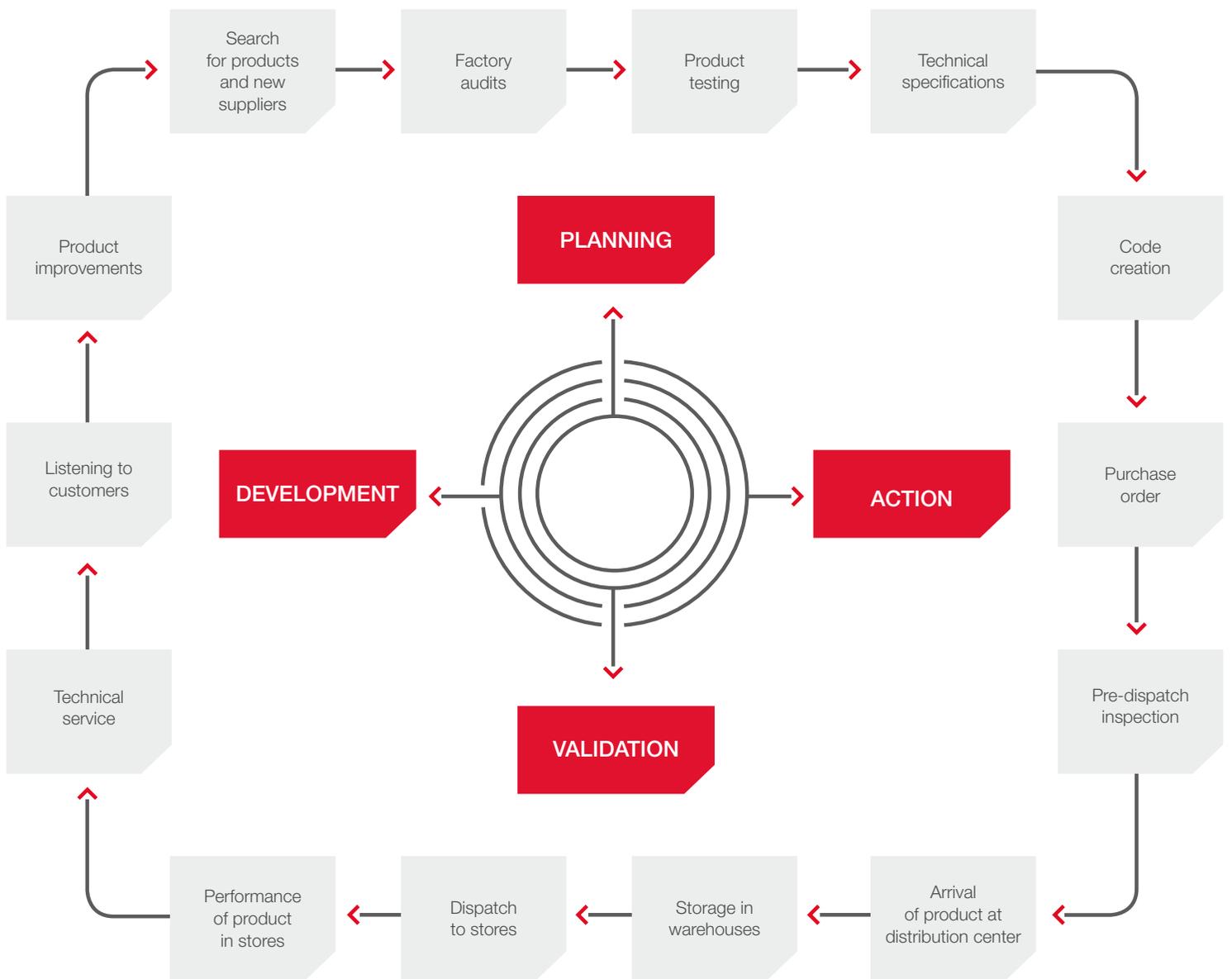
(\*) Includes only suppliers active during the corresponding year.  
**Source:** Sodimac.

Sodimac controls the quality of products from their incorporation into its sales mix through to after-sales service, seeking to ensure their safety and the trust of its customers as well as the inventory in its warehouses and stores. The measures it takes are geared to compliance with local and international standards defined for suppliers and products and it works with service companies and organizations related to evaluation, certification and regulation in order to guarantee compliance with the timelines and procedures which Sodimac establishes.

In 2016, efforts were made to intensify the analysis, testing, certification and inspection of factories at the origin of products imported by Sodimac (in China, Vietnam and the Ukraine) in order to increase the fluidity of the control process.



## PRODUCT QUALITY AND SAFETY



## INSPECTIONS IN CHILE AND OVERSEAS

After selecting a product and contacting potential suppliers at international trade fairs, Sodimac visits their installations to verify their capacity and solvency. The products ordered are then subject to strict quality controls by specialized international companies.

Inspections of overseas suppliers take into account products' technical specifications and their components and functional characteristics, analyzing each point required by the company's Quality Control Area. They also include verification that the product faithfully meets its own specifications and that the materials and specifications are those requested. The product as a whole is also checked, reviewing its manuals, labeling, barcode, packing and palleting.

In 2016, a total of 4,523 overseas inspections were carried out and 747 Asian suppliers were inspected.

<b>OVERSEAS INSPECTIONS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Asia	2,560	2,720	4,435
Europe	8	5	34
Africa	17	27	2
Americas	28	35	52

*Source: Sodimac.*

<b>SUPPLIERS INSPECTED</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Asia	425	561	747

*Source: Sodimac.*

This procedure also applies in Chile for products acquired from local suppliers. In both cases, corrective inspections take place if errors are detected in a product and these must be remedied by their supplier. In all inspections, a product may be accepted or rejected and its dispatch authorized or not.

## Inspections in Chile

<b>RESULT OF INSPECTION</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Approved	415	480	308
Rejected	111	61	52
<b>TOTAL</b>	<b>526</b>	<b>541</b>	<b>360</b>

*Source: Sodimac.*

## PRODUCT TESTING

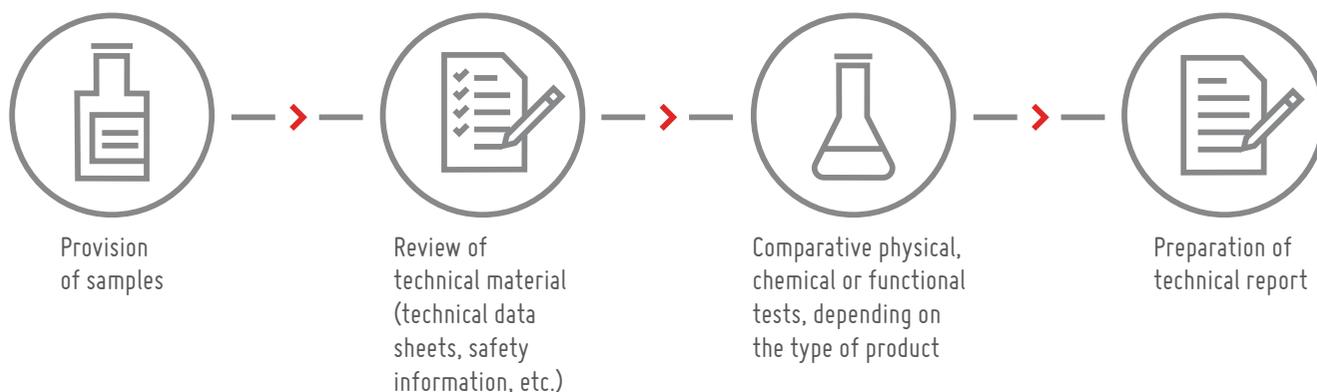
In order to verify the safety and use of products, Sodimac's Quality Control Area hires the services of local and overseas laboratories, particularly in the case of electrical products and furniture.

Sodimac also encourages all its suppliers to use external laboratories to carry out their own product testing as back-up for the product's incorporation into its mix.

## FOCUS ON OWN BRANDS AND TECHNICAL SUPPORT

In the case of the products which Sodimac sells as own brands, it takes even greater responsibility for their quality and functioning and after-sales service. Much of the work of its Quality Control Area involves monitoring these products in the different phases of their life cycle.

### INTERNAL TESTING CYCLE



<b>PRODUCT TESTING</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Product testing in Chile	382 units	682 units	907 units

Source: Sodimac.

In the case of all own brand tapware products and those that use electricity or some fuel, Sodimac has established a technical service exclusively for their repair, supply of spares and response to customers' requirements. At present, it markets 1,288 own brand products for which a technical service controlled by the company is available. In 2016, it dealt with a total of 17,963 products of different types.

## Innovation with Suppliers

In addition, customers can use a network of Technical Support modules located in 51 stores around the country. These are staffed by experts who help clients with how to use the product they have acquired and the best way to do so and, if necessary, refer them to the specialized technical service.

### CUSTOMERS ATTENDED BY TECHNICAL SUPPORT

2014	534,989
2015	541,065
2016	560,794

*Source: Sodimac.*

### PRODUCT USE EXPERIENCE LABORATORY

As well as seeking to ensure products' quality and safety, Sodimac's Quality Control Area tries to ensure that customers have a positive experience of their use. For this purpose, it has a Product Use Experience Laboratory with mechanical, electrical, chemical and materials testing facilities as well as areas for the installation, assembly and application of products.

Using top-level measuring tools and testing equipment, the laboratory's specialized personnel assesses products for the different South American markets prior to their procurement. Together with a team of product development engineers, they also assess products that are already on the market, defining improvements in their design as part of a process of continuous improvement.

In 2016, 548 products were evaluated, including testing prior to their incorporation by Sodimac and those already on the market.

In order to differentiate itself in a highly competitive market and increase value to customers, Sodimac has an innovation policy based on the concept of co-creation with its suppliers. This is implemented through the Suppliers' Innovation Center (CIP), created by Sodimac 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 disposal of suppliers so they are able to focus all their capabilities on generating products, services, business models, experiences and processes more creatively and directly in line with customers' needs.

This initiative has proved successful, contributing new products with a high value-added component to the mix offered by Sodimac. In 2016, the company worked with 134 suppliers with whom it developed more than double the new products, services, business models, experiences and processes. In addition, this two-way collaboration between suppliers and the company's innovation area has resulted in improvements in commercial performance.

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*In 2016, the Manos de Mi Tierra program sold products for some*

**37**  
MILLION PESOS  
*in Homy stores.*

Over the years, 41 suppliers have become part of this initiative. They include suppliers who are of strategic importance to the company such as LIOI, Indura, Lourdes, DVP, Vicsa and Toyotomi. These companies receive support from the early stage of a project through to the solution's implementation.

In 2016, the CIP participated in different trade fairs, including the fourth Training Fair (CES), ExpoEdifica, the Enlaces Comerciales Fair of the Santiago Chamber of Commerce, the

Cipran Multi-Sector Business Fair and the Asado Emprendedor event. It took advantage of these events to show not only products that were already on sale but also different solutions under development.

All the work undertaken by the CIP resulted in sales of more than 7,560 million Chilean pesos in 2016 and Sodimac will, therefore, continue to encourage and expand suppliers' participation in this initiative.

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## Supplier Development

### MANOS DE MI TIERRA PROGRAM

The *Manos de Mi Tierra* (Hands of My Land) program is the result of a public-private alliance, supported by the Chilean government's Solidarity and Social Investment Fund (FOSIS) and Comparte, an NGO. It seeks to create opportunities for micro-entrepreneurs to market their products, thereby contributing to their well-being and that of their families.

All Homy stores offer their products, thanks to which they sold some 4,000 products in 2016, representing 37 million Chilean pesos in revenues.

This social project is implemented in accordance with fair trade standards and is certified by the World Fair Trade Organization (WFTO), an international movement with specialized stores, marketing systems and certification which ensures that the producer receives fair payment and works in appropriate and dignified conditions in a framework of respect for cultural traditions and the environment.



## OUR CUSTOMERS

In a challenging context marked by ever more intense competition, Sodimac applies a commercial and customer relations policy that seeks to satisfy customers' needs and offer them an experience of products and services they value and that enables the company to differentiate itself from its competitors. In line with this, all its customer service platforms are equipped with channels through which to listen actively to their views and this feedback is used to strengthen ties with them and implement improvements for their benefit.



### STRATEGIC ISSUES

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

### MILESTONES 2016

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- Ranked in the Excellence category of brands in the Chile 3D brand and lifestyle study by GfK Adimark and the La Tercera newspaper.
- Recognition in the RepTrak Chile ranking of corporate reputation prepared by the Reputation Institute and in the ranking of corporate reputation by Hill+Knowlton Strategies Chile and GfK Adimark.

### SUSTAINABLE DEVELOPMENT GOALS:

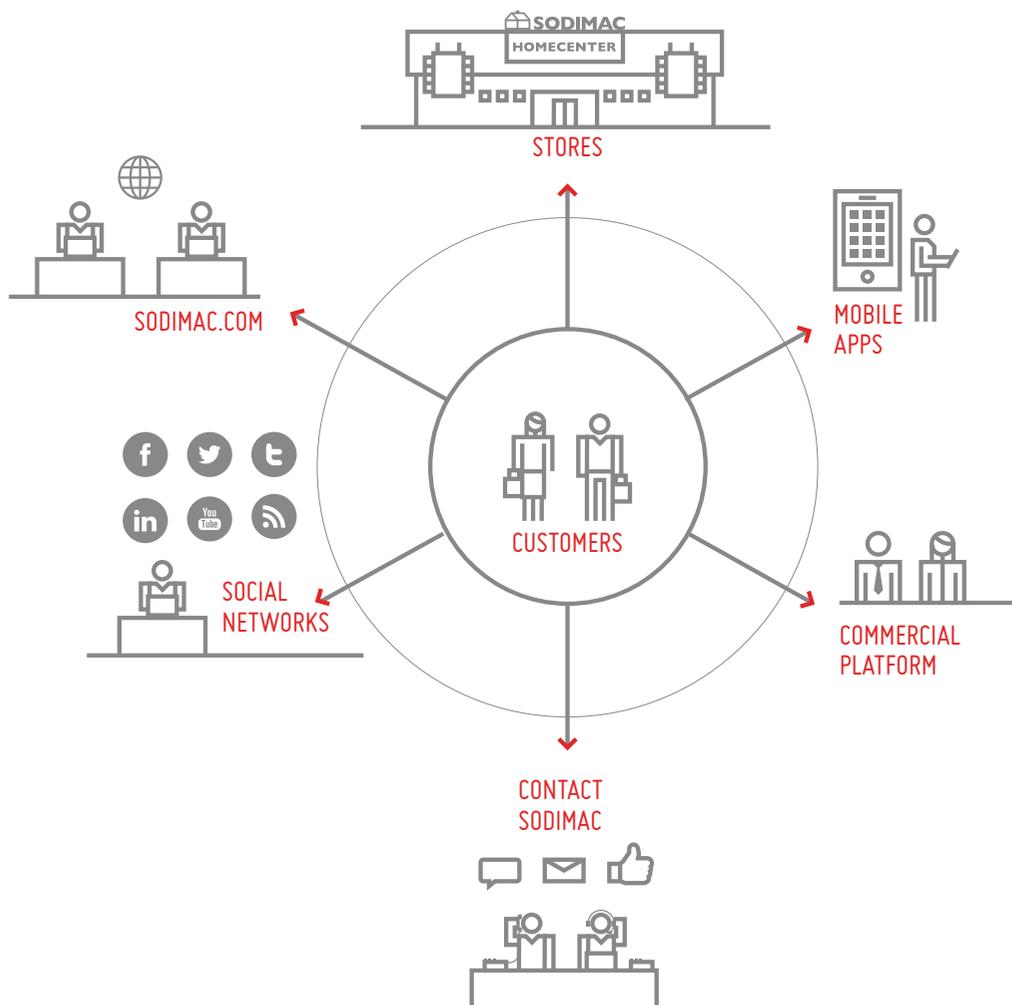
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# Omnichannel Experience

In response to the profound changes that have occurred in consumers as a result of the mass use of technology and the development of e-commerce, Sodimac is working to augment the physical capabilities of its stores through the organization's digitization. This calls for changes in processes, logistics and information technology (IT) throughout its value chain.

The company is implementing an omnichannel strategy so as to provide customers with a high-quality experience that is consistent regardless of the channel through which they choose to relate to the company.





## Omnichannel and E-commerce Management

In 2016, Sodimac dedicated an important part of its work to continuing to strengthen distance sales. Changes were made to the Sodimac portal in order to transform it from a site of a relational nature into one in which transactional capabilities have also been firmly embedded. New categories of complementary products were also added to those available online and traditional products were marketed more aggressively. As a result, sales through this channel more than doubled and it is becoming ever more important as a percentage of total sales. In order to better support this transformation of distance sales, stock management was also improved, taking advantage of the website to offer products that are not available in stores or for which these have insufficient display room.

Aware of the need to offer customers different home delivery alternatives, Sodimac has implemented a click and collect system through which they can buy online and collect at a store. This service is now available at all the company's stores throughout Chile.

In 2016, further progress was achieved in introducing self-checkouts in those stores where the system was not yet in operation. For customers, this meant shorter checkout waiting times and a better quality of service.

## Listening to Customers

Sodimac has in place a series of listening channels that provide constant and integral support for customers' requirements in different areas of the company. These channels, which are also complemented by the NPS system, include principally:

- 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.

Contact with customers through Facebook, Twitter, Pinterest, Instagram and YouTube has resulted in the development of a digital community that is familiar with the content generated by Sodimac, shares it with others and provides feedback in the form of enquiries, comments, congratulations and recommendations. In 2016, Sodimac's followers in social networks increased by 21% and it achieved 61,487 positive appearances in the different networks.

## CUSTOMER SATISFACTION

All Sodimac stores use the Net Promoter Score (NPS) management model 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 sales and after-sales service, in the quality, quantity and prices of products and checkout waiting times as well as to identify potential improvements in infrastructure so as to make stores ever more comfortable and attractive and better satisfy customers' expectations and demands.

In 2016, 131,802 surveys were answered online and, when asked if they would recommend a Sodimac store to a relative or friend, 65% responded with a score of between 9 and 10 points (on a scale of 1 to 10). These customers are considered brand promoters.

<b>SATISFACTION SURVEY</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Customers surveyed	166,698	172,748	131,802
9-10 points	60%	63%	65%
7-8 points	25%	23%	21%
0-6 points	15%	14%	14%

*Source: Sodimac.*

In response to the feedback received, the company implemented measures such as the introduction of a remote monitoring service, known as the Customer Service Observatory, to improve service quality, particularly at checkouts and customer service desks, and a Patio

Constructor self-service program which, by the end of the year, was in operation in 50% of these formats. In addition, it increased the number of trolleys available for customers.

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

## MYSTERY SHOPPER

This system seeks to provide constant monitoring of the service provided to customers by Sodimac's employees, based on predefined conduct where the minimum standard for compliance is 85% of the corresponding indicator.

In the 11,033 evaluations carried out in 2016, 40% of employees complied 100% with the standards while average compliance across all the organization reached 91%.

<b>MYSTERY SHOPPER</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>TOTAL EVALUATIONS</b>	<b>166,698</b>	<b>172,748</b>	<b>131,802</b>
Employees with 100% compliance	5,911	5,754	4,453

*Source: Sodimac.*

## HANDLING OF REQUESTS AND COMPLAINTS

Through its Customer Service Area, Sodimac has in place a mechanism for monitoring, processing and responding to all the requests, enquiries, congratulations, suggestions and complaints it receives from customers through the channels indicated above. In 2016, 174,736 communications

were received of which 91,688, or 60%, corresponded to complaints received online, by the call center or, for example, through the boxes placed in stores for this purpose. This was equivalent to 0.22% of total transactions during the year.



<b>CUSTOMER REQUIREMENTS (*)</b>	
2016	174,736
2015	160,132
2014	150,256

Source: Sodimac.

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

<b>REQUIREMENTS BY TYPE</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Complaints	61%	57%	60%
Requests	19%	22%	23%
Enquiries	12%	12%	9%
Congratulations	7%	8%	7%
Suggestions	1%	1%	1%

Source: Sodimac.

<b>TOTAL COMPLAINTS</b>	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<b>TOTAL</b>	<b>PERCENTAGE</b>	<b>TOTAL</b>	<b>PERCENTAGE</b>	<b>TOTAL</b>	<b>PERCENTAGE</b>
Services area	51,641	56%	51,295	56%	54,369	52%
Internet	4,730	5%	8,155	9%	20,011	19%
Products	18,038	20%	16,854	18%	15,473	15%
Sales areas	9,136	10%	8,193	9%	8,106	8%
Others	5,025	5%	4,367	5%	4,243	4%
Checkouts	3,772	4%	2,824	3%	2,534	2%

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 electronic notification when a complaint is received by SERNAC. The company undertakes to respond to these complaints within seven working days. In 2016, Sodimac received 2,609 complaints in this way and they were resolved. In response to these complaints, the company also takes corrective measures.



# Responsible Trade and Marketing

Sodimac's undertakes to ensure consumers the proper availability, quality and safety of the products it offers, respecting their rights, fulfilling its promises and applying fair and transparent commercial policies.

The company's marketing communications are based on good faith, fair competition and best advertising practices. It implements commercial policies and marketing campaigns that differentiate it, with an approach based on sustainability and ethical advertising criteria.

The results of these efforts were apparent in 2016 when Sodimac obtained 53% top of mind in digital media, up from 9% in the previous year, reflecting the brand's high level of recognition and presence among Chilean consumers.

## ADVERTISING ETHICS

In line with these corporate policies, Sodimac is a member of Chile's National Advertisers' Association (ANDA) 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 Direct Marketing Association of Chile (AMD) which addresses general matters of responsibility and ethics in all activities related to direct marketing.

## INFORMATION SECURITY

Sodimac handles customers' information in strict compliance with the regulation in force which requires total confidentiality of all their personal details and forbids them to be passed on to third parties, including related companies.

In 2016, there were no incidents, complaints or formal reports related to the violation of privacy or data leakage.

## PRODUCT RECALLS

The company's responsibility towards its customers implies that it immediately halts sale and preventively recalls any product that may pose a risk. This includes coordination with suppliers so they take the corresponding measures to ensure full compliance with regulation and, in the case of own brand products sold only by the chain, special care is taken to establish effective procedures.

In December 2016, internal control procedures revealed that, in some shipments of own-brand Christmas lights, the supplier had failed to meet the specifications requested by the company and they did not comply with regulation established by Chile's Superintendency of Electricity and Fuels (SEC). This was immediately reported and 67,262 sets of the lights in question were immediately withdrawn from sale as required by the National Consumer Service (SERNAC). This information was also posted on the website <http://www.seguridaddeproductos.cl>.



## LEGAL REGULATION AND LAWSUITS

In 2016, 64 lawsuits relating to Chile's Consumer Law were filed against the company.

LAWSUITS GROUNDS	2014		2015		2016	
	Nº OF CASES	AMOUNT PAID	Nº OF CASES	AMOUNT PAID	Nº OF CASES	AMOUNT PAID
Information and labeling (*)	-	-	-	-	2	-
Advertising and marketing	5	\$1,270,000	1	\$300,000	1	\$150,000
Health and safety	29	\$8,072,910	36	\$19,893,112	34	\$44,939,126
Products and services	10	\$2,830,915	20	\$1,941,341	27	\$22,896,130
<b>TOTAL</b>	<b>44</b>	<b>\$12,173,825</b>	<b>57</b>	<b>\$22,134,453</b>	<b>64</b>	<b>\$67,985,256</b>

(\*) The cases for information and labeling filed in 2016 are still open.

Source: Sodimac.

# Education and Responsible Consumption

In all its stores, Sodimac offers sustainable ECO products as an efficient alternative for consumers. In order to carry their special labeling, these products must comply with norms and requirements established by the company's Quality Control Area. As of end-2016, 854 ECO products were available in stores.

## ECO-EFFICIENT PRODUCTS

ASPECT OF SUSTAINABILITY	2014	2015	2016
Energy saving and efficiency	293	261	182
Water saving and efficiency	35	33	186
Recycled, reused and biodegradable products	305	297	207
Products from sustainably managed forests	193	215	279
<b>TOTAL</b>	<b>826</b>	<b>806</b>	<b>854</b>

Source: Sodimac.

## SODIMAC TRADESMEN'S CIRCLE

The Sodimac Tradesmen's Circle (CES) is one of the company's emblematic projects as regards inclusive business. With over 398,960 members around Chile, it allows the company to relate to a growing group of regular customers who include tradesmen and contractors, training them and providing them with tools that enable them to improve their work and management of their businesses. (For further information, visit [www.circulodeespecialistas.cl](http://www.circulodeespecialistas.cl).)

CES ACTIVITIES	2014	2015	2016
N° of members	352,752	384,298	398,960
N° of members with SEC certification	60	60	60
N° of fairs	10	12	9
N° of training sessions	468	677	521
N° of visits to factories	24	21	18
N° of scholarships	2,031	1,900	1,377

Source: Sodimac.

Sodimac has created a plan of training scholarships for construction industry tradesmen who are members of the CES. It is implemented in alliance with the following institutions of higher education: Catholic University of Concepción, University of Talca, DECON UC, Santo Tomás University, DuocUC, Ceduc UCN, Andrés Bello University Professional Training Institute (AIEP), Los Andes University and Austral University Technical Training Center. In 2016, 1,377 scholarships were awarded to tradesmen.

The courses offered included Plumbing and Installation of Sanitary Artifacts, Household Electrical Installation, Maintenance and Installation of Solar and Photovoltaic Panels, Installation and Maintenance of Air Conditioning Systems, Backhoe Operation, Flat and Horizontal Electrical Soldering, Construction Restoration, Sustainable Development and Energy Efficiency in Construction, Construction Work Supervision Techniques, Interpretation of Electrical Plans, Interpretation of Plumbing Plans, Metallic Carpentry in Galvanized Steel and Installation of Household Solar Water Heating Systems.

Once they have completed their training, the scholarship holders receive a diploma to certify the knowledge and skills acquired, enabling them to differentiate themselves and boost their capabilities as entrepreneurs.



## Great Tradesmen's Training Fair

In March 2016, the fourth version of the Great Tradesmen's Training Fair took place. The event, organized by Sodimac Constructor, offered a record of more than 210 training courses which were followed by a total of 20,883 people, including 9,271 who did so via streaming (live transmission of the courses over Internet). During the Fair, over 1,600 people also participated in the Best Tradesman of Chile competition.

## HÁGALO USTED MISMO

Through its *Hágalo Usted Mismo* (Do It Yourself) program, Sodimac seeks to address concerns related to needs and problems that are common to all households. Using platforms that include a television program, videos on YouTube, workshops at stores for customers and special sections in its catalogues, it provides information to help people save money and maintain their homes by making furniture and other household items and carrying out their own repairs.

In 2016, 40 episodes of the *Hágalo Usted Mismo* program were broadcast on Chile's national television channel (TVN) and were also posted on YouTube and 52 workshops for adults and 12 workshops for children were held in stores. (For further information, see [www.hagaloustedmismo.cl](http://www.hagaloustedmismo.cl).) Special *Hágalo Usted Mismo* videos were also prepared exclusively for YouTube. They included six about furniture, five about preparing for winter and two shorter clips.



# COMMITMENT TO THE ENVIRONMENT

Sodimac views its growth as a process of continuous progress in a framework of respect for the environment. It seeks to use resources efficiently and to measure, reduce and mitigate the impacts of its operation. Reflecting its awareness of the urgency of combating climate change, it also strives to foster awareness of the environment and care for it throughout the company's value chain.



## STRATEGIC ISSUES

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

## MILESTONES

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- Together with TriCiclos and Comberplast, Sodimac launched the first circular economy initiative by a South American retailer.
- The national network of Clean Points received over 370,000 visits and recycled 2,300 tonnes of waste.

## SUSTAINABLE DEVELOPMENT GOALS:

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## Climate Change

In a very important aspect of Sodimac's undertaking to continuously improve its environmental performance, it takes steps to measure, reduce and mitigate its direct and indirect emissions of greenhouse gases (GHGs).

### CARBON FOOTPRINT

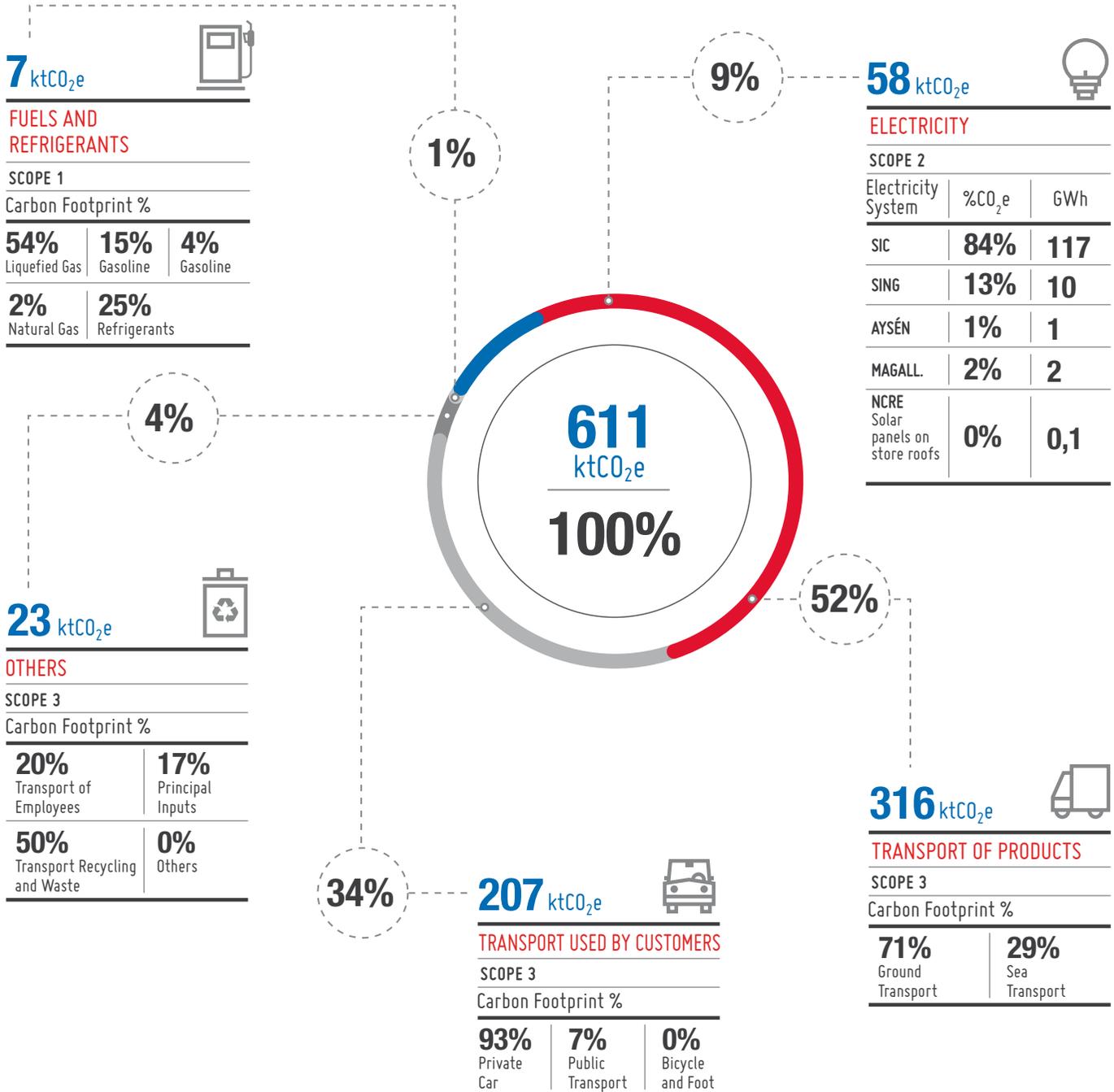
Each year, the company measures the direct GHG emissions it generates as a result of the use of fossil fuels and the leakage of refrigerant gases in sources controlled or owned by the company; the indirect emissions related to

the electricity consumed by the company, its employees and customers; and the emissions related to the transport of products and the manufacture of operating inputs for the company's stores and offices as well as the transport used by customers to its stores.

For this purpose, it applies the methodology established under the Greenhouse Gas Protocol, using a process developed internally, with the support of Proyectae, a consultancy company.

## CARBON FOOTPRINT

### Inventory of GHG Emissions



In 2016, GHG emissions totaled

**611,000**  
**TONNES**

of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e).

Results for 2016 show that:

- GHG emissions reached 611,000 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).
- The principal sources were product transport and logistics (52%), transport used by customers to stores (34%) and the electricity consumed (9%).
- Out of its total emissions, Sodimac has more direct control over those referred to as “Scope 1” and “Scope 2” caused by the use of fossil fuels, the leakage of refrigerants and the consumption of electricity, which together totaled 65,000 tCO<sub>2</sub>e. Of these, 97% corresponded to the use of energy, principally electricity (90% of the total).
- In 2016, Scope 1 and 2 GHG emissions showed an increase of 13% on the previous year. Given that energy consumption showed little change, this was explained exclusively by a deterioration in the “environmental quality” of the electricity generated in central Chile where low rainfall meant a reduction in renewable water resources for power production. This is a factor outside Sodimac’s direct control to the extent that it is still dependent for electricity on the public grid.
- Thanks to a pilot project under which it installed solar panels on the roofs of some stores, Sodimac made its first direct use of non-conventional renewable energies (NCRE) in 2016. At 147 MWh (0.11% of total electricity consumption), the amount involved is still small but could point the way to future emissions reductions.
- In the case of Scope 3 emissions, 96% was explained by the transport of products and the transport used by customers to reach the company’s stores. Over these emissions, Sodimac has some limited control through the logistics operations of its distribution centers and through the use of e-commerce and its impact in reducing visits to stores.
- It is also important to note that, because the company has only limited control over these emissions, the information about Scope 3 emissions is less accurate than for Scope 1 and 2 emissions. Indeed, an important part of the difference in Scope 3 emissions in 2016 as compared to 2015 is the result of improvements in their measurement achieved through joint work with the company’s logistics area.
- Unit emissions or their intensity reached 101 tCO<sub>2</sub>e/thousand m<sup>2</sup> of sales floor (excluding Reconstructores); 1,248 tCO<sub>2</sub>e/million transactions and 856 tCO<sub>2</sub>e/million UF<sup>2</sup> of sales.

<sup>2</sup> UF = An inflation-indexed currency unit that, as of 31 December 2016, was equivalent to approximately US\$39.



- Important emissions reductions are anticipated in the next few years due to:
  - A reduction in energy consumption as a result of the energy efficiency projects discussed above;
  - Increased use of NCRE which generate no direct emissions and very few indirect life-cycle emissions (due principally to construction of panels). This reduction in emissions would be thanks to photovoltaic generation on the roofs of stores and the direct purchase of NCRE from producers outside the public grid;
  - Expected improvements in the public grid as it gradually incorporates NCRE;
  - A constant increase in logistics efficiency in a bid to reduce costs which, as a result, also means a reduction in use of polluting fuels.

## Santiago Climate Exchange

Sodimac is a founding member of the Santiago Climate Exchange (SCX), the first private initiative of its type in the Southern Hemisphere. Its objective is to create and develop a GHG emissions reduction industry in Chile, applying the most stringent criteria and methodologies for measuring emissions reductions.

Through the SCX, Sodimac participates in Latin America's first program for neutralizing the carbon footprint of corporate travel, NEUTRAVEL. It brings together organizations that are leaders in the field of sustainability and is designed to support responsible policies that permit neutralization of CO<sub>2</sub> emissions from business travel through projects to conserve natural heritage and generate renewable energy and other initiatives which benefit our region's environment and society.

## PROGRESS ON RENEWABLE ENERGY

Sodimac has an alliance with Solarity, an international distributor and wholesaler of photovoltaic systems, for the development of pilot renewable energy projects in its stores. In 2016, it inaugurated solar plants at its San Bernardo and Copiapó stores, with a capacity of 100 kW and 120 kW, respectively, and, given their positive results, plans to expand the use of NCRE to 58 stores over the next few years.

## OPERATIONAL ECO-EFFICIENCY

In the construction of its stores, Sodimac applies advanced international environmental standards in line with the guidelines of the US Green Building Council. In 2008, it built 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 also subsequently obtained by the Sodimac Homecenter store 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 and latest-generation equipment that permit efficient use of resources in accordance with international sustainable development standards.

In 2016, the measures taken by the company to ensure its responsibility towards the environment included the hiring of an environmental expert to lead its efforts in this sphere, identifying risks and overseeing compliance with different norms.

## ENVIRONMENTAL EXPENDITURE AND INVESTMENT

In 2016, Sodimac made a number of investments that implied progress in its environmental performance. All the lighting at its La Farfana distribution center was, for example, replaced with LED technology, resulting in a marked increase in luminosity and radically reducing electricity consumption. This initiative forms part of a strategic plan which includes investments in LED lighting in stores and an update of technology across all the company's warehouses in order to achieve a sustainable operation that uses fewer energy resources.

<b>PROJECT ('000 CLP)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Changes in lighting	31,105	49,165	688,315
Clean Points	451,041	487,326	597,432
Waste treatment	102,805	99,494	115,315
Carbon footprint measurement	n/a	24,554	6,535
<b>TOTAL</b>	<b>584,951</b>	<b>660,539</b>	<b>1,407,597</b>

*Source: Sodimac.*

# Waste Management

Sodimac pursues an active waste recovery and recycling policy. This applies to waste generated by the community as well as by the company itself and covers a wide range of materials that are correctly disposed of through programs designed expressly for this purpose.

## NON-HAZARDOUS WASTE

In alliance with Sociedad Recuperadora de Papel (Sorepa), Sodimac implements a plan for recycling the paper and cardboard used by different suppliers as packaging for their products.

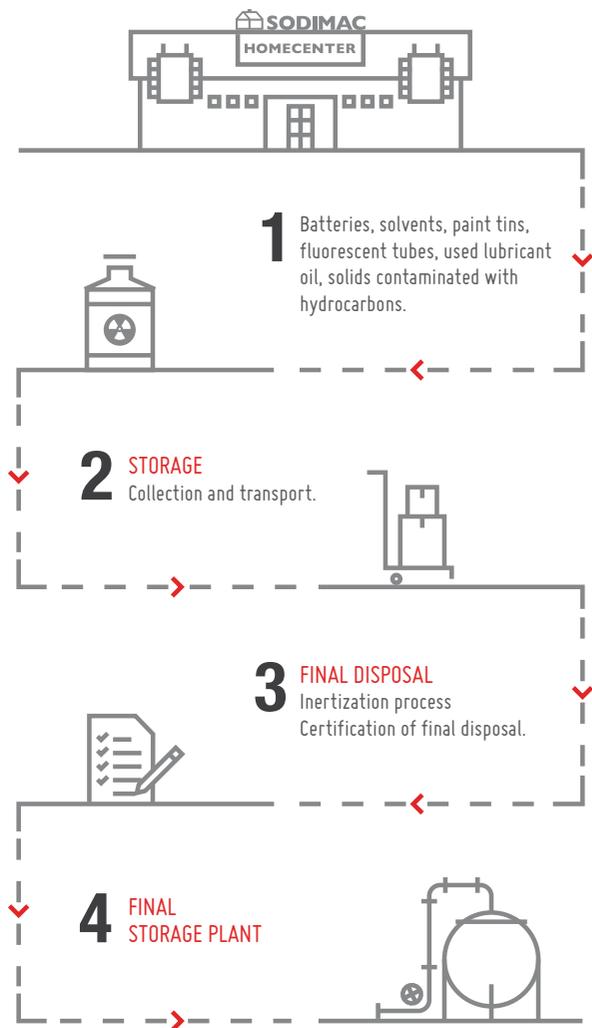
In 2016, 5,261 tonnes of material (paper, cardboard and mixed) were recycled under this program. Paper includes white and magazine paper while the mixed material includes white and printed paper and thin cardboard such as copies of invoices, paper sacks, containers and colored purchase receipts.

TYPE OF RECYCLING	UNIT	2014	2015	2016
Own recycling – Cardboard and paper	t	5,467	5,373	5,092
Own recycling – Plastic film	t	4	3	169
<b>TOTAL RECYCLED</b>	<b>t</b>	<b>5,471</b>	<b>5,376</b>	<b>5,261</b>

Source: Sodimac.

## HAZARDOUS WASTE

### Storage and Disposal of Hazardous Waste



At its stores, the company has in place a program for the elimination of solid and liquid waste that could harm the environment or people. It includes the disposal of used batteries, fluorescent tubes, empty paint tins, solvent containers, oils and solid waste contaminated with hydrocarbons, all of which are stored in duly labeled plastic containers.

In the areas where chemicals are stored, all stores have equipment to handle spillages appropriately. The company also has a Standard Operating Procedures (POE) for hazardous materials.

Proactiva and Gersa, companies with certification for the collection and transport of hazardous waste, are responsible for taking this waste to the final disposal plant where all those elements of which use cannot be made and which do not have value are rendered inert, recovered and subjected to chemical and physical treatment.

### Hazardous Waste

	2014	2015	2016
Total (kilos)	81,150	78,235	204,664

Source: Sodimac.

### NATIONAL NETWORK OF RECYCLING POINTS

At its stores, Sodimac has developed a national network of *Puntos Limpios* (Clean Points). As of completion of this Report, there was a total of 14 of these waste recycling points in its stores around the country for the use of the community as well as one in the company's central offices where it was installed to foster recycling by employees there.

These Clean Points receive 12 types of recyclable material with a guaranteed form of reuse. They include PET/PETE plastics, polythene, polypropylene, polystyrene, glass, aluminium, scrap metal, cans, tetra pack containers, cardboard, paper, newspapers and magazines. All this waste is compacted and sent to recycling companies, thereby maximizing the efficiency of the process.

The Clean Points system is in line with the "zero waste" target established by the company. They not only help households to minimize their waste but also reduce the impact stores have on the environment by diminishing, reusing and recycling the waste generated by employees and customers.

In 2016, the national network of Clean Points received over 370,000 visits and recycled 2,300 tonnes of material.

Together with the TriCiclos organization, the company also launched a pilot initiative in two districts of Santiago where it offers households a recycling service that includes training, a kit of waste bins and their collection from homes.

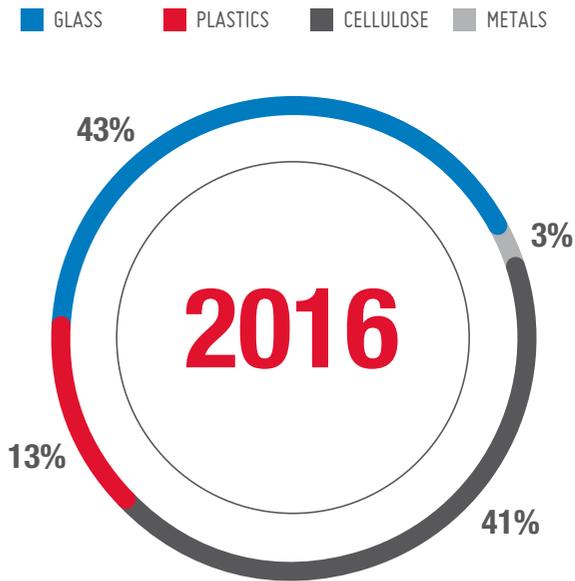
### Recycling at Clean Points

	2014	2015	2016
Tonnes	2,013	2,094	2,311
Visits	308,661	330,990	372,988

Source: TriCiclos.



MATERIALS RECYCLED



Source: TriCiclos.

## Progress on Extended Producer Responsibility – Promotion of Recycling

Sodimac is aware of the challenge we face globally and is committed to combating climate change. In this context, Chile’s Extended Producer Responsibility Law - the “REP Law” - points in the right direction in that it encourages companies to work together with their customers and the public sector to reduce the impact we have on our surroundings. Sodimac hopes this law will serve as an incentive for ongoing improvements in the recycling habits of both companies and households, significantly reducing waste generation as a means of looking after the House of All.

Sodimac is working actively with the ChileRep initiative, the Chilean-North American Chamber of Commerce (AmCham) and other organizations where it can contribute its experience so that, through the targets and definitions established, this law has the positive impact for which we all hope.

- Sodimac's waste management includes the recycling of paper, cardboard and stretch film and it is working to add wood. In this way, it achieves a recycling rate of approximately 20% of the post-industrial waste generated in its stores.
- The company has established a network of 14 Clean Points to which the community can bring recyclable waste. Stretching from Arica in the north to Chiloé in the south, it received more than 370,000 visits in 2016, collecting over 2,300 tonnes of recyclable waste.
- After defining containers and packagings as a priority, Sodimac carried out a study of them in over 3,000 own brands, analyzing in detail the different materials used and their amounts. When deemed necessary, the study also put forward a proposal for modifying the size, weight or material of the container or packaging. This information will be shared with the supplier so as to optimize resources and reduce waste of this type.
- Sodimac is also working on other priority products such as car batteries on which it signed a Clean Production Agreement, along with the authorities and other importers, in 2016. This will serve as a management system ahead of implementation of the requirements of the Extended Producer Responsibility Law. As of March 2017, the company had achieved a 20% recovery rate, corresponding to the old batteries of its Car Center customers.
- Sodimac is also about to sign a Clean Production Agreement for tires, another priority product. However, for some time, it has already been managing the old tires of its Car Center customers, achieving a recovery rate of over 40%.

## Circular Economy

In 2016, Sodimac became the first South American retailer to launch a circular economy initiative. This is the result of a strategic alliance with the TriCiclos organization and Comberplast, a leading company in the injection of polymers.

After extensive tests and analysis, a pellet was successfully made from plastic waste received at the company's Clean Points, with a composition and quality that responded well to demanding manufacturing injection processes and also performed well in daily use of the product. Using this material, a line of plastic cleaning and organizer products began to be made and went on sale in stores in September.



*Stackable organizer.*

# Regulatory Compliance

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

The legal environmental requirements to which the company adheres are divided into 13 areas:

## 1. Waste management and disposal

For this purpose, the company has 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 also reported to the National Waste Declaration System (SINADER) and an update of the database is filed monthly.

## 2. Emissions from 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.

## 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) and must also have a health permit. In addition, they must comply with a number of infrastructure requirements.

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

In certain cases, 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, including certain permits, and represents the project's environmental go-ahead. The Lo Espejo distribution center, for example, has two RCAs.

## 6. Control of pests

A technical counterparty is required for the operation of the service, with a threat of fines or closure in the event of failures to comply. This does not apply to the handling of pets.

## 7. Hazardous substances

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



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

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

### 9. Municipal resolutions - reduction of use of plastic bags

The Environment Ministry is drawing up norms to regulate the type of plastics that can be used in these bags. In addition, 13 stores are subject to municipal resolutions issued to reduce use of bags of this type.

Sodimac is evaluating the cost of implementing a zero plastic bag policy in all its stores.

### 10. Permits from the Superintendency of Electricity and Fuels (SEC)

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

### 11. Municipal permits

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

### 12. Industrial review

The Technical Review is a document that evaluates the risks that operation of a building or other infrastructure poses in terms of the damage and harm it could cause to workers, neighbors and the community. It can be classified as inoffensive, a nuisance, unhealthy, polluting or dangerous.

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.

### 13. Health report

This document testifies to an industrial establishment's compliance with environmental, health and safety regulation.

Under Article 83 of Chile's Health Code, it is a prerequisite for the corresponding municipal government to grant a definitive permit for the installation, expansion or change of location of an industry or a commercial or warehousing activity.



# Education and Responsible Consumption

Sodimac seeks to promote awareness of the environment among its customers, employees, suppliers and the community in general, fostering the gradual incorporation of criteria for its care and of the circular economy into their behavior.

For this purpose, it takes advantages of different platforms such as its catalogues, website, advertising campaigns, presence in stores and its *Hágalo Usted Mismo* (Do It Yourself) television program to heighten community awareness and help generate changes in conduct that contribute to the combat of climate change and its effects so that, together, “We Care for the House of All”.

The sustainable ECO products which the company offers in its stores also point in this direction, representing an efficient alternative for consumers. In order to carry their special labeling, these products must comply with norms and requirements established by Sodimac’s Quality Control Area.

## Earth Hour

In 2016, as in previous years, Sodimac supported Earth Hour, the largest global initiative to create awareness of climate change. On the night of March 19, it switched off the signs on the fronts of all its stores, distribution centers and administrative offices around the country for one hour.

Earth Hour is a public awareness campaign which asks cities, companies and, above all, people to participate. In line with this, Sodimac also promoted the activity on social media and in its catalogues as well as making announcements about it to customers in its stores and involving its employees.

## Sustainable Heating Guide

As part of its efforts to promote sustainability, Sodimac stores distributed the Sustainable Heating Guide published for the second consecutive year by Chile’s Environment Ministry. In this way, the company seeks to provide consumers with clear information and advice so they are able to take an informed decision when deciding which type of heating to use in their homes.





# COMMITMENT TO THE COMMUNITY

Sodimac understands that, in order to grow in a sustainable manner, it must act responsibly towards the communities of which it forms part and create value for them. To this end, it implements channels through which to listen to their views and relate with them on a permanent basis and takes measures that go beyond what is traditionally understood as social investment, fostering employees' participation in corporate volunteer projects and actively supporting different foundations that seek to improve people's living standards.



## STRATEGIC ISSUES

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- Management of community relations
- Local jobs
- Inclusion and local trade

## MILESTONES

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- **84 *Buen Vecino* projects, benefitting 50,425 people in the community.**

## SUSTAINABLE DEVELOPMENT GOALS:

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# Sodimac and its Local Community

The company makes a point of evaluating the impact of its operations on the communities of which it forms part, carrying out both qualitative and quantitative studies in order to gain a better understanding of their needs and expectations as regards its arrival and be in a position to design lines of action that permit mutually beneficial relations.

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

Although Sodimac did not inaugurate any new stores in 2016, it carried out studies and provided information to the authorities and local opinion leaders in preparation for the two new stores planned for 2017 (Los Dominicos in Santiago and La Serena in central-northern Chile).

## LOCAL JOB CREATION

Sodimac seeks to foster local job creation, giving 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, through employees' proximity to their place of work, can help to enhance their quality of life by reducing commuting times.

As part of this policy, Sodimac participated in three job fairs around Chile in 2016. It also has alliances with different institutions that offer free technical training to vulnerable young people so they can acquire knowledge and experience that facilitate their future labor market insertion.

## BUEN VECINO PROGRAM

The *Buen Vecino* (Good Neighbor) program is an emblematic volunteer initiative which has now been in existence for nine years. Under it, each store, warehouse or office presents construction, remodeling and quality-of-life projects for their surrounding area. These are then evaluated in accordance with their positive impact on local conditions and are awarded financing.

In 2016, 84 projects were implemented, including schools, nursery schools, rehabilitation centers and foundations. In all, they benefited 50,425 people and, over the course of the year, 2,050 company volunteers gave their time to different projects.

Each work team is coordinated by social assistants and the heads of human resources of the company's different areas, seeking to strengthen group work, commitment to the community and pride in working for Sodimac.

### Buen Vecino Program

	Nº OF PROJECTS	DIRECT AND INDIRECT BENEFICIARIES (*)
2014	73	10,130
2015	77	14,036
2016	84	50,425

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

### Area of Project

AREA	2014	2015	2016
Education	51%	48%	47%
Social organizations	44%	46%	32%
Health	5%	5%	4%
Sports	-	-	2%
Housing	-	1%	-



## Sodimac and the National Community

*In 2016, Sodimac employees collected*

**164**

**MILLION PESOS**

*for the Teletón, an amount that was matched by the company, giving a total contribution of 328 million pesos.*

Sodimac actively collaborates with different foundations that help to improve communities' living standards.

### TECHO

Sodimac began to work with the Techo organization in 2008 in a bid to contribute to its goal of eradicating shanty towns in Chile.

Each year, the company implements a national campaign to collect donations from its customers in which volunteers from all its stores participate. In addition, it supports Techo's work by giving it special prices, financial resources and logistics support that reduces its expenditure on the distribution of materials to different parts of the country. Sodimac suppliers are also encouraged to join it in this commitment, fostering a transversal alliance.

### FUNDACIÓN JUNTO AL BARRIO

Sodimac's commitment to the community is also reflected in its support for projects implemented by the Junto al Barrio Foundation in poor neighborhoods around the country. This support takes the form of a monetary contribution that allows the Foundation to finance different community projects. One of these projects is the Meeting of Organizations which, in 2016, was devoted to the issue of "Management of Conflicts and Negotiation: Progressing Towards the Sustainability of our Organizations" and sought to enhance the skills of 90 leaders from 20 community organizations from 15 vulnerable neighborhoods in the Santiago Metropolitan, Valparaíso and Coquimbo Regions as a means of improving the sustainability of the organizations in their quest to achieve a positive transformation of their neighborhoods.

## TELETÓN

Since 2006, Sodimac and its employees have actively supported the Teletón Foundation. Different activities and initiatives are organized in each store and workplace to collect funds, generating a spirit of comradeship. In 2016, the company's employees collected 164 million Chilean pesos which were matched by the company, giving a total contribution of 328 million pesos.

Sodimac's commitment to the Teletón Foundation is also reflected in initiatives such as the *Abre* (Open) program under which, through the Good Neighbor program, company volunteers have carried out work to improve access conditions and remedy deficiencies in homes for people with a disability, thereby helping them to achieve greater independence and integration.

The company is also committed to the workplace insertion and development of people with a disability. As of end-2016, it had 124 employees with different types of disability of whom four had joined the company during the year.

## FUNDACIÓN NUESTROS HIJOS

In 2016, Sodimac supported the Nuestros Hijos Foundation by collecting contributions from customers through their voluntary donation of part of their change. Over the course of the year, a total of 359 million pesos were collected in this way and transferred to the Foundation.

Through *Mis Manos a la Obra* (My Hands to Work), an internal collection campaign, it also donated a further 226 million pesos which were used to finance cancer treatment for children from poor families and help their families when they have to travel to Santiago to accompany the children.

Sodimac employees also collaborate through the Foundation's *Hazte Socio* (Become a Member) campaign and participate in the Christmas activities which the company holds for the children. In addition, all Sodimac Homecenter stores sell *Agua Late*, a non-profit brand of bottled water that makes over all the earnings to the Nuestros Hijos Foundation which, in 2016, amounted to 59 million pesos.





# APPENDICES





## ECONOMIC DEVELOPMENT

In 2016, revenues reached

**2,000,746**  
MILLION PESOS,

representing an increase of 1.7%.

In 2016, Sodimac continued to consolidate its leadership as the principal company in its sector in Chile, with a market share that, including its Imperial subsidiary, reached 26.67%. At 2,000,746 million Chilean pesos, revenues were up by 1.7% on 2015, due principally to an increase in same-store sales (SSS) that reflected the maturing of the stores opened in 2014 and remodelings in 2015 as well as improvements in commercial management.

<b>ECONOMIC PERFORMANCE ('000 CLP)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Operating income	1,832,900,501	1,967,839,489	2,000,746,660
Operating costs	1,299,034,274	1,382,200,463	1,402,801,149
Operating margin	533,866,228	585,639,026	597,945,511
Payment of dividends *	47,339,697	218,262,000	54,533,528
Profits	92,986,405	90,725,224	78,012,586

**Source:** Sodimac.

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



**ECONOMIC VALUE GENERATED AND DISTRIBUTED, 2016**  
*(In '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 administration and marketing expenses reached 1,883,206,871,000 Chilean pesos in 2016, up from 1,628,753,538,000 pesos in 2015.

### Employees: Wages and benefits

In 2016, expenditure on wages and benefits reached 227,575,424,000 Chilean pesos, up from 226,049,837,000 pesos in 2015.

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

The company paid 78,362,027,000 Chilean pesos to providers of capital in 2016, down from 289,441,815,000 pesos in 2015. This included payments to the company's shareholders and financial costs.

### Government: Payments and taxes

In 2016, payments to the state totaled 21,782,972,000 Chilean pesos in the form of earnings tax. This represented a drop from 23,439,065,000 pesos in 2015.

### Community: Contributions and investments

In 2016, Sodimac invested 1,555,638,000 Chilean pesos in different projects with a positive impact on the community. Key initiatives included its *Buen Vecino* program, its Clean Points recycling network, CES scholarships and donations to the Techo organization and the Junto al Barrio and Nuestros Hijos Foundations.

## FINANCIAL ASSISTANCE RECEIVED

In 2016, Sodimac used 1,507,798,000 Chilean pesos from the SENCE tax credit for employees' training and education.

<b>FINANCIAL ASSISTANCE FROM GOVERNMENT ('000 CLP)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Donations</b>			
Tax credit	251,781	130,389	205,610
<b>Fixed asset credit</b>			
Use of credit (upper limit of 650 monthly tax units, UTM)	21,599	21,477	23,091
<b>SENCE credit</b>			
SENCE certificate	1,307,645	1,518,614	1,507,798
<b>TOTAL</b>	<b>1,581,025</b>	<b>1,670,480</b>	<b>1,736,499</b>

Source: Sodimac.



# SODIMAC CHILE WORKFORCE

# HOMECENTRO SODIMAC



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

As of end-2016, Sodimac had 17,238 employees of whom 60% were men and 40% were women. Out of these employees, 498 corresponded to managers or assistant managers, 3,747 to professional or technical personnel and 12,993 to other employees.

### Employees by geographical area

BY REGION	2014		2015		2016	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Northern Zone	1,722	817	1,722	817	1,580	696
Central Zone	2,075	1,027	2,075	1,027	1,861	880
Southern Zone	2,840	1,344	2,840	1,344	2,666	1,284
Santiago Metropolitan Region	6,740	2,292	6,740	2,292	6,101	2,170
Total	13,377	5,480	13,377	5,480	12,208	5,030
<b>TOTAL</b>	<b>18,857</b>		<b>17,783</b>		<b>17,238</b>	

Source: Sodimac.

### Employees by working day

TYPE OF WORKING DAY	2014		2015		2016	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
	13,377	5,480	13,377	5,480	12,208	5,030
<b>TOTAL</b>	<b>18,857</b>		<b>17,783</b>		<b>17,238</b>	

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

Source: Sodimac.

### Employees by type of contract

TYPE OF CONTRACT	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Indefinite contract	9,826	7,022	9,826	7,022	9,332	6,536
Fixed-term contract	1,402	607	1,402	607	965	405
Subtotal	11,228	7,629	11,228	7,629	10,297	6,941
<b>TOTAL</b>	<b>18,857</b>		<b>17,783</b>		<b>17,238</b>	

Source: Sodimac.

## Workforce by type of post

In 2016, 114 women held executive posts at Sodimac, accounting for 23% of all such posts. There is no significant difference in the remunerations of women as compared to men in similar posts.

### Managers and assistant managers

AGE RANGE	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Less than 30	4	4	0	0	1	0
Between 30 and less than 50	175	83	270	91	266	89
50 and over	80	23	115	20	117	25
Total	259	110	385	111	384	114
<b>TOTAL %</b>	<b>70%</b>	<b>30%</b>	<b>78%</b>	<b>22%</b>	<b>77%</b>	<b>23%</b>

Source: Sodimac.

### Professional and technical personnel and other employees

AGE RANGE	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Less than 30	4,705	2,587	4,143	2,136	3,836	1,888
Between 30 and less than 50	4,861	4,242	4,602	4,146	4,548	4,062
50 and over	1,403	690	1,474	786	1,529	877
Total	10,969	7,519	10,219	7,068	9,913	6,827
<b>TOTAL %</b>	<b>59%</b>	<b>41%</b>	<b>59%</b>	<b>41%</b>	<b>58%</b>	<b>42%</b>

Source: Sodimac.

## Turnover by geographical area and age

In 2016, average annual turnover at Sodimac dropped to 21.1%, a significant achievement in a sector characterized by high demands and job mobility, particularly among under-30s.

### Turnover by geographical area

GEOGRAPHICAL AREA	2015		2016	
	MEN	WOMEN	MEN	WOMEN
Santiago Metropolitan Region	604	1,457	503	1,201
Central Zone	221	494	173	334
Northern Zone	336	748	234	544
Southern Zone	221	651	196	620
Total annual exits	1,382	3,350	1,106	2,699
Average annual turnover by gender	19.3%	31.6%	15.9%	26.2%
<b>AVERAGE ANNUAL TURNOVER</b>	<b>26.6%</b>		<b>21.1%</b>	

Source: Sodimac.

### Turnover by age

AGE RANGE	2015		2016	
	MEN	WOMEN	MEN	WOMEN
Less than 30	807	2,308	578	1,781
Between 30 and less than 50	508	883	460	745
50 and over	67	159	68	173
Total annual exits	1,382	3,350	1,106	2,699
Average annual turnover by gender	19.3%	31.6%	15.9%	26.2%
<b>AVERAGE ANNUAL TURNOVER</b>	<b>26.6%</b>		<b>21.1%</b>	

Turnover = Annual exits/Workforce as of December.

Average monthly turnover: Turnover/12

Includes all causes of dismissal.

Source: Sodimac.



# INVENTORY OF GHG EMISSIONS

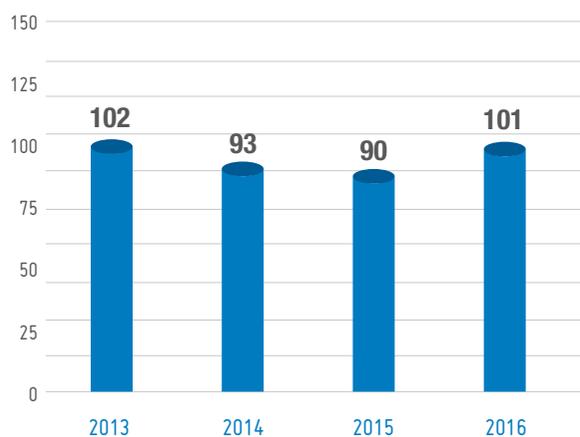


### Inventory of Greenhouse Gas (GHG) Emissions

SCOPE	SOURCE	2014	2015	2016	
		ktCO <sub>2</sub> e		%	
1	Consumption of fossil fuels	5	6	5	1%
1	Leakage of refrigerants	<1	n/a	2	<1%
2	Electricity	52	51	58	9%
3	Principal inputs for direct use	4	4	4	1%
3	Transport of employees	5	5	5	1%
3	Product transport and logistics	287	292	316	52%
3	Customer travel to stores	201	205	207	34%
3	Customer use of online platform	<1	1	1	<1%
3	Air and ground business travel	1	1	1	<1%
3	Waste and recycling	8	9	11	2%
3	Indirect fuel emissions Scope 1	1	1	1	<1%
3	Indirect emissions photovoltaic panels	0	0	<1	<1%
<b>TOTAL CARBON FOOTPRINT</b>		<b>564</b>	<b>574</b>	<b>611</b>	<b>100%</b>

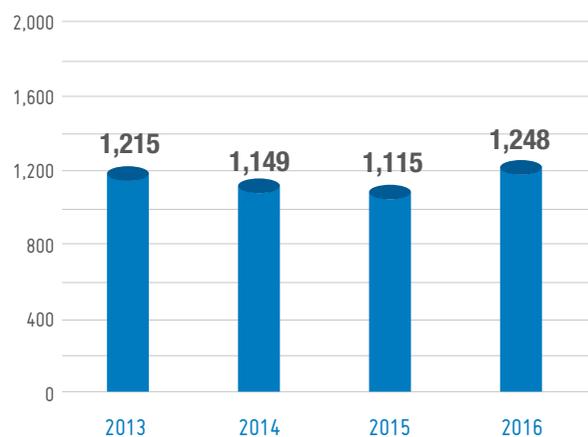
n/a = not available.  
Source: Proyectae.

tCO<sub>2</sub>e (Scopes 1 and 2)/'000 m<sup>2</sup> of sales floor



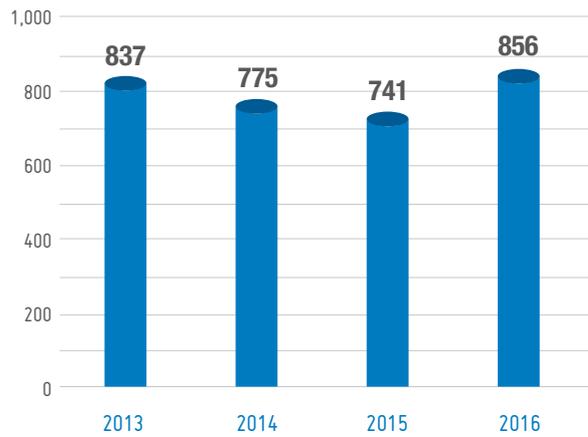
Source: Proyectae.

tCO<sub>2</sub>e (Scopes 1 and 2)/million transactions



Source: Proyectae.

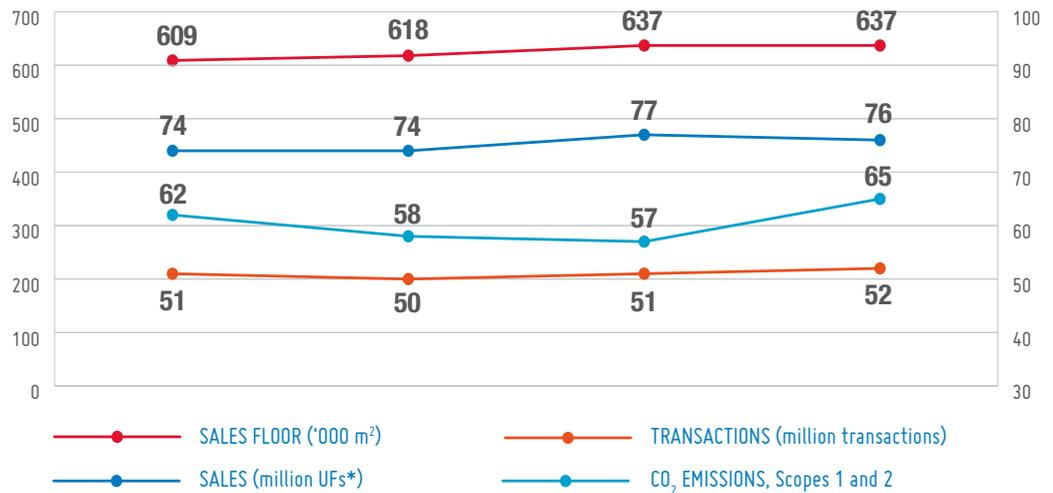
tCO<sub>2</sub>e (Scopes 1 and 2)/million UFs\* in sales



Source: Proyectae.

(\*) UF = An inflation-indexed currency unit that, as of 31 December 2016, was equivalent to approximately US\$39.

CO<sub>2</sub> emissions (Scopes 1 and 2) vs. area of sales floor, transactions and sales



Source: Proyectae.

(\*) UF = An inflation-indexed currency unit that, as of 31 December 2016, was equivalent to approximately US\$39.



# GRI INDEX

GRI 102

## 2016 SUSTAINABILITY REPORT STANDARDS (GRI)

### GRI CONTENT INDEX

STANDARD	G4 DISCLOSURE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE
	G4-3	102-1	Name of the organization	1
	G4-4	102-2	Activities, brands, products, and services	17
	G4-5	102-3	Location of headquarters	1
	G4-6	102-4	Location of operations	13
	G4-7	102-5	Ownership and legal form	13
	G4-8	102-6	Markets served	14 - 15
	G4-9	102-7	Scale of the organization	14
	G4-10	102-8	Information on employees and other workers	112 - 114
	G4-12	102-9	Supply chain	15
	G4-13	102-10	Significant changes to the organization and its supply chain	There were no significant changes in the organization.
	G4-14	102-11	Precautionary principle or approach	20 - 36
	G4-15	102-12	External initiatives	7; 38
	G4-16	102-13	Membership of associations	28
	G4-1	102-14	Statement from senior decision-maker	4 - 7
	G4-2	102-15	Key impacts, risks, and opportunities	8 - 9
102 - General Disclosures	G4-56	102-16	Values, principles, standards, and norms of behavior	12; 44 - 46
	G4-58	102-17	Mechanisms for advice and concerns about ethics	44 - 46; 70
	G4-34	102-18	Governance structure	34; 35
	G4-35	102-19	Delegating authority	38; 40; 42
	G4-36	102-20	Executive-level responsibility for economic, environmental, and social topics	33 - 34
	G4-38	102-22	Composition of the highest governance body and its committees	38 - 42
	G4-39	102-23	Chair of the highest governance body	38
	G4-40	102-24	Nominating and selecting the highest governance body	38
	G4-42	102-26	Role of highest governance body in setting purpose, values, and strategy	20; 33; 34; 38; 42
	G4-44	102-28	Evaluating the highest governance body's performance	35
	G4-45	102-29	Identifying and managing economic, environmental, and social impacts	20 - 21; 42 - 43
	G4-46	102-30	Effectiveness of risk management processes	35 - 36
	G4-47	102-31	Review of economic, environmental, and social topics	38
	G4-48	102-32	Highest governance body's role in sustainability reporting	33; 34; 38
	G4-51	102-35	Remuneration policies	38
	G4-24	102-40	List of stakeholder groups	26 - 27
	G4-11	102-41	Percentage of total employees covered by collective bargaining agreements	57 - 58
	G4-25	102-42	Identifying and selecting stakeholders	26 - 27

**2016 SUSTAINABILITY REPORT STANDARDS (GRI)****GRI CONTENT INDEX**

<b>STANDARD</b>	<b>G4 DISCLOSURE</b>	<b>DISCLOSURE NUMBER</b>	<b>DISCLOSURE TITLE</b>	<b>PAGE</b>
	G4-26	102-43	Approach to stakeholder engagement	26 - 27
	G4-27	102-44	Key topics and concerns raised	26; 27
	G4-PR5	102-43	Results of surveys measuring customer satisfaction	83
	G4-17	102-45	Entities included in the consolidated financial statements	Cover
	G4-18	102-46	Defining report content and topic Boundaries	30 - 32
	G4-19	102-47	List of material topics	31 - 32
	G4-22	102-48	Restatements of information	There were no restatements during the period.
102 - General Disclosures	G4-23	102-49	Changes in reporting	There were no significant changes in Scope or Boundaries.
	G4-28	102-50	Reporting period	Cover
	G4-29	102-51	Date of most recent report	Cover
	G4-30	102-52	Reporting cycle	Cover
	G4-31	102-53	Contact point for questions regarding the report	Cover
	G4-32a	102-54	Claims of reporting in accordance with the GRI Standards	Cover
	G4-32b	102-55	GRI content index	122 - 124
	G4-32c	102-56	External assurance	1; 125
	G4-33			1; 125



# GRI INDEX

GRI 103, 200-400

## 2016 SUSTAINABILITY REPORT STANDARDS (GRI)

### GRI CONTENT INDEX

STANDARD	G4 DISCLOSURE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE
103: Management Approach	G4-20	103-1	Explanation of the material topic and its Boundary	31 - 32
	G4-21	103-1		31 - 32
	DMAa	103-1	The management approach and its components	31 - 32
	DMAb	103-2		20 - 25; 44 - 48
	DMAc	103-3		Evaluation of the management approach

### ECONOMIC CATEGORY

STANDARD	G4 DISCLOSURE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE
201: Economic Performance	G4-EC1	201-1	Direct economic value generated and distributed	109 - 110
202: Market Presence	G4-EC5	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	56
	G4-EC6	202-2	Proportion of senior management hired from the local community	55
204: Procurement Practices	G4-EC9	204-1	Proportion of spending on local suppliers	69
205: Anti-Corruption	G4-SO3	205-1	Operations assessed for risks related to corruption	48 - 50
	G4-SO4	205-2	Communication and training about anti-corruption policies and procedures	48 - 50
	G4-SO5	205-3	Confirmed incidents of corruption and actions taken	48
206: Anti- competitive Behavior	G4-SO7	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.

<b>ENVIRONMENTAL CATEGORY</b>				
<b>STANDARD</b>	<b>G4 DISCLOSURE</b>	<b>DISCLOSURE NUMBER</b>	<b>DISCLOSURE TITLE</b>	<b>PAGE</b>
302: Energy	G4-EN3	302-1	Energy consumption within the organization	93
	G4-EN5	302-3	Energy intensity	93
	G4-EN6	302-4	Reduction of energy consumption	93
305: Emissions	G4-EN15	305-1	Direct (Scope 1) GHG emissions	116 - 117
	G4-EN16	305-2	Energy indirect (Scope 2) GHG emissions	116 - 117
	G4-EN17	305-3	Other indirect (Scope 3) GHG emissions	93
	G4-EN18	305-4	GHG emissions intensity	93
306: Effluents and Waste	G4-EN23	306-2	Waste by type and disposal method	96 - 97
307: Environmental Compliance	G4-EN29	307-1	Non-compliance with environmental laws and regulations	No fines or sanctions for non-compliance with environmental regulation were received.
	G4-EN31	DMA various issues	Total environmental protection expenditures and investments by type	95
308: Supplier Environmental Assessment	G4-EN32	308-1	New suppliers that were screened using environmental criteria	71
	G4-EN33	308-2	Negative environmental impacts in the supply chain and actions taken	71 - 74
<b>SOCIAL PERFORMANCE CATEGORY</b>				
<b>STANDARD</b>	<b>G4 DISCLOSURE</b>	<b>DISCLOSURE NUMBER</b>	<b>DISCLOSURE TITLE</b>	<b>PAGE</b>
401: Employment	G4-LA1	401-1	New employee hires and employee turnover	112 - 114
403: Occupational Health and Safety	G4-LA6	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	63 - 66
404: Training and Education	G4-LA9	404-1	Average hours of training per year per employee	47 - 48
	G4-LA11	404-3	Percentage of employees receiving regular performance and career development reviews	55
405: Diversity and Equal Opportunity	G4-LA12	405-1	Diversity of governance bodies and employees	113
	G4-LA13	405-2	Ratio of basic salary and remuneration of women to men	56 - 57

<b>SOCIAL PERFORMANCE CATEGORY</b>				
<b>STANDARD</b>	<b>G4 DISCLOSURE</b>	<b>DISCLOSURE NUMBER</b>	<b>DISCLOSURE TITLE</b>	<b>PAGE</b>
406: Non-discrimination	G4-HR3	406-1	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination were reported during the period.
407: Freedom of Association and Collective Bargaining	G4-HR4	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	70; 71
412: Human Rights Assessment	G4-HR9	412-1	Operations that have been subject to human rights reviews or impact assessments	71
	G4-HR2	412-2	Employee training on human rights policies or procedures	48
413: Local Communities	G4-SO1	413-1	Operations with local community engagement, impact assessments, and development programs	104 - 106
	G4-SO2	413-2	Operations with significant actual and potential negative impacts on local communities	104
414: Supplier Social Assessment	G4-HR10	414-1	New suppliers that were screened using social criteria	71
	G4-LA15	414-2	Negative social impacts in the supply chain and actions taken	71
415: Public Policy	G4-SO6	415-1	Political contributions	Sodimac does not make political contributions.
416: Customer Health and Safety	G4-PR1	416-1	Assessment of the health and safety impacts of product and service categories	74 - 78
417: Product and Service Labeling	G4-PR3	417-1	Requirements for product and service information and labeling	74 - 78
	G4-PR4	417-2	Incidents of non-compliance concerning product and service information and labeling	87
	G4-PR7	417-3	Incidents of non-compliance concerning marketing communications	87
418: Customer Privacy	G4-PR8	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	86
419: Compliance	G4-PR9	419-1	Non-compliance with laws and regulations in the social and economic area	86



# EY ASSURANCE STATEMENT



Building a better  
working world

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## Limited Assurance

### Statement of Sodimac S.A.'s Sustainability Report 2016 (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 engagement on the information and data presented in Sodimac S.A.'s 2016 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 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 G4 of the guidelines for the preparation of sustainability reports under the Global Reporting Initiative (GRI).

We conducted our assurance procedures in order to:

- Determine whether the information and data presented in the 2016 Sustainability Report are duly supported by evidence.
- Verify the traceability of the information disclosed by Sodimac S.A. in its Sustainability Report 2016.
- Determine whether Sodimac S.A. has prepared its 2016 Sustainability Report in accordance with the Content and Quality Principles of the GRI G4 guideline.
- Confirm Sodimac S.A.'s self-declared "Core" option of the GRI G4 guidelines to its report.

#### Work Performed

Our 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, in order to assess the 2016 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 2016 Sustainability Report in order 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 on the basis of our procedures for this limited assurance of Sodimac S.A.'s 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.'s 2016 Sustainability Report are not presented fairly.
- Sodimac S.A.'s 2016 Sustainability Report has not been prepared in accordance with the G4 version guideline for the preparation of sustainability reports under the Global Reporting Initiative.
- Sodimac S.A.'s self-declared "Core" option does not meet the GRI G4 version requirements for this option.

#### Improvement Recommendations

Without affecting our conclusions as set out above, we have detected some improvement opportunities for Sodimac S.A.'s Sustainability Report 2016, which are detailed in a recommendations report presented to Sodimac S.A.'s Administration.

Truly Yours,

EY Consulting SpA.

  
Alejandra Medina  
May 27th, 2017  
I-00810/17



# FEEDBACK QUESTIONNAIRE

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?** *(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 interesting and 5 is the most interesting.*

- Corporate governance
- Our employees
- Our suppliers
- Our customers
- Environment
- 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).

### ***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. In May 2013, the GRI G4 Guidelines were issued and their use became compulsory as from January 2016. In the transition period through to December 2015, companies could use the previous G3.1 version.

### **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 aspects**

Those aspects 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 needed. (Source: GRI G4; Definition of Key Terms)

### ***Responsible procurement***

The incorporation by an organization of procurement policies and best 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. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society). (Source: GRI G4; Definition of Key Terms)

### **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**

Approach to business that seeks to create value in the long term for shareholders and other stakeholders by taking advantage of opportunities and effectively managing the risks inherent in economic, environmental and social development.

### **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 - approved by world leaders in September 2015 at a historic UN summit - officially came into force on 1 January 2016. Over the next 15 years, under these new universally applicable goals, countries will 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)).



**Design and layout:**

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**Content and editing:**

Transparentia Consultores

**Photographs:**

Sodimac Archive





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