Chedraui
cuesta menos

# 2022
# INTEGRATED Report

# CONTENT

# 2022
# OVERVIEW

# SUSTAINABILITY

**72,575** collaborators

Selected by **Bloomberg**

for the **2nd consecutive year** to be included

in the Gender Equality Index

**2** positions higher and the 81st percentile in the **S&P Global CSA** evaluation, surpassing **81%** of retail companies evaluated worldwide

Obtained data security standard from the payment card industry (PCI DSS) awarded by the **PCI Security Standards Board**

# FINANCIAL

GRI 201-1
FB-FR-000.A, FB-FR-000.B

## Self-Service in Mexico

$104.750 million pesos in sales
+16% vs. 2021

+14.7% in comp store sales vs. 2021

Acquired 36 stores + 30 grand openings
in 2022 = 66 new units in 2022

Grand opening of 30 stores in 2022

## Self-Service in the United States

+10.1% in comp store sales vs. 2021

$153.439 million pesos in income
+57.7% vs. 2021

Grand opening of 1 Smart & Final unit
in San Jose, California, USA

## Real Estate

$1.147 million pesos in income
+23.4% vs. 2021

2,317 m² of leasable area
incorporated throughout the year

# MESSAGE FROM THE CEO

GRI 2-22

**Dear shareholders,**

The year 2022 has been one of solid results for Chedraui. The Company has met its financial and operational goals, with a growth rate above the market in Mexico, as well as unprecedented levels in the United States. This is a testament to our resilient business model, as well as our effective execution capabilities.

One of the most significant achievements of the year was the acquisition of the Arteli chain, with 36 stores in 3 different formats: Arteli, Arteli Express and Aká Super Bodega. These units fit perfectly with our existing store formats and reinforce our position in the northeastern part of the country.

Likewise, we had 30 grand openings in different cities throughout Mexico with different store sizes, 12 of them under the Selecto concept. In the United States, we opened the first Smart & Final store under Chedraui leadership, thereby reaffirming our confidence in the format and the market.

Turning to the results of the year, in terms of the Mexico self-service operation, same-store sales increased by 14.7% year-on-year, and revenue reached Ps.$104.74 million, reflecting a 16.0% year-on-year increase. EBITDA posting for this operation was Ps.$8.56 million, equivalent to 8.2% over sales and an expansion of 60 bps in the year, surpassing the initial target set at 10-15 points.

On the other hand, United States self-service income grew 57.7%, reaching Ps.$153.439 million, generating an EBITDA of Ps.$12.094 million. The operation achieved a margin of 7.9%, with 85.2% growth, and achieving an expansion of 117 bps in the year.

Whereas the Real Estate division achieved occupancy levels similar to pre-pandemic levels and added 2,317 m² of leasable area, representing 0.5% growth in the area. In terms of its results, the division recorded revenues of Ps.$1.147 million, a growth of 23.4% compared to revenue levels posted for 2021.

Consolidated revenues reached Ps.$259.326 million, equivalent to 37.6% growth over the previous year, while EBITDA and Net Income increased annually by 53.2% and 77.4%, respectively.

Regarding the financial situation, Chedraui recorded a net debt at the end of the year of Ps.$1.116 million, composed of Ps.$12.682 million in long-term debt and Ps.$11.566 million in cash and temporary investments. Net debt decreased from Ps.$8.466 million in 2021 to Ps.$1,116 million by the end of 2022. Regarding leverage, the net debt to EBITDA multiple was 0.05x by year-end.

The Company invested Ps.$6.789 million in 2022. This amount includes investment for the acquisition of Arteli.

Important accomplishments were also achieved in terms of sustainability, such as being included for the second consecutive year in the Bloomberg Gender Equality Index; improving our rating in the S&P Global CSA assessment, placing us in the 81st percentile among Self-Service companies worldwide; increasing our score on the Gender tool (WEPS) from 61 in 2021, to 65 in 2022; obtaining the Payment Card Industry Data Security Standard (PCI DSS) certification from the PCI Security Standards Council; and participating with the Carbon Disclosure Project (CDP) in 2023.

Through the Chedraui Foundation, we continued to support social programs aimed at vulnerable groups in society. In 2022, we donated Ps.$254.9 million in food, to Food Banks, and Smart & Final donated 1.7 million kilos of food to Feeding America.

Likewise, Grupo Chedraui and the Chedraui Foundation continue to promote programs at the *Liceo de Artes* y Oficios in Veracruz, Villahermosa, and Xalapa, where a total of 5,943 students of all ages graduated from high school, technical careers, and intensive courses, representing significant growth compared to 5,271 students who graduated in 2021.

On the other hand, both in Mexico and the United States we continue working on reducing our carbon footprint through the use of renewable energy and reducing emissions from our operations. Water conservation is promoted through awareness campaigns and we seek to apply best practices in material reuse, recycling, and waste disposal.

None of this would be possible without the support, effort, and commitment of our 72,575 collaborators worldwide. Since our people are our main asset at Chedraui, we have provided more than 900,000 hours of training in 2022, representing on average over 10 training hours per collaborator. Within these training programs, I would like to highlight the Campaign for a Culture of Legality, through which we concentrated our resources on combating corruption and fraud.

Finally, I would like to express my gratitude to all our stakeholders and reiterate our commitment to our mission of "Improving the lives of customers by bringing the products they prefer, to as many places as possible, at the best price, thereby inspiring our collaborators to grow and develop within Chedraui."

In 2023, we will continue to apply the values that characterize us and, thus creating value for Chedraui and all the stakeholders involved in the Company.

**José Antonio Chedraui Eguía**
CEO of Grupo Comercial Chedraui

# CHEDRAUI TODAY

Physical Capital
GRI 2-1, 2-6, 3-3

Grupo Comercial Chedraui, S. A. B. de C. V. y Subsidiarias, or Chedraui, is a company that specializes in operating self-service stores and in real estate, with much experience in marketing perishables, electronics, grocery items, apparel, and general merchandise; the Company operates in Mexico and in the United States. It quotes in the Mexican Stock Market, under the ticker symbol CHDRAUIB.

# SELF-SERVICE IN MEXICO

FB-FR-000.A

**205** Chedraui (27 Chedraui Selecto) units Súper

**75** Chedraui (14 Selecto) stores

**8** Súper Che stores

**80** Supercito (4 Selecto) units

**36** Arteli stores

**17** Smart & Final de México stores
(Units in joint venture)

**8** Distribution Centers

**1,571,957 m²** Sales floor

## HYPERMART

### Chedraui stores

A self-service format offering a wide variety of quality products, a broad assortment, and the best prices on the market.

**205 stores**
**6,547 m²** average sales floor
**101,300 SKUs,** approximately

## SUPERMARKET

### Súper Chedraui

Self-service stores with a smaller format and whose purpose is the marketing of staple items, groceries, and perishables.

**75 stores**
**2,133 m²** average sales floor
**41,300 SKUs,** approximately

### Smart & Final

Stores with price club type of presentations, offering grocery items, both edible and non-edibles, and perishables.

**17 units in a joint venture**
**1,897 m²** average sales floor
**16,600 SKUs,** approximately

## SELECTO CONCEPT

### Selecto

A Chedraui and Súper Chedraui format that has a wider product selection for those customers having greater purchasing power, which in addition to traditional products, offers a variety of premium brands and gourmet products.

**27** Chedraui Selecto stores
**14** Super Chedraui Selecto stores
**4** Supercito Selecto units

## PROXIMITY

### Súper Che

Proximity format that carries groceries, edible and non-edibles, and perishables.

**8 units**
**1,118 m²** average sales floor
**14,000 SKUs,** approximately

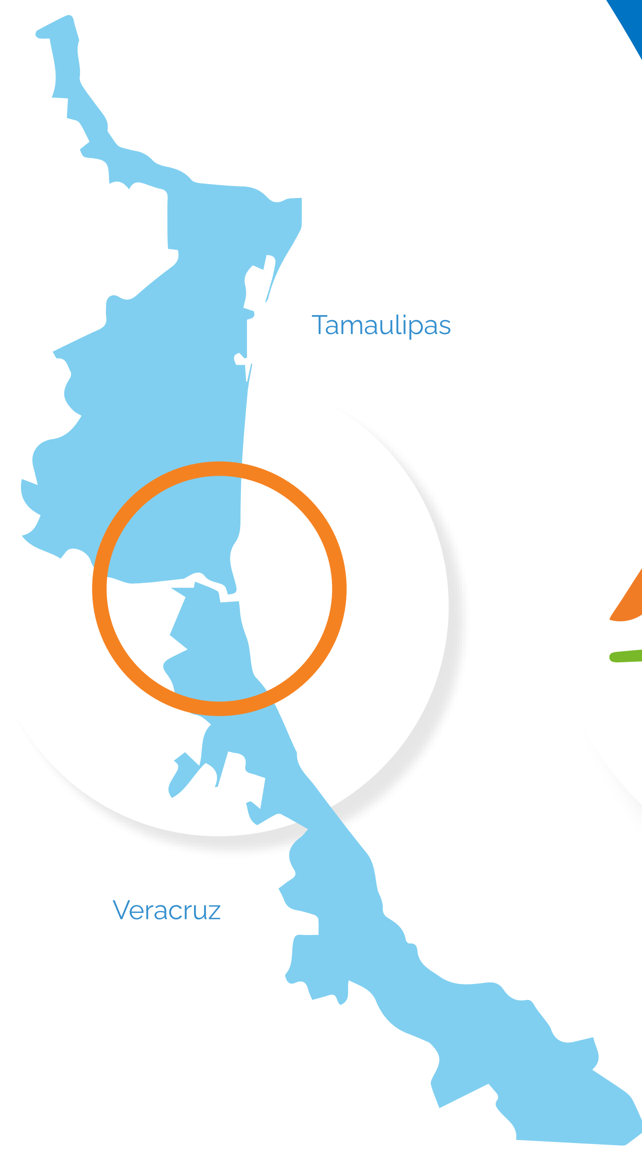
### Supercito

Proximity format that operates in large cities, offering groceries, edible and non-edibles, and perishables

**80 units**
**277 m²** sales floor
**2,500 SKUs,** approximately

In 2022, **Chedraui acquired the Arteli Discount chain (*Tienda de Descuento Arteli, S.A. de C.V.*) (Arteli)**, the operation of which includes **36 stores** operating with **Arteli, Arteli Express and Aká Superbodega formats.**

Through this operation, Chedraui may achieve a **leadership** position in the **Huasteca region of Veracruz, Tamaulipas, Hidalgo, and San Luis Potosi**, especially regarding the **Tampico-Madero-Altamira metropolitan** area.




# Arteli discount stores

**36** stores

**1,076 m²**
sales floor

**12,000 SKUs,**
approximately

# SELF-SERVICE IN THE US

**376** Stores

**8** Distribution Centers

**832,522 m²** sales floor

## HISPANIC DIVISION

### El Super

This format offers top-quality perishables and groceries, 55% of which are sourced from the Los Angeles Distribution Center in California. It primarily targets the Mexican-American and Latino populations.

**64 units**
**2,519 m²** sales floor
**12,000 SKUs,** approximately

### Fiesta

Our format offers, targeting the Mexican-American population in Texas.

**59 units**
**3,248 m²** sales floor
**55,000 SKUs,** approximately

### Smart & Final

The format targets individual consumers and small businesses, with offerings of grocery and perishable products. It is present in Arizona, California and Nevada.

**253 units**
**1,897 m²** sales floor
**16,600 SKUs,** approximately

# DISTRIBUTION CENTERS

Our Distribution Centers are a key link within the value chain, helping us to speed up and optimize proper and timely delivery to our stores, thereby saving on costs and facilitating our supplier logistics by delivering their merchandise to three centralized locations.

**Distribution Centers in Mexico**

| | Extension | Service capacity | Merchandise |
|---|---|---|---|
| Zumpango, State of Mexico | 57,289 m² | 361 units | Dry, refrigerated, and frozen |
| Villahermosa, Tabasco | 57,340 m² | 125 units | Dry, refrigerated, and frozen |
| Veracruz, Veracruz | 11,245 m² | 45 units | Dry |
| Guadalajara, Jalisco | 10,415 m² | 38 units | Dry and refrigerated |
| Cancún, Quintana Roo | 6,020 m² | 37 units | Dry |
| Monterrey, Nuevo León | 883 m² | 18 units | Dry goods, produce |
| La Paz, Baja California Sur | 820 m² | 18 units | Dry and frozen |
| Tampico, Tamaulipas | 20,304 m² | 36 units | Dry, refrigerated, and frozen |
| **Total:** | **144,012 m²** | | |

## 8 Distribution Centers in Mexico

## 84.23% of dry goods

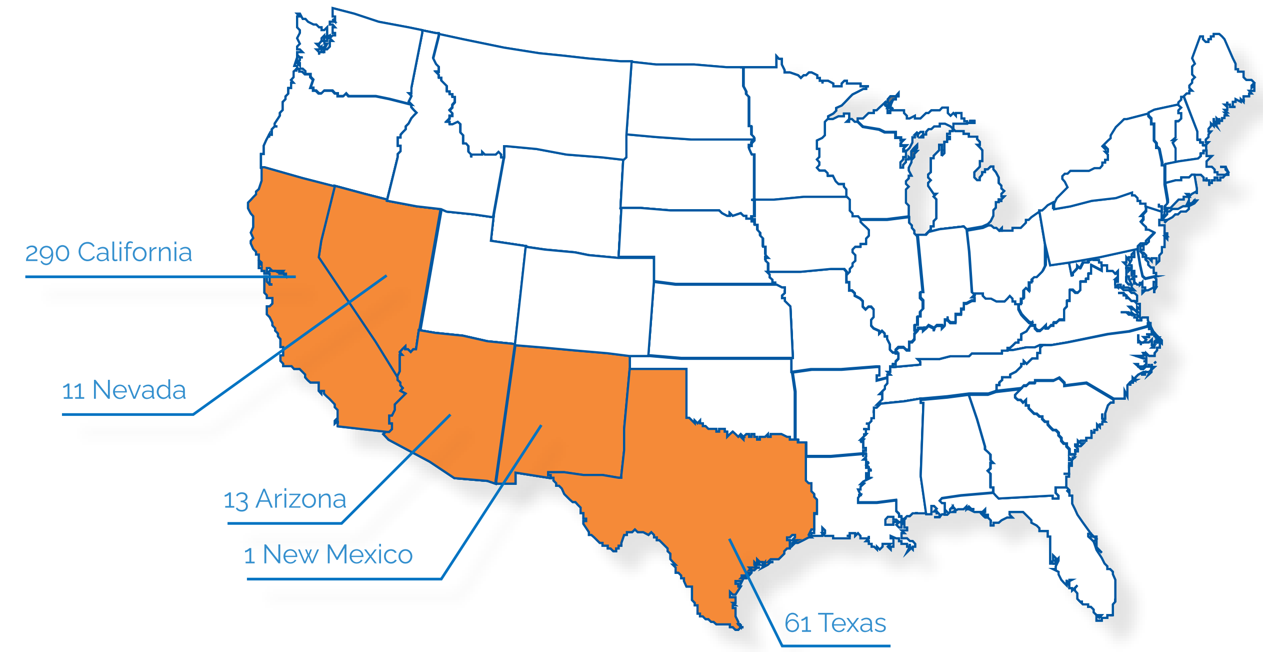
57.49% of perishables

70.52% of produce

## 8 Distribution Centers in the United States

# MARKET PRESENCE

GRI 2-1





**421**
stores in Mexico

**376**
stores in the US

# REAL ESTATE DIVISION

- **Construction and remodels** for stores and the convenience format
- **Managing** own properties and those leased by Chedraui
- **Marketing** of commercial sites in Mexico

**427,304 m²**
**of leasable area in 2022**

# VALUE CREATION

## Value Creation

Business model

Sustainable value chain

Risk management

Material issues management

| INPUT | OUTPUT | STAKEHOLDERS |
| --- | --- | --- |
| **Human Capital**<br>**72,575** collaborators | **Human Capital**<br>Human capital development | Shareholders and investors<br>C-Suite<br>Collaborators |
| **Financial Capital**<br>Shareholder and investor commitment and confidence | **Financial Capital**<br>Financial soundness | Shareholders and investors<br>C-Suite<br>Collaborators |
| **Physical Capital**<br>**421 sores / MX**<br>**376 sores /EU**<br>**8 DCs /MX**<br>**8 DCs /EU**<br>**427,304 m² leasable area** | **Physical Capital**<br>Operating efficiency | Collaborators<br>Suppliers<br>Customers<br>NGOs |
| **Intellectual Capital**<br>Systems, processes, protocols | **Intellectual Capital**<br>Innovation & Desarrollo<br>Digitization | Collaborators<br>Customers |
| **Social and Relational Capital**<br>Associations and Alliances<br>Dialog with stakeholders | **Social and Relational Capital**<br>Code of Conduct<br>Values<br>Communication with stakeholders | Shareholders<br>Investors<br>Collaborators<br>Customers<br>Suppliers<br>C-Suite<br>Community<br>Government |
| **Natural Capital**<br>Environmental Management | **Natural Capital**<br>Energy<br>Emissions<br>Waste<br>Materials<br>Water<br>Biodiversity | Shareholders<br>Investors<br>Collaborators<br>Customers<br>Suppliers<br>C-Suite<br>Community<br>Government |

# SUSTAINABILITY
# STRATEGY

The sustainable strategy for the Company is guided by our Sustainability Committee, which meets periodically and oversees the execution of action plans.

# MATERIALITY

GRI 2-22, 2-29, 3-1, 3-2

We conducted a materiality study in 2022, to identify material issues in the Company. Said study included a benchmark with relevant companies, requirements of sectorial and financial opinion leaders.

Said study was conducted pursuant to double materiality guidelines and concepts of the Sustainability Accounting Standards Board (SASB) –considering the 11 material issues determined by the SASB for multiline and specialized distribution subsectors and food distributors- and the Global Reporting Initiative, with the purpose of identifying issues that have a financial impact on the Company; and those whose impact is reflected in the economy, the environment, on people, and on human rights.

Furthermore, we prioritized our stakeholders, as per standard AA1000, to find the degree of influence and how they relate to the Company; and to undertake a dialog, through electronic surveys, thereby identifying the level of importance that material issues have with each one of them.

Both the materiality study and the dialog with our stakeholders will enable us to implement a sustainability strategy, which will be in the workings throughout 2023, and which will define strategic priorities, objectives, and short, medium and long-term initiatives for Chedraui as of 2023.

Likewise, we have used the materiality issues stemming from the study to report ESG-related matters in the report herein.

## Material Subjects

### 2021

#### TRATEGIC

Occupational health and safety
Anticorruption policies and procedures
Compliance with environmental legislation and regulations
Customer health and safety
Product liability
Transparency and accountability
Practices against forced or imposed labor
Job training and education
Hiring and talent retention
Organizational culture
Water use
Sustainable merchandise transportation
Waste management

#### IMPORTANT

Presence in the market
Consumer opinions
Environmental evaluation of suppliers

### 2022

#### URGENT

##### Economic Aspects

Brand management
Financial issues
Operations
Operating efficiency
Product and service development / product liability
Customer relations management

##### Environmental Aspects

Environmental policies / environmental management system
Materials
Energy ecoefficiency
Water resource management
Climate change and other atmospheric emissions
Ethics and integrity
Waste management

##### Social Aspects

Managing social issues
Human capital development
Diversity and equal opportunities
Occupational health and safety
Human Rights
Social impact
Supplier standards

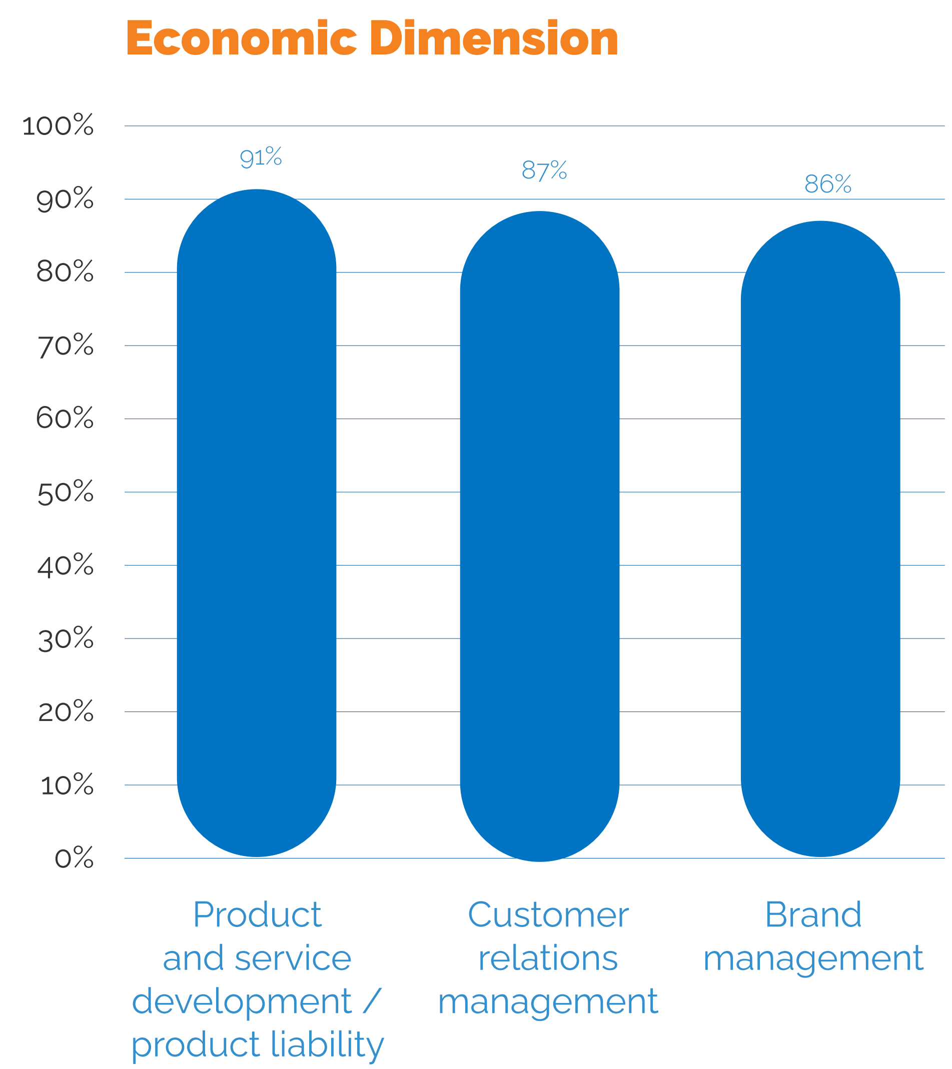
##### Governance

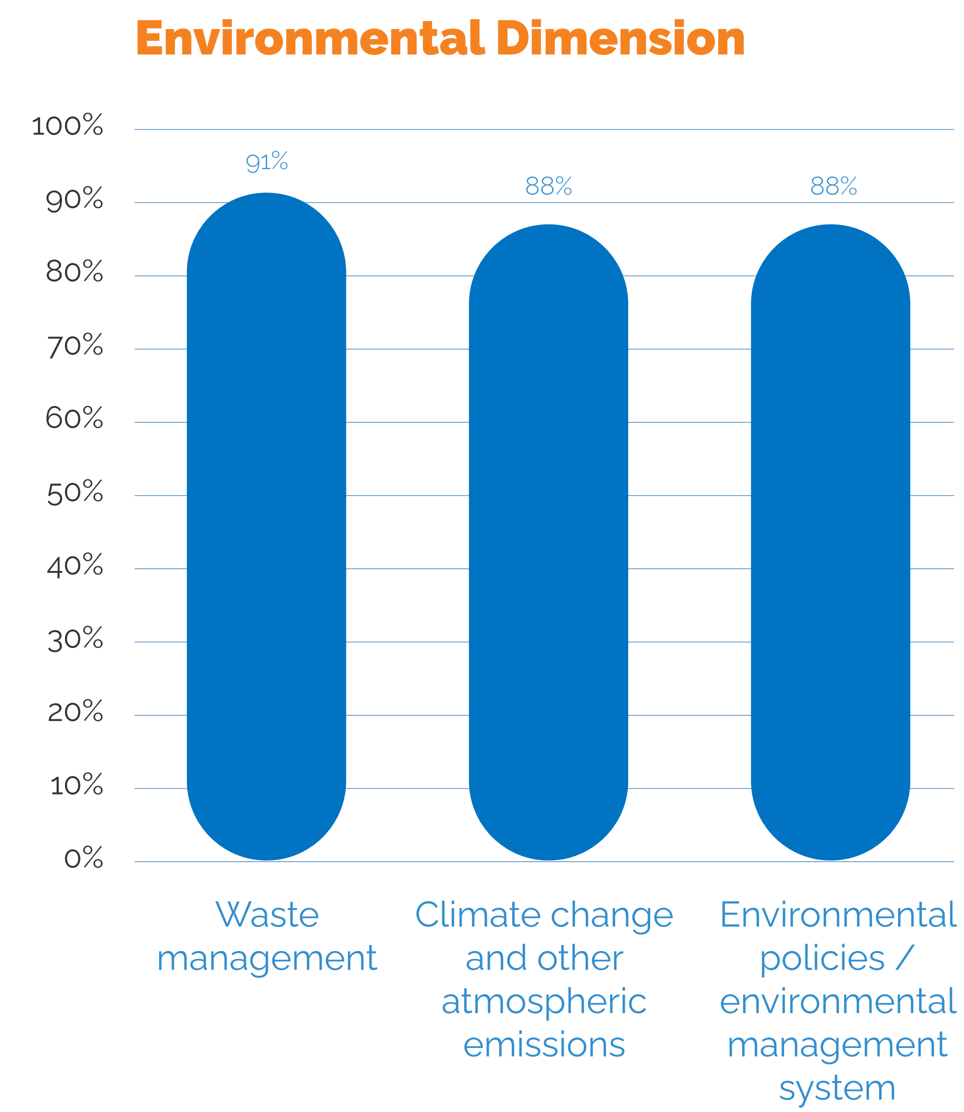
Sustainability and ESG management and strategies
Corporate Governance
Risk management
Cybersecurity
Ethics and integrity
Corruption, bribery, and transparency
Money laundering / fraud prevention

#### GENERALIZED

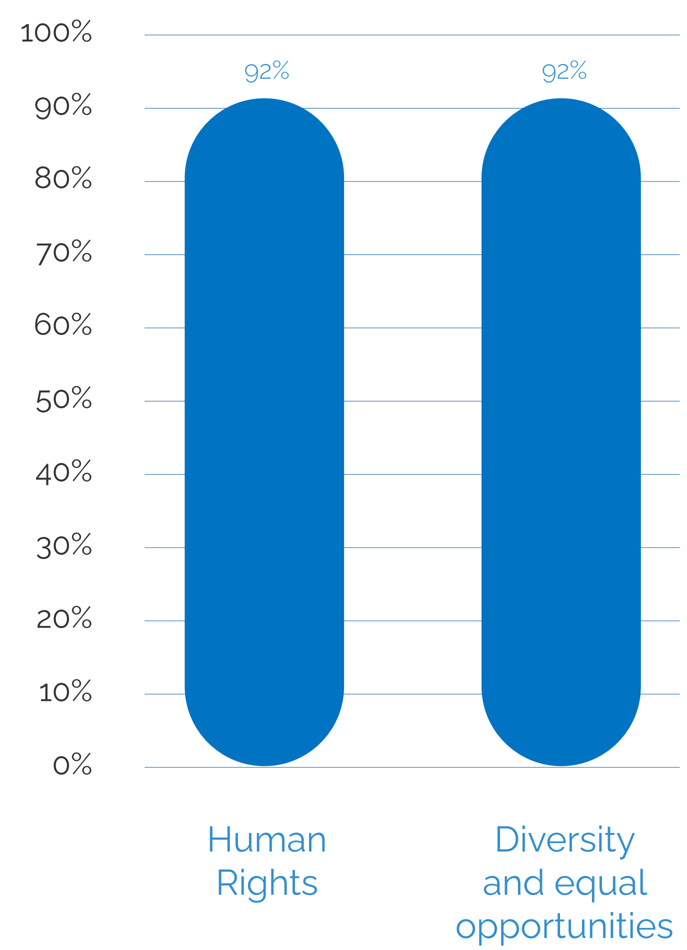
Biodiversity
Talent attraction and retention

In accordance with the opinion of the stakeholders and derived from the valuation they assigned to each material issue, those with the greatest impact were as follows:

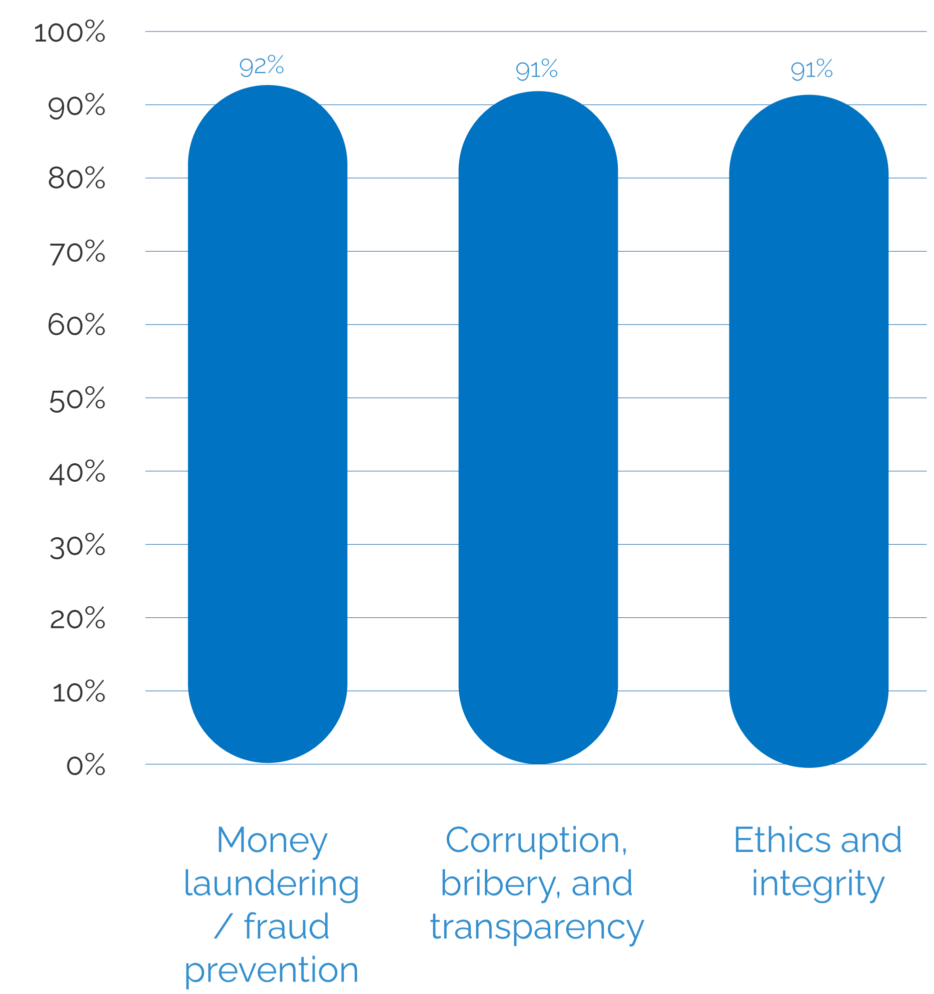


## Social Dimension




## Governance



# MATERIALITY MATRIX

# STAKEHOLDERS

## Owner's and relational equity

### Commitments to our Stakeholders:

- **Customers.**
  They are our top priority and the reason our Company exists.

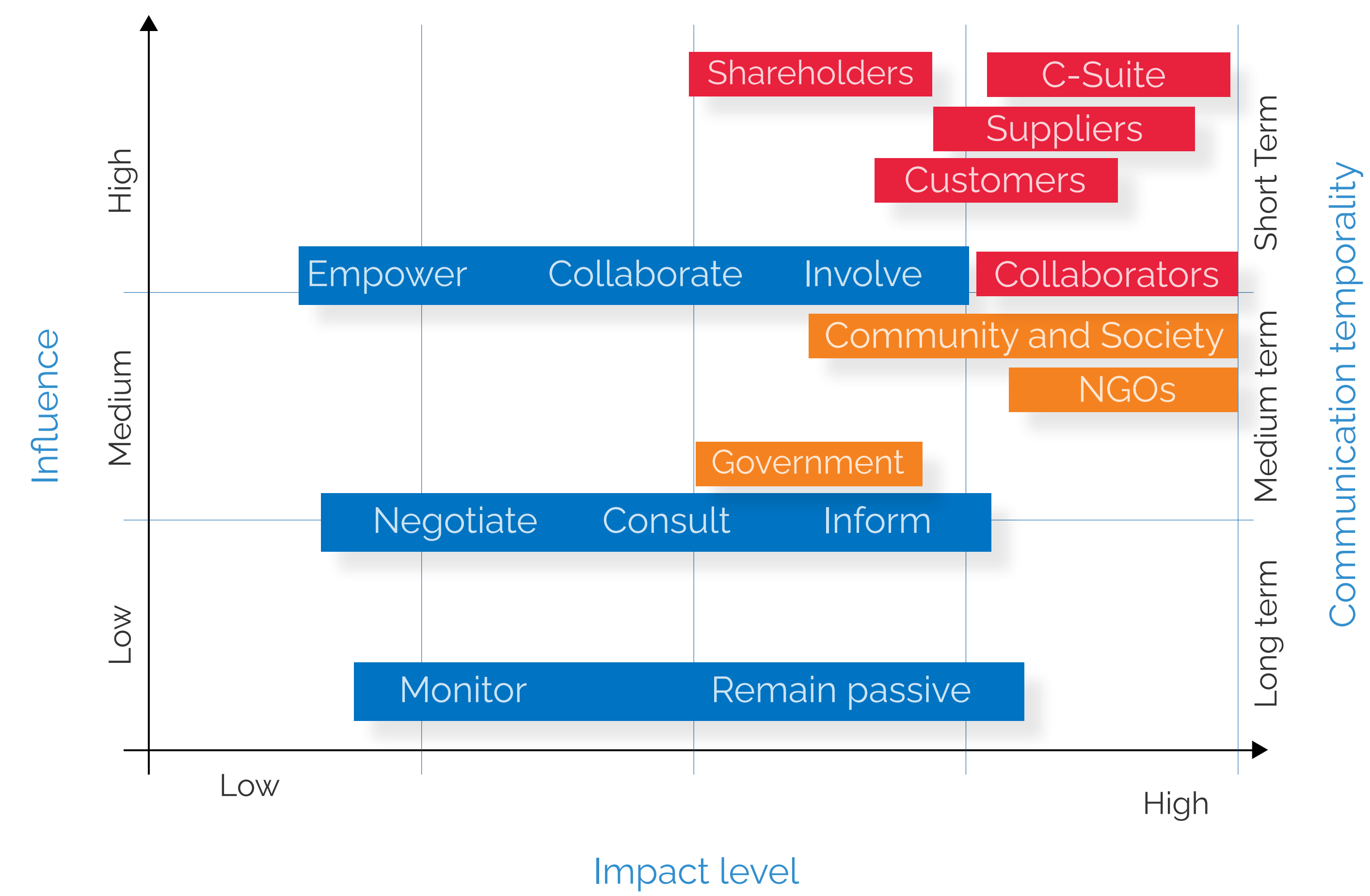
- **Suppliers.**
  We seek to establish relations with third parties who have the same values that guide us as a Company, encouraging care and respect for the community and its surroundings.

- **Collaborators.**
  Our collaborators are the heart and soul of the Company. Chedraui does not engage in any form of discrimination or distinction whatsoever.

- **Shareholders.**
  We are committed to our shareholders and to the ongoing creation of value for their investments. The information we provide is always transparent, objective, up to date, truthful, and timely.

- **Community.**
  As a company, we have a social commitment, which also includes our collaborators.

- **Authorities.**
  All our operations and business with government authorities are conducted with full transparency and in keeping with all applicable legislation.



# We have various **channels for communication** with our stakeholders, such as:

**App Chedraui**

**Our website is:**
www.chedraui.com.mx
https://fundacionchedraui.mx/

**Customer service line:**
01 800 925 11 11

**We are present in the following platforms:**

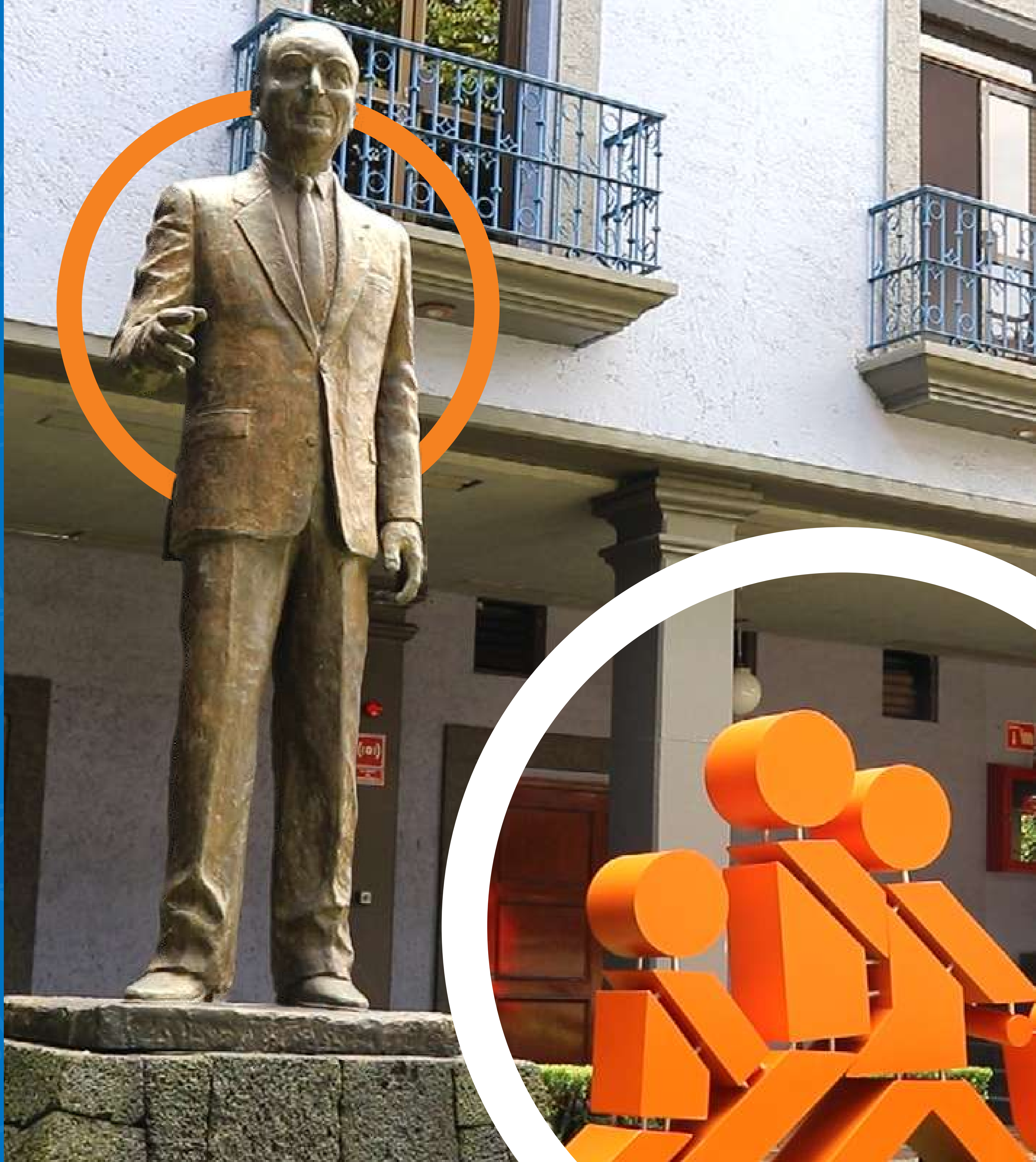
@Selecto.chedraui

@chedrauioficial

@chedrauioficial

@chedrauioficial

# GOVERNANCE



# CORPORATE GOVERNANCE

GRI 2-9, 2-10, 2-11, , 2-13, 2-14, 2-17, 2-19, 2-20, 2-27, 202-2

The foundation of our corporate governance includes integrity and transparency, also having corporate policies, guidelines, quality standards, and programs that contribute to the proper operations and growth of a reliable and socially responsible company.

Included are the Board of Directors and the Audit and Corporate Practices Committee, both of which are in charge of defining business strategy and approving primary decisions, as well as supervising management and ensuring regulatory compliance.

Our corporate governance is always in strict compliance with applicable operation rules, with the provisions set forth by the National Banking Commission, as well as recommendations outlined under corporate best practices.

## Duties of the Board of Directors

- Appointing the Chief Executive Officer
- Establishing remuneration policies for Board Directors
- Convene Shareholders Assemblies
- Develop business strategies
- Approve policies
- Manage the Company

Our Board currently comprises ten statutory Directors -with broad expertise in several disciplines- elected for a period of one year, and we have no alternate Directors. These were ratified in the General Shareholders Assembly, on April 7, 2022, and they may be reelected in their positions.

As mandated in Mexican legislation, a minimum of 25% of the Board of Directors must be independent members, pursuant to that set forth under the Securities Market Law. Specifically speaking, 70% of the members of the Board are Independent Directors.

We are able to hold two types of Shareholders Assemblies, as per the bylaws in force:

### • Ordinary meetings

It is mandatory to hold at least one Annual Ordinary Shareholders Assembly each year, within the first four months immediately following the close of each fiscal year, to discuss the approval of our financial statements, the report prepared by the Board of Directors on the Company's financial statements, the appointment of the members of said Board, and the determined remuneration for such members, among other matters.

### • Extraordinary meetings

To discuss any matter not under the purview of Ordinary Shareholders Assemblies.

In 2022, the attendance rate to Board of Directors meetings was 100%.

## Makeup of the Board of Directors

The Board of Directors for Grupo Chedraui is comprised of professionals from different academic fields and with experience in several fields of endeavour. The Company strives to have Board members who are professionals with experience in the self-service industry, financial operations, and auditing, among others. It is in this manner that we seek to have a Board of Directors that can guide and supervise corporate strategy.

Although the Company has no specific diversity policy for the Board, Chedraui nonetheless reiterates its commitment to increase the diversity of its members in the short and medium terms.

## Remuneration Policies

In keeping with market practices, Grupo Chedraui board members receive a 50-peso gold coin, known as the Mexican Centenario, as compensation for every session they attend.

## Board of Directors

**Alfredo Chedraui Obeso**
Chairman

**José Antonio Chedraui Obeso**
Director

**José Antonio Chedraui Eguía**
Director

**Cecilia Goya Meade**
Independent Director
An independent consultant in business development, work-life balance, and leadership. She has more than 30 years of experience in transnational companies, holding different executive positions -Brand Manager for Clinique, Country Manager for Liz Claiborne, General Manager for L´Oreal's Luxury Product Division, CEO of Natura Cosmetics, and VP de Avon Sales for Mexico and Central America). She recently led Grupo Acritus (shoe shops Capa de Ozono and Dorothy Gaynor).

In 2016 she founded Balanceship Consultores, a company devoted to the development of leadership and high-performance teams.

Ms. Goya has served on the Board of Directors for publicly and privately held companies such as Sicrea Autofinanciamiento, Grupo Ruz, Grupo Acritus, Ipeth, and Aguas Zoe; she is currently a Board Director for Grupo Financiero Banorte, Grupo Chedraui, Fabrica de Zapatos Andrea, Grupo Novelty, Joyerías Bizarro, Fonelli, Ilumexico, and Provive.

She is a member of Women Corporate Directors, International Women Forum, and is a mentor in Endeavor since 2004; she has collaborated with Ashoka, V147, Vital Voices, and New Ventures. She has a BS in Marketing from the Technological Institute of Monterrey, State of Mexico Campus and is a and she is an ontological coach. She is an international conference speaker in subjects on sustainability, leadership, and work-life balance. Cecilia is an athlete and an active volunteer for Casa Hogar Alegria, Mitz, and Make a Wish, where she was Chairperson of the Board from 2019 to 2022.

**Francisco José Medina Chávez**
Independent Director
Francisco Medina is the President of Grupo Fame, S.A. de C.V. This includes 50 automobile franchises with 20 different brands in central Mexico, one of the leading automotive groups in the sector. Mr. Medina assumed control of the company in 1979, when he decided to further strengthen the groups position and specialization within the automobile market.

In addition, he is the President of Grupo Altozano, which specializes in comprehensive real estate projects in Morelia, Michoacan; Villahermosa, Tabasco; Colima, Mérida, Queretaro, La Laguna, Hermosillo; and the city of Chihuahua. Mr. Medina is a member of the Board of Directors for Banamex Citi Group, América Móvil, Chedraui, Grupo G-21, and a Member of the Trustees for the Salvador Zubirán National Institute of Medical Sciences and Nutrition. Mr. Medina received his bachelor's degree in Public Accounting from the Michoacan University of San Nicolás de Hidalgo.

**Agustín Irurita Pérez**
Independent Director
An entrepreneur in passenger transportation since 1960. He has been part of the ADO passenger company for 40 years, where he was Chairman of the Board and CEO for more than 30 years. In addition, he was President of the National Passenger Transportation Chamber.

Agustín is involved in financial companies such as Grupo Aserta, and Fincomun Financial Services, where he has been a Director in the former, and currently Director in the latter. Mr. Irurita has also served on the boards of Grupo Chedraui, Marinter, and Irubros. In the past, he was a Board member for Scotiabank Inverlat, Grupo Bimbo, and Grupo Marhnos.

Moreover, he is member of the Honor Committee for the FIFA Hall of Fame, and participates in several civic society organizations such as Casa Nueva Iap, USEM, and is a National Director for COPARMEX.

Agustín obtained his degree in Public Accounting from ITAM, and also completed the program of Top Management at IPADE.

**Federico Carlos Fernández Senderos**
Independent Director
With a bachelor's degree from Anáhuac University, Federico is the founder and President of created in 2004. Throughout his professional career he has served as a Director for several companies such as Grupo KUO, Grupo Dine, and Factoring Corporativo, S.A. de C.V. During his career as a businessman, Mr. Senderos has founded and/or headed companies such as, MET Mexico, Eulen-Mexico, and Servicios Integrales Mexicanos.

Moreover, he has been selected three times as an Olympian in horseback riding, specializing in show jumping (Athens 2004 Beijing 2008, London 2012) in addition to winning a silver medal in 2003, during the Pan-American Games held in Santo Domingo. As part of his athletic endeavors, Federico has also participated in several world championships.

**Clemente Ismael Reyes-Retana Valdés**
Independent Director
Clemente Reyes-Retana is an executive with over 35 years of experience in renowned Companies in Mexico. As of 2008, he is the head of Reyes-Retana Consultores, a firm that specializes in offering consulting services in the fields of finance, corporate governance, M&As, strategic planning, technological transformation, risk management, internal auditing, new business development, hedging strategies, and derivatives. . Grupo Financiero Banorte, Chedraui, and the Mexican Stock Exchange are among his many clients.

Clemente currently serves as a professional independent Board Member and as a president for Audit and Corporate Practices president in companies pertaining to self-service, and retail industries, among others.

He has owned stock in financial groups and filled top-level positions within the sector; headed the development and execution of several successful projects such as initiating operations for a brokerage firm, a corporate bank, and a financial group; structured and consolidated the leading supplier in Mexico for trustee services; implemented a risk management system; served as a consultant for various transactions in public offerings; and restructured bank liabilities, mergers, and acquisitions (IPO and M&A).

Mr. Reyes-Ventana has been a member on panels of experts, and given lectures and conferences related to corporate governance, organized by IPADE, Deloitte, KPMG, AMEXCAP, and CReCER, an initiative which involved the participation of the World Bank, IDB, IFAC, and GPPC. He is also a member of the board of directors of SEDAC -a Mexican NGO founded in 1979 for the purpose of providing quality preschool and primary education to more than 10,000 children in precarious economic conditions. His BS in Actuary Sciences is from UNAM -the National Autonomous University of Mexico- where he was a tenured professor for statistical research.

**Julio Gutiérrez Mercadillo**
Independent Director
Julio Gutiérrez is founder and president of Grupo Metis since 1984, a leading Mexican company in the production and marketing of chemicals. Currently he also serves on the Board of Directors as a patrimonial director and as an independent director for publicly and privately held companies in different fields. Throughout his career he served in Mexico and abroad on more than 50 boards of directors.

Prior to 2008, as a corporate executive for more than 20 years, Julio was President of Starbucks in Latin America and in Europe, the Middle East and Africa. Prior to this, he was the Country President for Walmart Argentina. Before working abroad, Mr. Gutiérrez was CEO of Grupo Martí/Sport City and CEO for Krups/Moulinex in Mexico.

Mr. Gutiérrez was a tenured professor at Iberoamericana University, as well as a member of the board for the National Chamber of Commerce, of the National Chamber of Electrical Manufacturers, and of the Industrial Association of Vallejo. He is a chemical engineer, with an MBA from IPADE.

**José Antonio Meade Kuribreña**
Independent Director
Dr. Meade has over 27 years of experience in finance, regulations, pensions, public finance, foreign relations, social development, energy, and strategic planning. He was a Secretary of State five times, and worked in four different secretariats: Energy, Public Finance, Foreign Affairs, and Social Development. In 2017 he was named Secretary of Finance of the Year, in Latin America. Furthermore, in 2013 Foreign Policy magazine named him one of the 500 Most Influential Persons in the World. In 2018 he was a candidate for the office of President of Mexico.

Currently Dr Meade is a member of the Global Commission of Adaptation to Climate Change, a member of the Board for the Global Center of Adaptation, an Independent Director of HSBC Holdings, and of Grupo ALFA. Moreover, he conducts activities as a consultant, project financing, and in academia.

José Antonio Meade is a Mexican lawyer and an economist, with his degrees from the National Autonomous University of Mexico (UNAM) and from the Autonomous Technological Institute of Mexico (ITAM). He has a PhD in Economics, from Yale University.

**José Ramón Chedraui Eguía**
Secretary of the Board of Directors

## Audit and Corporate Practices Committee

### Duties

- Supervise Company's independent auditors, and analyze their findings
- Supervise Internal Audit duties
- Supervise creation of Risk Mapping for the Company
- Compensation for key executives
- Inform Board of Directors on existing internal controls and any irregularity regarding the same
- Supervise transactions performed with related parts, CEO's activities, and internal audit duties
- Prepare annual report given to the Board of Directors
- Issue opinions to the Board of Directors concerning performance of key officers working for the Company
- Assist Board of Directors in preparing reports to be given during the annual shareholders assembly

### Members

**Clemente Ismael Reyes-Retana Valdés***
President

**Cecilia Goya Meade***
Member

**Julio Gutiérrez Mercadillo***
Member

(*) Independent Director

## Management Team

**Antonio Chedraui Eguía**
CEO Grupo Comercial Chedraui

**Humberto Tafolla Núñez**
Deputy Director General for Administration and Finance, Human Resources, and Information Technologies

**Arturo Eduardo Antonio Vasconcelos y de Pablo**
Deputy Director General for Commercial, Operations, and Logistics

**José Ramón Chedraui Eguía**
Chairman of the Board of Directors, Chedraui USA

**Carlos Smith Matas**
Director General for Chedraui USA

**Jack Hook, MBA**
Director of Finance, Chedraui USA

**Alfredo Chedraui López**
Director of Real Estate Division

**Jorge Luis Tawil Hernández**
Director of Operations, Chedraui Mexico

**Sergio Estrada Rentería**
Director of Human Resources, Chedraui Mexico

**Pilar Rojas Suárez**
Director of Information Technologies, Chedraui Mexico

**Ignacio González Quirasco**
Director of Sustainability and Social Responsibility

**Alejandro Rafael Lara Hakim**
Director de Construction

**Ricardo Krasovsky Santamarina**
Director of Real Estate Operation and Administration

**Miguel Cortés Morales**
Director de Logistics

**Leonardo Aquiles Figueroa Hirolito**
Director of Finance and Administration

**Jaime Lozano Patiño**
Director of Expansion

**Jorge Ramírez Bonilla**
Director of Commercial Strategy and Replenishment

**Eduardo Aguilera Assad**
Director of Supermarket Purchasing

**Ana María Álvarez Bujalil**
Director of Marketing and CRM

**Gloria Meléndez Paredes**
Director of Loss Prevention

**Luis Rodríguez López**
Director of Purchasing General Merchandise

# BUSINESS ETHICS

GRI 3-3, 2-15, 205-1, 205-2, 407-1, 408-1, 409-1

## Corporate Integrity and Transparency

At Chedraui we consider integrity one of the values in ethics that has driven sustainable growth ever since the Company was founded and therefore our commitment to eradicate any form whatsoever of corruption that weakens the legitimacy of institutions and jeopardizes companies and society as a whole. It is for this reason that we have an Integrity and Transparency Policy, authorized by the **CEO and by the Audit Committee of our Company**.

The strategy we follow to avoid corruption entails standardizing and formalizing all existing anticorruption measures, and involving our partners and suppliers. We have a training program for all our collaborators, enabling us to implement regulations that are signed upon being hired.

We are in **2nd place, with a score of 98.04**, in the **Corporate Transparency Index**, sponsored by **"Mexicans Against Corruption and Impunity"** and **"Transparency Mexico"**, which includes the 500 Top Companies published by Expansión Magazine; we expect to obtain a score of 100 in 2023.

Chedraui is committed to promoting anticorruption practices among our executives, suppliers, collaborators, customers and anyone else with whom we have commercial relationships, with the purpose of avoiding that they make an offer, promise a delivery, or deliver any object of value in exchange for a personal benefit.

Moreover, throughout the year Chedraui extended its code of conduct to encompass our suppliers, thereby seeking their commitment to fight corruption and illegal practices.

### Anticorruption training for collaborators (data for Mexico)

| 2020 | 2021 | 2022 |
|---|---|---|
| HC: 35,707 collaborators | HC: 36,389 collaborators | HC: 43,420 collaborators |
| 34,950 trained | 35,593 trained | 42,805 trained |
| 97.86% | 97.81% | 98.58% |

**22,005** women
**20,800** men

## Training subjects in matters pertaining to anticorruption

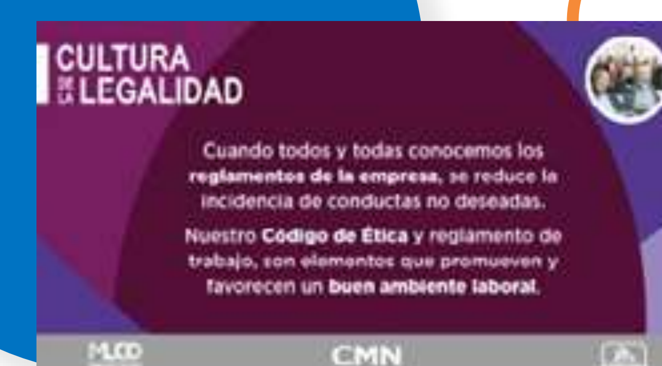
- Anti Money Laundering Plan for Stores
- Code of Ethics Policy 2022
- Conflicts of Interest Policy 2022
- Property Use Policy
- Policy on the Prevention and Identification of Operations with Resources from Illegal Sources 2022
- Prevention of Money Laundering, Funding Terrorism, and Fraud 2022
- Living By Our Code of Ethics

## Communication

In 2022, the **Campaign for a Culture of Legality** was conducted throughout the year, which included several different courses within the work plans for our units, corporate offices, and DCs, in addition to a series of materials distributed electronically as part of the campaign.

## Courses

- A Culture of Legality (Mexican Chamber of Business)
- Data Classification
- Email Security
- Mobile Device Security
- Financial Protection

## Money Laundering Prevention

It is Company policy to fully comply with all legal provisions applicable to the economic transactions we conduct, especially those regulations aimed at protecting the nation's financial system and economy; therefore, policies, procedures, and controls that identify, document, and report vulnerable activities that may involve resources from illegal sources have been established. Likewise, we have basic guidelines relative to the Prevention and Detection of Operations with Resources from Illegal Sources, the Funding of Terrorism, and Fraud.

## Conflicts of Interest

Chedraui has a Conflicts of Interest Policy whose aim is to enlighten our collaborators on how to prevent situations of this nature, and to promote behaviors that are always in line with Company interests and goals, and not of individuals.

This policy is available to all collaborators on our intranet site, our portal for policies and procedures, and the Chedraui website under the section for Integrity and Transparency.

### Each year we hold training sessions regarding this policy, which includes the following:

**1.-** A Certification course regarding the policy, twice a year.

**2.-** Chedraui Corporate University training in Corporate Integrity and Transparency, which covers the subject of conflicts of interest.

**3.-** Webinars on cases and examples of conflicts of interest.

**4.-** An ongoing training campaign through email communiques with examples or reminders on situations involving these conflicts.

**5.-** Each year, key executives of the Company sign a letter of responsibility where they acknowledge being informed of, and their duty of adhering to the policy on Conflicts of Interest.

## Unfair Trade Practices

GRI 3-3, 206-1

At all times we must act in accordance with the premises of fair competition and free enterprise, as well as respectful and honest treatment of each and every one of our competitors.

## Corporate Responsible Behavior

GRI 2-23, 2-24, 2-25, 3-3, 308-1, 414-1

At Chedraui we responsibly deal with any negative impacts our operations may cause, in turn contributing to the sustainable development of the countries where we operate; we integrate environmental, social, and human rights issues in our commercial activities, including our supply chain and commercial relationships.

In the commercial agreements we include labor clauses that enable us to be a socially responsible Company. We also undertake different actions in coordination with suppliers, to honor the commitments we have in terms of food, medication, and the environment. Our suppliers sign letters of intent, of conflicts of interest, as well as our Code of Conduct for Suppliers.

## Primary policies and commitments regarding responsible behavior

### Sustainability Policy
We are firmly committed to sustainability criteria in designing, building, remodeling, maintaining, and operating all our facilities in order to protect and conserve the environment, thereby reducing our carbon footprint.

### Corporate Responsibility Policy
We strive to contribute to the comprehensive development of the community by decisively supporting programs on education, health, wellness, the dissemination of values, environmental protection, and preserving the historical and cultural heritage of Mexico, thus creating a positive social impact.

### Policy on the Prevention of Environmental Risks
We strive to identify, analyze, and prevent environmental risk factors by promoting a suitable environmental organization in all our facilities and by complying with environmental regulations.

### Merchandise Donations to Charity Organizations
Food Banks, Assistance and/or Charitable Institutions receive donations we make of food items and merchandise not suitable for sale but in good conditions for human consumption, thereby benefiting persons in precarious conditions.

### Integrity and Transparency Policy
It encompasses zero tolerance for any act of corruption by anyone whatsoever, including shareholders, board members, trade partners, customers, transportation personnel, and any other third party.

### Travel Expenses Policy
Our travel expenses policy defines how collaborators or executives should act when faced with a direct or indirect offer or request for travel, tickets, or other forms of entertainment from any third party with whom we have or intend to have a business relationship.

### Gifts and Appreciation Policy
Our gifts and appreciation policy incorporates clear guidelines to regulate receiving or accepting gifts, meals, tickets, events, or other forms of entertainment directly or indirectly from any third party with whom we have or intend to have a business relationship.

### Supplier Code of Conduct
The objective of the Supplier Code of Conduct is to establish ethical principles and standards of conduct that govern the actions of any individual or company who provides goods or services to Grupo Comercial Chedraui, S.A.B. de C.V. Suppliers have the obligation to be aware of, respect, and disseminate these principles and standards of conduct within their companies, as well as to ensure compliance with them among their employees, collaborators, vendors, and service providers, thereby promoting our firm conviction and commitment to corporate integrity and transparency.

## Institutional Training in Integrity and Transparency

A training and development program has been implemented by Chedraui on topics related to corporate integrity and transparency to train personnel on the commitment to company values and ethical principles. This program includes courses, conferences, webinars, among other actions, which constitute mandatory annual certification for all collaborators.

## Policy for the Attraction and Selection of Honest and Committed Talent

The Company recognizes that one of the main factors for achieving its objectives is its collaborators, therefore making it important to have talent that meets the highest standards of ethics and integrity. For this purpose, the best practices for attracting and selecting personnel have been implemented.

Our policies serve to establish several guidelines aimed at aimed at granting specific authority in keeping with assigned responsibilities; during Board meetings activities or matters to be addressed are established for proper implementation.

Each defined policy and procedure has an objective that includes commitments made by the Company, some of which entail formal statements by the Company or key executives. This is how we are able to incorporate commitments to our Company strategy.

Our policies and procedures are public domain, published in:

https://www.grupochedraui.com.mx/en/integridad_y_transparencia/index.html

# TAXATION

GRI 3-3, 207-1, 207-2, 207-3

**The organization's tax** department is structured into four specialized areas:

**1.** Retail Tax Compliance Area, responsible for timely compliance with federal tax obligations, ensuring the correct calculation of payments, focused on store operations.

**2.** Non-Retail Tax Compliance Area, responsible for timely compliance with federal tax obligations, ensuring the correct calculation of payments, focused on the operations of other companies within the group with different business lines.

**3.** Tax Planning Area, responsible for optimizing the impact of federal tax payments through strategic tax planning, by preparing tax projections, budgets, forecasts, etc.

**4.** Special Projects and Consulting Area, in charge of providing tax advice and addressing various inquiries from the group, as well as handling high-level projects such as acquisitions, mergers, spin-offs, etc.

Assistant **Tax Director – Administrative and Finance Director**, supervises and manages fiscal strategies for the Company, which is done monthly, every two months, quarterly, each semester, or annually, and has the following responsibilities: :

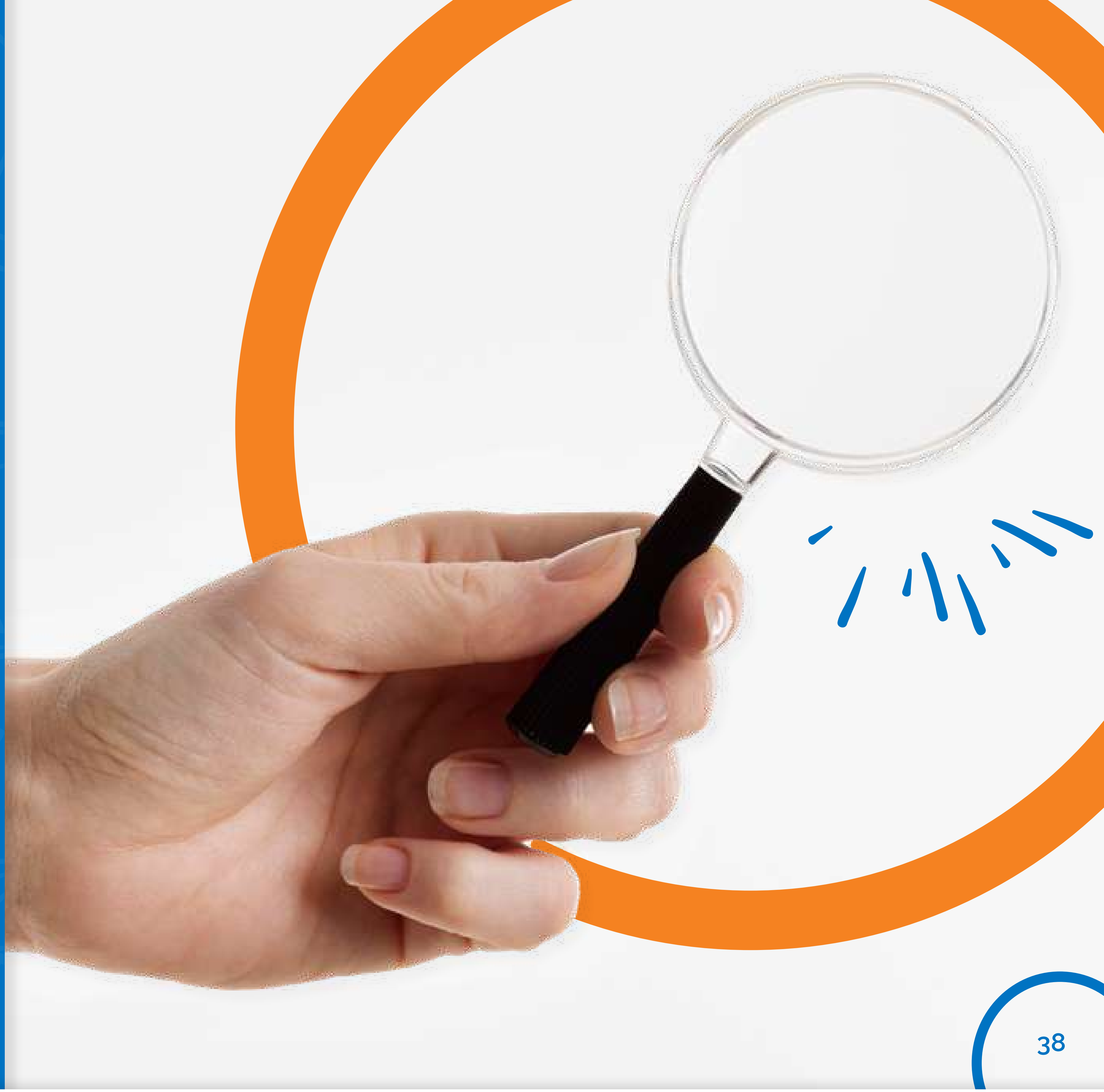
- Establish respectful and cordial relationships with tax authorities
- Respond and attend to any invitation or request from said authorities
- Install remuneration, systems, bonuses, or incentives for those in charge of implementing fiscal strategies
- Conduct succession planning for positions charged with tax issues
- Develop best practices on tax information and disseminate new and current information useful for stakeholders regarding tax matters (Fiscal Bulletin).

Meeting tax obligations is not optional, it is mandatory and therefore we strive to always be in proper and timely compliance and that way avoid any sort of problems with tax authorities. We focus on protecting partners, shareholders, top management, and legal representatives, thereby avoiding any moral or material consequences that may jeopardize Company interests.

The tax department has a process automation area that allows for developing these tools -tax calculations, dashboards, bots- whose purpose is to analyze data with a preventive approach.

Each month we check to see that the Compliance Opinion for all our companies is positive, and it is also verified by internal and independent auditors who are charged with conducting their own semester and annual reviews regarding compliance with tax obligations, also ensuring that strategies followed fall within regulatory frameworks.

Likewise, dialog with tax authorities, stakeholders, shareholders, collaborators, auditors, suppliers, customers, etc., is fostered to promote open communication, aiming to receive and channel tax-related concerns, always representing and defending Company interests. Best practices are encouraged in addition to providing the support or evidence needed to clarify or give sound reasons for the correctness of our tax compliance.



# CODE OF ETHICS

GRI 2-16, 2-26, 408-1

The Code of Ethics used in operations in both Mexico and the United States are a clear reflection of our concern, attention, and actions in defense of Grupo Chedraui values and principles, the human rights of our collaborators, and subjects such as child labor, forced labor, freedom of association, non-discrimination, unfair trade practices, and money laundering, among others.

All our collaborators and the members of the Board of Directors are obligated to know and adhere at all times to the Code of Ethics guidelines, therefore making it our responsibility to offer collaborator training in this subject, to ensure they are fully informed. As part of the onboarding process, all collaborators must sign their commitment to said code.

Likewise, we have a Human Rights Policy for our US operations, which covers the commitment of the Company in this matter. It includes:

- A statement of commitment to all human rights, as per internationally accepted regulations
- Requisites for our own operations (collaborators, direct activities, products, and services)
- Supplier requirements
- Partner requirements
- The actions and procedures we undertake to meet our commitment.

There are different anonymous claims systems that are independent and confidential available to all collaborators, suppliers, and transportation companies so they may report any action that violates our code, such as: bribes, money laundering, and corruption, among others.

**Website:** https://www.tipsanonimos.com/chedrauiteescucha/View/Home/

**Email:** chedrauiteescucha@tipsanonimos.com

**Hotline:** 800-910-0013

**For our customers:** Call center: 01-800-925-1111

# Mission

*"Improving the lives of customers by bringing the products they prefer, at the best price, to as many places as possible, thereby inspiring our collaborators to grow and develop within Chedraui."*

# Vision

*"Chedraui is a multicultural company that keeps the fundamental values alive with which the first store was created, through its actions and its people."*

## Chedraui Mexico Values

### Honesty:

We always act in an honest and upright manner, both inside and outside the Company, and thereby preserve the credibility and trust of our customers, suppliers, shareholders, and fellow collaborators.

### Commitment:

The Company mission is assumed loyally and responsibly: "Provide our customers, wherever they are, with the products they desire at the lowest possible price."

### Respect:

Treat all our collaborators, customers, and suppliers with proper dignity and fairness, without abusing our authority levels.

### Result Oriented:

All our actions are focused on working effectively and efficiently to guarantee our permanence by meeting established goals and by making the most of our resources, without any waste whatsoever.

## Chedraui USA Values

### Integrity

Act with honesty, civic values, and respect for others. Doing the right thing is fundamental in everyday actions.

### Teamwork

We are committed to working in an atmosphere of collaboration, open communication, and mutual support.

### Customer Focus

We are committed to always doing the right thing for our customers. Meeting this commitment implies, teamwork, diligence, responsibility, and integrity so we can always offer our customers service and product excellence.

### Results Oriented

Passion, commitment, drive, sense of urgency, and effort are value attributes that go hand-in-hand with accomplishing individual and collective objectives and the results expected of us.

### Respect

Treat everyone with dignity; value the opinions and differences of others.

Growth
Committed to personal, professional and Company growth.

At the heart of accountability is personal trust and responsibility. We value the ability of our collaborators and of our organization to honor all commitments and personally assume the responsibility for our actions and our results.

# RISK MANAGEMENT

GRI 3-3, 201-2

## Intellectual Capital

There is a Risk Evaluation Committee composed of area directors and overseen by the Asst. Director for Internal Audit who is in charge of assessing the impact of possible risks in the Company and the best way to attend to them and resolve, therefore holding quarterly meetings. Among the risks analyzed are the effects of climate change and water-related issues.

In addition to the Risk Committee, there is an internal audit program that ensures mitigation plans for certain risks.

Moreover, in 2022 we published the Code of Conduct for Suppliers, with the purpose of achieving their alignment and commitment to the principles and values of the Company. This Code sets forth standards and obligations regarding integrity, the environment, social responsibility, and human rights, later to be formalized in 2023. The section on suppliers on the Chedraui website was redesigned for greater clarity and emphasis on environmental, social and governance commitments that we require.

Chedraui has adopted several internal control policies and procedures created to provide the reasonable assurance that our operations are subject to guidelines established by our management, and that our financial statements in fact comply with International Financial Reporting Standards (IFRS).

We firmly believe our advanced technological data platform and our organization structure both supply the tools needed to correctly and effectively implement our internal control policies and procedures. Additionally, our different operating processes are subject to periodic internal audits. Our internal controls are regulated by various policies and procedures -from customer delivery to the way in which we acquire goods and services required for our operations.

This year we shall implement a supplier certification plan and one for second-party audits in Apparel and Internal Supplies, thus enabling us to provide certainty on the formality and sustainable commitments of our commercial partners.

In this vein, the Risk Committee and its scope will be restructured to include all manner of risks that may affect the business, inviting internal experts in specialized fields so as to achieve greater clarity on said risks, in addition to implementing a more robust methodology that may identify, evaluate, and manage these risks, based on improved standards and best practices.

# OPERATING AND FINANCIAL PERFORMANCE

Financial Capital
GRI 201-1

**37.6%** consolidated sales growth **vs. 2021**

**+53.2% EBITDA** growth vs. **2021**

**Arteli** store chain acquisition: **36 units** in Northeast Mexico

Net debt multiplier / 0.05x EBITDA at close of 2022, **generating $7,350 million** in cash flow

# GRUPO COMERCIAL CHEDRAUI

## Management Discussion & Analysis

Throughout the year, consolidated sales for the Company grew 37.6%, reaching Ps.259.326 million, compared to Ps.188.487 million in 2021.

Gross profit went from Ps.41.952 million to Ps.59.300 million in 2021, thereby representing 41.4% growth, with a gross margin of 22.9% and an expansion of 61 bp YoY.

Operating Income and EBITDA posted growth of 57.1% and 53.2%, respectively, amounting to Ps.13.746 million and Ps.21.427 million with an EBITDA margin of 8.3%.

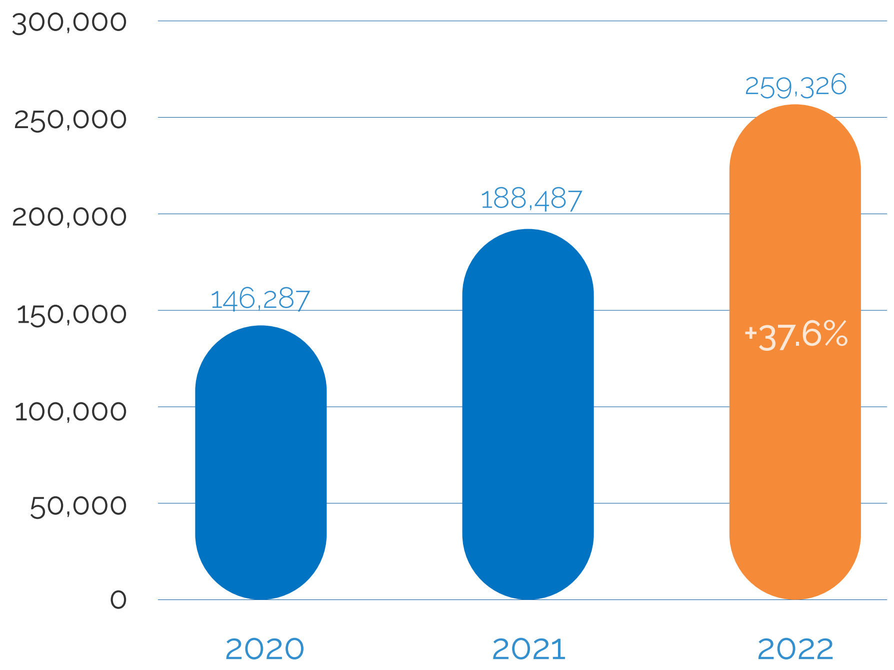
Consolidated net income for 2022 amounted to Ps.6.176, million equivalent to 2.4% of sales, with a 77.4% increase over its annual comparison, thereby proving the execution capacity of the Company.

Sales margins for the different line items in Chedraui P&L statement is a reflection of the Company's execution capability and its significant growth in market share and expansion, thus an improvement to our profitability and value creation for the Company and our shareholders.

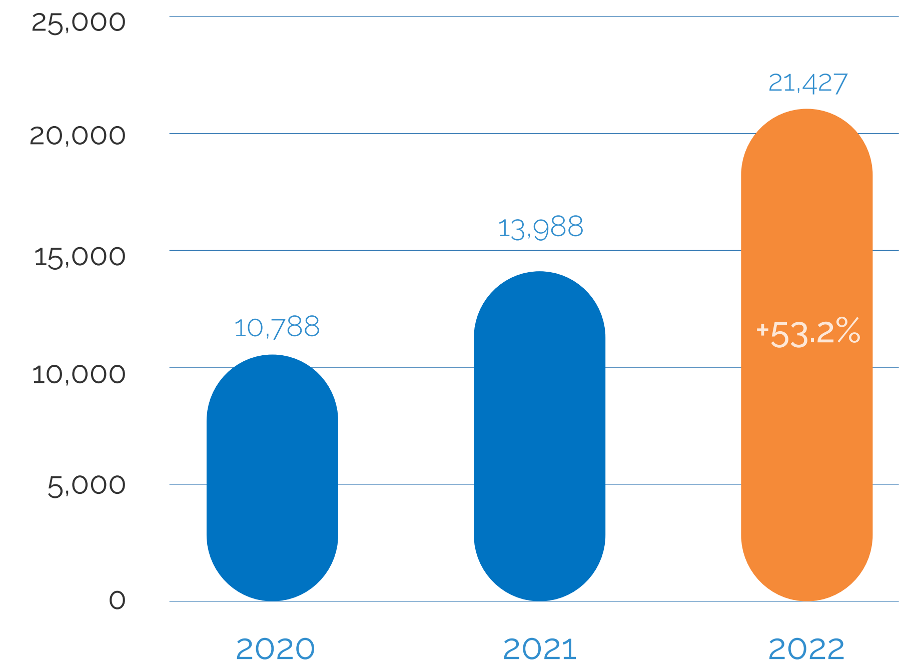
### Consolidated P&L Statement

| (Millions of pesos) | 2020 | 2021 | 2022 | Variation 2022 vs 2021 |
|---|---|---|---|---|
| Net sales | 146,287 | 188,487 | 259,326 | 37.6% |
| Gross profits | 32,380 | 41,952 | 59,300 | 41.4% |
| Operating expenses (w/o depreciation) | 21,591 | 27,964 | 37,873 | 35.4% |
| EBITDA | 10,788 | 13,988 | 21,427 | 53.2% |
| Net consolidated income | 2,674 | 3,480 | 6,176 | 77.4% |
| Majority net profits | 2,589 | 3,420 | 5,997 | 80.5% |
| Basic profit per share | 2.71 | 3.57 | 6.27 | 75.6% |
| Number of outstanding shares | 963,917,211 | 963,917,211 | 963,917,211 | N/A |
| Price per share at Dec. 31st | 28.76 | 42.42 | 83.18 | 96.1% |

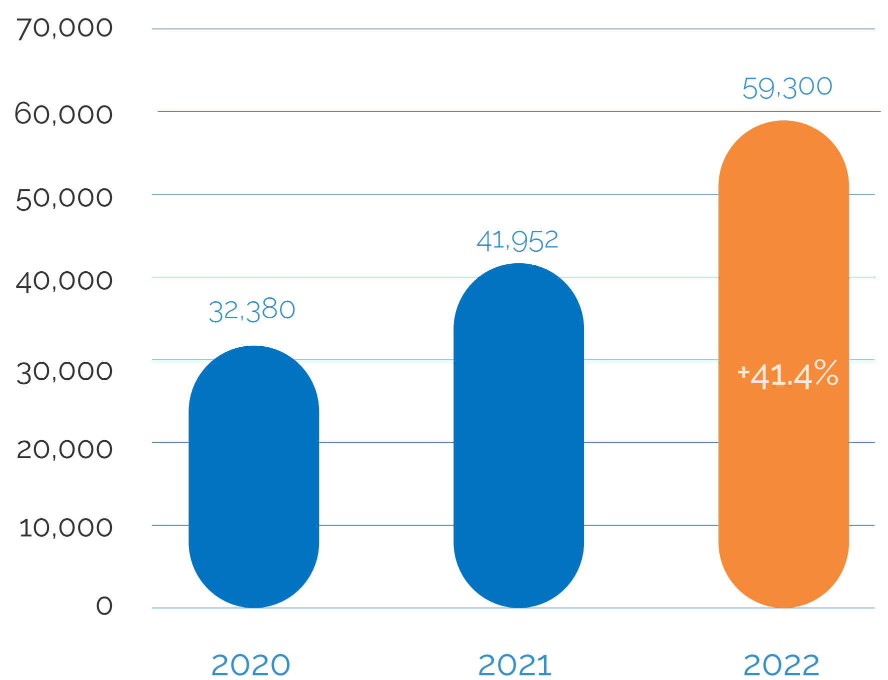
## Sales (Millions of Pesos)



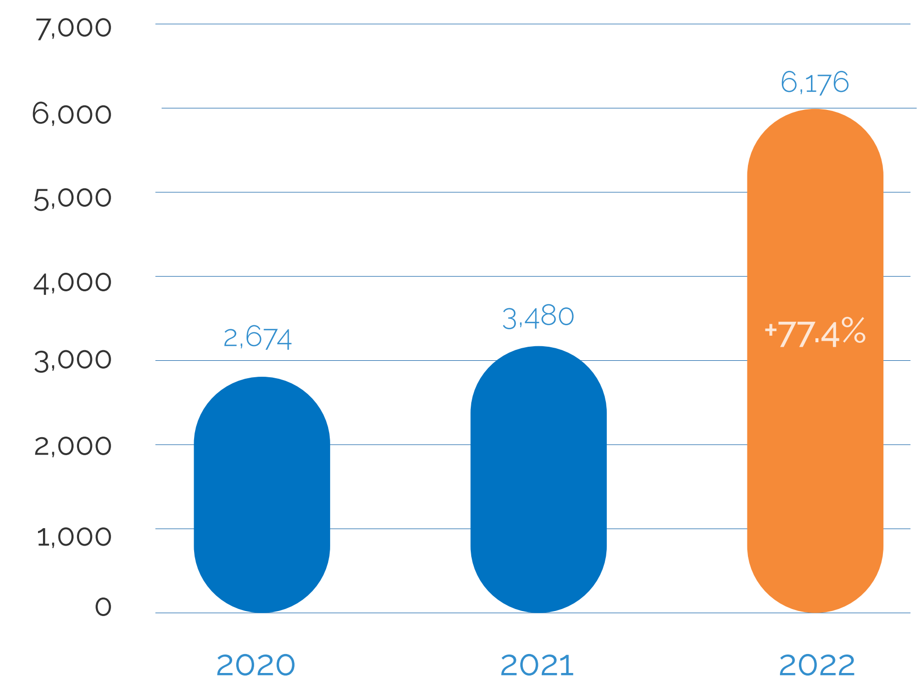

## EBITDA (Millions of Pesos)




## Gross Profit (Millions of Pesos)




## Consolidated Net Income (Millions of Pesos)



# CONSOLIDATED BALANCE SHEET

| (Millions of pesos) | 2020 | 2021 | 2022 | Variation 2022 vs 2021 |
|---|---|---|---|---|
| Cash | 5,445 | 9,101 | 11,565 | 27.1% |
| Inventory | 11,986 | 17,908 | 21,039 | 17.5% |
| Fixed Assets (Net) | 69,172 | 108,803 | 105,744 | -2.8% |
| Total Assets | 90,450 | 141,040 | 143,439 | 1.7% |
| Suppliers | 19,493 | 27,404 | 30,652 | 11.9% |
| Total Liabilities | 61,168 | 108,379 | 104,071 | -4.0% |
| Majority shareholder investment | 29,289 | 32,543 | 39,074 | 20.1% |

| Income (Millions of pesos) | 2020 | 2021 | 2022 | Variation 2022 vs 2021 |
|---|---|---|---|---|
| Self-service Mexico | 82,536 | 90,258 | 104,740 | 16.0% |
| Self-service US | 62,899 | 97,299 | 153,439 | 57.7% |
| Real Estate | 852 | 930 | 1,147 | 23.4% |
| **Consolidated** | **146,287** | **188,487** | **259,326** | **37.6%** |

| Self-service in Mexico | 2020 | 2021 | 2022 | Net Variation |
|---|---|---|---|---|
| Tiendas Chedraui | 202 | 203 | 205 | 2 |
| Súper Chedraui | 64 | 66 | 75 | 9 |
| Súper Che | 11 | 10 | 8 | (2) |
| Supercitos | 44 | 59 | 80 | 21 |
| Arteli | N/A | N/A | 36 | 36 |
| Total in Mexico | 321 | 338 | 404 | 66 |
| Smart & Final (Joint Venture) | N/A | 16 | 17 | 1 |

# Total self-service Mexico and Chedraui USA

## Year / Number of units

2020 / 444

2021 / 715

**2022 / 780***

* 17 stores in joint venture not considered

| Self-service Chedraui USA | 2020 | 2021 | 2022 | Net Variation |
|---|---|---|---|---|
| El Super | 64 | 64 | 64 | - |
| Fiesta Mart | 59 | 59 | 59 | - |
| Smart & Final | - | 254 | 253 | (1) |
| Total US | 123 | 377 | 376 | |

| Infrastructure / Mexico (m² of sales floor) | 2020 | 2021 | 2022 | Variation |
|---|---|---|---|---|
| Self-service in Mexico | 1,493,183 | 1,504,010 | 1,571,957 | 4.52% |
| Self-service in US | 352,861 | 834,636 | 832,522 | -0.25% |
| Consolidated Total | 1,846,044 | 2,338,646 | 2,404,479 | 2.82% |

# SELF-SERVICE IN MEXICO

Grand opening of **30** stores, plus **36** Arteli units acquired

**4.5%** growth in sales floor area

Grupo Comercial Chedraui completed the purchase of Tiendas de Descuento Arteli, S.A. de C.V., on Dec. 14, 2021. The transaction includes 36 units operating under 3 different formats: Arteli, Arteli Express, and Aká Superbodega, thus allowing Chedraui to obtain a leading position in the Huasteca region of Veracruz, Tamaulipas, Hidalgo and San Luis Potosí, especially in the metropolitan area of Tampico-Madero-Altamira.

Throughout the year, operation sales posted an increase of 16.0%, reaching Ps.104.740 million as compared to Ps.90.258 million for 2021, whereas EBITDA experienced a 25.5% increase over 2021, closing at Ps.8.560 million.

In Mexico, 12 of the 30 organic openings fall under the Selecto concept, thus exhibiting the potential Chedraui has identified for the format. These openings took place in different cities throughout the country, highlighting Mexico City as one of the principal opening locations.

| (Millions of pesos) | 2020 | 2021 | 2022 | 2022 Variation |
|---|---|---|---|---|
| Sales | 82,536 | 90,258 | 104,740 | 16.0% |
| EBITDA | 6,068 | 6,831 | 8,560 | 25.3% |
| EBITDA margin | 7.4% | 7.6% | 8.2% | 0.6 pb |

# SELF-SERVICE IN THE UNITED STATES

As a total for the year, self-service in the US grew by 57.7%, amounting to Ps.153.439 million, as compared to Ps.97.299 million in 2021. On the other hand, EBITDA figures reached Ps.12.094 million, with a 7.9% margin over sales, and 85.2% growth.

The operation achieved 117 bp in margin.

| (Millions of pesos) | 2020 | 2021 | 2022 | Variación 2022 |
|---|---|---|---|---|
| Sales | 62,899 | 97,299 | 153,439 | 57.7% |
| EBITDA | 4,207 | 6,529 | 12,094 | 85.2% |
| EBITDA margin | 6.7% | 6.7% | 7.9% | 117 pb |

**EBITDA Analysis**

| (Millions of pesos) | 2020 | 2021 | 2022 | Variación |
|---|---|---|---|---|
| El Super | 2,945 | 2,823 | 3,381 | 19.8% |
| Fiesta | 1,262 | 1,378 | 1,851 | 34.3% |
| Smart & Final | NA | 2,328 | 6,862 | 194.7% |
| **Total** | **4,207** | **6,529** | **12,094** | **85.2%** |

# REAL ESTATE DIVISION

The Real Estate Division is achieving occupancy levels similar to those pre-pandemic, showing its recovery during the year. During the last twelve months, 2,317 m² of leasable area were added, representing a growth of 0.5%.

In 2022, revenues of Ps.1,147 million pesos were registered for the division, representing a 23.4% growth over revenues obtained in 2021, and EBITDA closed at Ps.773 million with a margin of 67.4%.

| (Millions of pesos) | 2020 | 2021 | 2022 | Variation |
|---|---|---|---|---|
| Sales | 852 | 930 | 1,147 | 23.4% |
| EBITDA | 513 | 628 | 773 | 23.0% |
| EBITDA margin | 60.2% | 67.6% | 67.4% | (0.2) pb |

# FINANCING

By the close of 2022, the Company posted a net debt of Ps.1.116 million pesos, of which Ps.12.682 million pesos are long-term debt, and Ps.11.566 million in cash and temporary investment.

The accrued CAPEX invested from Jan. to Dec. 2022 amounts to Ps.6.789 million pesos. This amount includes the investment for the purchase of Arteli.

According to posted figures, the net multiplier debt for EBITDA for the last 12 months closed at 0.05x.

# OUR PEOPLE

"We care for our people, because they care about us and our customers"

# HUMAN CAPITAL

GRI 2-7, 2-8, 2-30, 3-3
FB-FR-310a.2

Our people are the most important element. In a market where the complexity of human resources is considerable due to high overall turnover, at Chedraui we have sought systems that allow our collaborators to have a good work-life balance, competitive wage conditions, health and wellness programs, respect for diversity and inclusion, compensation and benefits beyond legal stipulations, recognition, and training at all levels that includes onboarding to the new position, with the purpose of instilling a sense of loyalty and community with the Company, striving always for personal and professional development for all our collaborators.

We conduct satisfaction surveys in our units, through which we seek to be informed of Collaborator needs and to develop and implement improvements in the stores, recognition programs, and training. Weekly meetings are also held with all operation leaders who we work with on the use of dashboards, posting vacancies, respect for compensation, benefits, and wages, thus being able to implement timely actions.

Chedraui Mexico and USA

**72,575**

Total collaborators

## Headcount by gender and type of employment

| Mexico | 2020 | | 2021 | | 2022 | | %Δ 2022 vs 2021 | |
|---|---|---|---|---|---|---|---|---|
| Type of Employment | Women | Men | Women | Men | Women | Men | Women | Men |
| Temporary | 178 | 201 | 1,353 | 1,193 | 1,151 | 1,318 | -15% | 10% |
| Permanent | 18,592 | 22,008 | 19,236 | 22,353 | 21,214 | 23,409 | 10% | 5% |
| **TOTAL** | **18,770** | **22,209** | **20,589** | **23,546** | **22,365** | **24,727** | **9%** | **5%** |

| Chedraui USA | 2021 | | 2022 | | %Δ 2022 vs 2021 | |
|---|---|---|---|---|---|---|
| Type of Employment | Women | Men | Women | Men | Women | Men |
| Temporary | 5 | 3 | 3 | 2 | -40% | -33.3% |
| Permanent | 11,980 | 11,975 | 12,732 | 12,746 | 6.28% | 6.44% |
| **TOTAL** | **11,985** | **11,978** | **12,735** | **12,748** | **6.26%** | **6.43%** |

## Total Mexico and United States

**35,100** women

**37,475** men

## Headcount by age / Mexico

| Women | |
|---|---|
| < 30 years old | 8,599 |
| Between 30 and 50 years old | 11,672 |
| > 50 years old | 2,094 |
| **Men** | |
| < 30 years old | 11,839 |
| Between 30 and 50 years old | 10,603 |
| > 50 years old | 2,285 |
| **Total** | **47,092** |

## Headcount by position / Mexico

| Position | 2022 | |
|---|---|---|
| | Women | Men |
| EXECUTIVES | 196 | 571 |
| MIDDLE MANAGEMENT AND STAFF | 5,169 | 5,919 |
| HOURLIES | 17,000 | 18,237 |
| TOTAL | 22,365 | 24,727 |

## Workers who are not collaborators/ Mexico

| Type of worker | |
|---|---|
| Outdoor surveillance | 748 |
| Outdoor cleaning | 788 |
| Promotors, suppliers | 8,173 |
| Bank / financial | 238 |
| Adult volunteer baggers | 4,003 |
| Volunteer baggers, minors | 1,035 |
| Senior citizens in stores | 274 |
| Unloaders | 224 |
| Cardboard collectors | 131 |
| Others | 158 |
| **Total** | **15,772** |

# 57.2%

## of unionized collaborators in Mexico

Our hiring policy focuses on local communities, wherein we promote the hiring of collaborators that live close to our units so as to offer better customer service and to ensure an improved work-life balance for all collaborators.

We strive to cover vacant positions by hiring internally and therefore reward and recognize the performance of our people.

# NEW HIRES

GRI 401-1

**Mexico**

| Women | Number of new hires | New-hire rate |
|---|---|---|
| < 30 years old | 7,142 | 25.53% |
| Between 30 and 50 years old | 5,141 | 18.38% |
| > 50 years old | 438 | 1.57% |
| **Men** | | |
| < 30 years old | 10,220 | 36.54% |
| Between 30 and 50 years old | 4,505 | 16.11% |
| > 50 years old | 524 | 1.87% |
| **Total** | **27,970** | **100.00%** |

**Chedraui USA**

| Women | Number of new hires | New-hire rate |
|---|---|---|
| < 30 years old | 3,070 | 25.54% |
| Between 30 and 50 years old | 1,905 | 15.84% |
| > 50 years old | 785 | 6.5%% |
| **Men** | | |
| < 30 years old | 3,860 | 32.11% |
| Between 30 and 50 years old | 1,699 | 14.13% |
| > 50 years old | 701 | 5.8% |
| **Total** | **12,020** | **100.00%** |

## Collaborator turnover

| Mexico | 2021 | 2022 |
|---|---|---|
| Total turnover rate | 42.6% | 51.62% |
| Voluntary turnover rate | 22.9% | 27.3% |
| **Chedraui USA** | | |
| Total turnover rate | 71.5% | 75.0% |
| Voluntary turnover rate | 64.0% | 62.0% |

# REMUNERATION

GRI 2-21, 3-3, 202-1, 405-2
FB-FR-310a.1

Through our Compensations Policy we ensure equal pay for our personnel, guaranteeing that equivalent duties and responsibilities are paid equally for men and women.

**Monthly wage rate from initial category / Mexico**

| Year | Country | Minimum wage | Ratio* |
|---|---|---|---|
| 2020 | Mexico | $3,696.51 | 49% |
| 2021 | Mexico | $4,250.93 | 29% |
| 2022 | Mexico | $5,186.14 | 19% |

*Ratio is the difference between the average base wage for men and women, vs. the minimum wage.
*The ratio has undergone reduction due to minimum wage increases.

In the aim of offering competitive wages to our collaborators, we consistently compare numbers with other compensation levels in our sector. Likewise, through what we call the competitive wage index, annual surveys on salaries and wages are conducted with organizations such as Mercer, ANTAD, and Wills Tower Watson, and based on this information it is possible to conduct wage adjustments, always with the premise of equal compensation between men and women.

Moreover, we have implemented systems and procedures that we believe will help to efficiently monitor the performance of all collaborators and apply our remuneration structure with greater precision.

At the executive level, compensation is based on a fixed salary and a variable amount, which can be up to 50% of the person's total remuneration.

Executive variable compensation includes the following, among other metrics:
- ROIC
- Operating income
- Growth, relative to the market
- Succession plan
- Sustainability and corporate governance
- Metrics associated with each area

Store managers and sales collaborators receive a combination of fixed wages and a performance bonus in each business area where they work, which is based on a periodic performance evaluation, based on preestablished financial and operations goals. Likewise, they receive a performance bonus in August and February according to semester results.

# COMPENSATIONS AND BENEFITS

GRI 3-3, 201-3, 401-2

Additional to the benefits mandated by law, in Mexico our collaborators receive:

- **Medical care**
- **Life insurance**
- **Medical expense plan**

* There are no distinctions in benefits for part-time or reduced-shift collaborators.

The work we do in things related to recognition is worthy of mention; we make sure to recognize and reward store collaborators in stores, the ones we designate as Champion of the Week.

## Family benefits:

One of the objectives of the Company is to provide our collaborators with job stability and emotional support. For this reason, they have been favored with the following family benefits:

- Special permissions (justified absences)
- Personal day
- Birthday (half day off)
- Marriage leave
- Paternity leave
- Maternity leave
- Adoption leave
- Authorized absence due to the death of immediate family relatives

## Recognitions:

At Chedraui, we have Recognition Programs for collaborators who stand out day by day for their performance, commitment, and for promoting our values.

We seek to encourage our talent to continue growing in their respective areas and to feel motivated and inspired to achieve all their goals.

- Chedraui Honors
- Chedraui Champion
- Baker of the month

# TRAINING

GRI 3-3, 404-1, 404-2, 404-3

Our success is largely due to the knowledge our chave regarding the different products we offer, and in their ability to show and explain the benefits they have, which increases sales and also instills trust and loyalty in our customers. Therefore, we reinforce their knowledge of our products, beginning with the hiring phase.

**Training hours / Mexico**

| Women | Men | Total |
| --- | --- | --- |
| 305,298 | 358,776 | 664,074 |

# TRAINING THROUGH CHEDRAUI UNIVERSITY

The mainstay of the training strategy is the Chedraui University, where collaborators have a training plan consisting of specialized courses according to their job position.

In addition, we implement courses, workshops and webinars (with the support of internal experts, Universities and external consultants) for very specific technical topics, as well as to strengthen management competencies.

## Training Chedraui University / Mexico

| Occupational Category | Collaborators (WOMEN) | Trained | Collaborators (MEN) | Trained | Training Hours WOMEN | Training Hours MEN | Average Training Hours WOMEN | Average Training Hours MEN |
|---|---|---|---|---|---|---|---|---|
| Executives (Directors and Assistant Managers) | 12 | 10 | 51 | 41 | 252 | 573 | 25.20 | 13.93 |
| Managerial | 204 | 204 | 584 | 561 | 4,984 | 10,919 | 25.43 | 18.70 |
| Hourlies and Staff | 22,149 | 20,457 | 24,115 | 21,572 | 187,848 | 193,209 | 9.18 | 8.96 |
| **Total** | **22,365** | **20,671** | **24,727** | **22,197** | **193,084** | **204,701** | **9.34** | **9.22** |

# PLANNING AND DEVELOPMENT

At Chedraui, we consider human capital development one of our primary sources of success and therefore our performance evaluations serve to identify training and development needs at the area level, and different programs are managed -such as webinars, workshops, and special diploma courses- to further personal and academic development for our collaborators, which are reflected in greater growth opportunities within the Company, and thereby helping to reduce personnel turnover.

Among the most significant programs is the high school diploma, from which 299 collaborators have graduated as of 2022; and the Bachelor's degree program, where 167 students represent the third graduating class. As continuation for the graduated bachelor-level students, the Master's degree program has begun with an enrollment of 63.

Additionally, with the aim of strengthening competencies in various areas, English courses have been given in over 20 groups that include 189 collaborators.

By identifying and planning development needs, we continue to reinforce the competencies of our collaborators, thereby improving productivity.

**Planning and development programs**

| Women in the program | Training hours | Men in the program | Training hours |
|---|---|---|---|
| 483 | 112,214 | 859 | 154,075 |

## Average hours of development training per year by employee category and gender / Mexico

| | Collaborators (WOMEN) | Trained | Collaborators (MEN) | Trained | Training Hours WOMEN | Training Hours MEN | Average Training Hours WOMEN | Average Training Hours MEN |
|---|---|---|---|---|---|---|---|---|
| Executives (Directors and Assistant Managers) | 12 | 10 | 51 | 38 | 2,015 | 3,961 | 167.92 | 77.67 |
| Managerial | 108 | 79 | 398 | 332 | 3,753 | 18,403 | 47.51 | 55.43 |
| Hourlies and Staff | 22,274 | 365 | 24,340 | 423 | 106,446 | 131,711 | 4.78 | 5.41 |
| **Total** | **22,365** | **483** | **24,723** | **859** | **112,214** | **154,075** | | |

## Total collaborators trained in development by category and gender /Mexico

| | 2021 | | 2022 | |
|---|---|---|---|---|
| Occupational Category | Women | Men | Women | Men |
| Executives (Directors and Assistant Managers) | 1 | 11 | 10 | 38 |
| Managerial | 8 | 43 | 108 | 398 |
| Hourlies and Staff | 21 | 169 | 365 | 423 |
| **Total collaborators trained** | **30** | **223** | **483** | **859** |

## Diploma Courses and Master's Degrees / Mexico

| | Diploma Course: "Global Leaders" | | Diploma Course: "Supply Chain in the Digital Era" | |
|---|---|---|---|---|
| Occupational Category | Women | Men | Women | Men |
| Executives (Directors and Assistant Managers) | - | **1** | - | **1** |
| Managerial | 2 | **7** | - | - |
| Hourlies and Staff | 1 | **3** | - | - |
| Total | 3 | **11** | **0** | **1** |

## Diploma Courses and Master's Degrees / Chedraui USA

| | Diploma Course in Retail Management | | Diploma Course in USC FIM | |
|---|---|---|---|---|
| **Occupational Category** | **Women** | **Men** | **Women** | **Men** |
| Executives | 0 | 3 | 6 | 16 |
| Managerial | 20 | 32 | 13 | 26 |
| Hourlies and Staff | 44 | 55 | 0 | 0 |
| Total | **64** | **90** | **19** | **42** |

## Training by occupational category and gender / Chedraui USA

| | # of Women | # of Men | Total Training Hours |
|---|---|---|---|
| Managerial | 598 | 1,820 | 75,474 |
| Hourlies and Staff | 12,286 | 14,350 | 14,170 |
| **Total** | **12,884** | **16,170** | **89,644** |

## Training by occupational category and gender / Chedraui USA

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Managerial | 552 | 938 | 558 | 1,164 | 598 | 1,820 |
| Hourlies and Staff | 10,022 | 11,404 | 12,312 | 13,816 | 12,286 | 14,350 |
| **Total** | **10,574** | **12,342** | **12,870** | **14,980** | **12,884** | **16,170** |

## Average hours of training per year by employee category and gender / Chedraui USA

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| **Fiesta** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Managerial | 152 | 115 | 173 | 129 | 433 | 755 |
| Hourlies and Staff | 2,370 | 1,697 | 2,778 | 2,081 | 5,234 | 3,933 |
| **Total collaborators trained** | **2,522** | **1,812** | **2,951** | **2,210** | 5,667 | **4,688** |

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| **El Súper** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Managerial | 508 | 344 | 657 | 448 | 118 | 116 |
| Hourlies and Staff | 1,477 | 516 | 1,353 | 1,556 | 3,696 | 2,931 |
| **Total collaborators trained** | **1,985** | **860** | **2,010** | **2,004** | **3,814** | **3,047** |

**+ 700 thousand** hours of training Mexico and Chedraui USA

# PERFORMANCE EVALUATION

In our pursuit of having the best talent to be able to meet all objectives and goals, an annual performance evaluation is performed for Company Executives, Managers, and Staff, through the Talent Identification and Comprehensive Development program.

**Talent Identification and Integral Development / Mexico**

| Occupational Category | No. of collaborators who have received periodic performance evaluations and professional development | | Total | | Percentage of collaborators who have received periodic performance evaluations and professional development (%) | |
|---|---|---|---|---|---|---|
| | Women | Men | Women | Men | Women | Men |
| Executives (Directors and Assistant Managers) | 11 | 44 | 12 | 51 | 91.67 | 86.27 |
| Managerial | 122 | 385 | 79 | 332 | 154.43 | 115.96 |
| Staff | 3,118 | 3,775 | 5,239 | 6,049 | 59.52 | 62.41 |
| Total by gender | 3,251 | 4,204 | 5,330 | 6,432 | 305.61 | 264.645 |
| **Total** | **7,455** | | **11,762** | | **63.38** | |

## Evaluations (Applied and current 2022) / Mexico

| Occupational Category | No. of collaborators who have received periodic performance evaluations and professional development | | Total | | Percentage of collaborators who have received periodic performance evaluations and professional development (%) | |
|---|---|---|---|---|---|---|
| | Women | Men | Women | Men | Women | Men |
| Executives (Directors and Assistant Managers) | 7 | 29 | 12 | 51 | 58.33 | 56.86 |
| Managerial | 70 | 310 | 79 | 332 | 88.61 | 93.37 |
| Total by gender | 77 | 339 | 91 | 383 | 146.94 | 150.236 |
| **Total** | 416 | | 474 | | 87.76 | |

## Performance Evaluation Smart & Final

| Occupational Category | No. of collaborators | |
|---|---|---|
| | Women | Men |
| Executives | 25 | 57 |
| Managers | 215 | 419 |
| Staff | 119 | 84 |
| Total by gender | 359 | 560 |
| **Total** | **919** | |

# DIVERSITY AND EQUAL OPPORTUNITIES

GRI 3-3, 405-1, 406-1

## Management team Mexico

**3** women

**16** men

Our corporate culture respects professional, cultural, and gender diversity, and instills professional development based on talent, personality, education, know-how, discipline and work, with no distinction due to gender, race, religion or any other similar subjective factors.

## Company total

### Mexico

**52.5%** men

**47.5%** women

### Chedraui USA

**50.0%** women

**50.0%** men

At Chedraui, we reject all manner of discriminatory behavior, including gender discrimination; to ensure full inclusion we have a Diversity and Inclusion Policy, which is public information and has been approved by our Board of Directors.

In addition, we reiterate our Company commitment to respect and adherence to all Human Rights, as is reflected in our different policies.

The Human Resource department is charged with verifying that Personnel Selection, Hiring, Training, Communication, Development, Compensation, and Organizational Design processes are fully in line with our Code of Ethics, Values, and Organizational Competencies, always considering the best candidates for governance and headcount, based on perspective and expertise, competencies, and above, all gender equality.

For several years now, Chedraui has implemented campaigns and training courses aimed at reinforcing diversity and inclusion, equality between men and women, and the Code of Ethics. These efforts are geared to the whole organization through communication campaigns, courses, videos, webinars, etc., and also include al Company security personnel.

## Headcount by Gender

| Gender | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Mexico** | | | |
| Women | 18,770 | 20,589 | 22,365 |
| Men | 22,209 | 23,546 | 24,727 |
| TOTAL | 40,979 | 44,135 | 47,092 |

| Gender | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Chedraui USA** | | | |
| Women | 4,939 | 11,985 | 12,735 |
| Men | 6,349 | 11,978 | 12,748 |
| TOTAL | 11,288 | 23,963 | 25,483 |

## PARENTAL LEAVE

**Mexico**

**Total collaborators who returned from parental leave**

63 women
161 men

**Mexico**

**Rate of return after parental leave**

96.92% women
95.27% men

GRI 401-3

**Company Total**

**Mexico**
24,727 men
22,365 women

**Chedraui USA**
12,735 women
12,748 men

Our Code of Ethics stipulates that all collaborators are required to commit to diversity and inclusion, and that it is strictly forbidden to discriminate or harass anyone based on their ethnic origin; skin color; culture; gender; age; disability; social, economic, health, or legal situation; religion; physical appearance; genetic characteristics; or any other situation which may impede or nullify the recognition or exercise of their human rights and equal opportunities afforded to one and all.

Moreover, our Diversity and Inclusion Committee is in charge of creating and promoting strategies and initiatives aimed at identifying, developing, promoting, and retaining collaborators, and avoiding any type of discrimination for any of the causes listed above.

Durante 2022, we began remodeling our workcenters to better accommodate and include persons with disabilities in our headcount. We worked jointly with Éntrale, an alliance in pro of inclusive employment for persons with disabilities, whose mission is to foster a culture of inclusion in companies for said persons, and to them with employment opportunities.

In 2022, we were once again evaluated in Women's Empowerment Principles -WEP- a set of corporate best practices that promote equality between women and men in all areas of management. We continue moving forward and in 2023 we shall be contributing to a culture of diversity and gender equality throughout the Company.

**WEPs Evaluation**

**2019** 48% (Intermediate)

**2020** 53% (Advanced)

**2021** 62% (Advanced)

**2022** 65% (Advanced)

Moreover, for the **second consecutive year** we have been selected to be included in the **Bloomberg stock exchange Gender Equality Index (GEI)** comprising 418 companies worldwide recognized for their efforts in diversity and inclusion.

Our collaborators may and should report any discriminatory practice or unsuitable behavior with **"Chedraui Te Escucha"** (Chedraui Listens) by calling: 800 910 0013 or writing to:

**Telephone:** 800 910 0013
**e-mail:** chedrauiteescucha@tipsanonimos.com
**Web page:** www.tipsanonimos.com/chedrauiteescucha

# HEALTH AND SAFETY

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10
FB-FR-230a.2, FB-FR-310a.3

Health and safety for our collaborators is overseen by the Asst. Manager of Safety, Hygiene, Environment, and Occupational Health. It is here that guidelines are created regarding safe workplaces and the prevention of occupational illnesses; implementation of these processes are closely monitored, the impact is evaluated, and if the case need be, corrections are made to enhance the effectivity of said guidelines.

The Assistant Manager's team meet frequently to analyze the results of implemented processes, and said results are presented to Top Management, so a joint assessment may be made of global actions that lead to safe workplaces. Moreover, store visits are conducted to determine mitigating actions for risks identified, and to suggest enhancements to processes where risk conditions were noted.

GRI 2-27

Our Health and Safety Management system ensures compliance with regulations established by the Secretary of Labor and Social Welfare, the Federal Labor legislation, and the Federal Regulation on Occupational Health and Safety; it is also in keeping with NOM-030-STPS-2009 -Preventive services for occupational health and safety- and duties and activities enforceable throughout Mexico. This system covers 100% of personnel used for cleaning, surveillance, and dining room services.

In order to become informed on the efficiency of the safety controls, within our monthly satisfaction survey, we include questions on: workplace conditions, personal protection equipment, training in safety issues, etc., thereby providing us with insight into situations where we should adopt improvement measures, solutions for incidents, and training.

On the other hand, we conduct risk analysis based on ISSO 31000 -an international standard for risk management- which determines the probability and severity of risk agents.

Every two years we conduct a NOM-035-STPS-2018-based survey -occupational psychosocial risk factors- which includes identification, analysis, and prevention to detect areas of opportunity in different domains such as workload, interference with work-life balance, negative leadership, work hours, and lack of control over work.

In health matters, we offer our collaborators different benefits, such as:

- Medical services with a physician's office in the unit
- Vaccination campaigns
- Occupational disease-prevention
- IMSS-sponsored campaigns for illness prevention, which includes conducting preventive measures on risk indicators for all collaborators
- Training by IMSS personnel
- Dental benefits and eyeglasses for corporate collaborators
- Spaces to preserve maternal milk and facilitate healthy nourishment for newborns
- Major medical expenses for management team and corporate
- Participation in health fairs
- Psychological assistance for vulnerable collaborators detected with analysis based on NOM 035.

The services offered are always in keeping with the Mexican Social Security Institute -IMSS- and the physicians working in our units continuously receive training in different specializations. Prior to participating in these activities, the collaborators' work schedule is planned so that there are no difficulties in attending. We adhere to the privacy statement and are audited so data collected is not compromised, and that it be used solely in benefit of the collaborators.

We have several communication channels for safety management, allowing everyone to be well informed on the importance of health and safety in the Company:

- **Printed and online communication, communiques, and campaigns within the Asst. Management for Safety, Hygiene and the Environment, assisted by the company's medical staff.**
- **Material created via Espacio Chedraui, institutional email, and Chedraui Te Informa Gazette.**
- **Webinars through Chedraui University**
- **Training for all collaborators working in the Warehouse, Receiving, Maintenance, Meat, Tortilla, Bakery, Produce, Seafood, and Soda Fountain departments, regarding the following subjects:**

- Attention to accidents
- Unsafe actions and conditions
- Warehouse safety
- Machine safety
- Best environmental practices
- Accident and fire prevention
- Health care
- Walking and Learning program, where new hires are shown the facilities, processes, and safety measures.
- Technical analyses for electric and gas installations, focused primarily on preventive maintenance
- Blocking and tagging for production equipment operators and for the maintenance department during repairs
- In-person certification for forklift operators

**20,375** hours of training in Health and Safety

**28,379** collaborators trained

**44%** men

**56%** women

**114%** accomplishment for the initial goal of 25,000

The safety of our strategic partners is as important as that of our collaborators. We make sure they are safe while conducting their activities in our facilities. Therefore, we have agreements, guidelines, and policies regarding permits, personal protection equipment, regulatory compliance, among others, and both parties must always be in full compliance.

Regarding our customers, we ensure the safety of our displays, sales floor, and parking areas by conducting walking tours and supervision of said areas, verifying that they are free of risks.

**Mexico**

| | Women | Men |
|---|---|---|
| Registered population | 22,365 | 24,727 |
| Number of occupational incidents | 679 | 505 |
| Occupational incident rate | 2.7% | 2.2% |
| Number of work-related fatalities | 0 | 0 |
| Work-related death rate | 0% | 0% |
| Number of occupational severe injuries | 4 | 3 |
| Work-related severe injury rate 1 | 0.58% | 0.59% |
| Primary types of occupational injuries | Slips on same and uneven levels, load handling, contusions, and injuries | Slips on same and uneven levels, load handling, contusions, and injuries |
| Number of sick days | 7,891 | 5,674 |
| Sick day rate | 0.1% | 0.1% |
| Total number of days worked | **63,128** | **45,392** |

## Chedraui USA

| | Women | Men |
|---|---|---|
| Collaborators | 12,735 | 12,748 |
| Number of occupational incidents | 381 | 466 |
| Number of occupational incidents | 2.00 | 2.44 |
| Number of work-related fatalities | 0 | 0 |
| Work-related death rate | 0.00 | 0.00 |
| Number of occupational severe injuries | 289 | 345 |
| Work-related severe injury rate | 1.51 | 1.81 |
| Primary types of occupational injuries | Slips on same and uneven levels, load handling, contusions, and injuries | Slips on same and uneven levels, load handling, contusions, and injuries |

| | |
|---|---|
| Number of sick days | 18,199 |
| Sick-day rate | 0.3% |
| Total number of lost hours | 145,592 |

# Community impact mitigation / Mexico



| | Existing issues in municipalities | Our contribution to mitigate existing damage in the regions |
|---|---|---|
| **Certain municipalities** | Municipalities lacking drainage networks, and discharges empty into national bodies of water | Approach authorities to obtain concession permit with CONAGUA (Mexican Water Commission); we thereby commit to continuous monitoring of discharged water and that parameters do not exceed Concession stipulations. |
| **States where we have stores** | Wastewater discharges into a drainage network | Al units have grease traps as a primary filter to avoid wastewater discharges from containing solid wastes. Lab analysis is performed on the discharges to ensure these do not exceed maximum allowable limits, as per applicable Mexican Official Standards (NOMs). |
| | Leach runoff and bad odors in temporary urban solid wastes (USW). | Finding a supplier that has permission to collect, transport, and that has an authorized final disposal site; collection done more frequently, considering units with this situation as a priority. |
| | Storage and generation of toxic wastes | All units nationwide have registration with SEMARNAT as generators of toxic waste, as micro generators. There are suppliers with collection, transportation, and final disposal permits. In some states/municipalities, there are agreements with the authorities to be collection centers for alkaline batteries. |
| **States with production units** | Atmospheric emissions | Considering the NOM-085-SEMANART-2011, calculations for atmospheric emissions are carried out in all units, using the AP42 EPA emission factors established for commercial boilers as a reference, in order to estimate the emissions from equipment using LP gas. In states where it is required by regulation, such as in Mexico City, annual emission studies are conducted by verification units with the relevant licenses. |

# CREATING VALUE FOR OUR CUSTOMERS

# CHEDRAUI EXPERIENCE

**The best assortment store by store**

Permanent analysis of products by store, according to region and socioeconomic level to adapt the offer to customers' preferences.

**Optimum shopping experience**

Standard measurements per store format and strict standards for hygiene and sanitation, lighting, signage and parking.

**The lowest Price**

Through price comparison in the market, guaranteeing the best option for customers.

**Private labels**

We offer a range of private label products aimed at providing our customers with better savings options that contribute to their economic well-being.

## Loyalty Program MiChedraui

Since 2016, Chedraui has been developing strategies focused on customer knowledge, where the development of MiChedraui loyalty program has been a fundamental axis in this strategy.

The value offer of the MiChedraui wallet is composed of 4 fundamental pillars that differentiate MiChedraui from its competitors: Challenges, Surprises, Promotions and Exclusive Benefits.

Challenges are actions that customers must complete in order to receive a certain reward.
a certain reward.

Surprises are given to our customers when they least expect it, like a coupon for their birthday cake.

We have Exclusive Promotions for our customers that give them bonuses on many products in the store, as well as special promotions with vouchers and government programs. During 2022 we awarded approximately Ps.$1,300 million to our customers in bonuses for our customers. This figure represented a growth of 28% vs. 2021, resulting in savings in household spending.

Through Exclusive Benefits, customers will be able to have a range and extension of experiences even outside the store.

**Challenges**

Each purchase made by the Customer will help him/her to receive benefits by completing challenges such as the following:

- Healthy fruit and vegetable shopping
- Gourmet shopping challenges
- Baby shopping challenges
- And much more

**Surprises**

To pamper Customers, they are given a surprise when they least expect it

**Exclusive Promotions**

With exclusive promotions, the whole family can enjoy offers and discounts

**Additional benefits**

Thanks to additional benefits, Customers will be able to have a range and extension of experiences even outside the store.

GRI 3-3

This year, we enhanced our customer management strategy based on three key pillars: **1. Identification:** Significant progress has been made in identifying 70% of sales and maintaining a database of over 12 million active customers. **2. Omnichannel:** We identify customers at all touchpoints with Chedraui and contact them through their preferred communication channels. **3. Personalization:** Customer buying patterns have been leveraged by classifying them according to lifestyles, socioeconomic status, share of wallet, and interests across hundreds of segments. This allows us to provide personalized communication of relevant offerings and products for each customer profile.

These strategies are largely based on advanced analytic, models that analyze large volumes of data and multiple variables from customer purchase transactions.

Successful examples of implemented actions include initiatives based on customer frequency, average ticket value, number of categories purchased, and the relative importance of these categories.

In 2022, we made substantial investments in technological enablers, implementing marketing automation platforms and recommendation engines based on machine learning and artificial intelligence models. These enablers allow us to accompany customers throughout their entire journey, from their initial contact with the brand to the identification of patterns that help us anticipate potential departures, or reactivate customers if needed.

All of this is seamlessly integrated into various communication channels we use with them, from things such as intelligent coupons, SMS, email, social media, WiFi, and push notifications.

The challenge is to continue increasing the value that the Customer Management strategy brings to the Company, fostering a customer-centric decision-making culture that provides increasingly personalized and relevant shopping experiences, and which contributes to promotional investment efficiency.

To obtain relevant information regarding the Program, customers can access the portal www.chedraui.com to update personal data, indicate interests in specific categories, or view the accumulated balance in their wallets.

At Chedraui, the protection of customer data is of utmost importance, and we continuously work on improving platforms and procedures to safeguard this data. The personal identification and contact information collected through MiChedraui are the responsibility of Tiendas Chedraui, S.A. de C.V., and we employ security measures to treat and safeguard it through administrative, technical, and physical mechanisms that ensure confidentiality.

For further information, consult our comprehensive privacy notice at:

**www.chedraui.com.mx**

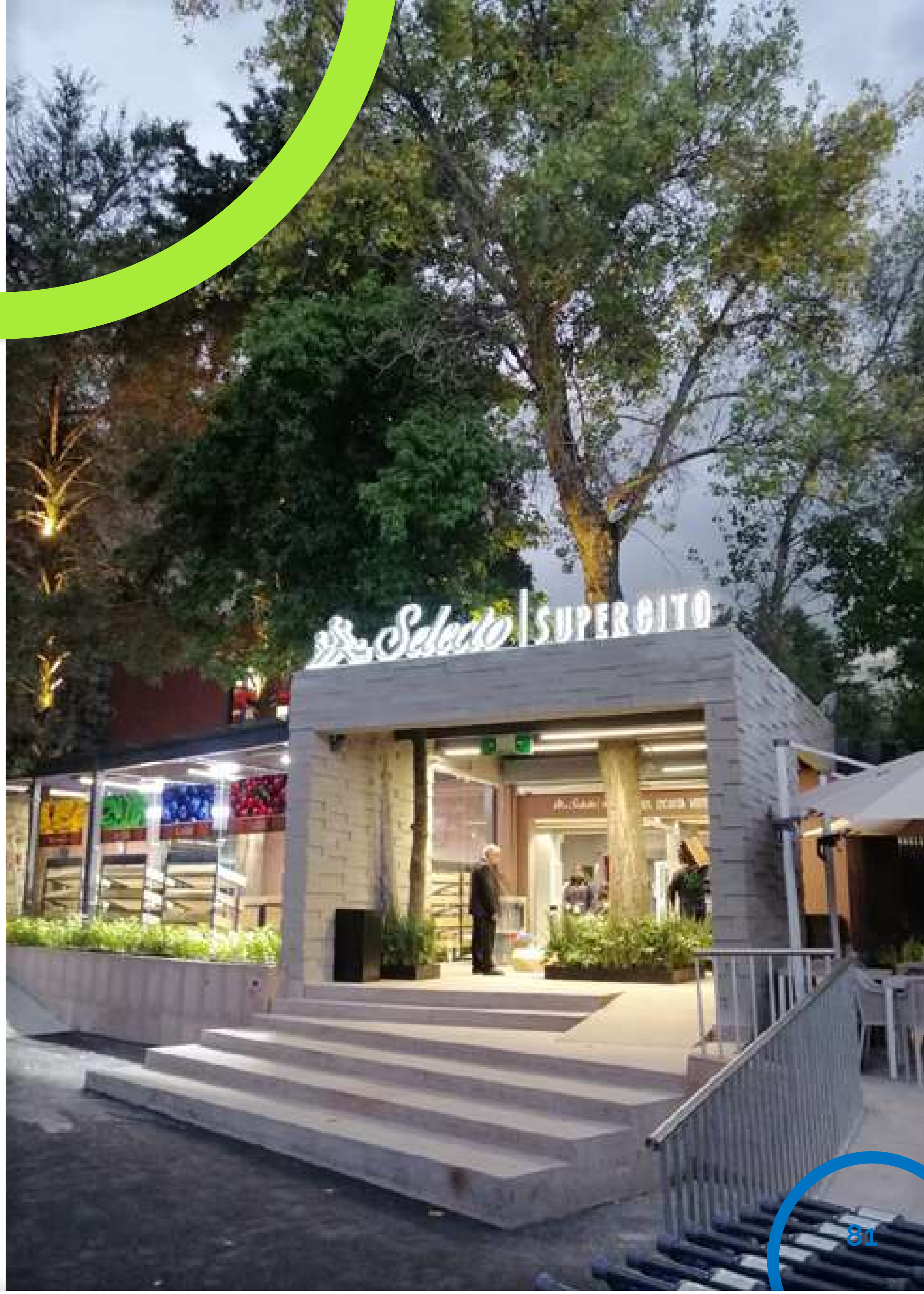
# VALUE CHAIN

**MEXICO**
**2,534** suppliers
**95%** domestic
**5%** foreign

**Dry goods supplier** → **Distribution Center** → **Stores**

**Dry goods supplier / Produce and frozen** → **Direct** → **Stores**

**Produce and frozen** → **Distribution Center** → **Stores**



# RESPONSIBLE SOURCING

GRI 3-3

The quality and standards of our products must be top-notch to fulfill our commitment of "Providing products that customers prefer at the best price to as many places as possible".

To ensure that the quality of these products meets these standards, we conduct quality and safety audits on our suppliers, including FSSC22000, ISO 22000, SQF, BRC, as well as other industry-specific analyses and physical tests.

Our suppliers must meet certain requirements and comply with various regulations and certifications to provide their services to the Company, including:

- Being registered with and protected by the Mexican Industrial Property Institute or, where appropriate, the National Copyright Institute.
- Complying with all requirements provided in the Mexican Official Standards that are applicable to them.
- Having the documents that allow said suppliers to prove legal origin, ownership or possession of the products and/or merchandise they sell in accordance with the law.
- Assuming responsibility for any facts that stem from the commercialization of the products and/or merchandise, as well as their brands, designs, and trade names.
- Using technology aligned with sustainability and the environment.
- Signing the Supplier Code of Conduct and always adhering to it

As part of the Ethics Conduct Standards and compliance with legal provisions of the Code, "Grupo Chedraui requires that its Suppliers of Goods, Supplies, or Services be legally constituted and fully comply with the laws and regulations at the three levels of government applicable to their operation, including those related to labor, immigration, safety in the facilities, health, and environmental protection."

Similarly, during 2022, we strengthened our quality assurance program for private label products by increasing the frequency of laboratory analysis.

**https://www.grupochedraui.com.mx/en/integridad_y_transparencia/Codigo_conducta_para_proveedores_Chedraui.pdf**

# Expense Ratio in Local Suppliers

GRI 3-3, 204-1

**Mexico**

**2,534** suppliers from which **2,410** are local and represent **95%**

The total amount paid to these suppliers was **98%**

# PRODUCT LIABILITY

GRI 3-3, 416-1

We are the **first supermarket chain in Latin America** en to have a **Policy on the Purchasing of Sustainable Seafood Products**

Said policy compels us to purchase seafood -in the categories pertaining to fresh and frozen, domestic and imported, wild and aquaculture- that comes from fisheries or certified farms under globally recognized standards (qualified as green or yellow by Seafood Watch guidelines) or fisheries or farms that are part of a project for improved fishing or aquaculture (FIP / AIP).

# PRIVATE LABEL

Currently, we offer over 300 private label products, which are designed to provide our customers with better savings options that help stretch their budget.

Furthermore, we have expanded the presence of our private label brands and increased Smart & Final product imports, which offer excellent prices.

Additionally, in 2022, we reinforced our quality assurance program for private label products by increasing the frequency of laboratory analysis.

**7%** penetration rate for Private Label in Mexico

**30%** of Smart & Final brand penetration rate in US sales

**+250** Smart & Final private label SKUs



# CUSTOMER PRIVACY

GRI 3-3, 418-1

To ensure the privacy of our customers' data, we have various policies in place, including:

- **Personal Data Management and Protection Policy**
- **Information Management and Security Policy**
- **Personal Data Access, Rectification, Cancellation or Objection (ARCO) Request Policy**

Our process for managing personal data includes:

- Identification of each process in which personal data is collected and used.
- Registration and control through a personal data inventory (asset matrix).
- Implementation and signing of gaps and commitments by the departments that collect personal data.
- Implementation of policies and procedures for the preservation, protection, and deletion of personal data, as well as the handling of ARCO requests, which includes guidelines and responsibilities for any employee who has access to personal data.
- Development and implementation of Privacy Notices at each point of contact where personal data is collected.

We also have a customer service hotline and email where customers can exercise their ARCO rights.

**Phone:** (55) 5563 2222

**Email:** datospersonales@chedraui.com.mx

# INFORMATION SECURITY

We have a 360° Security Evaluation System based on the NIST cybersecurity framework (National Institute of Standards and Technology, reports to the US Department of Commerce), which includes standards, guidelines and best practices for cybersecurity risk management.

**Protect:**

- Awareness and training
- Data safeguarding
- Host Security
- Identity and access management.
- Network security
- IT operations
- Software and apps security

**Detect**

- Security monitoring
- Threat detection
- Identification of vulnerabilities

**Identify**

- Governance and Organization
- Strategy
- Metrics and reporting
- Policies and standards
- Security architecture
- Asset management
- Third party management
- Privacy

**Respond:**

- Incident management

**Recover:**

- BCP/DRP (Business continuity)

# CYBERSECURITY OPERATIONAL MODEL FOR THE THREE LINES OF DEFENSE

As part of its cybersecurity strategy, Chedraui uses a model known as **3LoD or Three Lines of Defense**, which is a global trend in cybersecurity and will be applied to all systems within the organization.

**1** The business units of the first line of defense work together with the Technology and Security Operations teams.

**1st Line of Defense:**

- IT Security Operations
- Information Technology
- Business Lines

**2** Embed security and its associated risks within Chedraui's current Risk Management framework.

**2nd Line of Defense:**

- Risk Management
- Compliance / Legal
- Internal Control
- Information Security

**3** Ensure that controls established for information security-risk management are functioning efficiently.

**3rd Line of Defense:**

- Internal Audit
- CAPS

**Information Security Committee**

**Supervision**

Risk Assurance

Risk Management

**Risk Management Framework**

Risk Identification and Management

Policies and Standards

Risk Assessment, Monitoring, and Response

**Protect | Detect | Identify | Respond | Recover**

As part of our cybersecurity technology strategy, we use a layered Security model, using market-leading tools to protect our assets.

### Management and Monitoring

Incident Management System.
Graphical monitoring of security tools.
Cyberpatrol - proactive monitoring of the Deep and Dark Web.
Regulatory Assessments (correspondents, PCI DSS).

### Perimeter Security

Regulatory Assessments (correspondents, PCI DSS).
CEP - web email filtering.
Sendmarc - Specific protection against phishing attacks and identity theft.
NTOP - network monitoring.
NAC - authentication of network-connected devices.

### Transactional Security

Implementation of online hunting.
IDS - Intrusion Detection System.
SIEM - Security Information and Event Management.

### Authentication

Jumpbox - single access to critical servers.
Two-factor authentication for access.

### Internal Security

AD360 - Web Filtering, Antivirus, Advanced Protection, Knowledge.
DLP - Data Loss Prevention.
MDM - Mobile Device Management.
FIM - File Integrity Monitoring.
Bitlocker - Hard drive encryption.
Nessus - Vulnerability analysis.
OWASP - Code analysis.
ServiceNow - Helpdesk.
Server hardening.
Robust technology renewal.

**At Chedraui, security has an environmental component, which we have achieved through the use of digital tickets.**

| Digital Tickets 2022 | Coupons | Paper saved (cm) | Paper saved (m) | Paper saved (km) | Rolls of Paper |
|---|---|---|---|---|---|
| **13,031,890** | 904,654 | 236,612,632 | 2,366,126.32 | 2,366.13 | 24,647.15 |

# STRATEGIC CYBERSECURITY PROJECTS

| | | |
|---|---|---|
| Threat Hunting | Strengthening of the technology architecture | Security Assessments |
| Strengthening of the Cybersecurity team structure | Enhancement of email protection | PCI Recertification |
| Enhancement of the Security Operations Center (SOC) | Disaster Recovery Plan (DRP) | Review and update of policies and procedures |
| Validation of segregation of duties | Audits of banks, correspondents, and third parties | Protection of critical information |

# CARE FOR THE PLANET

## NATURAL CAPITAL

GRI 3-3, 2-22

Our Board of Directors maintains a strong commitment to sustainability, for which it has a member specialized in the field, as well as a Director of Sustainability and Social Responsibility. It also operates a Sustainability Committee, which meets periodically and is responsible for ensuring that the action plans derived from the Sustainability Strategy are executed.

The primary environmental impacts we have are related to being generators of municipal solid waste, hazardous solid waste, special handling waste, being a stationary source of emissions, and our wastewater discharges.

The risks that may arise from having these waste products derived from Company activities are as follows:

- Accumulation of garbage when the collection service does not show up for some
- Keeping special handling waste and hazardous solid waste for too long when there is no collection and final disposal service for these elements
- During operation, maintaining the calibration and operation of the furnaces to prevent the emission of particles into the atmosphere
- Impacting bodies of water used for human consumption by discharging wastewater

As a company, we are committed to reducing negative impacts on the environment where we operate, as well as combating climate change by complying with the measures required by the authorities, adhering to the laws of the different levels of government, and carrying out environmental care campaigns. In the medium and long term, we have the challenge of achieving a net-zero emissions through joint campaigns with the authorities, installing photovoltaic generators, and supporting the conservation of green areas.

The main activities carried out to contribute to sustainable development:

- Participation in beach cleaning campaigns at coastal branch locations.
- Participation in recycling events in the City of Xalapa.
- Participation in reforestation efforts in partnership with municipalities or states.
- "Recycle your Christmas" program.
- Implementation of environmental care dynamics throughout the chain to raise awareness among employees, family members, and the general public.

At Chedraui, sustainability is integrated into all activities we carry out. Our strategy is based on 4 priorities:

- Carbon footprint
- Energy
- Water
- Wastes and recycling

# CARBON FOOTPRINT

GRI 3-3, 305-1, 305-2, 305-3, 305-4, 305-5
FB-FR-110b.1

We maintain our commitment in the short, medium and long term to continue with the goal of reducing our carbon footprint and advance in the actions we undertake, in the face of the United Nations 2030 Agenda, and the 17 Sustainable Development Goals:

- Use of clean energy (wind and solar),
- Recycling of materials (cardboard, shore plastic and other materials that we will be adding).
- Water saving

**Emissions / Mexico**

| | Scope 1 Emissions | | | Scope 2 Emissions | | | Intensity | | | Total Emissions | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Thousands of Tons $CO_2e$ | 92.8 | 145.9 | 163.3 | 75.9 | 72 | 70.8 | 4.83 | 5 | 6.11 | **168.7** | **217.9** | 234.1 |

Mexico: Gases included in Scope 1 calculations: $CO_2$, CH4, $N_2O$, HCFC (R-22), HFC (R-404A), HFC (R-410A), HFC (R-134A), HFC (R-141B)

Gases included in Scope 2 calculations: $CO_2$

## Mexico

# Total emissions avoided due to clean energy use

**2020** 165 thousand tons $CO_2$

**2021** 167 thousand tons $CO_2$

**2022** 177 thousand tons $CO_2$

This is a certificate of compliance with the COA (Cédula de Operación Anual), before the Ministry of Environment and Natural Resources (SEMARNAT), Delegation Veracruz, a reporting instrument, where information is compiled on emissions and transfers of pollutants into the air, water, soil, and subsoil, materials and hazardous waste. This achievement is proof of our commitment and dedication to environmental protection and compliance with established regulations.

gob mx

Secretaria de Medio Ambiente y Recursos Naturales

Delegacion Federal de Semarnat en el Estado de Veracruz de Ignacio de la Llave

**Constancia de Recepción**

| | | | |
|---|---|---|---|
| Número de bitácora | 30/COW0328/04/23 | Fecha de recepción | 24 de abril del 2023, 10:51 hrs. |
| Trámite | Cédula de Operación Anual | | |
| RFC | TCH850701RM1 | | |
| NRA | TCH300000002 | | |
| Razón social | Tiendas Chedraui S.a. De C.v. | | |
| Número del documento | 188569 | | |
| Monto pagado | $ 0 | Referencia pago | |
| Datos para notificaciones | Correo electrónico: jdarcos@chedraui.com.mx | | |
| Entrega requisitos completos | Si | | |
| Observaciones | Trámite ingresado vía electrónica | | |

Firma electrónica

Cadena Original

||24 de Abril del 2023|10:51|30/COW0328/04/23|TCH850701RM1||

Secretaría de Medio Ambiente y Recursos Naturales

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QR para validar la información del acuse

El presente acto administrativo ha sido firmado mediante el uso de la firma electrónica avanzada del funcionario competente, amparada por un certificado vigente a la fecha de su elaboración; y, es válido de conformidad con lo dispuesto en los artículos 7 ° y 10 ° de la Ley de Firma Electrónica Avanzada, y el articulo 12 de su Reglamento.

La versión electrónica del presente documento, su integridad y autoría se podrá comprobar a través de la página electrónica de la Secretaría de Medio Ambiente y Recursos Naturales por medio de la siguiente liga: ; para lo cual, será necesario capturar el número de validación de la presente representación impresa del documento digital. De igual manera, podrá verificar por medio del código QR para lo cual, se recomienda descargar una aplicación de lectura de éste tipo de códigos a su dispositivo móvil.

*Bitácora: 30/COW0328/04/23*

*Fecha Impresión:24/04/2023 11:51:46*

MÉXICO

SEMARNAT

**Contacto:**

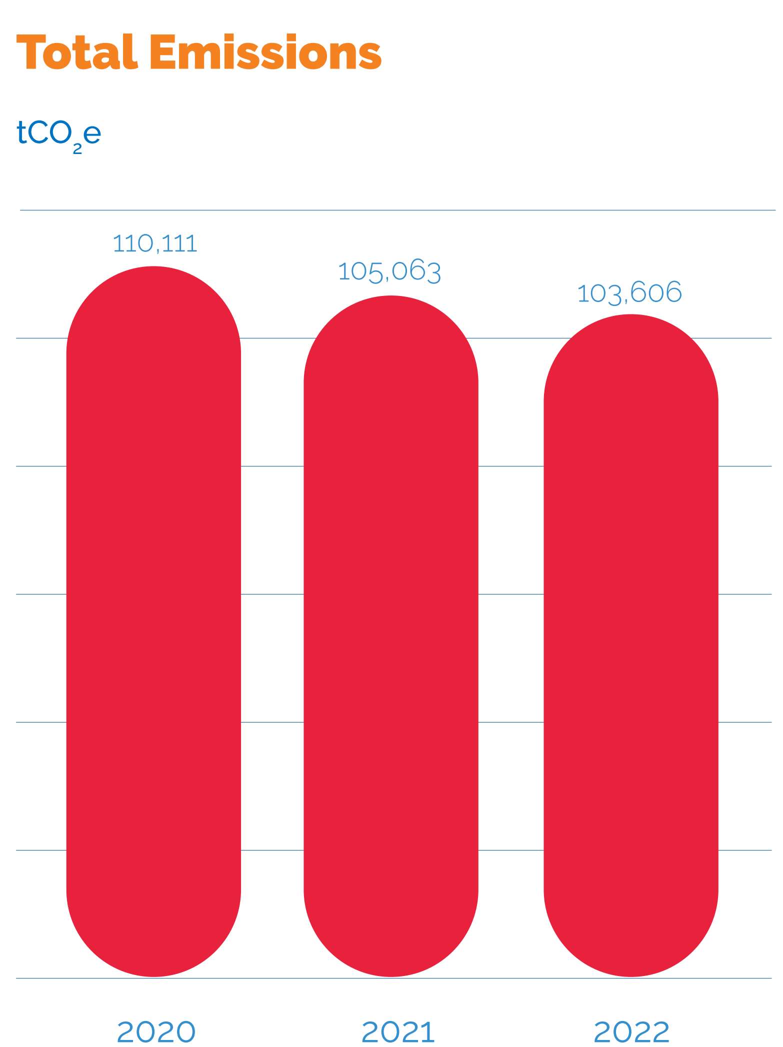
Ejército Nacional #223 Col. Anáhuac, Delegación Miguel Hidalgo, C.P. 11320. Tel. (55) 5490-0900

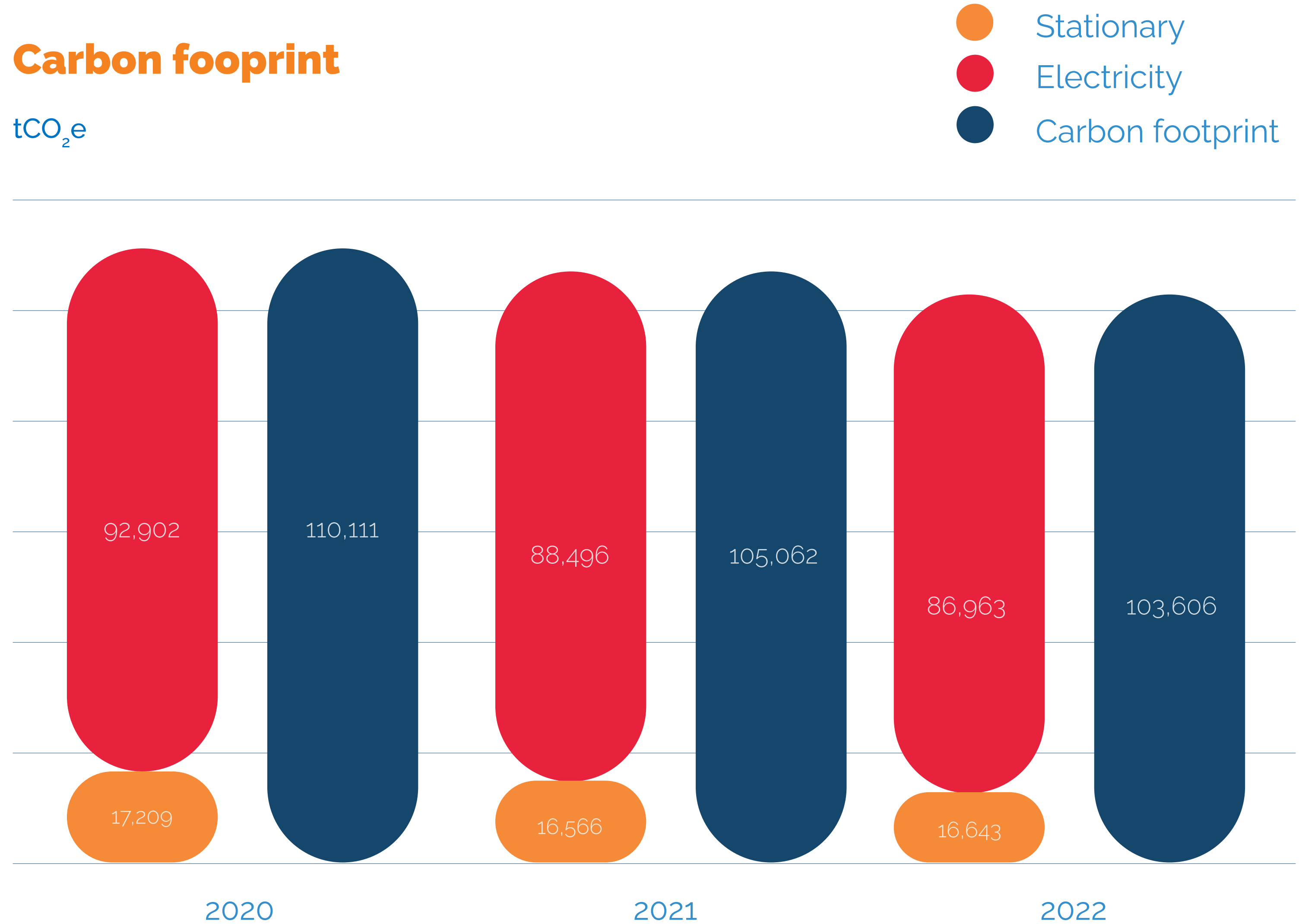
Página 1 de 1

# CHEDRAUI USA HISPANIC DIVISION EMISSIONS

The Hispanic Division accounts for about half of Chedraui USA's operation.

Although we do not yet have data for CO2 emissions from our operations for Smart & Final, we remain committed to reporting in this item by 2023.



## Electricity

**2021**

88,496 $tCO_2e$

**2022**

86,963 $tCO_2e$

## Gas

**2021**

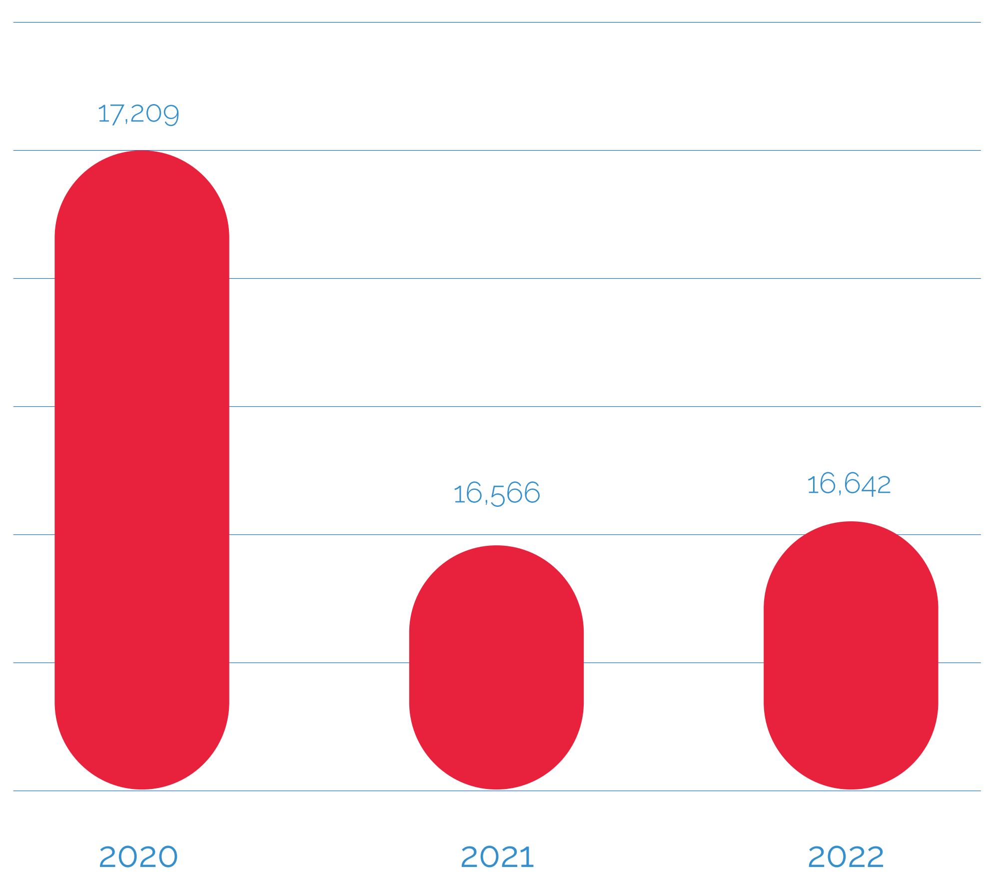
16,566 $tCO_2e$

**2022**

16,643 $tCO_2e$

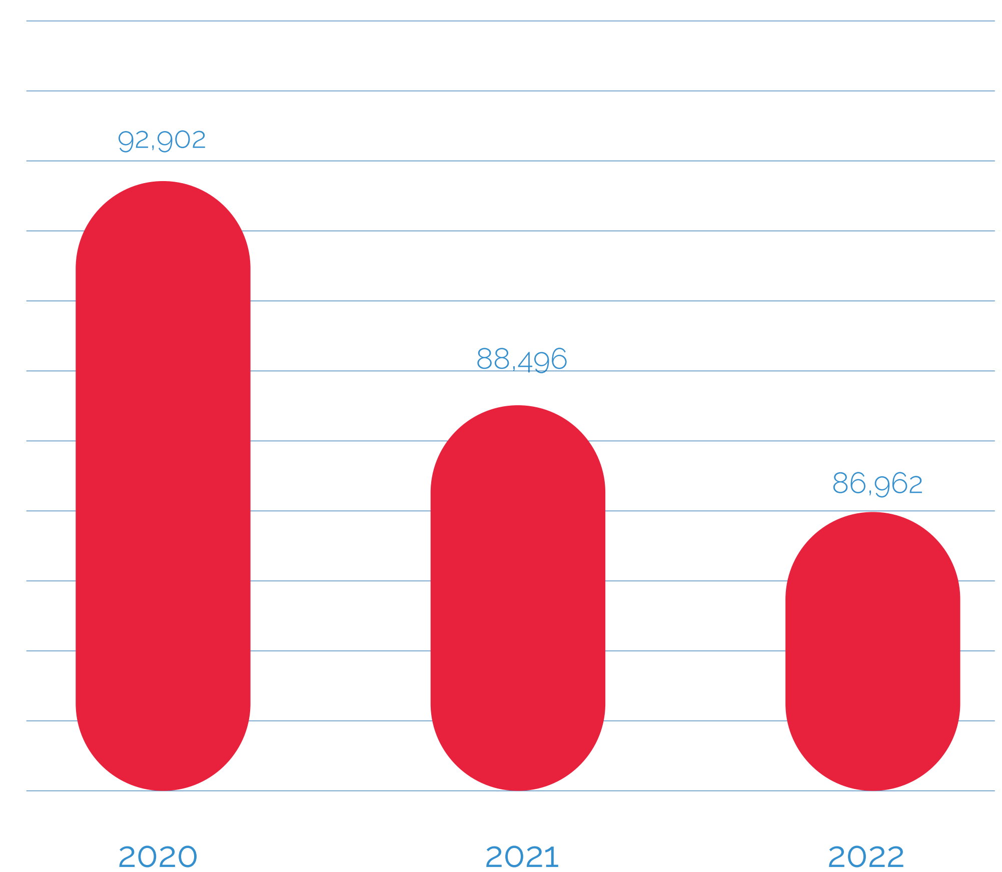
### Direct emissions (Scope 1)

$tCO_2e$




### Indirect emissions (Scope 2)

$tCO_2e$



# ENERGY

GRI 3-3, 302-1, 302-2, 302-5
FB-FR-130a.1

Our biggest impact on energy usage comes from the high consumption of electricity, refrigeration, and fuels in our stores. For this reason, we have taken on the task of using clean energy sources such as wind and, more recently, solar power, in addition to running awareness campaigns and promoting best practices for the use of electricity and fuels in our units.

In 2022, we invested in fuel-related projects to increase the number of units that use natural gas

The use of clean energy in 2022 helped us avoid emitting 177,205.93 tons of CO2, equivalent to planting 8,904,820 trees, or taking 73,836 cars off the road, or not using 86,442 barrels of oil.

We cover **71%** of our needs with **wind and solar energy**

## Fuel Use from Fixed Sources / Mexico

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| | liters | $tCO_2e$ | liters | $tCO_2e$ | liters | $tCO_2e$ |
| Natural Gas (non-renewable ) | 49,762,289 | 2,794 | 56,652,008 | 3,181 | 65,748,871 | 3,692 |
| LP Gas (non-renewable) | 13,208,245 | 21,789 | 13,966,207 | 23,040 | 15,315,769 | 25,266 |
| Gasoline (non-renewable) | 532,594.08 | 1,272 | 504,141 | 1,204 | 437,713 | 1,114 |
| Diesel (non-renewable) | 1,384,908 | 3,926 | 1,238,557 | 3,511 | 1,065,943 | 3,059 |
| Refrigerating Gas (non-renewable) | 24.84 | 63,104 | 42.29 | 115,058 | 45.47 | 130,254 |
| **Total** | | **92,887** | | **145,996** | | **163,387** |

## Fuel Use from Fixed Sources / Mexico

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| | liters | $tCO_2e$ | liters | $tCO_2e$ | liters | $tCO_2e$ |
| LP Gas (non- renewable) | 79,353 | 131 | 86,145 | 142 | 82,189 | 136 |
| Diesel (non- renewable) | 24,500 | 69 | 19,200 | 54 | 18,700 | 53 |
| **Total** | **103,853** | **200.36** | **105,345** | **196.54** | **100,889** | **188.60** |

## Energy use from renewable sources / Mexico

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Source | MWh | MWh | MWh |
| Solar Panel | 2,397 | 3,992 | 4,340 |
| Wind energy | 377,176 | 378,852 | 403,029 |

## Energy use from non-renewable sources / Mexico

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| | MWh | $tCO_2e$ | MWh | $tCO_2e$ | MWh | $tCO_2e$ |
| Electricity | 153,666 | 75,911 | 170,261 | 72,020 | 162,970 | 70,892 |

# CHEDRAUI USA

In an effort to reduce electricity consumption in our stores, we have renovated 16 stores with LED lighting and implemented the Juganu Network - an intelligent lighting platform - which allows us to program the intensity of the lamps. As a result, we have been able to reduce our monthly electricity consumption by 10%, or 408,000 kWh/month, which amounts to a total reduction of 4.8 million kWh/year.

## Energy consumption

| Energy type | Consumption | Cost |
|---|---|---|
| **Electricity (MWh) Cost ($USD)** | | **Chedraui USA** |
| 2020 | 557,795 | 67,375 |
| 2021 | 513,649 | 68,646 |
| 2022 | 499,502 | 75,645 |
| **% Variation 2022 vs. 2021** | **-2.75%** | **10.20%** |
| **Natural Gas Thermias** | | |
| 2020 | 5,325,597 | 4,573,504 |
| 2021 | 4,833,748 | 5,134,959 |
| 2022 | 4,791,505 | 6,187,057 |
| **% Variation 2022 vs. 2021** | **-0.87%** | **20.49%** |

| Energy type | Consumption | Cost |
|---|---|---|
| **Electricity (MWh) Cost ($USD)** | | **Smart & Final** |
| 2020 | 277,802 | 41,685 |
| 2021 | 245,490 | 41,905 |
| 2022 | 240,551 | 46,569 |
| **% Variation 2022 vs. 2021** | **-2.01%** | **11.13%** |
| **Natural Gas Thermias** | | |
| 2020 | 2,276,576 | 2,199,838 |
| 2021 | 1,878,973 | 2,422,165 |
| 2022 | 1,808,528 | 2,717,698 |
| **% Variation 2022 vs. 2021** | **-3.75%** | **12.20%** |

## Energy consumption

| Energy type | Consumption | Cost |
|---|---|---|
| **Electricity (MWh) Cost ($USD)** | | **El Super** |
| 2020 | 103,143 | 14,744 |
| 2021 | 99,626 | 15,734 |
| 2022 | 97,204 | 17,480 |
| **% Variation 2022 vs. 2021** | **-2.43%** | **11.10%** |
| **Natural Gas Thermias** | | |
| 2020 | 1,884,553 | 1,671,043 |
| 2021 | 1,811,457 | 1,846,954 |
| 2022 | 1,725,221 | 2,070,663 |
| **% Variation 2022 vs. 2021** | **-4.76%** | **12.11%** |

| Energy type | Consumption | Cost |
|---|---|---|
| **Electricity (MWh) Cost ($USD)** | | **Fiesta** |
| 2020 | 176,849 | 10,946 |
| 2021 | 168,533 | 11,006 |
| 2022 | 161,747 | 11,597 |
| **% Variation 2022 vs. 2021** | **-4.03%** | **5.36%** |
| **Natural Gas Thermias** | | |
| 2020 | 1,164,468 | 702,623 |
| 2021 | 1,143,318 | 865,840 |
| 2022 | 1,257,756 | 1,398,696 |
| **% Variation 2022 vs. 2021** | **10.01%** | **61.54%** |

# WATER

GRI 3-3, 303-1, 303-5

We maintain a commitment to water conservation for the benefit of society, customers, collaborators, and other stakeholders.

In line with commitments of Chedraui USA, the Global Compact, and the United Nations 2030 Agenda, permanent short, medium, and long-term programs have been implemented to conserve water, improve our processes and, thereby, contribute to society at large.

- Permanent water-saving program in stores, corporate offices, and distribution centers
- Awareness campaigns to promote water conservation.
- Identification of leaks and bad practices that impact the consumption of potable water
- Follow-up on reports generated in areas where deviations in consumption are identified
- Monthly reviews and resolution of issues

## Total water consumption in 2022

**3,561,998 L**

## Water used in Mexico

**1,620,082 L**

**Water consumption / Chedraui USA**

| | Consumption in liters | Cost |
|---|---|---|
| 2020 | 1,960,843 | 5,191,735 |
| 2021 | 1,896,491 | 5,284,266 |
| 2022 | 1,941,916 | 5,522,074 |
| **% Variation** | **2.34%** | **4.50%** |

# WASTES AND RECYCLING

GRI 3-3, 301-1, 301-2, 303, 306-1, 306-2, 306-3, 306-4 , 306-5
FB-FR-150a.1

In all of our stores and distribution centers in Mexico and the United States, we separate waste appropriately.

We also recycle various materials such as cardboard and plastic through an agreement with two companies who collect the materials for recycling and reuse.

Our plastic bags comply with the regulations of the authorities, and we also offer our customers reusable eco-friendly bags in both fruit and vegetable area as well as in cashiers, in addition to promoting the use of owned containers for the sale of bulk sausage products.

## In alliance with Smurfit Kappa

**40,386 tons** of by-product collected

**38,130 tons** of carboard recycled = conservation of **+648,000 trees over** 20 years old = **saving + 152,000 L** of water = **+22 million Kw**

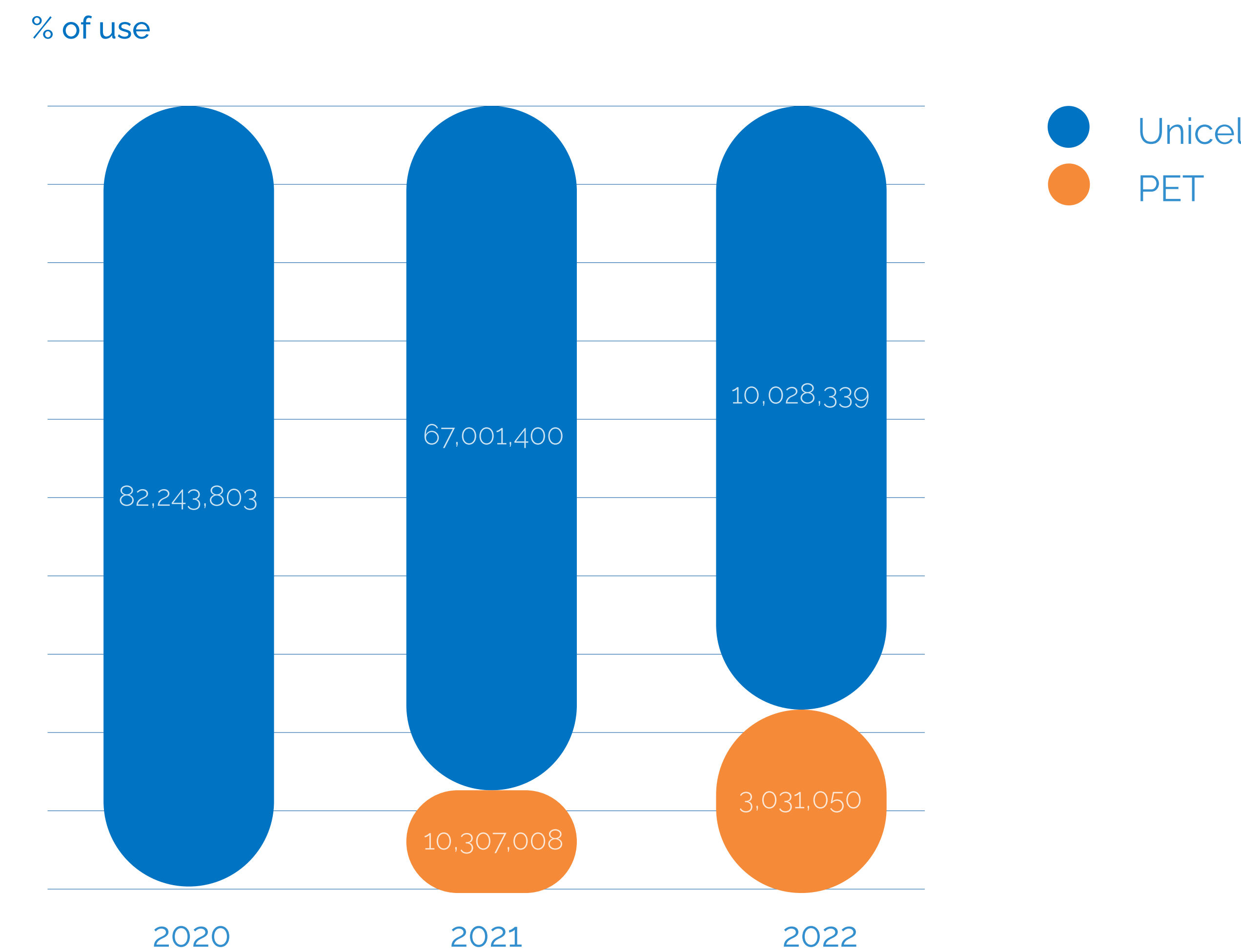
**2,256 tons** of shrink-wrap = saving of 11,280 barrels of oil

In our operation we use trays for the sale of meats. In 2020 they were made entirely of unicel. However, due to environmental regulations, we have been working since 2021 on the gradual substitution of these trays for a more sustainable material, such as PET.

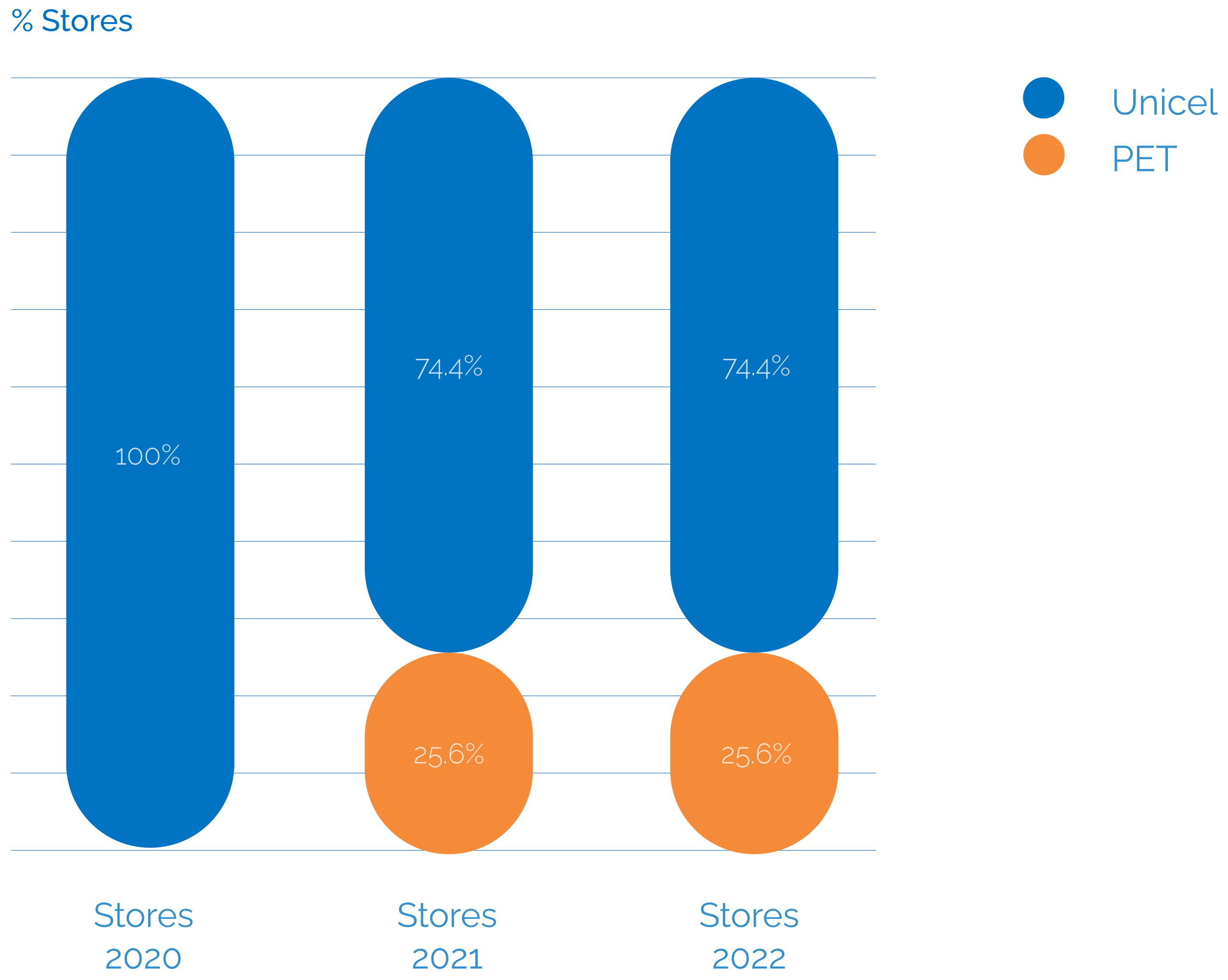
Currently, the substitution is 25% implemented and without variation in the current year, we will be adding new stores according to the application of laws and market conditions.

We have inserted PET trays in nine states, some of them according to local municipal or state legislation (Chiapas, CDMX, Edo. Mex., Guerrero, Morelos, Oaxaca, Puebla, Quintana Roo, Tabasco).

### Unicel Use – PET 2020 to February 2022



## PET substitution in Stores




## Waste collection

In all of our perishable departments we have organic and inorganic garbage separation

At the stores' entrances, we have a container for recyclable material for our customers.

In the customer service modules, we have a battery collection, which are delivered specifically to authorized locations.

All our garbage collection providers have the permits required by law, which ensure correct final disposal.

In the case of delivery of medicine or material from the medical facilities from our stores, these are quoted and delivered independently to suppliers with a permit to carry hazardous waste.

## Burned oil

We deliver it exclusively to suppliers with a permit to transport this material, against delivery of the manifest.

# Chedraui USA

**56,165 tons**
of recyclable waste
**11,240 tons**
of compostable wastes

The food waste recycling system **Grind2Energy™** is an alternative to avoid disposing of waste down the drain, sending it to landfills, or non-traditional composting. Our closed-loop system can recover valuable resources by recycling discarded food and converting it into clean water, beneficial fertilizers for growing more food, and renewable energy in the form of electricity, heat, or compressed natural gas.

**1,079 tons** of processed wastes from 13 El Super stores in the United States = generating **196,583 kWh** of electricity for 218 households = reducing **741 $tCO_2$** = **-1.8 million** travel miles

After extracting the energy, the remaining wastes generated **61 tons of fertilizer**

# Chedraui USA

**74.2%** sanitary landfill waste detoured to **organic and reusable waste**

## Hazardous Wastes transportation / Chedraui USA

| | Tons | Disposal method |
|---|---|---|
| Hazardous wastes transported | 744 | |
| Hazardous wastes imported | 112,355 | Total wastes |
| Hazardous wastes exported | 15,448 | Landfill |
| Hazardous wastes treated | 33,232 | Recycled |
| Others | 11,240 | Organic |

Smart&Final.

## Zero Waste Program in more than half Smart & Final units

The Zero Waste Program accrues wastes from organic food products and then recycles them to become food wastes, thereby eliminating the need to end up in garbage dumps.

| Chedraui USA | Organic Wastes | Tons Recycled | Sanitary Landfill | Total Wastes | % diverted to sanitary landfill |
|---|---|---|---|---|---|
| 2020 | 7,539 | 38,008 | 20,781 | 66,328 | 69% |
| 2021 | 11,858 | 35,573 | 14,489 | 61,920 | 77% |
| 2022 | 11,240 | 33,232 | 15,448 | 59,919 | 74% |
| **Variation 2022 vs 2021** | **-5%** | **-7%** | **7%** | **-3.23%** | **-3.1%** |

## Planet Partner Program Mexico

Through this program, all HP and Samsung ink and toner cartridges from the Company are sent for recycling, thus preventing them from ending up in landfills and helping to make the printing industry more sustainable.

These cartridges are collected by HP and sent to recycling facilities in the United States to be converted into raw materials that can be used to manufacture new plastic and metal products like HP cartridges.

Recovered Material
(December 2019 to March 2022)

**8,303** units (ink cartridges and bottles)
**3,624** units (toner cartridges)
**5,132** units (print heads and graphic inks)
**82** (long-life consumables)
**6,238.4** kg

## Hazardous Wastes / Mexico

Hazardous waste generated at our distribution centers is transported through authorized third parties in the states where they are located.

| | | Red ambiental , S.A. DE C.V. | SATAB, S.A. DE C.V. | SI EQUIPOS Y SERVICIOS, S.A. DE C.V. | GEN AMBIENTAL S.A. DEC.V. | SARRE ECOLOGIA S.A. DE C.V. | ECOLSUR S.A. DE C.V. |
|---|---|---|---|---|---|---|---|
| | | DC Veracruz | DC Villahermosa | DC Mexico | DC La Paz | DC Guadalajara | DC Cancun |
| **Hazardous Wastes** | **Total Weight (tons)** | **Total Weight (tons)** | **Total Weight (tons)** | **Total Weight (tons)** | **Total Weight (tons)** | **Total Weight (tons)** | **Total Weight (tons)** |
| Hazardous Wastes Transported | 43.45 | 2.50 | 0.86 | 38.888 | 0.01 | 1 | 0 |
| Hazardous Wastes Imported | 0.02 | 0 | 0 | 0.02 | | 0 | 0 |
| RPBI | 0.71 | 0.60 | 0.02 | 0 | | 0.01 | 0.07 |

# SOCIAL RESPONSIBILITY

FUNDACIÓN CHEDRAUI
ayudamos de corazón

GRI 3-3, 203-1, 203-2, 204-1, 413-1

**387**
communities attended

Social Responsibility for Chedraui Mexico is represented by the Chedraui Foundation, who throughout the years has developed a series of community support initiatives in those places with our presence, tending to areas such as education, health, housing, nutrition, social welfare, sustainable development, and assistance for victims of natural disasters.

https://fundacionchedraui.mx/

# Mission

Contribute to the development of Mexicans by decisively participating in health, education, and social welfare.

# Vision

Be an institution that promotes human development and social welfare.

WE SUPPORT
UN GLOBAL COMPACT

We are signatories of the Global Compact and commit to aligning our operations with the universally accepted Ten Principles in the areas of Human Rights, Labor Standards, Environment, and Anti-Corruption, and to undertaking action in support of the United Nations goals embodied in the Sustainable Development Goals.

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
| 1 NO POVERTY | **End poverty in all its forms everywhere.**<br><br>We support various institutions that provide social welfare and education to thousands of Mexican families and students living in poverty. | We took charge of 3 schools called *"Liceo de Artes y Oficios, A. C."* where scholarships are given to young people not having much money to finish high school, technical careers, and intensive courses, thus being the purpose is to enable them to rise out of poverty and improve their quality of life. | |
| 2 ZERO HUNGER | **End hunger, achieve food security, improve nutrition, and promote sustainable agriculture.**<br><br>Food donation program in all Chedraui stores throughout Mexico.<br><br>Delivery to food banks and other institutions. | During 2022, 52 million pieces  of food items were donated to benefit more than 531 thousand persons, representing a total of Ps.$254 million.<br><br>In 2022 we had a 23% increase in the total amount of donations, compared to 2021 which was Ps.$207 million. | |
| 3 GOOD HEALTH AND WELL-BEING | **Ensure healthy lives and promote well-being for all at all ages.**<br><br>Support various institutions aimed at providing healthcare to low-income individuals. | Support for:<br>Federico Gómez Children's Hospital in Mexico City, and for AHTECA (Help Me Brother, I have Cancer) in Xalapa, Veracruz.<br><br>*Casa de la Amistad* ( House of Friendship) in Mexico City, which helps children with cancer. | 3.2<br>3.8 |

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
| | Promote health within the Company for all collaborators through good hygiene habits, nutrition, family recreation, and volunteerism.<br><br>Support hospitals, clinics, and institutions specialized in cancer care. | Casa Nueva Foundation, which assists persons with addictions, in Xalapa, Veracruz.<br><br>Down Institute, in Xalapa.<br><br>Throughout 2022, support was provided to Dr. Luis F. Nachón Civil Hospital in Xalapa, Veracruz; with the donation of 37 pieces of medical equipment, valued at approximately $563 thousand pesos. | |
| 4 QUALITY EDUCATION | **Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.**<br><br>We take care of three schools called "*Liceo de Artes y Oficios A.C.*" by offering scholarships to young people with limited resources so they can continue their high school education, technical careers, and intensive courses. This enables them to enter University, a good job or self-employment, improving their income and quality of life. The Liceo has three campuses in Xalapa, Puerto de Veracruz and Villahermosa and offers both classroom and online education.<br><br>Support collaborators so they may conclude middle and high school and can achieve better positions within the Company. | 5,943 guaduates from the Liceos in 2022.<br><br>61,892 benefited since 1987.<br><br>63,840 hours of education in high school, 133 females and 148 males.<br><br>70 males and<br>80 females in the Special Certificate Course in Leadership and Strategic Management. | 4.3, 4.4 4.b |

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
| 5 GENDER EQUALITY | **Achieve gender equality and empower all women and girls.**<br><br>We are part of UNWomen, a United Nations strategy for gender equality.<br><br>Promote diversity, gender equality, and respect for human rights. | The implementation of gender equality in all our stores, corporate offices, and distribution centers has been included in our Code of Ethics, as well as fair and equitable treatment for all our collaborators, regardless of their gender, race, religious beliefs, etc. | 5.1, 5.c |
| 6 CLEAN WATER AND SANITATION | **Ensure availability and sustainable management of water and sanitation for all.**<br><br>Ongoing program for saving water in stores, corporate offices, and DCs.<br><br>Water savings campaigns.<br><br>Monitoring of water use. | Hydropneumatics tanks replaced in DCs in Mexico.<br><br>Permanent water saving in stores, headquarters and DCs.<br><br>Water care, awareness campaigns. | 6.4<br>6.5 |

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
| 7 AFFORDABLE AND CLEAN ENERGY | **Ensure access to affordable, reliable, sustainable and modern energy for all.**<br><br>Our main objective is to reduce our carbon footprint. We do this through the use of clean energy sources and other actions.<br><br>As of 2014 we use wind energy as our main source of energy.<br><br>To complement the above actions, we recently initiated the use of solar energy in some of our facilities. | Reduced emissions<br>234.1 thousand $tCO_2e$ vs 217.9 $tCO_2e$ in 2021.<br><br>The use of clean energy, contributed to avoid 177,205.93 $tCO_2e$. | 7.2 |
| 8 DECENT WORK AND ECONOMIC GROWTH | **Promote sustained inclusive and sustainable economic growth, full and productive employment, and decent work for all.**<br><br>Promote human capital development, and fair pay for all collaborators.<br><br>Improved working conditions, job stability, and internal growth. | Training through Chedraui Corporate University<br>620,981 hours in 2022.<br><br>Wages, benefits and compensation beyond that stipulated by law.<br><br>Assistant Manager for Hygiene, Safety, Environment, and Occupational Health.<br><br>28,379 collaborators received training in health and safety. | 8.3<br>8.5<br>8.6<br>8.8 |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | **Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.**<br><br>Offer top facilities for our customers through remodels, infrastructure and innovation. | Satisfaction surveys.<br><br>Store remodeling.<br><br>Investment in IT.<br><br>AC equipment replaced. | 9.b<br>9.c |

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
| 10 REDUCED INEQUALITIES | **Reduce inequality within and among countries.**<br><br>Promote purchase of domestic products.<br><br>Preferentially hire national suppliers. | Amount paid to local suppliers **98%**<br><br>2,410 national suppliers, which represent 95%.<br><br>Local purchases.<br><br>We have a Code of Conduct, which must be respected by all our suppliers. | 10.2<br>10.3 |
| 11 SUSTAINABLE CITIES AND COMMUNITIES | **Make cities and human settlements, inclusive, safe, resilient and sustainable.**<br><br>Collaboration and alliance with institutions in favor of social development and environmental protection. | Actions implemented by Chedraui Foundation in 2022.<br><br>Our investment in works in favor of the communities amounted to **Ps.3.5 million.**<br><br>We build and remodel housing for the poorest sectors, in small communities throughout the country. | 11.1<br>11.3<br>11.5<br>11.7 |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | **Ensure sustainable consumption and production patterns.**<br><br>We promote responsible consumption of resources, recycling and reuse of products and biodegradation of waste. | 36,768 tons of carboard recycled.<br><br>2,256 tons of plastic recycled. | 12.2<br>12.3<br>12.5 |

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
|  | **Take urgent action to combat climate change and its impacts.**<br><br>Promote clean energy use.<br><br>Reduce carbon footprint.<br><br>Efficient use of energy and water resources.<br><br>Raise awareness among collaborators on the importance of fighting against climate change. | Sustainability Committee.<br><br>71% of energy requirements are covered by solar and wind power.<br><br>We maintain our short-, medium-, and long-term commitment to use clean energy, reduce emissions, water savings and waste recycling. | 13.a<br>13.2<br>13-3 |
|  | **Conserve and sustainably use the oceans, seas, and marine resources.**<br><br>Promote responsible fisheries | Sustainable seafood procurement policy.<br>Since October 2020, Grupo Chedraui has announced its sustainable seafood procurement policy in the context of the Latin American Summit on Sustainable Fishing and Aquaculture. | 14.4 |

| SDG | PRIORITIES | CHEDRAUI INITIATIVES | CONTRIBUTION TOWARDS GOALS |
|---|---|---|---|
| 15 LIFE ON LAND | **Sustainably manage forests, combat desertification, halt and reverse land degradation, and biodiversity loss.**<br><br>Promote forest conservation and reforesting campaigns | During 2022, Chedraui Foundation in partnership with one of the suppliers for Chedraui stores, carried out a reforestation using drones, to cover 70 hectares in the northwest region of the Valley of Mexico. | 15.1<br>15.2<br>15.a |
| 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | **Promote peaceful and inclusive societies.**<br><br>Code of Ethics for collaborators.<br><br>We live by a culture of integrity, respect, and transparency, which is governed by our Code of Ethics | 2nd place with a score of 98.04 in the Corporate Transparency Index<br><br>Publication of the Supplier Code of Ethics<br><br>Report for the Mexican Stock Exchange by Grupo Chedraui.<br><br>Chedraui Annual Sustainability Report.<br><br>Training for collaborators on our Code of Ethics, ensuring that they are fully aware of the content and sign it. | 16.5<br>16.6 |
| 17 PARTNERSHIPS FOR THE GOALS | **Revitalize the World Alliance for Sustainable Development.**<br><br>Promote alliances with organizations and institutions that pursue social and environmental development. | Alliances with more than 75 institutions to work on issues related to education, health, nutrition, values, training, social welfare, crime prevention, and housing. | 17.16<br>17.17 |

# EDUCATION

Chedraui Foundation provides support to public grade schools with in-kind donations and to their students through the *"Ver Bien"* Foundation by donating prescription glasses to students in need.

We also provide scholarships to university students unable to pay for their education.

## *Liceo de Artes y Oficios* (School of Arts and Trades)

This is a project focused on providing quality education at the secondary level. It consists of three campuses located in Veracruz, Villahermosa, and Xalapa, offering high school programs, technical careers, and intensive courses. We provide both in-person and online education programs to ensure that young people and adults from across the country have access to quality education, enabling them to continue their studies, find employment, improve their current job, or start and grow their own business.

This way, students are trained to continue their studies at the university level (highlighting that Chedraui Foundation grants scholarships to its most outstanding students who do not have the necessary resources), to obtain a job or improve the one they had and/or to start their own business, in order to improve not only their quality of life, but also for the communities. In 2022, we had a total of 5,943 graduates and maintained our online education programs.

We invite you to visit our website for more information:
**https://www.liceodeartesyoficios.org/**

**1985**
*Liceo de Artes y Oficios* Foundation in Xalapa Veracruz. Family Training Center for Grupo Chedraui collaborators.

**1987**
Incorporation of an *Escuela de Artes y Oficios* campus on Company premises, open to the public.

**1989**
Two more buildings set up in the cities of Veracruz, Veracruz; and Villahermosa, Tabasco.

**1998**
Incorporation of Chedraui High School, as a new personal and occupational option for Xalapa residents.

**2004 and 2012**
Veracruz and Villahermosa, also incorporate a high school under the names of Chedraui Veracruz and Chedraui Villahermosa, respectively.

**2008**
The *Liceo de Artes y Oficios* Civic Association is created

**2022**
The *Liceo de Artes y Oficios* offers a variety of educational programs including high school, technical careers, and intensive courses, providing students with the necessary tools to improve their ability to be admitted to university studies.

### Educational Programs:

- General High School on the three campuses
- Assistant in Beauty Culture
- Technical Assistant in Accounting
- Technical Assistant in Gastronomy
- Technical Assistant in Information Technology
- Technical Assistant in the Apparel Industry
- Technical Assistant in Computer Equipment Support and Maintenance
- Over 300 intensive courses available both in in-person and online modalities.

**5,943** graduates from the Liceos in 2022

**61,892** students benefitted since 1987

**63,840** hstudent-hours of high school studies:
**133 woman and 148 men**

# HEALTH

Chedraui collaborates with various healthcare institutions to support the treatment of individuals with illnesses and conditions who lack the financial means to access quality and personalized medical care.

Some of the institutions that receive assistance include:

- H- Federico Gómez Children's Hospital in Mexico City
- AHTECA -*Ayúdame hermano, tengo cancer*- (Help me brother, I have cancer) in Xalapa, Veracruz.
- Pro Public Assistance Trust, in Veracruz, which provides support to the Dr. Luis F. Nachón Hospital in Xalapa, Veracruz, as well as its patients.
- Casa Nueva Foundation, which assists individuals with addictions in Xalapa, Veracruz.
- Down Institute of Xalapa.
- In 2022, support was provided to the Dr. Luis F. Nachón Hospital in Xalapa, Veracruz, through the donation of 37 medical pieces of equipment, with a value of Ps.$563 thousand.
- Casa de la Amistad (House of Friendship) in Mexico City, which helps children with cancer

# NOURISHMENT

Chedraui stores, with the support of the respective department collaborators, which assist in the separation, selection, and delivery of food that does not meet quality standards for sale but is still in perfect condition for consumption, delivers food to several organizations geared to helping low-income Mexican families, with special emphasis on the **Food Banks of Mexico, Emmanuel Foundation, and some local charity organizations**.

We have a food donation policy that seeks to reduce hunger and improve nutrition among the most vulnerable sectors of the population, through the direct delivery of perishable and nonperishable food to organizations dedicated to helping Mexican families with limited resources.

# SOCIAL WELFARE

Through various institutions focused on promoting universal values, comprehensive education, charity, and volunteerism, the Chedraui Foundation provides support to individuals and families in vulnerable areas. Notable among these institutions are ***Cáritas Mexicana, Cáritas de Xalapa,* and other regional Cáritas organizations**. The aim of Chedraui Foundation assistance is to improve the quality of life for people with limited resources.

# INFRASTRUCTURE IMPROVEMENTS

Committed to the communities and the population we serve, various infrastructure projects are undertaken in the cities where we are present, representing an investment of over Ps.$3.5 million.

Thanks to our alliances with commercial partners, we have delivered over $3,062,313 worth of appliances, toys, school supplies, personal hygiene items, medical supplies, and cleaning products donated by **Colgate, Industrias MAN, Azor, Epima, Novelty, BSN Medical, Fantex, among others,** to various charitable and healthcare institutions in Mexico City and several cities in the state of Veracruz.

**Contact Information:**

**CHEDRAUI FOUNDATION:** fundacion@chedraui.com.mx

**Visit our website:** https://fundacionchedraui.mx/

**TEL:** 01 (228) 8 42 11 00 ext. 1209

At Chedraui, we have several community support initiatives, mostly carried out by our corporate volunteers, such as:

- Separating food in good condition and donating it to over 82 organizations — including the Association of Food Banks and the Emanuel Foundation — for distribution to people in need. This work is carried out by Chedraui volunteers during their working hours.
- Work was also done with Líderes en Movimiento (Leaders in Motion) CMN, although not related to food donations.

**+1,000** volunteers for the food separation program in all out units

**$254 million pesos** donated in food items to 60 Food Banks
**+23%** vs. 2021

# FOOD DONATION MEXICO AND UNITED STATES

**6.5 million** kilograms of food donated

**4.8 million** Mexico

**1.7 million** United States

## OUR PRIMARY ALLIES

BAMX / *Asociación de Bancos de alimentos* (Mexican Association of Food Banks México)

Emmanuel Foundation

*Banco de Alimentos A Compartir* (To Share Food Bank)

Feeding America

# ROUND UP CAMPAIGNS

## Organizations benefited

**ANTAD** (Mexican Retail Association)
**Ver Bien**
(Visual health, free prescription lenses for students in public grade schools)

**Casa Nueva I.A.P Foundation**
(Assistance for persons with addictions)

**Cáritas Mexicana**
(Support for low-income populations)

**Educadores Integrales I.A.P.**
(Dissemination of universal values)

**Gilberto A.C. Veracruz Foundation**
(Assistance for vulnerable persons)

**Banco de Alimentos a Compartir**
(To Share Food Bank)

**BAMX** (Mexican Association of Food Banks)

**FUCAM A.C.**
(Assistance for women with breast cancer)

**Food Bank in Xalapa**

**Emmanuel Foundation**

**3.7 million**
total amount collected

**531,489** people benefited
**106, 298** families served
**387** communities served

**Ps.$315,073,902**

amount of Grupo Chedraui's social investment in 2022, in favor of our country's poorest families, to improve their living conditions

# SMART & FINAL FOUNDATION

Smart & Final CHARITABLE FOUNDATION

**+ $2.2 USD million** donated to social and health institutions

The Smart & Final Foundation is a non-profit organization committed to giving back to, improving the quality of life of, and nourishing the communities it serves.

## Pillars

### Health and Wellness

- Hygiene products
- Healthcare
- Dentistry

### Education

- Books

**2 schools** in California, USA
**3,513 books** donated
**3 books per student**
**$10,539 USD donated** by Scholastic Books Co.

- Art
- School supplies
- School bags
- Computers

### Team sports and youth development

- Little leagues
- American Youth Soccer Organization (AYSO)
- Soccer
- Boys and girls clubs
- Young Men's Christian Association (YMCA),

### The war on hunger

- Foodbanks

In an effort to reduce emissions caused by landfills in the state of California, the Foundation has set out to:

- Avoid sending food to landfills by donating it to food banks and creating pantries.
- Partner with 17 food banks and their agencies to ensure that the food goes to those who need it most, rather than landfills.
- 3.7 million lbs of donated food = 3 million meals to "Feeding America"

- Pantries
- Churches
- Schools

### Assistance during natural disasters

- Forest fires
- Floods

# DONATIONS 2022 SMART & FINAL FOUNDATION

**$2,189 USD** in donations for campaigns

**$18k USD** in donations for the American Heart Association

**529 hours** of volunteering

**+1,700 applications approved** through our online donation request system

**1%** Natural Disaster Relief

**30%** Health and Welfare

**32%** Education

**17%** Team sports and youth development

**20%** Fight against hunger

## Volunteerism

Our volunteering efforts have provided time and energy to help our communities.

- 38 collaborators donated over 3,000 books to students from various schools.
- 10 collaborators provided water and snacks to over 25,000 runners and attendees at the "Pat Tillman" race in Tempe, Arizona.
- 528 collaborators participated in the "Walk for Hope" and raised $20,000 for women with cancer.
- 30 collaborators raised funds by participating in the "Ride for a Cure" cycling race for Cystic Fibrosis.
- 28 collaborators prepared, cooked, and served meals for over 400 veterans and their families.
- 35 collaborators collected and packaged pasta and sauce for the "Pasta Thon".

# ABOUT THIS REPORT

GRI 2-1, 2-2, 2-3, 2-4, 2-5

Our Integrated Annual Report 2022 includes the financial, social, environmental, and corporate governance performance of Grupo Comercial Chedraui, S.A.B. de C.V. and the social and environmental information of Chedraui USA for the period comprising January 1, 2022, to December 31, 2022.

To identify the material aspects to strengthen in Chedraui's Corporate Social Responsibility strategy and Integrated Reporting Model, as well as the topics to be reported in our Annual Integrated Report 2022, we conducted double materiality analyses to understand both financial and sustainability risks and opportunities. This study included a comparison between the maturity of relevant companies in the retail sector and the risks characterized by sectorial and social requirements, both binding and voluntary, in economic, social, environmental, and governance matters.

The relevant topics were presented via electronic surveys to a significant sampling of collaborators, suppliers, customers, and NGOs to determine the level of importance each topic has for stakeholders and their positive and negative impacts. In accordance with the prioritization exercise conducted simultaneously with this study, the groups consulted were those with high importance and influence.

This report has been prepared following the guidelines of the Global Reporting Initiative Universal Standards 2021, meeting the 9 compliance requirements it demands, as well as the principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability required by GRI. It also adheres to the guidelines proposed by the Value Reporting Foundation (VRF), consisting of the International Integrated Reporting Framework <IR> and the Sustainability Accounting Standards Board (SASB) for the Retailer and Food Distributor sector, and the Women's Empowerment Principles (WEPS).

We also report our contribution to the Sustainable Development Goals through the actions and initiatives implemented by the Chedraui Foundation and its adherence to the 10 Universal Principles of the Global Compact.

# GRI INDEX

| | |
|---|---|
| **Statement of use** | Grupo Comercial Chedraui, S.A.B. de C.V., has reported in accordance with the GRI Standards for the period January 2022 through December 2022 |
| **GRI 1 used** | GRI 1: Foundation 2021 |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **General disclosures** | | | | | | | |
| **GRI 2: General Disclosures 2021** | 2-1 | Organizational details | 8, 14, 124 | | | | FB-FR-000.A, FB-FR-000.B |
| | 2-2 | Entities included in the organization's sustainability reporting | 124 | | | | |
| | 2-3 | Reporting period, frequency and contact point | 124 | | | | |
| | 2-4 | Restatements of information | 124 | | | | |
| | 2-5 | External assurance | 141 | | | | |
| | 2-6 | Activities, value chain and other business relationships | 8 | | | | |
| | 2-7 | Employees | 52 | | | | |
| | 2-8 | Workers who are not employees | 52 | | | | |
| | 2-9 | Governance structure and composition | 26 | | | | |
| | 2-10 | Nomination and selection of the highest governance body | 26 | | | | |
| | 2-11 | Chair of the highest governance body | 26 | | | | |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | 26 | | | | |
| | 2-13 | Delegation of responsibility for managing impacts | 26 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| GRI 2: General Disclosures 2021 | 2-14 | Role of the highest governance body in sustainability reporting | 26 | | | | |
| | 2-15 | Conflicts of interest | 31 | | | | |
| | 2-16 | Communication of critical concerns | 39 | | | | |
| | 2-17 | Collective knowledge of the highest governance body | 26 | | | | |
| | 2-18 | Evaluation of the performance of the highest governance body | | | | | |
| | 2-19 | Remuneration policies | 26 | | | | |
| | 2-20 | Process to determine remuneration | 26 | | | | |
| | 2-21 | Annual total compensation ratio | 58 | | | | |
| | 2-22 | Statement on sustainable development strategy | 90 | | | | |
| | 2-23 | Policy commitments | 34 | | | | |
| | 2-24 | Embedding policy commitments | 34 | | | | |
| | 2-25 | Processes to remediate negative impacts | 34 | | | | |
| | 2-26 | Mechanisms for seeking advice and raising concerns | 39 | | | | |
| | 2-27 | Compliance with laws and regulations | 26 | | | | |
| | 2-29 | Approach to stakeholder engagement | 19 | | | | |
| | 2-30 | Collective bargaining agreements | 52 | | | | FB-FR-310a.2 |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Material topics** | | | | | | | |
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | 19 | | | | |
| | 3-2 | List of material topics | 19 | | | | |
| **Economic performance** | | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 43, 59 | | | | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | 5, 43 | | | | |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | 42 | | | | |
| | 201-3 | Defined benefit plan obligations and other retirement plans | 59 | | | | |
| | 201-4 | Financial assistance received from government | | | N/A | | |
| **Market presence** | | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 58 | | | | |
| GRI 202: Market Presence 2016 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 58 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Indirect economic impacts** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 108 | | | | |
| **GRI 203: Indirect Economic Impacts 2016** | 203-1 | Infrastructure investments and services supported | 108 | | | | |
| | 203-2 | Significant indirect economic impacts | 108 | | | | |
| **Procurement practices** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 83 | | | | |
| **GRI 204: Procurement Practices 2016** | 204-1 | Proportion of spending on local suppliers | 83, 108 | | | | |
| **Anti-corruption** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 31 | | | | |
| **GRI 205: Anti-corruption 2016** | 205-1 | Operations assessed for risks related to corruption | 31 | | | | |
| | 205-2 | Communication and training about anti-corruption policies and procedures | 31 | | | | |
| | 205-3 | Confirmed incidents of corruption and actions taken | | | No cases confirmed | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Anti-competitive behavior** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 34 | | | | |
| **GRI 206: Anti-competitive Behavior 2016** | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 34 | | | | |
| **Tax** | | | | | | | |
| **GRI 3: Temas Materiales 2021** | 3-3 | Management of material topics | 37 | | | | |
| **GRI 207: Tax 2019** | 207-1 | Approach to tax | 37 | | | | |
| | 207-2 | Tax governance, control, and risk management | 37 | | | | |
| | 207-3 | Stakeholder engagement and management of concerns related to tax | 37 | | | | |
| **Materials** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 102 | | | | |
| **GRI 301: Materials 2016** | 301-1 | Materials used by weight or volume | 102 | | | | |
| | 301-2 | Recycled input materials used | 102 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Energy** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 97 | | | | |
| **GRI 302: Energy 2016** | 302-1 | Energy consumption within the organization | 97 | | | | FB-FR-130a.1 |
| | 302-2 | Energy consumption outside of the organization | 97 | | | | FB-FR-110a.1 |
| | 302-3 | Energy intensity | | | Information unavailable / incomplete | | |
| | 302-4 | Reduction of energy consumption | | | Information unavailable / incomplete | | |
| | 302-5 | Reductions in energy requirements of products and services | 97 | | | | |
| **Water and effluents** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 101 | | | | |
| **GRI 303: Water and Effluents 2018** | 303-1 | Interactions with water as a shared resource | 101 | | | | |
| | 303-2 | Management of water discharge-related impacts | | | N/A | | |
| | 303-3 | Water withdrawal | | | N/A | | |
| | 303-4 | Water discharge | | | N/A | | |
| | 303-5 | Water consumption | 101 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Emissions** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 93 | | | | |
| **GRI 305: Emissions 2016** | 305-1 | Direct (Scope 1) GHG emissions | 93 | | | | FB-FR-110b.1 |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | 93 | | | | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | 93 | | | | |
| | 305-4 | GHG emissions intensity | 93 | | | | |
| | 305-5 | Reduction of GHG emissions | 93 | | | | |
| | 305-6 | Emissions of ozone-depleting substances (ODS) | | | N/A | | |
| | 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | | | N/A | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Waste** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 102 | | | | |
| **GRI 306: Waste 2020** | 306-1 | Waste generation and significant waste-related impacts | 102 | | | | |
| | 306-2 | Management of significant waste-related impacts | 102 | | | | FB-FR-150a.1 |
| | 306-3 | Waste generated | 102 | | | | |
| | 306-4 | Waste diverted from disposal | 102 | | | | |
| | 306-5 | Waste directed to disposal | 102 | | | | |
| **Supplier environmental assessment** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 34 | | | | |
| **GRI 308: Supplier Environmental Assessment 2016** | 308-1 | New suppliers that were screened using environmental criteria | 34 | | | | |
| | 308-2 | Negative environmental impacts in the supply chain and actions taken | | | N/A | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Employment** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 59 | | | | |
| **GRI 401: Employment 2016** | 401-1 | New employee hires and employee turnover | 57 | | | | |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 59 | | | | |
| | 401-3 | Parental leave | 70 | | | | |
| **Occupational health and safety** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 72 | | | | |
| **GRI 403: Occupational Health and Safety 2018** | 403-1 | Occupational health and safety management system | 72 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **GRI 403: Occupational Health and Safety 2018** | 403-2 | Hazard identification, risk assessment, and incident investigation | 72 | | | | |
| | 403-3 | Occupational health services | 72 | | | | |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | 72 | | | | |
| | 403-5 | Worker training on occupational health and safety | 72 | | | | |
| | 403-6 | Promotion of worker health | 72 | | | | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 72 | | | | |
| | 403-8 | Workers covered by an occupational health and safety management system | 72 | | | | |
| | 403-9 | Work-related injuries | 72 | | | | |
| | 403-10 | Work-related ill health | 72 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Training and education** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 60 | | | | |
| **GRI 404: Training and Education 2016** | 404-1 | Average hours of training per year per employee | 60 | | | | |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | 60 | | | | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | 60 | | | | |
| **Diversity and equal opportunity** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 58, 69 | | | | |
| **GRI 405: Diversity and Equal Opportunity 2016** | 405-1 | Diversity of governance bodies and employees | 69 | | | | |
| | 405-2 | Ratio of basic salary and remuneration of women to men | 58 | | | | FB-FR-310a.1 |
| **Non-discrimination** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 69 | | | | |
| **GRI 406: Non-discrimination 2016** | 406-1 | Incidents of discrimination and corrective actions taken | 69 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Freedom of association and collective bargaining** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 30 | | | | |
| **GRI 407: Freedom of Association and Collective Bargaining 2016** | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 30 | | | | |
| **Child labor** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 30 | | | | |
| **GRI 408: Child Labor 2016** | 408-1 | Operations and suppliers at significant risk for incidents of child labor | 30 | | | | |
| **Forced or compulsory labor** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 30 | | | | |
| **GRI 409: Forced or Compulsory Labor 2016** | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 30 | | | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Rights of indigenous peoples** | | | | | | | |
| **GRI 411: Rights of Indigenous Peoples 2016** | 411-1 | Incidents of violations involving rights of indigenous peoples | | | N/A | | |
| **Local communities** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 108 | | | | |
| **GRI 413: Local Communities 2016** | 413-1 | Operations with local community engagement, impact assessments, and development programs | 108 | | | | |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | 76 | | | | |
| **Supplier social assessment** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 34 | | | | |
| **GRI 414: Supplier Social Assessment 2016** | 414-1 | New suppliers that were screened using social criteria | 34 | | | | |
| | 414-2 | Negative social impacts in the supply chain and actions taken | | | N/A | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Customer health and safety** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 83 | | | | |
| **GRI 416: Customer Health and Safety 2016** | 416-1 | Assessment of the health and safety impacts of product and service categories | 83 | | | | |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | | | There were no incidentes of non-compliance | | |
| **Marketing and labeling** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 80 | | | | |
| **GRI 417: Marketing and Labeling 2016** | 417-1 | Requirements for product and service information and labeling | | | We comply with all labeling requirements | | FB-FR-260a.1 |
| | 417-2 | Incidents of non-compliance concerning product and service information and labeling | | | There were no incidentes of non-compliance | | |
| | 417-3 | Incidents of non-compliance concerning marketing communications | | | There were no incidentes of non-compliance | | |

| GRI Standard/ Other Source | Disclosure | | Location | Omission | | | SASB |
|---|---|---|---|---|---|---|---|
| | | | | Requirement(S) Omitted | Reason | Explanation | |
| **Customer privacy** | | | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 | Management of material topics | 85 | | | | |
| **GRI 418: Customer Privacy 2016** | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 85 | | | | FB-FR-230a.2 |

# EXTERNAL ASSURANCE

GRI 2-5

AuditaRSE

## Carta de Verificación Independiente

**A los Grupos de Interés de Grupo Comercial Chedraui, S.A.B. de C.V.**
**Presente**

AuditaRSE, a solicitud del Grupo Comercial Chedraui, S.A.B. de C.V. (Chedraui), ha sido requerido para realizar la verificación independiente de su Informe Integrado 2022 por la parte que se refiere al desempeño de la Responsabilidad Social y contenidos del Global Reporting Initiative (GRI).

**Alcance**

El alcance de la verificación se basó en revisar el contenido y los indicadores de desempeño presentados en el informe referentes a los temas de Responsabilidad Social, donde las opiniones contenidas en el documento verificado y su elaboración son responsabilidad de Chedraui,

Nuestro trabajo consistió en emitir una opinión independiente y responsable sobre la fiabilidad de la información contenida, mediante la obtención de evidencias adecuadas y suficientes para tal propósito.

En la revisión se tomaron como base las normas ISAE 3000, Accountability AA1000, la metodología GRI Sustainability Standards Board, los Objetivos de Desarrollo Sostenible de la ONU, y el Estándar de Contabilidad sobre Sostenibilidad (Sustainability Accounting Standards Board) para el sector Minoristas y Distribuidores de Alimentos.

**Proceso de Verificación**

La verificación fue realizada llevándose a cabo las siguientes actividades:

- Físicas: Mediante la validación y análisis de los aspectos descritos en el informe.
- Testimoniales: A través de entrevistas con la coordinación de la elaboración del informe y los responsables de recopilar la información, a fin de validar las evidencias del contenido y conocer la gestión y profundidad de los programas de trabajo.
- Documentales: Mediante el examen de muestras de datos e información contenidos en el informe a través de:
  - Verificar la existencia de evidencias externas e internas que respaldan la información presentada.
  - Revisar los sistemas, procesos y procedimientos de recopilación, consolidación y reporte de datos que se presentan de manera agregada.
  - Consultar el Portal de la empresa y páginas web descritas en el informe para corroborar algunos de los datos contenidos que hacen referencia a fuentes y temas específicos en forma detallada.
  - Validar la consistencia de la información presentada con relación al informe anterior y el seguimiento a programas e indicadores relevantes.



AuditaRSE

Dentro del proceso de revisión, fueron considerados los Estándares Universales GRI 2021 y 2016 a utilizar en los informes emitidos a partir de 2023, los cuales fueron determinados en el Estudio de Materialidad, así como el apego al Estándar de Contabilidad sobre Sostenibilidad (SASB) para el sector Minoristas y Distribuidores de Alimentos, habiendo determinado como cumplidos los detallados a continuación:

| Estándares GRI 2021 | | | Estándares GRI 2016 | | | | Indicadores SASB |
|---|---|---|---|---|---|---|---|
| | 1 | | 201-1 | 302-1 | 308-1 | 404-2 | FB-FR-000.A |
| | 2 | | 201-2 | 302-2 | 401-1 | 404-3 | FB-FR-000.B |
| 2.1 | 2.11 | 2.21 | 201-3 | 302-5 | 401-2 | 405-1 | FB-FR-310a.2 |
| 2.2 | 2.12 | 2.22 | 202-1 | 303-1 | 401-3 | 405-2 | FB-FR-130a.1 |
| 2.3 | 2.13 | 2.23 | 203-1 | 303-5 | 403-1 | 406-1 | FB-FR-110a.1 |
| 2.4 | 2.14 | 2.24 | 203-2 | 305-1 | 403-2 | 407-1 | FB-FR-110b.1 |
| 2.5 | 2.15 | 2.25 | 204-1 | 305-2 | 403-3 | 408-1 | FB-FR-150a.1 |
| 2.6 | 2.16 | 2.26 | 205-1 | 305-3 | 403-4 | 409-1 | FB-FR-310a.1 |
| 2.7 | 2.17 | 2.27 | 205-2 | 305-4 | 403-5 | 413-1 | FB-FR-260a.1 |
| 2.8 | 2.18 | 2.28 | 206-1 | 305-5 | 403-6 | 413-2 | FB-FR-230a.2 |
| 2.9 | 2.19 | 2.29 | 207-1 | 306-1 | 403-7 | 414-1 | |
| 2.10 | 2.20 | 2.30 | 207-2 | 306-2 | 403-8 | 416-1 | |
| | 3 | | 207-3 | 306-3 | 403-9 | 417-1 | |
| | 3.1 | | 301-1 | 306-4 | 403-10 | 418-1 | |
| | 3.2 | | 301-2 | 306-5 | 404-1 | | |
| | 3.3 | | | | | | |

**Conclusiones**

Dentro de los trabajos de verificación realizados, observamos la participación y compromiso de las diversas áreas de la empresa en el cumplimiento de su estrategia de responsabilidad social, así como el haber aplicado la metodología GRI para la emisión del informe con las actualizaciones requeridas a partir del presente año.

Al no contar con evidencia alguna que haga notar diferencias y contradicciones en la información presentada, consideramos que el **Informe Integrado 2022 de Grupo Comercial Chedraui, S.A.B. de C.V.** por lo que corresponde a información de Responsabilidad Social y contenidos GRI, muestra datos fidedignos y éstos representan de manera coherente y razonable los resultados del período informado de conformidad con los Estándares Universales del Global Reporting Initiative, así como el apego a los Indicadores SASB del Sector y a los Objetivos de Desarrollo Sostenible de la ONU.

**Ciudad de México, a 22 de mayo de 2023.**

**C.P. Guillermo Suárez Soriano**
**AuditaRSE**

# CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report Dated March 17, 2023

Chedraui cuesta menos

# INDEPENDENT AUDITORS' REPORT

## To the Board of Directors and Stockholders of Grupo Comercial Chedraui, S. A. B. de C. V.

***Opinion***

We have audited the consolidated financial statements of Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries (the Entity) which include the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended as well as the explanatory notes to the consolidated financial statements, which include a summary of the significant accounting policies applied.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2022 and 2021, as well as their financial performance and their cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

***Bases for the opinion***

We have performed our audits in conformity with International Auditing Standards (IAS). Our responsibilities under these standards are explained more extensively in the section Auditors' *responsibilities in relation to the audit of the consolidated financial statements* of our report. We are independent from the Entity in conformity with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and that issued by the Mexican Institute of Public Accountants (IMCP Code of Ethics), and we have complied with the other ethical responsibilities in conformity with the IESBA Code of Ethics and the IMCP Code of Ethics. We believe that the audit evidence obtained provides a sufficient and adequate basis for our opinion.

***Key audit matters***

The key audit matters are those matters which, in our professional judgment, have been most important in our audit of the consolidated financial statements for the current period. These matters have been dealt with in the context of our audit of the consolidated financial statements taken as a whole and in the formation of our opinion on the latter, and we do not issue a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

***Investment properties***

To determine the fair value of the investment properties in accordance with International Accounting Standard 40 ("IAS 40"), certain judgments were used by management. There is a risk that the determination of the assumptions used by management to calculate future cash flows may not be reasonable based on current and future foreseeable conditions.

Our audit procedures to cover this risk included the following:

Control and substantive testing over the financial projections that were used to determine the fair value of the investment properties, for which we tested the reasonability of the revenues and expenses used to determine the discounted future cash flows, also, we tested the arithmetical accuracy of the projections, and evaluated the assumptions used by the Entity to determine them, and confirmed, their alignment to the budgets approved by the Board of Directors. Additionally, we evaluated the reasonableness of the discount rate used determined by an external specialist, for which purpose we involved our financial advisory specialists. The results of our audit procedures were reasonable.

Notes 3 and 12 to the consolidated financial statements include the Entity's disclosures regarding investment properties.

***Other Matter***

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

***Information other than the Consolidated Financial Statements and the independent Auditor's Report***

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with article 33 Fraction I, subsection b) of the fourth title, first chapter of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico (the requirements). As of the date of our auditor's report, we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion of the consolidated financial statements does not cover the other information and we do not express any form of security about it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether if the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. When we read the Annual Report we will issue the auditors' legend about the reading thereof, required in Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions or if we conclude that it is materially misstated we would be required to report this fact.

***Responsibilities of Management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and reasonable presentation of the accompanying consolidated financial statements in conformity with the IFRS, and for any internal control that management believes necessary to enable the preparation of the consolidated financial statements free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditor's responsibilities in relation to the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with IASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and evaluate the risks of material misstatements in the consolidated financial statements, due to fraud or error, by designing and applying audit procedures which respond to these risks, and by obtaining audit evidence which is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting material misstatements resulting from fraud is greater than those resulting from an error, because fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous declarations or the evasion of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtained sufficient and adequate audit evidence related to the financial information of the entities and business activities which comprise the Entity in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the entities comprising the Entity. We are the only persons responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

**C. P. C. Erick J. Calvillo Rello**

March 17, 2023

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021
(In thousands of Mexican pesos)

| Assets | Notes | 2022 | 2021 |
|---|---|---|---|
| Current asset: | | | |
| Cash | 5 | $ 11,565,501 | $ 9,101,201 |
| Accounts and notes receivables – Net | 6 | 1,989,668 | 2,196,814 |
| Recoverable taxes | 7 | 2,092,357 | 2,002,555 |
| Accounts receivables from related parties | 27 | 59,753 | 66,348 |
| Inventories | 9 | 21,039,486 | 17,907,556 |
| Assets classified as held for sale | | – | 95,296 |
| Prepayments | | 948,122 | 866,717 |
| Total current assets | | 37,694,887 | 32,236,487 |
| Non-current assets: | | | |
| Property and equipment – Net | 10 | 42,792,401 | 42,177,625 |
| Right of use assets – Net | 11 | 38,323,995 | 41,916,257 |
| Investment properties | 12 | 11,294,064 | 10,995,934 |
| Investment in associates and join ventures | 13 | 975,766 | 941,263 |
| Other and intangible assets – Net | 14 | 11,835,035 | 12,385,983 |
| Long-term related parties | 27 | – | 37,035 |
| Long-term accounts receivable | | – | 100,000 |
| Derivative financial instruments | 8 | 267,870 | – |
| Deferred income tax asset | 29b | 254,654 | 249,052 |
| Total non-current assets | | 105,743,785 | 108,803,149 |
| Total | | $ 143,438,672 | $ 141,039,636 |

| Equity and liabilities | Notes | 2022 | 2021 |
|---|---|---|---|
| Current liabilities: | | | |
| Accounts and notes payable to suppliers | 17 | $ 29,749,085 | $ 26,284,436 |
| Factoring Corporativo, S.A. de C.V. – related party | 17 | 903,125 | 1,119,735 |
| Current portion of long-term liabilities | 18 | – | 176,568 |
| Current portion of lease liabilities | 19 | 2,329,019 | 2,176,948 |
| Payable taxes | | 1,379,757 | 1,025,089 |
| Accrued expenses and other liabilities | | 8,780,172 | 7,761,104 |
| Total current liabilities | | 43,141,158 | 38,543,880 |
| Non-current liabilities: | | | |
| Long-term debt | 18 | 12,681,782 | 17,390,970 |
| Employee benefits | 20 | 2,292,467 | 2,868,502 |
| Deferred income tax liability | 29b | 2,069,021 | 2,625,453 |
| Derivative financial instruments | 21 | – | 45,421 |
| Lease liabilities | 19 | 41,622,043 | 44,596,809 |
| Other liabilities | | 2,264,542 | 2,308,202 |
| Total non-current liabilities | | 60,929,855 | 69,835,357 |
| Total liabilities | | 104,071,013 | 108,379,237 |
| Stockholders' equity: | | | |
| Capital stock | 22 | 252,120 | 252,120 |
| Additional paid in capital | 22 | 3,798,788 | 3,526,882 |
| Retained earnings | 24 | 34,031,804 | 28,498,035 |
| Remeasurement of defined benefit obligations | 23 | 389,661 | (167,564) |
| Cumulative translation adjustment | 23 | 424,176 | 464,107 |
| Financial instruments measurement | 23 | 177,766 | (30,085) |
| Equity attributable to owners of the Entity | | 39,074,315 | 32,543,495 |
| Non-controlling interest | 25 | 293,344 | 116,904 |
| Total stockholders' equity | | 39,367,659 | 32,660,399 |
| Total | | $ 143,438,672 | $ 141,039,636 |

The accompanying notes are part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021
(In thousands of Mexican pesos)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenues: | | | |
| Net sales | | $ 259,325,570 | $ 188,486,814 |
| Cost of sales | | 200,025,921 | 146,534,618 |
| Gross profit | | 59,299,649 | 41,952,196 |
| Operating expenses: | | | |
| Wages and employee benefits | | 26,234,844 | 18,719,876 |
| Professional services | | 2,933,152 | 2,110,357 |
| Marketing expenses | | 2,030,739 | 1,397,558 |
| Maintenance | | 2,227,818 | 1,617,730 |
| Gas and electricity | | 3,285,068 | 2,466,788 |
| Depreciation and amortization | | 7,680,740 | 5,239,802 |
| Other expenses - net | | 1,161,445 | 1,651,808 |
| Total operating expenses | | 45,553,806 | 33,203,919 |
| Operating profit | | 13,745,843 | 8,748,277 |
| Interest expense | | (3,382,480) | (2,657,550) |
| Interest income | | 269,217 | 134,756 |
| Exchange gain – Net | | 49,740 | 25,259 |
| Other financing expenses | | (2,048,935) | (1,355,688) |
| | | (5,112,458) | (3,853,223) |
| Share of profit in associates and joint ventures | | 88,766 | 54,471 |
| Profit before tax | | 8,722,151 | 4,949,525 |

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Income taxes | 29 | 2,546,410 | 1,469,028 |
| Consolidated profit for the year | | $ 6,175,741 | $ 3,480,497 |
| Owners of the Entity | | $ 5,997,095 | $ 3,420,248 |
| Non-controlling interest | 25 | 178,646 | 60,249 |
| Consolidated profit for the year | | $ 6,175,741 | $ 3,480,497 |
| Other comprehensive income, net of income taxes: | | | |
| ***Items that will not be reclassified subsequently to profit or loss:*** | | | |
| Remeasurement of defined benefit obligations | 23 | $ 557,225 | $ 74,823 |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Cumulative translation adjustment | 23 | (39,931) | 25,999 |
| Financial instruments measurement | 23 | 207,851 | 180,291 |
| Total comprehensive income for the year | | $ 6,900,886 | $ 3,761,610 |
| Owners of the Entity | | $ 6,722,240 | $ 3,701,361 |
| Non-controlling interest | 25 | 178,646 | 60,249 |
| Total consolidated comprehensive income for the year | | $ 6,900,886 | $ 3,761,610 |
| Basic and diluted earnings per share (in pesos) | 26 | $ 6.27 | $ 3.57 |

The accompanying notes are part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2022 and 2021
(In thousands of Mexican pesos)

| | | Stockholder' equity | | | Other items of comprehensive income | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Capital stock | Additional paid in capital | Retained earnings | Remeasurement of defined benefit obligations | Cumulative translation adjustment | Financial instruments measurement | Non-controlling interest | Total |
| Balance as of January 1, 2021 | | $ 252,120 | $ 3,474,014 | $ 25,577,448 | $ (242,387) | $ 438,108 | $ (210,376) | $ (7,473) | $ 29,281,454 |
| Dividends paid | 24 | – | – | (457,858) | – | – | – | – | (457,858) |
| Comprehensive income for the year | 23 | – | – | 3,420,248 | 74,823 | 25,999 | 180,291 | 60,249 | 3,761,610 |
| Repurchase of shares | | – | 52,868 | (84,234) | – | – | – | – | (31,366) |
| Other | 24 and 25 | – | – | 42,431 | – | – | – | 64,128 | 106,559 |
| Balance as of December 31, 2021 | | 252,120 | 3,526,882 | 28,498,035 | (167,564) | 464,107 | (30,085) | 116,904 | 32,660,399 |
| Dividends paid | 24 | – | – | (503,643) | – | – | – | – | (503,643) |
| Comprehensive income for the year | 24 | – | – | 5,997,095 | 557,225 | (39,931) | 207,851 | 178,646 | 6,900,886 |
| Repurchase of shares | | – | 271,906 | 29,019 | – | – | – | – | 300,925 |
| Other | 24 and 25 | – | – | 11,298 | – | – | – | (2,206) | 9,092 |
| Balance as of December 31, 2022 | | $ 252,120 | $ 3,798,788 | $ 34,031,804 | $ 389,661 | $ 424,176 | $ 177,766 | $ 293,344 | $ 39,367,659 |

The accompanying notes are part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021
(In thousands of Mexican pesos)

| | 2022 | 2021 |
|---|---|---|
| Cash flow from operating activities: | | |
| Profit before income tax | $ 8,722,151 | $ 4,949,525 |
| Adjustments for: | | |
| Depreciation and amortization | 7,680,740 | 5,400,238 |
| Other asset movements – mainly exchange fluctuation | (230,894) | 44,527 |
| Fair value loss on investment property | 32,815 | – |
| Loss on disposal of property and equipment | 48,470 | 159,435 |
| Interest income | (269,217) | (134,756) |
| Other movements in equity | 4,592 | 102,429 |
| Disposal of participation in other companies | – | 135,000 |
| Measurement of derivative financial instruments | (102,743) | (90,015) |
| Interest expense | 3,382,480 | 2,657,550 |
| | 19,268,394 | 13,223,933 |
| Movements in working capital: | | |
| Accounts and notes receivables – Net | 159,677 | 690,067 |
| Inventories | (3,100,045) | (589,383) |
| Share of other comprehensive income of associates and joint ventures | (88,766) | (54,471) |
| Other assets – Net | 803,352 | (284,232) |
| Increase (decrease) in: | | |
| Accounts and notes payable to suppliers | 2,944,299 | 4,434,934 |
| Other account payables and taxes | (1,446,429) | (1,487,695) |
| Changes in benefit obligations | (344) | 169,731 |
| Net cash generated by operating activities | 18,540,138 | 16,102,884 |

| | 2022 | 2021 |
|---|---|---|
| Investing activities: | | |
| Business acquisition | (1,106,722) | (11,481,519) |
| Acquisitions of property, equipment and investment property | (5,401,455) | (4,136,536) |
| Proceeds from disposal of property and equipment | 38,604 | 71,704 |
| Acquisition of other assets | (280,488) | (210,049) |
| Interest received | 269,217 | 134,756 |
| Net cash used in investing activities | (6,480,844) | (15,621,644) |
| Financing activities: | | |
| Repayment of loans | (3,883,715) | (8,235,356) |
| Proceeds on issuances of loans | – | 16,296,770 |
| Interest payment | (3,382,480) | (2,657,550) |
| Dividends paid | (503,643) | (457,858) |
| Leases liability payment | (2,051,334) | (1,390,792) |
| Premium on sale of shares | 276,402 | 56,997 |
| Proceeds from sale of treasury shares | 596,725 | 216,547 |
| Repurchase of treasury shares | (567,706) | (300,781) |
| Net cash used in investing activities | (9,515,751) | 3,527,977 |
| Net increase in cash | 2,543,543 | 4,009,217 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies | (79,243) | (352,679) |
| Cash at the beginning of the year | 9,101,201 | 5,444,663 |
| Cash at the end of the year | $ 11,565,501 | $ 9,101,201 |

The accompanying notes are part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021
(In thousands of Mexican pesos)

## 1. ACTIVITIES AND RELEVANT EVENT OF THE YEAR

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries (the Entity or the Group) are engaged in the operation of self-service stores and real estate companies; they specialize in the sale of electronic goods, perishables, clothing, groceries and general merchandise.

The Entity is incorporated in Mexico; its domicile is located at Constituyentes No. 1150, Col. Lomas Altas, Miguel Hidalgo, 11950 Mexico City, and conducts its business primarily in Mexico and the United States of America (USA).

The financial statements are presented in thousands of pesos and are rounded to the nearest monetary unit.

*Arteli Tiendas de Descuento, S.A. de C.V acquisition (note 15)*
On December 14, 2022, the Entity acquired all the shares of Arteli Tienda de Descuento, S.A. de C.V. The acquired business was first consolidated in the Entity's Consolidated Financial Statements as of that date, the purchase price paid was $1,673,000.

This new entity, a chain of stores based in Tampico, Tamaulipas, operates 3 different formats: Arteli, Arteli Express and Aká Superbodega. The chain has 36 stores.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

***New and amended IFRS Accounting Standards that are effective for the current year***

| | |
|---|---|
| *Application of new and revised International Financing Reporting Standards ("IFRS" or "IAS") that are mandatorily effective for the current year* | In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. |
| *Amendments to IFRS 3 Reference to the Conceptual Framework* | The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. |
| *Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use* | The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.<br><br>The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.<br><br>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. |
| *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle* | The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.<br><br>• IFRS 9 Financial Instruments: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf<br><br>• IFRS 16 Leases: The amendment removes the illustration of the reimbursement of leasehold improvements |

*New and revised IFRS Accounting Standards in issue but not yet effective*

At the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except if indicated below.

*Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent*

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

*Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

## 3. SIGNIFICANT ACCOUNTING POLICES

*a. Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

*b. Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis except for investment property and financial instruments, that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

*i. Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

*ii. Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity considers the characteristics of the asset or liability if market participants would consider those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, *Inventories* or value in use in IAS 36, *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and inputs are unobservable inputs for the asset or liability
- Level 3 inputs are not based on observable market data (unobservable inputs).

*c. Going concern basis*

The consolidated financial statements have been prepared by management assuming that the Entity will continue to operate as a going concern. The Entity analyzed the applicability of the going concern assumption, concluding favorably.

*d. Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Entity and entities (including structured entities) controlled by the Entity and its subsidiaries. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Entity's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquirer's identifiable net assets. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

*Changes in the Entity's ownership interests in existing subsidiaries*

Subsidiaries listed below are companies incorporated and operating in Mexico, except for Chedraui USA, Inc., which has its registered and operations in the United States of America (USA).

The shareholding in its capital during presented periods for which country of incorporation and operations is Mexico and in the USA for Chedraui USA, Inc., is listed below:

| Company or Group | Participation rate | Activity |
|---|---|---|
| Tiendas Chedraui, S. A. de C.V. | 99.91% | A chain of 368 self-service stores specializing in the sale of groceries, perishables, electronic goods, clothing and general merchandise. These stores operate under the following formats of stores: 178 Tiendas Chedraui, 27 Tiendas Chedraui Selecto, 61 Super Chedraui, 14 Super Chedraui Selecto, 8 Super Che and 76 Supercito and 4 Supercito Selecto. |
| Real estate division | 99.99% | Seven companies engaged in the acquisition, construction, sale and lease of real property used for real estate activities. |
| Services division | 99.99% | Four companies providing administrative and personnel services |
| Chedraui USA, Inc. | 90.14% | Chain of self-service stores with 64 stores located in the southern California, USA, that operate under the commercial name El Super, 59 stores located in Texas, USA, that operate under the commercial name of Fiesta Mart, 253 stores under the name of Smart & Final that operate in the south of USA and 17 stores in a Joint Venture under the commercial name of Smart & Final that operate in the Northwest of Mexico. |
| Tienda de Descuento Arteli S.A. de C.V. | 100% | A chain of 36 self-service stores specializing in the sale of groceries, perishables, electronic goods, clothing and general merchandise. |
| Grupo Crucero Chedraui, S. A. de C. V. | 99.99% | Sub-holding company. |

| Company or Group | Participation rate | Activity |
|---|---|---|
| Fundación Antonio Chedraui Caram, A.C. and Liceo de Artes y Oficios, A. C. | | A foundation whereby the Entity has control and is established to help create institutes, scholarships and support the humanistic, scientific, educational, art and teaching activities related to health and social assistance. |
| Supervisión y Mantenimiento de Inmuebles, S.A. de C.V. | | A company over which the Entity exercises control, which establishes the maintenance of the commercial squares. |

e. *Detail of the subsidiaries not completely owned but whereby the Entity has a significant non-controlling interest*

| Name of the subsidiary | Place of registration and operation | Proportion of shareholding and voting rights of the non-controlling interest | | Assigned income to the non-controlling interest | | Retained non-controlling interest | |
|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Chedraui USA, Inc. | USA | 9.86% | 10.00% | $ 169,333 | $ 64,044 | $ 246,657 | $ 77,325 |

(i) The Entity owns 90.14% of the equity of Chedraui USA, Inc. and based on the contractual arrangements between the Entity and other investors, the Entity has the power to appoint and remove a majority of the Board of Chedraui USA, Inc. the relevant activities of Chedraui USA, Inc., are determined by the Board of Chedraui USA, Inc., based on a simple majority vote. Therefore, Chedraui USA, Inc., is controlled by the Entity and is consolidated into these consolidated financial statements.

A summary of the Chedraui USA, Inc. financial information before intercompany eliminations is detailed below:

| | 2022 | 2021 |
|---|---|---|
| Current assets | $ 12,409,027 | $ 11,878,366 |
| Non-current assets | 55,548,025 | 61,685,655 |
| Current liabilities | 14,987,559 | 13,864,312 |
| Non-current liabilities | 50,467,896 | 59,505,761 |

| | 2022 | 2021 |
|---|---|---|
| Equity attributable to owners of the Entity | (752,228) | (401,835) |
| Non-controlling interest | 77,325 | 19,394 |
| Incomes | 153,438,513 | 97,299,053 |
| Cost, expenses and taxes | 147,036,333 | 96,658,620 |
| Net income of the year | 1,717,363 | 640,433 |
| Net income profit of the year to owners of the equity of the Entity | 1,548,031 | 576,390 |
| Net income profit of the year to non-controlling interest | 169,332 | 64,043 |
| Net income of the year | 1,717,363 | 640,433 |
| Net cash flow from operating activities | 11,432,919 | 6,135,279 |
| Net cash flow from investing activities | (1,872,316) | (13,869,963) |
| Net cash flows from financing activities | (7,850,627) | 9,502,233 |
| Net increase in cash flow | 1,709,975 | 1,767,549 |

f. *Financial instruments*

Financial assets and financial liabilities are recognized in the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

g. *Financial assets*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and

- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

*i. Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

*ii. Equity instruments designated as at FVTOCI*

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

*iii. Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'. Fair value is determined in the manner described in Note 21.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses';

- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses'. Other exchange differences are recognized in other comprehensive income in the investment's revaluation reserve;

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses'; and

- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment's revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

*Impairment of financial assets*

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;

- Significant increases in credit risk on other financial instruments of the same debtor;

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

I. The financial instrument has a low risk of default,
II. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
III. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without considering any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. Significant financial difficulty of the issuer or the borrower;
b. A breach of contract, such as a default or past due event (see (ii) above);
c. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
e. The disappearance of an active market for that financial asset because of financial difficulties.

*(iv) Write-off policy*

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognized in profit or loss.

*(v) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

***h. Financial liabilities and equity***

*Classification as debt or equity*

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of an Entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (Note 23) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in note 21.

*Financial liabilities measured subsequently at amortized cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (note 23) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

*Derecognition of financial liabilities*

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

### *i. Derivative financial instruments*

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 8.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both legal right and intention to offset.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

*j. Hedge accounting*

The Entity designates certain derivatives as hedging instruments in respect of interest rate risk in fair value hedges, cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Entity actually hedges and the quantity of the hedging instrument that the Entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Entity designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 21 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 23.

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Entity expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

*k. Inventories and cost of goods sold*

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of indirect fixed and variable costs are assigned to inventories by using the method most applicable to the inventory in question, which is valued at its average cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

*l. Property, equipment and right-of-use*

Property and equipment are initially recorded at cost.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. After the adoption of IFRS 1, the buildings are valued at historical cost and depreciated on a straight line.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

*m. Investment property*

Investment properties are properties held to earn lease income and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

*n. Intangible assets*

1. *Intangible assets acquired separately*
   Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2. *Intangible assets acquired in a business combination*
   Intangible assets acquired in a business combination and separately recognized from goodwill; its initial cost will be their fair value at the acquisition date.

   Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. *Derecognition of intangible assets*
   An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

*o. Impairment of tangible and intangible assets other than goodwill*

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see Note 16).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation *p. Goodwill*

Goodwill originated from a business acquisition is recognized at cost determined at the business acquisition date (see Note 16) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*q. Investment in associates and join venture*

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate. When necessary, the entire carrying amount of the investment including goodwill is tested for impairment in accordance with IAS 36, as a single asset by comparing its recoverable amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Entity retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

The Entity continues using the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no revaluation at fair value on these changes in the participation.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When an Entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

The Entity applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Entity does not take into account adjustments to their carrying amount required by IAS 28.

*r. Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share Based Payments* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

The non-controlling interests that are shareholdings and that grant their holders a proportional share of the Entity's net assets in the event of liquidation, can be measured initially at either fair value or at the value of the proportional participation of the non-controlling interest. In the recognized amounts of the net identifiable assets of the acquired company. The base measurement option is performed in each transaction. Other types of non-controlling interests are measured at fair value or, when applicable, based on what is specified by another IFRS.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

*s. Leasing*

– *The Entity as lessee*

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Entity recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Entity recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Entity uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Entity has not used this practical expedient. In relation to contracts that contain lease components and one or more additional lease or non-lease components, the Entity assigns the consideration of the contract to each lease component under the relative sales price method independent of the lease component and relative sales price independent aggregate for all non-lease components.

– *The Entity as lessor*

The Entity enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Entity is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Lease income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to assign the corresponding consideration to each component under the contract.

*t. Foreign currencies*

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except when they arise from exchange rate differences arising from transactions related to exchange rate risks.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period.

The adjustments corresponding to the goodwill and the fair value of identifiable acquired assets and assumed liabilities generated in the acquisition of an operation abroad are considered as assets and liabilities of said operation and are converted at the exchange rate in effect at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income.

*u. Conversion of financial statements of subsidiaries in foreign currency*

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

*v. Borrowing cost*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

*w. Employee benefits*

*Retirement benefits costs from termination benefits*

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income, and
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

*Short-term employee benefits and others long-term benefits*

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

*Statutory employee profit sharing ("PTU")*

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

As established by the Income Tax Law ("LISR"), as of December 31, 2022 and 2021, PTU is determined based on taxable income, according to the established legislation.

*Long-term deferred compensation*

The Entity has a plan for certain executives which provides a long-term deferred benefit which is determined by reference to the share price of the Entity and certain of its subsidiaries. The benefit is settled in cash when it becomes payable by the executives and is measured at its estimated fair value at the end of the period.

*x. Income taxes*

Income tax expense represents the sum of the tax currently payable and deferred taxes.

1. *Current tax*

Current income tax (ISR) is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. *Deferred income tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, the Entity has recognized any deferred taxes on changes in fair value of the investment properties.

3. *Current and deferred tax*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*y. Provisions*

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the cash value over time is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

*z. Liability for employee accidents*

The Entity is liable for losses on claims up to $500 dollars to its workers in the USA. The rest of the obligations for accidents of workers in the USA are covered by the Entity's insurance policies, the Entity has granted letters of credit as guarantee for the insurance. Significant judgment is required to estimate Incurred But Not Reported *(IBNR)* amounts, as parties have yet to assert such claims. Workers' compensation liabilities are calculated on a present value basis utilizing a risk-adjusted discount rate. The liability as of December 31, 2022 is approximately $1,409,195.

*aa. Liability for client accidents*

The Entity is liable for losses on general liability claims up to 250 dollars, in its stores in the USA. The rest of the obligations for accidents that occur in its stores in the USA are covered by an insurance company; however, significant judgment is required to estimate IBNR amounts as parties have yet to assert such claims. The liability as of December 31, 2022 is approximately $1,013,772.

*bb. Revenue recognition*

The entity recognizes income from the following sources:

- Sales of goods and dividend income.
- Income from the lease of premises.

– *Sales of goods*

The Entity sells clothes, general merchandise, electronic goods, groceries and perishable foods, mainly as retail sales and directly with customers through its points of sale.

Revenues are recognized when the benefits and risks of the goods have been transferred to the buyer. The buyer has the right to return the goods within 15 days after the sale. The Entity uses its historical experience to estimate the number of products returned to a portfolio level using an expected value method. It is considered highly probable that there will not be a significant reversal in the accumulated income recognized, consequently, a provision for refunds is not recognized.

– *Loyalty programs*

The Entity operates the 'Monedero Chedraui' and 'Cupones Chedraui' loyalty programs through which customers accumulate benefits in goods purchases or receive discount coupons, which provides them with a discount on future purchases. These points provide a discount to customers, which they would not receive if they did not buy the goods sold by the entity (they have a material right). The promise to give customers a discount is a separate performance obligation.

The selling prices for points are valued, based on the discounts granted when the benefits are exchanged by the client, considering the probability of redemption, being evidence of this, the historical experience of the Entity. A liability is recognized by income related to the loyalty program at the point of the initial sale. The loyalty program income is recognized when the client exchanges the benefits. The liabilities generated by the loyalty program are determined at fair value in proportion to the pattern of rights exercised by customers. As of December 31, 2022, and 2021, a balance of $421,686 and $333,411, respectively, is included in the balance sheet in creditors and accumulated expenses.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying the Entity's accounting policies, as described in Note 3, the Entity’s management must utilize its judgment, estimates and assumptions regarding the book values of assets and liabilities in the consolidated financial statements. The estimates and relative assumptions are based on experience and other factors that are considered relevant. Actual results could differ from these estimates.

Underlying estimates and assumptions are periodically reviewed. Accounting estimate reviews are recognized in the review period and future periods if they affect current and future periods.

*a. Essential judgments when applying accounting policies*

Below we present essential judgments, apart from those involving estimates, made by management during the application of the Entity's accounting policies and, which have a significant effect on the consolidated financial statements.

– The defined benefit obligation of the Entity is discounted at a rate set at market rates of high-quality corporate bonds at the end of the reporting period. Are required to use professional judgment in establishing criteria for the bonuses it must include on the population from which the yield curve is derived. The most important criteria considered for the selection of bonds include the size of the issuance of corporate bonds; the classification and identification of atypical bonds are excluded.

– The Entity is primarily self-insured for Workers’ compensation, auto, medical and general liability. The Entity recognizes its self-insurance liabilities using actuarial estimates, based on claims filed and an estimate of claims incurred but not yet reported (“IBNR”) and the Company updates these reserves as new information becomes known. Actual claims experience can affect these estimates, and to the extent that subsequent claim costs vary from estimates, future profits could be affected. The Entity has purchased stop-loss coverage to limit its exposure to any significant exposure on a per-claim basis. The Entity is insured for covered costs in excess of these per claim limits.

– The calculation of the value in use to perform the impairment tests requires the Entity’s base on its judgments to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value. Goodwill is assigned to each of the Entity's cash generating units which expects to obtain benefits from the synergies of this combination.

– The calculation of the value in use to perform the impairment tests requires that the Entity; based on its judgment, determine the cash-generating units appropriate to its environment to determine discounted future cash flows at an appropriate discount rate to calculate present value. Goodwill is assigned to each of the Entity's cash-generating units that expects to obtain benefits from certain synergies. In its case, the impact would be recorded in the corresponding asset item and the result of the period.

*b. Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Determination of future cash flows for impairment assessment*

When performing impairment tests on its long-lived assets, the Entity makes estimates of the value in use assigned to its property and equipment, intangible assets, goodwill and cash-generating units. The value in use calculations require the Entity to determine the future cash flows that will arise from the cash-generating units and an appropriate discount rate to calculate the present value. The Entity uses projections of future cash flows using estimates of market conditions, determination of prices and sales volumes.

*Estimation of useful life*

The Entity reviews the estimate of the useful life, residual value and amortization method for its fixed assets at the end of each reporting period and the effect of any change in the estimate is recognized prospectively. Furthermore, at the end of each reporting period the Entity reviews the book values of its tangible and intangible assets to determine whether there is any indication that they have suffered a loss from impairment.

*Fair value of investment properties*

The Entity reviews the fair value of the investment properties based on future cash flows, applying an appropriate discount rate. At the end of each period, if applicable, it makes the respective adjustments in results for the year.

*Fair value measurements and valuation processes*

In estimating the fair value of an asset or a liability, the Entity uses observable market data to the extent they are available. When the input data of level 1 are not available, the Entity hires qualified professional to perform independent valuation appraiser.

*Lease liability and right-of-use assets determination*

When estimating the amount of the lease liability, the Entity uses estimates such as discount rates and the exercise of contract extension periods. These estimates have a significant impact in determining the values of these liabilities and assets.

## 5. CASH AND CASH AND EQUIVALENTS

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Cash | $ | 186,024 | $ | 362,301 |
| Bank balances | | 3,055,469 | | 2,142,740 |
| Cash equivalents | | 8,324,008 | | 6,596,160 |
| | $ | 11,565,501 | $ | 9,101,201 |

## 6. ACCOUNTS AND NOTE RECEIVABLE – NET

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Costumers | $ | 473,479 | $ | 423,731 |
| Allowance for expected credit losses | | (29,943) | | (56,956) |
| | | 443,536 | | 366,775 |
| Rebates receivables | | 1,058,259 | | 1,274,410 |
| Sundry debtors | | 465,020 | | 534,971 |
| Advance payments | | 3,191 | | 1,460 |
| Notes receivable | | 19,662 | | 19,198 |
| | $ | 1,989,668 | $ | 2,196,814 |

a. ***Accounts receivable from customers***

The customer balances disclosed in the table above are classified as accounts receivable and therefore are valued at amortized cost, which is similar to their book value, 99% of the retail sales are made in cash.

The accounts receivable from customers detailed in this Note included the amounts overdue at the end of the reporting period (see aging analysis below) for which the Entity has recognized an allowance for doubtful accounts because it is highly likely that customers will default on their payments. This provision is recorded following its determination, while the reserve amount is updated at least on every reporting date. The additional disclosures required by IFRS 7, “Presentation of financial instruments”, for estimating the allowance for doubtful accounts have not been included, as they are considered immaterial.

The accounts receivable aging past due but not fully included in the reserve is as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Up to 30 days | $ | 1,944 | $ | 8,743 |
| 31 – 60 days | | 846 | | 2,214 |
| 61 – 90 days | | 5,681 | | 8,177 |
| More than 90 days | | 20,902 | | 14,820 |
| Total | $ | 29,373 | $ | 33,954 |

The reserve of uncollectible accounts as of December 31 is integrated as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Balance at the beginning of the year | $ | (56,956) | $ | (62,591) |
| Reserve increases | | (5,199) | | (13,843) |
| Reservation application | | 32,212 | | 19,478 |
| Balance at the end of the year | $ | (29,943) | $ | (56,956) |

## 7. RECOVERABLE TAXES

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Income tax | $ | 270,027 | $ | 284,738 |
| Tax credits, mainly value added tax (VAT) | | 1,391,277 | | 1,339,311 |
| Recoverable tax (employment subsidy) | | 367 | | 1,086 |
| Recoverable tax for production and services (IEPS) | | 430,686 | | 377,420 |
| Total | $ | 2,092,357 | $ | 2,002,555 |

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

The Entity has contracted derivatives to manage the loan interest rate risk, while also controlling the movement of the debt from fixed to variable rates and vice versa.

At the end of 2022, there is one swap to fix the LIBOR rate due in July 2025 with a notional of US$200 million and a fixed rate of 1.409% that covers a long-term loan contracted by a subsidiary of Grupo Comercial Chedraui.

The Entity obtains financing under different conditions, when they are floating rate, in order to reduce their exposure to risks of volatility in interest rates and foreign currency, the entity contracts financial derivatives instruments to interest rate that convert the profile interest payments from variable to fixed converting the foreign currency debt into local currency rate. The negotiations with derivatives are conducted only with institutions of recognized solvency and limits have been established for each institution. The policy or the Entity is to not trade for speculative purposes with derivative financial instruments.

In case of any of its subsidiaries does not have necessary conditions to be able to contract a derivative that mitigates an exchange rate or interest risk rate, will be Grupo Comercial Chedraui, S. A. B. de C. V. who will contract it.

The Entity recognizes all the assets or liabilities that arise from operations with derivative financial instruments in the balance sheet at fair value, regardless of the purpose of their holding. The fair value is determined based on recognized market prices and when they are not listed on a market, it is determined according to valuation techniques accepted in the financial field.

When derivatives are contracted in order to hedge risks and comply with all hedging requirements, their designation is documented at the beginning of the hedging operation, describing the objective, characteristics, accounting recognition and how the measurement of the effectiveness, applicable to that operation.

Derivatives designated as hedges recognize changes in valuation according to the type of hedge in question: (1) when they are at fair value, fluctuations in both the derivative and the hedged item are valued at fair value and are recognized in profit or loss; (2) the present value of the cash flow is recognized in comprehensive income and is applied to results when the hedged item affects them; the ineffective portion is recognized in results.

The Entity suspends hedge accounting when the derivative has expired, has been sold, is canceled or exercised, when the derivative is not highly effective to offset changes in the fair value or cash flows of the hedged item or when the derivative entity decides to cancel the coverage designation.

By suspending hedge accounting, in the case of cash flow hedges, the amounts that have been recorded in stockholders' equity as part of comprehensive income, remain in the capital until the time when the effects of the forecasted transaction or firm commitment affect the results. In the event that the firm commitment or forecast transaction is no longer likely to occur, the gains or losses that were accumulated in the comprehensive income account are immediately recognized in results. When the coverage of a forecasted transaction was satisfactory and subsequently does not meet the effectiveness test, the accumulated effects on comprehensive income in stockholders' equity are carried proportionally to the results, to the extent that the forecasted asset or liability affect the results.

## 9. INVENTORIES

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Finished goods | $ | 20,433,816 | $ | 17,432,296 |
| Raw materials | | 426,855 | | 343,785 |
| Productions in process | | 24,531 | | 17,145 |
| Others | | 154,284 | | 114,330 |
| | $ | 21,039,486 | $ | 17,907,556 |

## 10. PROPERTY AND EQUIPMENT - NET

*a. The reconciliation of property and equipment is as follows:*

| Cost | Building | Store equipment | Furniture and fixtures | Vehicles | Construction in process | Land | Total |
|---|---|---|---|---|---|---|---|
| Balances as of January 1, 2021 | $ 27,395,767 | $ 15,095,170 | $ 2,257,248 | $ 259,959 | $ 990,192 | $ 6,119,798 | $ 52,118,134 |
| Acquisitions | 1,084,355 | 1,149,640 | 181,503 | 8,530 | 1,455,360 | 257,148 | 4,136,536 |
| Net effect of foreign currency exchange differences | 209,304 | 223,592 | 4,828 | 3,776 | 614 | 2,242 | 444,356 |
| Business acquisition (Note 15) | 4,851,648 | 4,228,052 | 75,710 | 90,528 | 7,419 | 70,986 | 9,324,343 |
| Disposals | (20,530) | (163,276) | (113,106) | (55,458) | (1,570) | (149,658) | (503,598) |
| Transfers to investments properties | 37,464 | 292,827 | 27,726 | 74 | (1,582,906) | (55,698) | (1,280,513) |
| Balances as of December 31, 2021 | 33,558,008 | 20,826,005 | 2,433,909 | 307,409 | 869,109 | 6,244,818 | 64,239,258 |
| Acquisitions | 2,187,760 | 2,525,952 | 259,028 | 42,439 | 385,847 | 419 | 5,401,445 |
| Net effect of foreign currency exchange differences | (403,831) | (425,306) | (8,949) | (6,027) | (3,701) | (4,345) | (852,159) |
| Business acquisition (note 15) | 402,164 | 341,342 | 223,883 | 37,007 | 420 | – | 1,004,816 |
| Disposals | (57,720) | (240,993) | (34,715) | (9,556) | (4,031) | (12,398) | (359,413) |
| Transfers to investments properties and assets classified as held for sale | (116,415) | 2,648 | 2,794 | 710 | (205,045) | 80,017 | (235,291) |
| Balances as of December 31, 2022 | $ 35,569,966 | $ 23,029,648 | $ 2,875,950 | $ 371,982 | $ 1,042,599 | $ 6,308,511 | $ 69,198,656 |
| **Depreciation** | | | | | | | |
| Balances as of January 1, 2021 | $ (8,228,249) | $ (9,001,402) | $ (1,887,523) | $ (188,934) | $ – | $ – | $ (19,306,108) |
| Depreciation expenses | (1,052,994) | (1,739,660) | (196,716) | (37,005) | – | – | (3,026,375) |
| Business acquisition | (2,214) | – | – | – | – | – | (2,214) |
| Transfers | 609 | (421) | 411 | (5) | – | – | 594 |
| Disposals | 11,274 | 145,643 | 64,199 | 51,354 | – | – | 272,470 |
| Balances as of December 31, 2021 | (9,271,574) | (10,595,840) | (2,019,629) | (174,590) | – | – | (22,061,633) |
| Depreciation expenses | (1,407,353) | (2,373,678) | (183,319) | (52,764) | – | – | (4,017,114) |
| Business acquisition | (199,931) | (214,831) | (151,828) | (32,903) | – | – | (599,493) |
| Transfers | 500 | (740) | 243 | (3) | – | – | – |
| Disposals | 22,676 | 207,857 | 34,323 | 7,129 | – | – | 271,985 |
| Balances as of December 31, 2022 | $ (10,855,682) | $ (12,977,232) | $ (2,320,210) | $ (253,131) | $ – | $ – | $ (26,406,255) |
| Total as of December 31, 2021 | $ 24,286,434 | $ 10,230,165 | $ 414,280 | $ 132,819 | $ 869,109 | $ 6,244,818 | $ 42,177,625 |
| Total as of December 31, 2022 | $ 24,714,284 | $ 10,052,416 | $ 555,740 | $ 118,851 | $ 1,042,599 | $ 6,308,511 | $ 42,792,401 |

*b. The following useful lives are used in the calculation of depreciation:*

| | Years |
|---|---|
| Buildings (3) | 60 |
| Improvement to lease properties | 30 in average |
| Store equipment | 12 in average |
| Furniture and fixtures | 10 |
| Computer equipment (1) | 3 |
| Vehicles | 4 |
| Airplane (2) | 15 |

(1) Presented within the furniture and fixtures heading
(2) Presented within the vehicles heading
(3) Improvements to leased properties are included in buildings and are amortized using the short of the life of the asset and the lease term.

## 11. RIGHT-OF-USE ASSETS – NET

*a. The reconciliation of rights-of-use is as follows:*

| Gross right-of-use assets | Building | Store equipment | Vehicles | Airplane | Computer equipment | Intangible | Total |
|---|---|---|---|---|---|---|---|
| *Cost:* | | | | | | | |
| Balances as of January 1, 2021 | $ 24,894,746 | $ 118,039 | $ 240,365 | $ 796,284 | $ 388,108 | $ 14,012 | $ 26,451,554 |
| Business acquisition | 22,928,112 | – | – | – | – | – | 22,928,112 |
| Acquisitions | 232,118 | 33,289 | 78,417 | – | 1,779 | – | 345,603 |
| Others | (17,389) | (323) | (30) | 80 | 1,778 | – | (15,884) |
| Disposals | (8,680) | (18,470) | (55,339) | – | (1,656) | – | (84,145) |
| Reevaluations | 554,660 | – | – | – | – | – | 554,660 |
| Exchange effects | 1,149,285 | – | 636 | – | – | – | 1,149,921 |
| Balances as of December 31, 2021 | 49,732,852 | 132,535 | 264,049 | 796,364 | 390,009 | 14,012 | 51,329,821 |
| Business acquisition | 212,266 | – | 901 | – | 2,619 | – | 215,786 |
| Acquisitions | 367,114 | – | 29,729 | – | 92,831 | – | 489,674 |
| Others | (26,172) | (64) | 39 | 2,878 | – | – | (23,319) |
| Disposals | (263,559) | – | (18,321) | – | (2,240) | – | (284,120) |
| Reevaluations | 1,084,616 | – | – | – | – | – | 1,084,616 |
| Exchange effects | (2,136,921) | – | (765) | – | – | – | (2,137,686) |
| Balances as of December 31, 2022 | $ 48,970,196 | $ 132,471 | $ 275,632 | $ 799,242 | $ 483,219 | $ 14,012 | $ 50,674,772 |

| Gross right-of-use assets | Building | Store equipment | Vehicles | Airplane | Computer equipment | Intangible | Total |
|---|---|---|---|---|---|---|---|
| ***Depreciation*** | | | | | | | |
| Balances at January 1, 2021 | $ (6,246,335) | $ (113,226) | $ (182,526) | $ (425,282) | $ (364,800) | $ (14,012) | $ (7,346,181) |
| Disposals | 1,079 | 1,327 | 11,126 | – | 1,283 | – | 14,815 |
| Depreciation expenses | (1,961,588) | (2,761) | (35,273) | (60,739) | (21,837) | – | (2,082,198) |
| Balances at December 31, 2021 | (8,206,844) | (114,660) | (206,673) | (486,021) | (385,354) | (14,012) | (9,413,564) |
| Disposals | 35,763 | – | 15,653 | – | 1,226 | – | 52,642 |
| Depreciation expenses | (2,870,329) | (14,132) | (32,625) | (60,821) | (11,948) | – | (2,989,855) |
| Balances at December 31, 2022 | $ (11,041,410) | $ (128,792) | $ (223,645) | $ (546,842) | $ (396,076) | $ (14,012) | $ (12,350,777) |
| ***Net book value:*** | | | | | | | |
| Total at December 31, 2021 | $ 41,526,008 | $ 17,875 | $ 57,376 | $ 310,343 | $ 4,655 | $ – | $ 41,916,257 |
| Total at December 31, 2022 | $ 37,928,786 | $ 3,679 | $ 51,987 | $ 252,400 | $ 87,143 | $ – | $ 38,323,995 |

b. ***The Entity leases various assets, including buildings and computer equipment. The average lease term is as follows:***

| Leased assets | Average lease term 2022 | Average lease term 2021 |
|---|---|---|
| Vehicles | 3 years | 3 years |
| Buildings | 25 years | 25 years |
| Airplane | 10 years | 10 years |
| Computer equipment | 3 years | 3 years |
| Various equipment (*) | 7 years | – |

(*) Dining room equipment

The Entity has the option to purchase certain equipment for a nominal amount at the end of the lease period. The Entity's obligations are covered by the title to the assets leased that is maintained by the lessor.

The expired contracts were replaced by new leases with identical underlying assets. This resulted in the addition of rights-of-use assets of $1,390 in 2021, for 2022 does not apply because there was no replacement of new leases.

The maturity analysis of the lease liabilities is presented in note 19.

Amounts recognized in the consolidated financial statements for leases:

| | 2022 | 2021 |
|---|---|---|
| Depreciation of lease right-of-use assets | $ 3,078,528 | $ 1,967,988 |
| Interest accrued on lease liabilities | 2,745,485 | 2,189,905 |
| Expense related to short-term lease | 90,847 | 89,282 |
| Expense related to leasing of low value assets | 6,784 | 8,457 |
| Expense related to variable lease payments not included in the measurement of lease liabilities | 164,525 | 109,851 |

The Entity has commitments of $2,329,019 and $2,176,94 as of December 31, 2022 and 2021, respectively, for short-term leases.

Some of the leases of properties in which the Entity is a lessee contain variable lease payment terms that are related to sales generated in the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The composition of the lease payments is detailed in the following table:

| | 2022 | 2021 |
|---|---|---|
| Fixed payments | $ 4,813,672 | $ 3,570,165 |
| Variable payments, short-term and low-value leases | 262,155 | 207,590 |
| Total lease payments | $ 5,075,827 | $ 3,777,755 |

As of December 31, 2022, and 2021, variable payments constitute 5.16% and 5.50%; respectively of the Entity's total lease payments. The Entity expects this proportion to remain constant in future years. Variable payments depend on sales and consequently, on economic development during the following years. Taking into consideration the development of expected sales in the following years, it is expected that the expense for variable leases will continue in a similar proportion of store sales.

## 12. INVESTMENT PROPERTY

| | 2022 | 2021 |
|---|---|---|
| Balances as of the beginning of the year | $ 10,995,934 | $ 9,810,731 |
| Transfers from property and equipment | 330,945 | 1,232,643 |
| Fair value loss on investment property | (32,815) | – |
| Transfers to assets classified as held for sale | – | (47,440) |
| Balances as of year end | $ 11,294,064 | $ 10,995,934 |

All the Entity's investment properties are free from third-party interests.

There has been no change in valuation technique on the current year. The fair value of the Entity's investment properties is considered the highest and best use of the property in its current use. The net gain on property revaluation is presented under other expenses-net in the consolidated statements of profit or loss and other comprehensive income.

The Entity receives lease income from investment properties, all of which are under operating leases, amounting to $1,128,660 and $916,001 for 2022 and 2021, respectively. Operating expenses directly related to investment properties were $386,564 and $314,067 for 2022 and 2021, respectively.

The following information is relevant to investment properties classified as Level 3 fair value hierarchy:

| Property | Fair Value hierarchy | Valuation Technique | Significant unobservable inputs | Value / Range | Relationship unobservable inputs of fair value |
|---|---|---|---|---|---|
| Land and construction | Level 3 | Cash flows | Discount rate | 11.64% | At higher discount rate, lower fair value |
| | | | Earnings before interest, taxes, depreciation and amortization | Based on the contractual rent at market price. | At higher earnings before interest, taxes, depreciation and amortization, fair value increased |
| | | | Growth rates | Mexico: 3.6% | At higher inflation rate, higher fair value. |
| | | | Occupancy rate | Average 96%, depending on location | A higher occupancy rate results in higher fair value |

There were no transfers between levels of the fair value hierarchy during the year.

## 13. INVESTMENT IN ASSOCIATES AND JOIN VENTURES

As of December 31, 2022, and 2021 the entire share in the results of associates and joint ventures for $88,766 and $54,471 corresponds to the investment in Smart & Final del Noroeste, S.A. of C.V.

| Name | Type of invest | Principal activity | Place of incorporation and principal place of business | Investment in Joint Venture and Associates 2022 | 2021 |
|---|---|---|---|---|---|
| Smart & Final del Noroeste, S.A. de C.V. | Join venture | The Entity is engaged in the purchase and sale of groceries, food products and general merchandise. | Mexico | $ 971,431 | $ 936,928 |
| Others | Associate | Real Estate | Mexico | 4,335 | 4,335 |
| Total | | | | $ 975,766 | $ 941,263 |

The financial information of Smart & Final del Noroeste, S.A. de C.V. is as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Total assets | $ | 1,178,022, | $ | 20,592,382 |
| Total liabilities | | 608,314 | | 10,805,301 |
| Capital attributable to shareholders of the entity | | 569,708 | | 9,787,080 |
| Revenues | | 3,123,757 | | 1,582,869 |
| Cost of sales, operating expenses and taxes | | 2,946,224 | | 1,473,925 |
| Profit for the year | | 177,533 | | 108,944 |
| Profit in associates and joint ventures | | 50% | | 50% |
| Profit for the year in joint ventures | | 88,767 | | 54,472 |
| Other and intangible assets – Net | $ | 11,835,035 | $ | 12,385,983 |

## 14. OTHER AND INTANGIBLE ASSETS – NET

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Guarantee deposits | $ | 359,719 | $ | 1,270,825 |
| Goodwill (1) – Note 16 | | 6,052,309 | | 5,452,219 |
| Advances for acquisition of property and equipment | | 450,566 | | 164,445 |
| Other non-current assets, mainly prepaid expenses | | 277,446 | | 406,734 |
| Other assets | | 7,140,040 | | 7,294,223 |
| Intangibles: | | | | |
| Software and licenses | | 3,345,911 | | 3,134,412 |
| Accumulated software and licenses amortization | | (2,215,616) | | (1,829,213) |
| | | 1,130,295 | | 1,305,199 |
| Marca Arteli | | 35,698 | | – |
| Fiesta Mart trademark | | 1,891,618 | | 2,011,008 |
| Smart & Final trademark | | 1,637,384 | | 1,775,553 |
| Total other and intangible assets – Net | $ | 11,835,035 | $ | 12,385,983 |

(1) Represents the excess of the price paid for the market value of the assets and assumed liabilities related to:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Cash generating units to which goodwill is assigned: | | | | |
| 254 tiendas in California, USA | $ | 2,892,783 | $ | 3,075,361 |
| 61 stores in Texas USA | | 1,075,615 | | 1,143,502 |
| 29 stores in the south of Angeles USA | | 947,254 | | 1,007,040 |
| 3 stores in Baja California Sur Mexico | | 216,026 | | 216,026 |
| 5 stores in the center of Mexico | | 10,290 | | 10,290 |
| 36 stores in Hidalgo, Tamaulipas, Veracruz y San Luis Potosí | | 910,342 | | – |
| Total | $ | 6,052,310 | $ | 5,452,219 |

The reconciliation of intangibles is as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Cost | | | | |
| Balance at beginning of January | $ | 3,134,412 | $ | 2,194,813 |
| Disposals | | (5,123) | | (296,749) |
| Acquisitions | | 280,488 | | 210,049 |
| Acquisitions of Smart & Final | | – | | 1,022,549 |
| Foreign currency translation effect | | (63,866) | | 3,750 |
| Balance as of December: | $ | 3,345,911 | $ | 3,134,412 |
| Amortization | | | | |
| Balance at beginning of January | $ | (1,829,213) | $ | (1,807,442) |
| Amortization cost | | (391,527) | | (292,258) |
| Disposals | | 5,124 | | 270,487 |
| Balance as of December: | $ | (2,215,616) | $ | (1,829,213) |
| Intangible – Net | $ | 1,130,295 | $ | 1,305,199 |

## 15. BUSINESS COMBINATION

### 1) *Acquisitions made during 2022:*

#### a. *Subsidiary acquired*

| Name of entity | Principal activity | Acquisition date | Units acquired | Proportion of shares | Consideration transferred in thousands of Mexican pesos |
|---|---|---|---|---|---|
| Tienda de Descuento Arteli, S.A de C.V. | Self-service stores | December 14, 2022 | 36 stores | 100% | $ 1,673,772 |

The acquisition was made to expand the geographical location of the Entity.

#### b. *Consideration transferred*

| | | 2022 thousands of Mexican pesos |
|---|---|---|
| Cash consideration | $ | 1,673,772 |

#### c. *Assets acquired and liabilities assumed are as set out in the table below*

| Current assets | | Tienda de Descuento Arteli, S.A de C.V. |
|---|---|---|
| Cash and cash and equivalents | $ | 567,050 |
| Accounts and notes receivables – Net | | 5,134 |
| Taxes receivable | | 188,076 |
| Inventories | | 487,307 |
| Other accounts receivables | | 8,364 |
| | $ | 1,255,931 |

| Non-current assets | | Tienda de Descuento Arteli, S.A de C.V. |
|---|---|---|
| Property and equipment – Net | $ | 405,324 |
| Deferred tax asset | | 34,399 |
| Other assets (*) | | 36,850 |
| Right of use assets | | 215,786 |
| | $ | 692,359 |
| **Current liabilities** | | |
| Accounts payables | $ | (699,358) |
| Other accounts payables | | (186,947) |
| Accrued expenses and other liabilities | | (38,903) |
| | $ | (925,208) |
| **Non-current assets** | | |
| Lease liabilities | $ | (176,883) |
| Retirement benefit obligations | | (82,769) |
| | $ | (259,652) |
| | $ | 763,430 |

(*) Includes Arteli trademark of $35,698.

The initial accounting for the acquisition of Tienda de Descuento Arteli, S.A de C.V. has only been provisionally determined at the end of the reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been finalized and they have therefore only been provisionally determined based on the Entity's best estimate of the likely tax values.

#### d. *Goodwill that arises from the Acquisition*

| | | Tienda de Descuento Arteli, S.A de C.V. thousands of Mexican pesos |
|---|---|---|
| Consideration transferred | $ | 1,673,772 |
| Less: fair value of the assets acquired | | 763,430 |
| Goodwill | $ | 910,342 |

Goodwill arising on the acquisition of Tienda de Descuento Arteli, S.A de C.V. included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the workforce that has been assembled from Tienda de Descuento Arteli, S.A de C.V. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill that arose from the acquisition is not redeemable for tax purposes.

*e. Net cash outflow on acquisition of subsidiaries*

| | | 2022 |
|---|---|---|
| Consideration paid in cash | $ | 1,673,772 |
| Less: cash and cash equivalent balances acquired | | 567,050 |
| | $ | 1,106,722 |

*f. Effect of acquisitions on the results of the Entity*

The result for the year includes a loss of $20,034 attributable to additional business generated by Smart Tienda de Descuento Arteli, S.A de C.V. and income for the year includes $328,709 related to the acquisition of Tienda de Descuento Arteli, S.A de C.V.

If these business combinations had been occurred on January 1, 2022, the Entity's income from continuing operations would have been $263,814,748, while the result of the year from continuing operations would have been $6,336,379.

In determining the Entity's income and profit, if Tienda de Descuento Arteli, S.A de C.V. had been acquired at the beginning of the current reporting period, management would have:

* Calculated the depreciation of property and equipment acquired based on their fair value at initial recognition for the business combination, and not the book values recognized in the financial statements prior to the acquisition;

* Based on borrowing costs on funding levels, credit ratings and the Entity's liability/equity position, after the business combination.

*2) Acquisitions made during 2021:*

*a. Subsidiary acquired*

| Name of entity | Principal activity | Acquisition date | Units acquired | Consideration transferred in thousand dollars | Consideration transferred in thousands of Mexican pesos |
|---|---|---|---|---|---|
| Smart & Final Holdings Inc. | Self-service stores | July 28, 2021 | 254 stores | $ 593,501 | $ 1,842,436 |

*b. Business acquisition*

During 2021 the Entity acquired 100% of the capital stock of Smart & Final Holdings Inc. Acquiring 254 stores and 16 stores under a Joint Venture format under the name Smart & Final del Noroeste, S.A de C.V. The acquisition was made to expand the Entity's geographic location.

*c. Consideration transferred*

| | | 2021 thousands of US dollars | | 2021 thousands of Mexican pesos |
|---|---|---|---|---|
| Cash consideration | $ | 593,501 | $ | 11,842,436 |

Costs related to the acquisition of $283,378 were excluded from the consideration transferred and were recognized as an expense in the period, within "other expenses" in the statement of income and other comprehensive income.

*d. Assets acquired and liabilities assumed are as set out in the table below*

| Current assets | | Smart & Final Holdings Inc. |
|---|---|---|
| Cash and cash and equivalents | $ | 360,917 |
| Accounts and notes receivables – Net | | 865,332 |
| Inventories | | 5,094,771 |
| Other accounts receivables | | 224,327 |
| | $ | 6,545,347 |

| Non-current assets | | Smart & Final Holdings Inc. |
|---|---|---|
| Property and equipment – Net | $ | 9,322,129 |
| Investment in joint ventures | | 856,005 |
| Other assets (*) | | 3,529,962 |
| Right of use assets | | 22,928,112 |
| | $ | 36,636,208 |
| **Current liabilities** | | |
| Accounts payables and other accounts payables | $ | (7,003,784) |
| Accrued expenses and other liabilities | | (1,584,943) |
| | $ | (8,588,727) |
| **Non-current assets** | | |
| Lease liabilities | $ | (21,566,218) |
| Deferred taxes | | (1,040,381) |
| Other liabilities | | (3,125,032) |
| | $ | (25,731,631) |
| | | 8,861,197 |

(*) Includes Smart & Final trademark of $1,735,955.

The initial accounting for the acquisition of Smart & Final Holding Inc. has only been provisionally determined at the end of the reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been finalized and they have therefore only been provisionally determined based on the Entity's best estimate of the likely tax values.

*e. Goodwill that arises from the Acquisition*

| | | Smart & Final Holdings Inc. thousands of US dollars | | Smart & Final Holdings Inc., thousands of Mexican pesos |
|---|---|---|---|---|
| Consideration transferred | $ | 593,501 | $ | 11,842,436 |
| Less: fair value of the assets acquired | | 444,092 | | 8,861,197 |
| Goodwill | $ | 149,409 | $ | 2,981,239 |

Goodwill arising on the acquisition of Smart & Final Holdings Inc. included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the workforce that has been assembled from Smart & Final Holdings Inc. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill that arose from the acquisition is not redeemable for tax purposes.

*f. Net cash outflow on acquisition of subsidiaries*

| | | 2021 |
|---|---|---|
| Consideration paid in cash | $ | 11,842,436 |
| Less: cash and cash equivalent balances acquired | | 360,917 |
| | $ | 11,481,519 |

*g. Effect of acquisitions on the results of the Entity*

The result for the year includes a loss of $434,798 attributable to additional business generated by Smart & Final Holdings Inc. and income for the year includes $38,230,742 related to the acquisition of Smart & Final Holdings Inc.

If these business combinations had been occurred on January 1, 2021, the Entity's income from continuing operations would have been $233,448,396, while the result of the year from continuing operations would have been $2,629,888.

In determining the Entity's income and profit, if Smart & Final Holdings Inc. had been acquired at the beginning of the current reporting period, management would have:

* Calculated the depreciation of property and equipment acquired based on their fair value at initial recognition for the business combination, and not the book values recognized in the financial statements prior to the acquisition;

* Based on borrowing costs on funding levels, credit ratings and the Entity's liability/equity position, after the business combination.

## 16. GOODWILL

| | 2022 | 2021 |
|---|---|---|
| *Cost* | | |
| Balance at the beginning of the year | $ 5,452,219 | $ 2,310,527 |
| Additional amounts recognized from business combinations occurring during the year, note 15 | 910,342 | 2,981,239 |
| Effect of foreign currency exchange differences | (310,252) | 160,453 |
| Balance at the end of the year | $ 6,052,309 | $ 5,452,219 |

*a. Allocation of goodwill to cash-generating units*

For purposes of performing impairment tests, goodwill was assigned to the group of cash-generating units that benefited from the synergies generated by the acquisitions.

## 17. ACCOUNTS AND NOTES PAYABLE TO SUPPLIERS

The amount recognized for suppliers is based on source documentation, whether the amount indicated by the respective receipt or contract at the balance sheet date, or the disbursement required to settle the current obligation. The Entity has implemented financial risk management policies to ensure that all accounts payable is settled according to pre-agreed credit terms.

The debt with suppliers (including liabilities to affiliated parties related to suppliers) is calculated according to agreed contractual maturities. At December 31, 2022 and 2021, the Entity's debt obligation is composed as follows:

| | 2022 | 2021 |
|---|---|---|
| Current | $ 14,295,087 | $ 11,183,460 |
| Up to 30 days | 9,882,558 | 10,580,627 |
| Up to 60 days | 3,762,934 | 3,120,496 |
| Up to 90 days | 2,186,947 | 2,065,116 |
| More than 90 days | 524,684 | 454,472 |
| | $ 30,652,210 | $ 27,404,171 |

## 18. LONG-TERM DEBT

| | 2022 | 2021 |
|---|---|---|
| Loan from Banco Nacional de Comercio Exterior, S. N. C. warranted by Tiendas Chedraui, S. A. de C. V. and Inmobiliaria Kira, S. A. de C. V. at an annual rate of TIIE plus 0.85% with expiration in 10 years from September 2016 and payment of principal beginning on October 12, 2018. The loan was prepaid on December 24, 2021, of $82,300, maturing on May 11, 2022. The rate as of December 31, 2021, was 5.84%. This loan was prepaid during February 2022. | $ – | $ 26,568 |
| Loan entered into by Comercial Chedraui, S.A.B. de C.V. from Banco Nacional de Comercio Exterior, S. N. C, warranted by Tiendas Chedraui, S. A. de C. V. at an annual rate TIIE plus 0.85%, with ten years as of November 2017 and payments of principal beginning on December 2019. There was a prepayment of $300,000, with a new expiration date on May 10, 2026. The rate as of December 31, 2021 was 5.84%. This loan was prepaid during February 2022. | – | 662,500 |
| Syndicated loan contracted on July 26, 2021 for $620 million dollars, entered into by Chedraui USA, Inc., with the guarantee of Grupo Comercial Chedraui, S.A.B. de C.V, Tiendas Chedraui, S.A. de C.V., Inmobiliaria Kira, S.A, Fiesta Mart Investments, L.L.C., Fiesta Mart Holdings, L.L.C, Fiesta Mart, L.L.C., with the participation of 3 leading banks: Bank of America, N.A., BBVA Bancomer S.A. and Scotiabank Inverlat, S.A., as well as 8 additional banks. The agreed rate of Libor plus 1.55%. with expiration on 5 years. During 2022, prepayments of US$165 million were made. | 8,809,482 | 12,761,770 |
| Refinanced syndicated Loan on July 26, 2021 for $200 million dollars (intervention of 8 banks) entered into by Chedraui USA, Inc. with Bank of America, N.A. with endorsement granted by Grupo Comercial Chedraui, S.A.B de C.V., Tiendas Chedraui, S.A. de C.V., Inmobiliaria Kira, S.A. of C.V., Fiesta Mart Investments, L.L.C., Fiesta Mart Holdings, L.L.C, Fiesta Mart, L.L.C., with the participation of 3 leading banks: Bank of America, N.A., BBVA Bancomer S.A. and Scotiabank Inverlat, S.A., at a Libor rate plus 1.25% with a term of 4 years. | 3,872,300 | 4,116,700 |
| Long term debt | 12,681,782 | 17,567,538 |
| Less – current portion | – | 176,568 |
| | $ 12,681,782 | $ 17,390,970 |

The Entity currently has two contracts, one for US$ 200 million and the other for US$ 620 million, signed on July 26, 2022, which already include the mechanism to replace the LIBOR rate with a new rate called SOFR (Secured Overnight Financing Rate, for its acronym in English), when the bank so communicates. The reference rate will be determined by the value of the SOFR at the time of substitution plus 11,448 basis points for having monthly maturities. The Entity assumes not to implement changes in risk management due to the change in the reference rate.

At December 31, 2022 and 2021, the Entity was in compliance with the covenants set forth in each of the contracts.

*a. Reconciliation of obligations derived from financing activities*

| | Balance as of January 1, 2022 | Acquisitions | Other | Payments | Exchange effect | Balance as of December 31, 2022 |
|---|---|---|---|---|---|---|
| Borrowings from financial institutions | $ 17,567,538 | $ – | $ – | $ (3,883,715) | $ (1,002,041) | $ 12,681,782 |
| Leases obligations | $ 46,773,757 | $ 716,592 | $ 886,886 | $ (2,051,334) | $ (2,374,839) | $ 43,951,062 |

| | Balance as of January 1, 2022 | Acquisitions | Other | Payments | Exchange effect | Balance as of December 31, 2021 |
|---|---|---|---|---|---|---|
| Borrowings from financial institutions | $ 9,347,425 | $ 16,296,770 | $ – | $ (8,235,357) | $ 158,700 | $ 17,567,538 |
| Leases obligations | $ 22,932,711 | $ 24,237,565 | $ 467,339 | $ (1,390,792) | $ 526,934 | $ 46,773,757 |

## 19. LEASE LIABILITIES

| Maturity | 2022 Liabilities | 2022 Interest | 2021 Liabilities | 2021 Interest |
|---|---|---|---|---|
| 1 year | $ 2,329,019 | $ 2,292,354 | $ 2,176,948 | $ 2,784,356 |
| 2 years | 2,315,535 | 2,525,488 | 1,999,433 | 2,660,570 |
| 3 years | 2,462,572 | 2,389,301 | 2,360,235 | 2,527,852 |
| 4 years | 2,690,362 | 2,259,806 | 2,515,476 | 2,392,406 |
| 5 years | 2,535,130 | 2,092,941 | 2,787,577 | 2,261,658 |
| Subsequent years | 31,618,444 | 17,471,958 | 34,934,088 | 19,239,334 |
| | $ 43,951,062 | $ 29,031,848 | $ 46,773,757 | $ 31,866,176 |
| Maturity of short-term | $ 2,329,019 | $ 2,292,354 | $ 2,176,948 | $ 2,784,356 |
| Maturity of long-term | $ 41,622,043 | $ 26,739,494 | $ 44,596,809 | $ 29,081,820 |

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

## 20. EMPLOYEE BENEFITS

*a. Defined contribution plans*

The Entity by law make payments equivalent to 2% of wage workers integrated (ceiling) plan defined contribution savings system of retirement established by the law. The expense for this item was $114,154 in 2022 and $97,468 in 2021. Additionally, there is a contribution made by the Entity that until 2022 was equivalent to 3.15% of the integrated salary of its employees and from 2023 on it will gradually increase reaching 11.875% in 2030. The expense for this item was $177,221 in 2022 and $151,227 in 2021.

The Entity makes payments to defined contribution plans in the US, also known as 401 (k) plans, in which the Entity makes contributions to the individual funds of its employees, in proportion to the voluntary contributions made by the employees. The expense for this item was $182,262 and $76,214 in 2022 and 2021.

b. *Defined benefit plans*

*Seniority premium in Mexico:* The Entity maintains a defined benefit pension plan, which covers all employees who reach 65 and 60 years of age, according to the benefit plan defined by the Entity. This plan also provides seniority premium benefits, which consist of a lump sum payment of 12 days' wage for each year worked, calculated using the most recent salary, not to exceed twice the minimum wage established by law. The net liabilities at December 31, 2022 and 2021 are approximately $1,312,387 and $1,125,044, respectively.

*Smart & Final pension plan:* As a result of the acquisition of Smart & Final Inc., there is a defined benefit plan which, prior to June 1, 2008, covered substantially all full-time employees following a vesting period of 5 years (the "Participants") and provided defined benefits based on the years of service and final average salary at the time of retirement. This plan was frozen for the accruing of future benefits for the majority of the Participants (the "Frozen Participants") effective June 1, 2008. As of December 31, 2022, there were approximately 4,367 hourly paid employees in Entity's distribution and transportation operations accruing future benefits under this plan and who remain eligible for participation in this pension plan (the "Active Participants"). No new employees are eligible for participation in the Smart & Final Pension Plan with the exception of eligible new hires in Smart & Final's distribution and transportation operations. The Entity makes contributions to the Smart & Final Pension Plan in accordance with the requirements of the *"Employee Retirement Income Security Act of 1974, as amended"*. The defined benefit net as of December 31, 2022 and 2021 is approximately $803,105 and $1,374,072, respectively.

*Supplemental executive retirement plan (the "SERP")*: As a result of the acquisition of Smart & Final Inc., there is a non-qualified defined benefit supplemental executive retirement plan which provides supplemental income payments for certain current executives and former corporate officers in retirement. No new participants are eligible for participation and service and compensation accruals were frozen effective January 1, 2008. The defined benefit net liability as of December 31, 2022 and 2021 is approximately $(73,257) and $9,387.

*Post-employment and post-retirement benefits:* As a result of the acquisition of Smart & Final Inc., there is a plan that offers health benefits for certain employees who have retired from the Entity. Prior to June 1, 2008, substantially all full-time employees could become eligible for such benefits if they reached retirement age while still working for the Entity. The Entity froze the accruing of benefits for eligible participants effective June 1, 2008. Participants who were eligible for a retiree medical benefit and retired prior to June 1, 2008 continue to be eligible for retiree medical coverage. Net defined benefit liability as of December 31, 2022 and 2021, is approximately $250,000 and $360,000, respectively.

The related liability and the annual cost of following plans are calculated by an independent actuary in accordance with the bases defined in the plans, using the projected unit credit method.

c. *Deferred compensation plan*

The Entity maintains a long-term incentive plan ("LTI") that requires certain key employees to elect to defer up to 100% of their variable compensation between 3 and 5 years. The long-term liability for this deferred compensation as of December 31, 2022 and 2021 is $709,110 and $534,327, respectively and is presented under Other long-term liabilities in the consolidated statement of financial position.

The plans typically expose the Group to actuarial risks such as, investment risk, interest rate risk, longevity risk and salary risk.

| | |
|---|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. |
| Interest risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. |
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

The present value of the defined benefit obligation and the labor cost of the current service and past service cost were calculated using the method of projected unit credit.

The main assumptions used for the purposes of actuarial valuation are the following:

d. *Nominal rates used in actuarial calculations are as follows:*

| | 2022 % | 2021 % |
|---|---|---|
| Discount of the projected benefit obligation at present value | 9.25 | 8.00 |
| Discount of the projected benefit obligation at present value in the USA | 4.95 | 2.80 |
| Salary increase | 4.50 | 4.50 |
| Salary increase in the USA | 7.35 | 3.25 |
| Salary increase (minimum by law) | 3.50 | 3.50 |

*e. The amounts recognized in the results of these defined benefits plan, are:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **Service cost:** | | | | |
| Current service cost | $ | 209,721 | $ | 167,806 |
| Net interest expense | | 141,895 | | 101,286 |
| | $ | 351,616 | $ | 269,092 |
| **Remeasurement on the net defined benefit liability:** | | | | |
| Actuarial (gains) losses arising from changes in demographic assumptions | $ | (612,197) | $ | (106,890) |

The remeasurement of the net defined benefit liability is included in other comprehensive income.

*f. The amount included in the statements of financial position that arises from the Entity's obligation with respect to its defined benefit plans is as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Defined benefit obligations | $ | 5,430,892 | $ | 6,851,383 |
| Fair value of plan assets | | (3,138,425) | | (3,982,881) |
| Net liability arising from defined benefit obligation | $ | 2,292,467 | $ | 2,868,502 |

*g. Changes in the present value of the defined benefit obligation:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Opening defined benefit obligation | $ | 6,851,383 | $ | 1,080,215 |
| Business acquisition | | 82,100 | | 5,674,401 |
| Adjustments to the opening balance | | (1,136,770) | | – |
| Current service cost | | 209,721 | | 167,806 |
| Interest cost | | 141,895 | | 193,223 |
| Benefits paid | | (105,240) | | (157,372) |
| Cost recognized via comprehensive income | | (612,197) | | (106,890) |
| Closing defined benefit obligation | $ | 5,430,892 | $ | 6,851,383 |

*h. Movements in the fair value of plan assets in the year were as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Opening fair value of plan assets | $ | 3,433,896 | $ | 7,077 |
| Business combination | | – | | 3,378,695 |
| Foreign exchange effect | | (210,689) | | – |
| Interest income on plan assets | | (769,369) | | – |
| Return on plan assets | | 97,504 | | 91,937 |
| Contributions from the employer | | 6,623 | | 1,060 |
| Contributions from employer | | 116,672 | | |
| Contributions from plan participants | | 164,493 | | 92,934 |
| Administrative expenses | | (60,572) | | (51,364) |
| Benefits paid | | (140,160) | | (86,443) |
| Closing fair value of plan assets | | 2,638,398 | | 3,433,896 |
| Insurance policy reserve fund | | 500,027 | | 548,985 |
| Final fair value of plan assets | $ | 3,138,425 | $ | 3,982,881 |

The plan's assets are managed by specialists in external investment portfolios or assigned to investment funds that follow investment indices or indicators, which are periodically adjusted as decided by the Entity. The portfolio administrators allocate the plan assets according to the instructions of the Entity. The Entity's investment strategy has been to allocate the largest proportion of plan assets to investments in shares to achieve returns that make plan assets grow to cover labor liabilities, but always within acceptable risk ranges.

The Entity engaged independent professionals to measure the present value of the defined benefit obligation and the market value of the respective assets for the pension plan, death or disability and seniority premium.

The appointed consultants issued their report in conformity with the guidelines of IFRS.

Adjustments to actuarial assumptions, including the change in the discount rate for valuing employee benefits, are recognized directly in other comprehensive income in stockholders' equity without affecting profit or loss.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate in Mexico had been 100 basis points lower, the defined benefit obligation would have increased by $83,688.

If the U.S. discount rate had been 50 basis points lower, the defined benefit obligation would have increased by $303,912.

If the expected salary increase in Mexico decreases by 100 basis points, the defined benefit obligation will decrease by $71,984.

If the life expectancy in Mexico had increased by one year for both men and women, the defined benefit obligation would have increased by $1,609.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

## 21. FINANCIAL INSTRUMENTS

### a. *Capital management risk*

The Entity manages its capital to ensure that the Entity and its subsidiaries will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Entity's overall strategy remains unchanged from 2021.

The Entity's management reviews the capital structure when presenting his financial projections as part of the business plan to the Board of Directors and shareholders of the Entity. As part of this review, the Board considers the cost of capital and the associated risks.

The Entity is constituted as a S.A.B. de C.V. according to the terms of the Mexican Securities Exchange Commission and in accordance with the General Law of Commercial Companies; the fixed minimum capital is $183,436.

The capital structure of the Entity consists of net debt (borrowings as detailed in note 18 and 19 offset by cash and cash equivalents) and equity of the Entity (comprising issued capital, reserves, and retained earnings as detailed in Note 22).

The Entity is not subject to any externally imposed capital requirements.

The Entity's Boards of Directors reviews the capital structure of the Entity on a quarterly basis.

*1. Gearing ratio*

The gearing ratio at end of the reporting period was as follows

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Debt (i) | $ | 12,681,782 | $ | 17,567,538 |
| Cash | | 11,565,501 | | 9,101,201 |
| Net debt | $ | 1,116,279 | $ | 8,466,337 |
| Controlling interest (ii) | | 39,074,315 | | 32,543,495 |
| Net debt to equity ratio | | 2.86% | | 26% |

(i) Debt is defined as long- and short-term borrowings, as described in Notes 18.
(ii) The controlling interest includes all capital and reserves of the Group that are managed as capital.

### b. *Financial instruments categories*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Cash | $ | 11,565,501 | $ | 9,101,201 |
| Loans and receivables: | | | | |
| Accounts and notes receivable - Net | $ | 1,989,668 | $ | 2,196,814 |
| Current accounts receivable from related parties | | 59,753 | | 66,348 |
| Non-current accounts receivable from related parties | | – | | 37,035 |
| Long-term accounts receivable | | – | | 100,000 |
| Guarantee deposits (**) | | 359,720 | | 1,270,825 |
| Long-term derivative financial instruments | | 267,870 | | – |
| *Financial liabilities* | | | | |
| At amortized cost: | | | | |
| Accounts and notes payable to suppliers and related parties | $ | 30,652,210 | $ | 27,404,171 |
| Other accounts payables (*) | | 7,866,092 | | 7,117,313 |
| Current portion of long-term debt | | – | | 176,568 |
| Current portion of lease obligations | | 2,329,019 | | 2,176,948 |
| Long-term debt | | 12,681,782 | | 17,390,970 |
| Lease obligations | | 41,622,043 | | 44,596,809 |
| Long-term derivative financial instruments | | – | | 45,421 |

(*) Included in the balance into the accrued taxes and expenses.
(**) Included in the balance into the other long-term liabilities.

*c. Financial risk management objectives*

The activities carried out by the Entity expose it to a number of financial risks, including market risk (which encompasses foreign exchange, interest rate and price risks – such as investment in share certificates and commodity prices futures), credit risk and liquidity risks.

The Entity seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. Both, financial risk management and the use of derivative and non-derivative financial instruments are ruled by Entity policies approved by the Board of Directors and are carried out by the Entity's treasury, identifying, evaluating and covering the financial risks in cooperation with its subsidiaries.

In addition, the Board of Directors has approved the permissible limits associated losses.

*d. Market risk*

The Entity's activities mainly expose it to exchange rate and interest rate financial risks.

*e. Exchange risk management*

The Entity carries out transactions in foreign currency, thereby generating exposure to exchange rate fluctuations, which are handled within the parameters of the approved policies using foreign currency forwards.

The book values of the foreign currency-denominated monetary assets and liabilities at the end of the reporting period are as follows:

| In thousands of US dollars | | 2022 | | 2021 |
|---|---|---|---|---|
| Assets | $ | 698,370 | $ | 645,495 |
| Liabilities | | (3,241,819) | | (3,391,144) |
| Net US dollar liabilities | $ | (2,543,449) | $ | (2,745,649) |
| Year-end exchange rate ($ per 1 dollar) | | 19.36 | | 20.58 |

The book values of the foreign currency-denominated monetary assets and liabilities different its functional currency at the end of the reporting period are as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Assets | $ | 14,820 | $ | 11,099 |
| Liabilities | | (32,858) | | (31,162) |
| Net US dollar assets (liabilities) | $ | (18,038) | $ | (20,063) |
| Year-end exchange rate ($ per 1 dollar) | | 19.36 | | 20.58 |

Approximately 2.06% and 1.90% of goods inventories were imported by the Entity in 2022 and 2021, respectively.

Transactions in thousands of US dollars as of December 31, 2022 and 2021 include import purchases of $103,770 and $77,351 respectively.

*Foreign currency sensitivity analysis*

The Entity performs transactions in different currencies; however, its most significant exposure is with the US dollar.

The following analysis details the Entity's sensitivity to an increase and/or decrease of 20% in the exchange rate of the Mexican peso against the US dollar. Such fluctuation represents management's assessment of the possible reasonable change in the exchange rate.

The sensitivity analysis includes only the monetary position at the close of the period, eliminating the commitments covered with financial instruments, and the transactions performed in a functional currency comparable with the dollar.

When the peso appreciates, the results and stockholders' equity will increase; conversely, when the peso depreciates it would result in a decrease in results and stockholders' equity.

The exchange-parity variance results in an adjustment of $69,855 and $82,595 for the years ended December 31, 2022 and 2021, respectively. The sensitivity analysis may not be representative of the exchange risk during the period due to variances in the net foreign currency-denominated position.

*f. Interest rate risk management*

The Entity is exposed to interest rate risks because it obtains loans at both fixed and variable interest rates. The risk is managed by the Entity by maintaining an appropriate combination of fixed rate and variable rate loans and by using interest rate collars. Hedging activities are regularly assessed to align them with interest rates and the defined risk appetite, ensuring the application of more profitable hedging strategies.

The Entity's exposures to the interest rates of financial assets and liabilities are detailed in the following liquidity risk management section in this note.

– *Interest rate sensitivity analysis*

The following sensitivity analyses have been determined based on the exposure to interest rates both for the derivative instruments and non-derivative instruments at the end of the reporting period. For variable-rate liabilities, an analysis is prepared on the basis that the liability amount remains in effect at the close of the period.

Management evaluates the rates based on the historical behavior of the market and projections obtained from public and private financial institutions. Based on these and the cash flows generated by its operation, it visualizes risks when the rates have a variance equivalent to 100 basis points above the average annual rate handled.

If the exchange rates had been 100 points above or below the real rate obtained and all the other variables remained constant, the result and stockholders' equity would have varied $44,402 and $33,407 as of December 31, 2022 and 2021, respectively, if such a situation should arise, the management would have to evaluate the option of contracting an instrument to cover the rates contracted or seek to renegotiate different payment or collection conditions. The sensitivity analysis may not be representative of the interest rate risk during the period due to variances in debt balances.

*g. Credit risk management*

Credit risk refers to the risk that the counterparties may default on their contractual obligations, resulting in a loss for the Entity. The main credit risk relates to cash and cash equivalents, accounts receivable and derivative financial instruments. The Entity's policy is only to execute transactions with renowned institutions with a high credit rating, thereby minimizing the exposure to risks derived from cash and cash equivalents and derivative financial instruments.

The Entity only carries out transactions with entities that have a risk rating equivalent to the investment grade or higher. This information is provided by independent rating agencies and, if not available, the Entity uses other publicly available financial information and its own business records to qualify its principal customers. The Entity's exposure and the credit ratings of its counterparties are continuously monitored, and the cumulative value of the completed transactions is distributed among the approved counterparties. The credit exposure is controlled by the counterparty limits that are reviewed and approved annually by the risk management committee.

In regard to accounts receivable, the Entity has credit and collection policies, which include the periodic review and the creation of allowances in accordance with such policies. The maximum exposure to credit risk as of December 31, 2022 and 2021 is $2,706,954 and $3,727,977, respectively.

*h. Liquidity risk management*

The Entity manages liquidity risk by maintaining adequate reserves, banking facilities and for obtaining loans, by continuously monitoring projected and real cash flows. The consolidated statement of financial position presents negative working capital of $5,446,271; However, this situation does not represent a material risk of ongoing business since the Entity generates cash flows derived from its operation each year that are used to meet its obligations, $18,540,138 during 2022. Likewise, as of December 31, 2022, there are credit lines available for $8,296,000 as well as a current program of Stock Certificates of up to $10,000,000.

*Interest and liquidity risk tables*

The following tables as of December 31, 2022 and 2021 show the Entity's remaining contractual maturities for non-derivative financial liabilities with agreed-upon payment periods. The tables have been designed based on the non-discounted cash flows of the financial liabilities as of the most recent date on which the Entity must make payments. The tables include both cash flows of interest and capital. To the extent that interest is at a variable rate, the undiscounted amount is derived from the curves in the interest rate at the end of the reporting period. The contractual maturity is based on the minimum date on which the Entity must make the payment.

| 2022 | One year | Two years | Three years | More than three years | Total |
|---|---|---|---|---|---|
| Financial assets (**) | $ (14,242,512) | $ – | $ – | $ – | $ (14,242,512) |
| Borrowings with financial institutions | 774,266 | 774,266 | 774,266 | 13,790,338 | 16,113,136 |
| Various debtors | 5,788,288 | – | – | – | 5,788,288 |
| Accounts and notes payable to suppliers | 30,652,210 | – | – | – | 30,652,210 |
| Lease obligations | 4,621,373 | 4,841,023 | 4,851,873 | 58,668,641 | 72,982,910 |
| Total | $ 27,593,625 | $ 5,615,289 | $ 5,626,139 | $ 72,458,979 | $ 111,294,032 |

(*) TIIE 10.76% and LIBOR 3.4% for interest projection plus spread of each credit.
(**) Includes cash, accounts receivable and escrow deposits.

| 2021 | One year | Two years | Three years | More than three years | Total |
|---|---|---|---|---|---|
| Financial assets (**) | $ (12,772,223) | $ – | $ – | $ – | $ (12,772,223) |
| Borrowings with financial institutions | 512,038 | 476,082 | 466,917 | 17,530,098 | 18,985,135 |
| Various debtors | 7,117,313 | – | – | – | 7,117,313 |
| Accounts and notes payable to suppliers | 27,404,171 | – | – | – | 27,404,171 |
| Lease obligations | 4,961,304 | 4,660,003 | 4,888,088 | 64,130,539 | 78,639,934 |
| Total | $ 27,222,603 | $ 5,136,085 | $ 5,355,005 | $ 81,660,637 | $ 119,374,330 |

(*) TIIE 5.71% and LIBOR 0.29% for interest projection plus spread of each credit.
(**) Includes cash, accounts receivable and escrow deposits.

The following tables as of December 31, 2022 and 2021 presents the liquidity analysis of the Entity's derivative financial instruments. The table has been designed based on non-discounted contractual cash inflows and outflows, which are settled on a net basis, and non-discounted gross cash inflows and outflows of those derivatives that require a gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined in reference to projected interest rates, as shown by the yield curves as of the end of the reporting period.

| 2022 | Less than 1 year | More than 1 year and less than 5 | More than 5 years | Total |
|---|---|---|---|---|
| Derivative financial instruments | $ (6,048) | $ (9,578) | $ – | $ (15,626) |

| 2021 | Less than 1 year | More than 1 year and less than 5 | More More than 5 years | Total |
|---|---|---|---|---|
| Derivative financial instruments | $ 2,623 | $ 6,778 | $ – | $ 9,401 |

*i. Fair value of financial instruments*

*1. Fair value of financial instruments recorded at amortized cost*

Entity's management believe that the book values of the financial assets and liabilities recognized at amortized cost in the consolidated financial statements, approximate to fair value.

| | 2022 | 2021 |
|---|---|---|
| ***Financial Assets*** | | |
| Accounts and notes receivable - Net | $ 1,989,668 | $ 2,196,814 |
| Long term receivables | – | 100,000 |
| Current accounts receivable from related parties | 59,753 | 66,348 |
| Non-current accounts receivable from related parties | – | 37,035 |
| ***Financial Liabilities*** | | |
| Current portion of deferred revenue | 149,203 | 151,274 |
| Current portion of long-term liabilities | – | 176,568 |
| Long-term debt | 12,681,782 | 17,390,970 |

*2. Valuation techniques and assumptions used to determine fair value*

Financial instruments are shown at market value indicated by the financial institution with whom it was hired at the end of the year by which it is reported.

As of December 31, 2022:

| Type of derivative contract or value | Notional amount | Reference variable | Fair Value | Amount due by year | Collateral |
|---|---|---|---|---|---|
| Swap rate LIBOR | 200 million USD | LIBOR at 28 days | $ 267,870 | 200 million in 2025 | |

As of December 31, 2021:

| Type of derivative contract or value | Notional amount | Reference variable | Fair Value | Amount due by year | Collateral |
|---|---|---|---|---|---|
| Swap rate LIBOR | 200 million USD | LIBOR at 28 days | $ (45,421) | 200 million in 2025 | |

## 22. STOCKHOLDERS' EQUITY

Common stock as of December 31, 2022 and 2021 is composed of 963,917,211 no-par value common shares. Fixed capital shares are non with draw able and variable capital may not exceed ten times the fixed capital.

a. A Stockholders' Ordinary General Meeting held on April 7, 2022 approved a cash dividend payable to the Entity's shareholders in the amount of $0.5224 (zero dot four seven five zero cents) for each share released and outstanding at the dividend payment date. The payment was made against the net tax income account of the Entity, through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, and the dividend amount paid was $503,643.

b. A Stockholders' Ordinary General Meeting held on April 5, 2021 approved a cash dividend payable to the Entity's shareholders in the amount of $0.4750 (zero dot four three nine cents) for each share released and outstanding at the dividend payment date. The payment was made against the net tax income account of the Entity, through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, and the dividend amount paid was $457,858.

c. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 5% of capital stock at par value. The legal reserve may be capitalized but may not be distributed unless the Entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2022, and 2021, the legal reserve at par value was $36,687.

d. Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income tax of the year in which the tax on dividends is paid and the following two fiscal years, against the tax of the year and the provisional payments thereof.

e. The balance of the tax income account as of December 31, are:

| | 2022 | 2021 |
|---|---|---|
| Contributed capital account (CUCA) | $ 8,369,239 | $ 7,762,952 |
| Net tax profit account (CUFIN) | 20,093,433 | 16,011,592 |

Capital risk management

The Entity manages its capital to ensure that it will continue as a going concern while maximizing stockholder profits by optimizing its capital structure.

The Entity's management reviews the capital structure when presenting its financial projections as part of the business plan to the Board of Directors and the Entity's stockholders. As part of this review, the Board of Directors considers the cost of capital and the associated risks.

The Entity is incorporated as an "S.A.B. de C.V." (Public Stock Entity with variable capital) pursuant to the Mexican Securities Act and, in conformity with the General Corporate Law, the minimum fixed capital is $183,436.

In 2010, the Entity signed an agreement with the minority shareholders of its subsidiary Chedraui USA, Inc., for the purchase of its shares to acquire all of them, starting in 2010 for USD $14 million and from 2012 for an amount of USD $10 million. The agreement does not require the sale of shares and only constitutes an offer to purchase. At December 31, 2021, no liability related to this agreement has been recorded.

## 23. OTHER COMPREHENSIVE INCOME

| | 2022 | 2021 |
|---|---|---|
| Cumulative translation adjustment | $ 424,176 | $ 464,107 |
| Financial instruments measurement, net of deferred taxes | 177,766 | (30,085) |
| Remeasurement of defined benefit obligations, net of deferred taxes | 389,661 | (167,564) |
| Total | $ 991,603 | $ 266,458 |

### a. *Cumulative translation adjustment*

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of the year | $ 464,107 | $ 438,108 |
| Cumulative translation adjustment | (39,931) | 25,999 |
| Balance at end of the year | $ 424,176 | $ 464,107 |

### b. *Effect for financial instruments measurement*

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of the year | $ (30,085) | $ (210,376) |
| Net profit (loss) for financial instruments measurement | 296,930 | 257,558 |
| Income taxes related to valuation of derivative instruments | (89,079) | (77,267) |
| Balance at end of the year | $ 177,766 | $ (30,085) |

### c. *Remeasurement of defined benefit obligations*

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of the year | $ (167,564) | $ (242,387) |
| Remeasurement of defined benefit obligations | 612,197 | 106,890 |
| Income taxes related to remeasurement of defined benefit obligations | (54,972) | (32,067) |
| Balance at end of the year | $ 389,661 | $ (167,564) |

## 24. RETAINED EARNINGS

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of the year | $ 28,498,035 | $ 25,577,448 |
| Net income attributable to owners of the Entity | 5,997,095 | 3,420,248 |
| Dividends paid | (503,643) | (457,858) |
| Acquisition of non-controlling interest | 29,019 | (84,234) |
| Changes on non-controlling interest | 11,298 | 42,431 |
| Balance at end of the year | $ 34,031,804 | $ 28,498,035 |

## 25. NON-CONTROLLING INTEREST

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Balance at beginning of year | $ | 116,904 | $ | (7,473) |
| Participation in comprehensive income | | 178,646 | | 60,249 |
| Minority exchange effect | | (5,167) | | 2,764 |
| Financial Instruments | | 21,887 | | 15,448 |
| Remediation of labor obligations | | 56,859 | | 5,789 |
| Result of previous years | | (12,272) | | – |
| Minority Capital | | (63,513) | | 40,127 |
| Balance at end of the year | $ | 293,344 | $ | 116,904 |

## 26. EARNINGS PER SHARE

| | | 2022 Mexican pesos per share | | 2021 Mexican pesos per share |
|---|---|---|---|---|
| Basic and diluted earnings per share | $ | 6.27 | $ | 3.57 |

The income and weighted average numbers of ordinary shares used in calculating basic and diluted earnings per share are as follows.

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Net income attributable to owners of the Entity | $ | 5,997,095 | $ | 3,420,248 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | | 956,472,628 | | 957,605,673 |
| Treasury shares as of December 31, | $ | 4,205,834 | $ | 8,963,971 |

## 27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated in the consolidation and are not disclosed in this note. The transactions between the Entity and other related parties are detailed below.

a. *Transactions with related parties, carried out in the ordinary course of business were as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Administrative revenues | $ | 5,759 | $ | 76,240 |
| Financial portal revenues | | 6,240 | | 7,361 |
| Air transportation revenues | | 23,286 | | 19,845 |
| Concrete sale revenues | | 5,603 | | 83 |
| Asset acquisition | | (78,708) | | – |
| Leases expenses | | (36,734) | | (35,457) |
| Interests expenses | | (177) | | (434) |
| Advertising expense | | (14,170) | | (14,115) |

During the year ended December 31, 2021, the Entity acquired from its related parties an additional investment in an entity that operates the shopping center called “Puerta Aragón” as follows:

| | | 2021 |
|---|---|---|
| Land | $ | 173,016 |
| Building | | 988,115 |
| Total | $ | 1,161,131 |

b. *Balance due to related parties are as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Hípico Coapexpan, S.A. de C.V. | $ | (522) | $ | (348) |

*c. Balances receivable from related parties are as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Horse Nation, S.A. de C.V, | $ | 764 | $ | – |
| Smart & Final del Noroeste, S.A de C.V. | | 28,558 | | 33,038 |
| Others (mainly officers) | | 30,953 | | 33,658 |
| Total | $ | 60,275 | $ | 66,696 |

*d. Balances receivable from related parties long-term are as follows:*

| | | 2021 |
|---|---|---|
| Operadora de Inmobiliarias del Sureste, S. A. de C. V. | $ | 37,035 |

*e. Compensation to Administration employees and other key executives during the year, were as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Direct benefits | $ | 545,898 | $ | 849,165 |
| Variable benefits | | 991,708 | | 322,681 |
| | $ | 1,537,606 | $ | 1,171,846 |

The compensation of the directors and key executives is determined by the Compensations' committee based on the performance of the individuals and market trends.

## 28. OPERATING LEASE AGREEMENTS

*The Entity as Lessor*

*Lease agreements*

Operating leases relate to leases of investment properties owned by the Entity with lease terms from 1 to 20 years, with the option of extending them for up to 20 additional years. All operating lease agreements include market and inflation lease review clauses with a variable rent for all the revenues generated. The lessee has no option to purchase the property at the date of expiry of the lease period.

The properties lease income earned by the Entity on its investment properties, all of which are leased under operating leases, amounted to $1,128,660 and $916,001, as of December 31, 2022 and 2021, respectively.

The operating expenses related to the lease income earned from the investment properties amounted to $386,564 and $314,067 as of December 31, 2022 and 2021, respectively.

*The Entity has non-cancellable operating leases receivable, as follows:*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| No more than one year | $ | 910,115 | $ | 869,205 |
| More than 1 year and no more than 5 years | | 1,555,519 | | 1,595,635 |
| More than 5 years | | 529,633 | | 700,934 |
| | $ | 2,995,267 | $ | 3,165,774 |

## 29. INCOME TAXES

The Entity is subject to ISR. According to the Income Tax Law, the rate for 2022 and 2021 was 30% without foreseen changes for subsequently years.

As a result of repeal of Income Tax Law in effect until December 31, 2013, the tax consolidation regime was eliminated, therefore, the Entity and its subsidiaries has the obligation of pay the deferred income tax determined at that date during the following next five years as of 2014, as follows: Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Tax Law, given that as of December 31, 2013, the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2014 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

The cash flows of payments related to income tax increased during the year ended December 31, 2022 and 2021 were $2,061,359 and $1,390,253, which are presented within operating activities in the statement of cash flows.

The foreign subsidiary is subject to a federal income tax of 21% with no change foreseen for subsequent years; however, the state taxes of California, Texas, New Mexico, Nevada and Arizona (locations with presence of their stores) represent; on average, an additional rate of 5%, which may vary in subsequent years depending on the business loans for employment and incentives granted by the state government. The average state rate for 2022 and 2021 was 7% and 6% respectively.

Income taxes for the year ended December 31, are as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| ISR expense: | | | | |
| Incurred | $ | 3,183,469 | $ | 1,840,719 |
| Deferred | | (637,058) | | (371,691) |
| | $ | 2,546,410 | $ | 1,469,028 |

a. The reconciliation of the legal and effective ISR rates expressed as a percentage of profit before taxes as of December 31 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Legal rate | 30% | 30% |
| Effects of inflation | (4%) | (4%) |
| Not deductible items | 2% | 4% |
| Differences in statutory rates in other jurisdictions | 2% | (1%) |
| Others | (1%) | 1% |
| Effective rate | 29% | 30% |

b. The main items that give rise to the deferred ISR liability are:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Deferred ISR asset: | | | | |
| Effect of tax loss carryforwards | $ | 157,901 | $ | 246,512 |
| Allowance for doubtful accounts | | 7,639 | | 15,642 |
| Inventories | | 144,453 | | 186,689 |
| Accrued expenses | | 1,651,795 | | 1,910,779 |
| Deferred ISR asset | $ | 1,961,788 | $ | 2,359,622 |

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Deferred ISR liability: | | | | |
| Other assets | $ | (225,975) | $ | (184,378) |
| Property, equipment and rights of use | | (3,550,180) | | (4,551,645) |
| Deferred ISR liability | $ | (3,776,155) | $ | (4,736,023) |
| **Total liability** | $ | (1,814,367) | $ | (2,376,401) |
| In Statements of Financial Position: | | | | |
| Deferred tax assets | $ | 254,654 | $ | 249,052 |
| Deferred tax liabilities | | (2,069,021) | | (2,625,453) |
| **Total liability** | $ | (1,814,367) | $ | (2,376,401) |

As of December 31, 2022 and 2021, the subsidiaries of the Entity, based on their tax-projections, recorded a deferred income tax asset corresponding to the tax loss carryforwards, because it is more likely than not that with the future fiscal profits, the deferred income tax recorded will be recovered.

The benefits of restated tax loss carryforwards for which the deferred ISR asset and tax credit, respectively, have been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2022, are:

| Expiration year | | Tax loss carryforwards |
|---|---|---|
| 2025 | $ | 35,669 |
| 2026 | | 48,401 |
| 2028 | | 45,169 |
| 2030 | | 2,700 |
| 2031 | | 59,807 |
| 2032 | | 17,076 |
| Total | $ | 208,822 |

As of December 31, 2022, and 2021 there is an asset for net operating losses related to our operations in the USA for $8,288 and $9,244 respectively; these net operating losses do not expire.

The Entity does not have records of deferred tax liabilities due to the difference in rates on reinvested earnings since the Entity, in its functions as Holding Company, maintains control of the dividend policy that its subsidiaries issue and has estimated that such dividends are not subject to distribution in the foreseeable future. This, in accordance with paragraph 39 of IAS12.

## 30. CONTINGENCIES

a. The Entity is involved in many lawsuits and claims, arising from the normal course of its operations, which are expected that not have material effects in its financial position and future operating profit.

b. According to Income Tax Law, companies that carry out transactions with related parties are subject to limitations and fiscal obligations, in the determination of agreed prices, since these must be equivalent to the prices used between independent parties in similar transactions. As of December 31,2022 and 2021 the Entity prepared an study with an independent third party to ensure that the transactions between related parties are equivalent.

c. The Entity, as well as its assets, are not subject, with exception as indicated in the preceding paragraphs, to any legal action other than owns of its routing and activity.

## 31. REPORTABLE SEGMENTS

IFRS 8 requires the classification of segments of operation identified based on internal reports about components of the Entity, which are regularly reviewed by the officer making the operational decisions of the Entity in order to allocate resources to the segments and assessing their performance.

The Entity's main business is the sale of electronic goods, groceries, and general goods in its stores, as well as operating real property.

a. Analytical information by operating segment:

| Segments | Revenues (*) 2022 | 2021 |
|---|---|---|
| Domestic supermarkets | $ 104,739,845 | $ 90,258,157 |
| USA supermarkets | 153,438,514 | 97,299,053 |
| Real Estate lease income | 1,147,211 | 929,605 |
| Consolidated | $ 259,325,570 | $ 188,486,815 |

* There are no individual clients that have contributed 10% or more to the Entity's revenues in 2022 and 2021.

| Segments | Operating profit 2022 | 2021 |
|---|---|---|
| Domestic supermarkets | $ 6,597,135 | $ 4,919,683 |
| USA supermarkets | 6,402,181 | 3,223,857 |
| Real estate | 746,527 | 604,737 |
| Consolidated | $ 13,745,843 | $ 8,748,277 |

| Segments | Total assets 2022 | 2021 |
|---|---|---|
| Domestic supermarkets | $ 50,692,987 | $ 45,285,358 |
| USA supermarkets | 67,947,550 | 73,539,177 |
| Inmobiliaria | 11,416,928 | 12,194,603 |
| Non-assignable items | 13,381,207 | 10,020,499 |
| Consolidated | $ 143,438,672 | $ 141,039,636 |

| Segments | Depreciation and amortization 2022 | 2021 |
|---|---|---|
| Domestic supermarkets | $ 1,962,884 | $ 1,911,017 |
| USA supermarkets | 5,691,699 | 3,305,519 |
| Real estate | 26,157 | 23,266 |
| Consolidated | $ 7,680,740 | $ 5,239,802 |

| Segments | Property and equipment and Investment properties 2022 | 2021 |
|---|---|---|
| Domestic supermarkets | $ 2,463,969 | $ 1,473,626 |
| USA supermarkets | 2,639,356 | 1,476,586 |
| Real estate | 298,130 | 1,186,324 |
| Consolidated | $ 5,401,455 | $ 4,136,536 |

## 32. AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS

The issuance of the accompanying consolidated financial statements was authorized on March 17, 2023, by Entity's Board of Directors; consequently, these consolidated financial statements do not include the events occurred after that date, is subject to the approval of the Entity's ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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# CONTACT

**CORPORATE OFFICES:**

**CORPORATE MEXICO**
Avenida Constituyentes 1150
Colonia Lomas Altas
11950 Mexico City, Mexico
Phone +52 (55) 1103 8000

**CORPORATIVO XALAPA**
Privada Antonio Chedraui Caram 248
Colonia Encinal
91180 Xalapa, Veracruz
Phone +52 (228) 842 1100

**STOCK EXCHANGE**
Bolsa Mexicana de Valores (BMV): Ticker symbol: CHDRAUI

**AUDITOR**
Galaz Yamazaki, Ruiz Urquiza, S.C. (Deloitte Touche Unlimited)

**INVESTOR RELATIONS**

Jesús Arturo Velázquez Díaz
Financial Information and Investor Relations Assistant Director
Phone +52 (228) 842 1117
avelazquez@chedraui.com.mx

Elías Rangel
Investor Relations Manager
Phone +52 (553) 910 5715
erangel@chedraui.com.mx

**SUSTAINABILITY**

Ignacio González Quirasco
Chedraui Foundation Director
Phone (55) 5580 3734
iglez@chedraui.com.mx

This Annual Report may contain forward-looking information regarding Grupo Comercial Chedraui S.A.B. de C.V. and its subsidiaries, based on assumptions made in good faith by its management.

Such information, as well as statements regarding future events and expectations, are subject to risks and uncertainties, as well as factors that could cause Company results, performance, or achievements to be materially different at any given moment. Such factors include changes in overall economic conditions, government and/or commercial policies at a national and global level, as well as changes relating to interest rates, inflation rates, exchange rate volatility, etc.

Due to these risks and factors, actual results may differ materially from the estimates described in document herein, whereby Grupo Comercial Chedraui S.A.B. de C.V. accepts no liability for such variations.