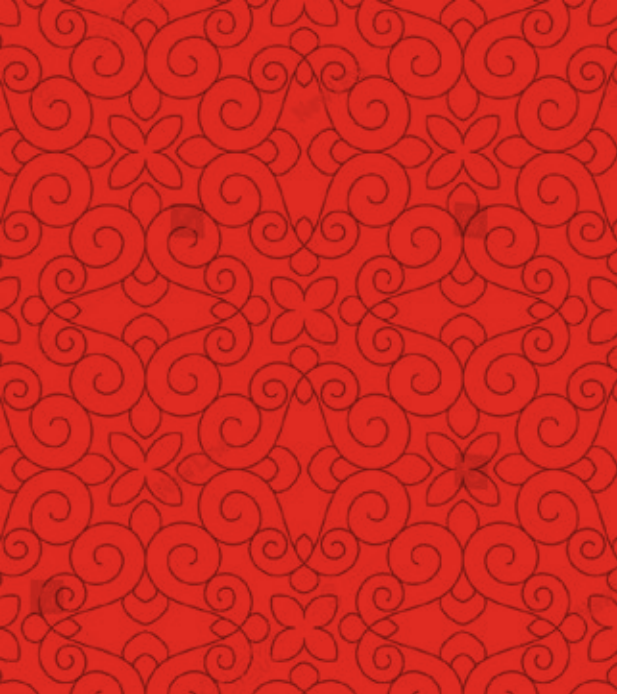




Annual Report
2020

 **SODIMAC®**



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The House of the Americas: Sodimac in Latin America



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

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

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

Over **250** stores

Annual sales of **US\$ 5,600** million in the region*

Over **41,000** employees

Around **1,900,000** m² of sales floor

Over **1,500,000** hours of training in 2020

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

(Figures as of 31 December 2020)

Letter from the Chairman of the Board



"We saw this pandemic as an opportunity to think about the future and the evolution of our value proposition, always guided by our purpose, which permeates everything we do: Together we build dreams and home improvement projects".

Juan Pablo del Río G.
Chairman

In 2020, with the pandemic, our region and the world faced one of the most difficult times of the past hundred years. As in other emergencies, Sodimac resolved to do its utmost to support the population by supplying essential goods. We could not have provided this help without the commitment of our employees, who deserve great recognition. At the same time, we operated responsibly, always putting the health of employees, customers and suppliers first and implementing measures and strict protocols that went beyond those required by the authorities.

The health crisis tested our resilience as individuals and as companies. It obliged us to rethink and modify habits, to innovate and be more flexible and, in this, it served as an opportunity to accelerate different processes. In our case, it also challenged us to listen to our customers more and be even closer to our employers in order to be attentive to their personal situation and that of their families during the pandemic. We also wanted to hear their suggestions and those of our unions on how best to operate in such a difficult context. Many of the actions we took during the year arose from those suggestions.

We saw the pandemic as an opportunity to think about the future and the evolution of our value proposition, always guided by our purpose, which permeates everything we do: Together we build dreams and home improvement projects.

In the countries where we are present, the new conditions led us to accelerate different digital transformation initiatives and logistics processes that had been part of our

program for several years. We made progress in areas that included strategy and innovation, decision-making based on the customer's shopping journey and on data, the development of an agile culture, the expansion of our technological capabilities, automation and the incorporation of artificial intelligence into processes and decisions. In this way, we continued to work to integrate our physical stores and digital channels, digitize our offer of products and services, strengthen logistics processes and boost interaction with consumers.

In a period in which our Internet sales reached unprecedented levels, we saw how customers valued faster delivery times. In response, the operations and logistics teams focused on expanding capabilities and improving delivery fulfillment, working to achieve the quickest possible dispatch. We introduced new forms of store collection, improved and expanded click & collect areas and, in various countries, launched a click-to-car service.

To enhance customer experience, we also remodeled a number of stores in Chile, making them more attractive and inspiring as in the case of the two Sodimac Homecenter stores we opened during the year, based on the "phygital" concept of integrating our physical and digital capabilities. These new stores, so yearned for by nearby communities, are located in the Quilín area of Santiago and the La Portada sector of Antofagasta. In addition, we opened a store under the Sodimac Express brand in Santiago's Chicureo district. It represents a new proposition that, in an area of just 810 m², allows its customers in this part of the city to see products for themselves and obtain expert advice. Combined with the company's online services, this enables it to offer them a full service while it builds a larger store with the Homecenter and Constructor formats, which it expects to open in 2023.

In line with our plans for the launch of new commercial projects, we closed the Homy stores in Chile. Products from this brand will continue to be marketed by Homecenter stores and online, with new propositions and inspiring displays.

As part of our consolidation in Mexico, we opened our sixth store there. It is located in San Luis Potosí in one of the states with the highest growth and greatest development potential. In Brazil, we continued to convert

Dicico stores to the Sodimac Dicico brand, a process that has been very well received by customers.

Sodimac Peru opened a new store in the Comas district of northern Lima, one of the city's most densely populated areas. In addition, the Cerro Colorado store in the Arequipa Region was remodeled.

In Argentina, we have continued to advance in creating an ever more efficient organization, with a flexible and lightweight structure that

enables us to take advantage of the opportunities this market offers for the home improvement business.

In Brazil and Mexico, we launched the Sodimac app, which met with a very good reception on the part of customers, while, in other countries, we continued to promote the app by incorporating services that facilitate browsing and make for a better shopping experience in stores.

Sodimac has continued to lead innovation in the home improvement sector, implementing initiatives that have improved customers' shopping experience. In Chile, we introduced an assisted online sales service (VOA) under which, through a video call, customers can obtain online advice from a Sodimac salesperson. In addition, Sodimac Chile launched an online decoration advice service (ADO) which, also through a video call, makes home design available to a broader public, allowing

customers to obtain advice from expert decorators on how to adapt their homes to the new demands of life and work.

Through the ongoing incorporation of robots, further progress was achieved on automating stock and price checking, as well as the correct location of products on store shelves. We also implemented a pilot project for the use of technology with robots to accelerate the process of putting together customers' online orders for in-store pick-up.

Although our operation made it possible to supply the population with essential goods, we are very aware that our contribution does not end there. Large companies, such as ours, must collaborate and act responsibly throughout the value chain and we strive to do this through concrete actions.

By adopting a digital format, we were able to continue providing training for tradesmen and tradeswomen. Colombia held its first online Great Training Fair and, in Brazil, the first Meeting of Construction Professionals took place, in both cases marking a milestone in tradesmen's access to training. Similarly, the Great Training Fair organized annually in Chile and Peru, which was also 100% digital in 2020, attracted a surprisingly high level of participation.

In Peru, work continued on the *Construyendo Juntos Empleabilidad* (Building Employability Together) program, which seeks to equip participants with tools for their labor market insertion. In Chile, we offered advice and support to micro-entrepreneurs in the face of the crisis, helping them to expand their customer base by incorporating them as suppliers in our Marketplace.





With the different organizations with which we have alliances, we supported communities through initiatives that included providing definitive housing and food for vulnerable families, blankets and other products for homeless people and equipment, materials and medical supplies for hospitals.

The integral training of our employees is of fundamental importance to us. We were particularly concerned to avoid its interruption by the health crisis and, to this end, converted numerous courses to an e-learning format. Our commitment to being an inclusive, diverse and non-discriminatory company was reflected in Sodimac Peru's top place on Diversity and Inclusion in the Great Place to Work ranking.

We have continued to foster fluid and transparent relations with our employees. We value the contribution of our unions and, particularly, their support in addressing the

pandemic, always on the basis of dialogue, collaboration and trust.

The pandemic did not make us neglect our commitment to protection of the environment and promotion of its importance among suppliers, customers, employees and the community in general.

In Brazil, we forged new alliances to continue promoting the proper disposal of waste such as paint cans, fluorescent tubes, batteries and electronic products. Our goal is to reduce our direct emissions by 30% by 2021 and to be carbon neutral by 2030 in Chile and, for the second consecutive year, we received the Seal of Excellence of the Chilean Environment Ministry's *Huella Chile* (Chile Footprint) program, being the only retailer to obtain this recognition. Peru was also able to report very significant progress in its fifth measurement of its carbon footprint.

Unfortunately, the health crisis meant that we had to close our National Clean Points Network in Chile for a few months, but we were subsequently able to reopen these recycling facilities in a manner that was safe for users and their personnel. This is the most important private network of its type in Chile and has 18 facilities open to the community.

Like every year, but especially on this occasion, I want to thank our suppliers for their work together with us, which made it possible to ensure essential goods for the population in a year that was very challenging on the supply front.

It was a year in which, in the different countries, we received various awards and recognitions in fields such as corporate reputation, trust, customer experience, innovation, responsibility towards the community and

as one of the best places to work. All of them fill us with pride, but also challenge us to keep improving.

We are hopeful that, in 2021, the region and the world will gradually leave the health crisis behind. In the post-pandemic period, we will focus all our capabilities on contributing to the economic, social and environmental reactivation of the countries where we have our operations. We will continue to strive to improve and accompany our customers in a world in permanent transformation.

Juan Pablo del Río G.
Chairman

Board of Directors



Juan Pablo Del Río Goudie
CHAIRMAN
Architect
Catholic University of Chile



Nicolás Majluf Sapag
Industrial civil engineer
Catholic University of Chile



José Luis Del Río Goudie
Industrial civil engineer
Catholic University of Chile



Gonzalo Rojas Vildósola
Economist and business administrator
Adolfo Ibáñez University



Jaime García Rioseco
Economist
Catholic University of Chile



Sandro Solari Donaggio
Industrial civil engineer
Catholic University of Chile



Cecilia Karlezi Solari
Businesswoman



Paola Cúneo Queirolo
Business administrator
University of Chile



Elizabeth Lehmann Cosoi
Economist and business administrator
Catholic University of Chile

Purpose, Mission and Vision

Our Purpose

Together we build dreams and home improvement projects.



Our Mission

To develop our company with innovation and sustainability, offering the best products, services and advice at the best market price in order to inspire and build our customers’ dreams and projects.

Our Vision

To be the leading company in home and construction projects that, improving quality of life, is the most loved, admired and respected by the community, customers, employees and suppliers in the Americas.

Our values and how we put them into practice



Respect

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

Excellence

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

Integrity

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

Responsibility

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

Our History

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

Sodimac's international expansion began in 1994 when it formed a partnership with Grupo Corona to enter the Colombian market. In 2003, it merged with Falabella and, a year later, went on to open its first stores in Peru. This was followed in 2008 by Argentina and, then, Brazil and Uruguay. In 2018, Sodimac opened its first stores in Mexico, consolidating its position as the leading company in Latin America in the commercialization of construction materials and home improvement products, present in the region's main markets with a successful business model that includes different store formats, both physical and online.

Milestones



1952

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

1982

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

1988

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

1992

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

1994

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

2000

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

2002

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

2003

Sodimac merges with Falabella.

2004

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

2005

Sodimac opens a commercial office in China.

2007

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

2008

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

2009

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

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

2010

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

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

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

2011

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

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

2012

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

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

2013

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

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

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

2014

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

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

2015

Sodimac inaugurates its first two stores in Brazil.

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

2016

Sodimac announces its expansion to Mexico, a business it will develop in association with the Soriana supermarket chain.

Sodimac is invited to join the Gold community of the Global Reporting Initiative (GRI) whose objective is to foster transparency in companies around the world.



2017

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

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

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

2018

The Falabella group signs a franchise agreement with IKEA to develop the first stores and an online channel in Chile, Colombia and Peru.

Sodimac inaugurates its first three stores in Mexico.

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

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

2019

The websites of Sodimac and Maestro are merged in sodimac.com.pe and the first pilot store under the Sodimac Maestro brand opens, including a renewed omnichannel proposition.

Sodimac Brazil launches its first own credit card through an association with Bradescard (Banco Bradesco).

In Chile, the new Super Butler System (SBS) automated robot system is implemented at the Lo Espejo Distribution Center.

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

As part of the company's efforts to stem climate change and reduce its direct GHG emissions, all product deliveries to customers in Chile become carbon neutral as from 1 March 2019.

2020

- Sodimac receives recognition from the Marketing Hall of Fame as a Great Chilean Brand for its Importance Overseas 2020.
- Sodimac Peru and Maestro take top place on Diversity and Inclusion in the 2000 Great Place to Work ranking.
- Sodimac Brazil receives the Best Companies for the Consumer award of the Reclame Aqui platform, which selects companies that offer a good service by popular vote.
- The United Nations Global Compact recognizes Sodimac Chile's Construyendo Sueños de Hogar (Building Dreams of Home) community relations program for its contribution to achievement of the Sustainable Development Goals (SDGs).
- Sodimac Chile launches a new Garden PRO area for gardening professionals and opens a pilot Sodimac Express store.
- The company joins FAZII, the last-mile app of the Falabella group.
- Sodimac Colombia begins to deploy a scan-pay-and-go system that enables customers to scan their products, go to a checkout and pay in a more agile way.

Corporate Executive Committee



Alejandro Arze, Corporate General Manager Sodimac

"In the different markets, we are incorporating new value propositions and innovations in stores and digital channels to help millions of people in Latin America build dreams and home improvement projects. We have made progress on transforming and simplifying processes and increasing our efficiency in order to respond to the needs of our customers, whether families, tradesmen or companies, where, when and how they prefer, contributing in this way to improving quality of life in the region."



Fabio De Petris Duarte
Corporate Finance and Development Manager



Mariasol Soto Becerra
Corporate Operations Manager



Francisco Errázuriz López
Corporate Supply Chain Manager



Fernando Valenzuela del Río
Corporate Legal Compliance Manager



Francisco Torres Larraín
Corporate Commercial and Marketing Manager



Catalina Bravo Ithurbisquy
Corporate Digital Retail Manager



Eugenio Lenin Araya Tobar
Corporate IT Manager



Andrea Carvallo Montes
Corporate Human Resources Manager



Corporate marketing and commercial strategy





Francisco Torres, Corporate Commercial and Marketing Manager

Corporate marketing and commercial strategy

Rediscovering the home

"In 2020, we had the capacity to adapt and offer people what they needed in a year when the home took on fundamental importance. In this, we worked closely with our suppliers as well as consolidating our own brands. Having stock made it easier because we could offer products that were already in our warehouses, without having to bring them in from the supplier to the store, and, as a result, we were able to achieve our commercial objectives."



In a very atypical year in the region, Sodimac was able to maintain supply and consolidate its own brands, which continued to grow, mainly through the Internet. The company rapidly sought and acquired products related to Covid-19 for both its employees and customers. All this occurred in a context of a rediscovery of the home.

2020 was a very challenging year in which the company had to deploy multiple efforts together with its suppliers. The situation called for a rapid acceleration of procurement of face masks, hand sanitizer, more sophisticated cleaning and disinfection products and other items required by consumers as their homes began to serve as schools, offices, places of

entertainment, restaurants and, even, places for vacationing. The objective was not only to obtain these products, but also to control their arrival since, in many markets, stores had to close, a situation that soon changed.

At the same time, there was renewed interest in "do it yourself" as people discovered that they could make improvements to their homes, with good results, and enjoy themselves in the process. They began to value their home more, as a refuge and place of protection, and to do many new things there. This prompted them to improve the infrastructure and remedy details they had not previously noticed.

New sales logic

For Sodimac, the pandemic posed difficulties because all the market was activated at the same time, creating a very challenging situation for the company. It contacted peers in Europe and countries such as Australia in a bid to understand the wave that was coming, from the standpoint of both procurement and customers.

It was necessary to identify the new products that would be required as well as their sales logic since, in some cases, demand doubled or tripled. On the other hand, demand for services fell sharply because, to avoid the

risk of infection, people preferred not to let tradesmen and technicians into their homes.

The future of the business, which had been more or less clear, also had to be completely reevaluated. As a result, it was necessary to reconstruct history and reinvent the way to move forward, from how to hold meetings to how to curate new products, with care for employees as a priority.

For example, when the pandemic began in March, the company decided to make an important reduction in the procurement of summer products. However, after talking to peers in other countries where summer was already approaching, it became clear that people were not going on vacation and, instead, were preferring to spend time at home where they felt safer and more relaxed.

In response, the company rapidly tried to reactivate postponed orders and invested several million dollars in additional purchases in preparation for the arrival of summer in its markets. Similarly, negotiations to select new Christmas assortments and, for example, kitchenware for the following year, which had historically taken place in person and with samples, took the form of digital meetings, with reasonable results.

Communication in difficult times

In a first phase, the company decided to reduce communications somewhat since it could not invite customers to stores, which were closed. This was followed by a more pedagogical stage in which messages focused on elements of care and protection for both customers and employees, seeking to avoid unnecessary risks in the course of transactions.

Digital channels remained strong from the beginning and received constant support. It was not until September that “more normal” communications were resumed in the form of propositions for terraces, barbecues and summer accessories, etc. In this second stage, communications were on a more mass scale and no longer exclusively digital, with a return to a portfolio of traditional channels, although messages continued to focus on care, advice, things to do at home and do-it-yourself.

To support the company’s tradesmen customers, who were very affected by people’s reluctance to let outsiders into their homes, virtual training fairs were organized in Chile, Colombia and Peru with very good results. They were attended by tradesmen from all around these countries as well as attracting some participants from other countries. This online format, with its far more reasonable costs and simpler logistics, opened the possibility of holding more fairs each year.



In 2020, homes began to serve as schools, offices, places of entertainment, restaurants and, even, places for vacationing, calling for improvements in their infrastructure and the correction of details. It was necessary to identify the new products that would be required as well as their sales logic since, in some cases, demand doubled or tripled.

Boosting new formats

Despite the demands of operating in the contingency, Sodimac continued to move forward with both new formats and more traditional stores, such as those in Mexico, which is a new market for the company. Sodimac Dicico continued to grow in Brazil as did stores in Peru with the new Maestro concept. Indeed, given the success of Sodimac Dicico, the company is working to take stores of this type to other markets in the region. They require a site of 2,000-3,000 m², rather than 10,000 m², making them a much lower-cost investment with a shorter implementation time.

For a home improvement retailer, customers' physical contact with products is of superlative importance, even in the context of a strong trend towards digitization. Even at the best moments of digital development, physical sales have continued to represent around 70% of the business and, as a result, the company's interest in achieving better formats has never diminished.

In 2020, the company opted for smaller formats because sites in urban areas are ever harder to find and people value proximity. The Sodimac Dicico format, successfully developed in Brazil, will be introduced in other markets in the region while, in Chile, a new store in Santiago's Chicureo district, with an area of less than 1,000 m², has already surpassed all expectations.

Mexico reported extraordinary results, with sales showing significant month-by-month growth over the same period in 2019. This was explained partly by the fact that people left their homes less, leading to greater concern for the home and higher consumption. However, the trend was also accentuated by the stores' popularity. In addition, due to Sodimac Mexico's aggressive store opening plan for 2020, it had strong inventory and could capitalize on demand because stores were always well-stocked.

In Chile, the company opened a new store in the Chicureo district of Santiago at the end of the year. With a new architecture that reflects the latest international trends, it is a smaller format, with an area of less than 1,000 m², and has already surpassed all expectations as a space for inspiration and sales.

Good sites in urban areas are ever harder to find and, at the same time, people are looking for proximity and personalized service. For repair and maintenance work, albeit not for large projects, customers are willing to forgo the benefits of large formats in favor of smaller ones. That is the logic behind these new formats.

Consolidating own brands

During the year, the company introduced new products of many different types in response to demand: brands for protection, foot disinfection devices, masks, hand sanitizer, small shoe racks for use at the entrance of the home, etc. Other items were designed to create multifunctional spaces, such as offices, classrooms and

gyms, within the home. Working from home is a trend that is here to stay and, in future, people will go to the office only as and when necessary. The rediscovery of home is not going to stop.

Among the company's own brands, Ozom has shown very important growth. It started as a brand with just a few home automation products, but now comprises over 100 products in Chile and is growing every day. That has had a very important impact on subscriptions to the app and on sales. In 2019, up to 200 or 300 people downloaded the app each month while, in 2020, the figure climbed to around 8,000.

A key feature of the year was the result of the environmental impact study of the packaging of own brands, which found that 83% were classified as recyclable and, therefore, more than comply with regulation, ahead of the transition period of between five and ten years established in those countries of the region where it has been introduced. In the case of Chile, the goals are defined for each different material and, on cardboard, the company is six years ahead of regulation and this rises to eight years for plastics and 12 years for metals. At present, Chilean regulation is the most demanding in the region, given that other countries have yet to regulate packaging. However, other markets automatically benefit because the company complies with the most demanding standard.

Sodimac *Chile*





Sodimac Chile

Important progress in a complex year



Eduardo Mizón, General Manager, Sodimac Chile



"2020 challenged us to work on our goals in an uncertain and changing context that constantly implied important demands for the sustainability of our business as part of a new digital and cultural ecosystem. Accordingly, we accelerated our digital transformation, strengthening e-commerce processes, and changes in our logistics-commercial distribution, boosting the development of the business with the best technology. This was accompanied by continuous retraining of teams to intensify our active listening to customers and transform the lessons learned into an improved value proposition."

In 2020, we introduced a series of innovations and accelerated the company's transformation process whilst maintaining our three corporate pillars: growth, profitability and sustainability. Our aim was to respond to the needs of families, who spent much more time at home, as well as of professionals and companies in the context of the pandemic. We also implemented different community support programs and gave priority to the protection of our customers, employees and suppliers.

In 2020, the company made significant progress on customer service. It was a very important year for the development of its digital agenda and numerous projects and initiatives were implemented in technology and logistics as well as the commercial sphere.

In the first half of the year, the pandemic and restrictions on movement took online sales to unprecedented levels. As well as posing a logistics challenge, this called for accelerated development of the website, resulting in a significant improvement in the online shopping experience.

Commercially, progress was achieved on the strategy of increasing the assortment available through the Marketplace, with the incorporation of more than 500 new sellers and over 35,000 new products.

Three new stores opened in 2020: Sodimac Homecenter Quilín, Sodimac Homecenter Antofagasta La Portada and the company's first Sodimac Express store in Chile. The latter's purpose is to serve residents of Santiago's Colina district during the construction of a Sodimac Homecenter in the area, which the company expects to inaugurate in 2023.

The Sodimac app also made important progress, adding services that improve the shopping experience in stores and browsing. As a result, sales through the app represented a significant percentage of online purchases. It received over 2.5 million visits, was downloaded 600,000 times and, in a key milestone, was the most downloaded and popular free App in the country during Cyber Monday 2020. The company will continue to focus on positioning the app in stores as an important tool that boosts self-service and digital functionalities.

In 2020, the Sodimac Tradesmen's Circle (CES) program was also relaunched, with three new levels - black, gold and silver - to reward members for their preference through exclusive benefits that helped to deepen loyalty among this segment of customers. In addition, CES's calendar of activities and its job bank were strengthened, along with the Great Training Fair, an annual event organized by Sodimac to train construction tradesmen and tradeswomen. Due to the pandemic, it was held 100% digitally for the first time.

With Falabella and Tottus, the company continued to develop the corporate store pick-up model. This service is already available in 20 Sodimac stores and the plan is to incorporate the remaining stores in 2021. In December, Sodimac introduced a same-day delivery service for seven municipal districts in the Santiago Metropolitan Region, available for all the assortment of a store, including the Patio Constructor, on purchases made before 2 pm. Sodimac also joined FAZIL, the Falabella group's last-mile ecosystem. More than 18,000 products have already been created in the app, with demanding systemic and

operational planning, in order to gain capillarity and refine the model in 2021.

Innovation in consumer service

In 2020, Sodimac continued to lead innovation in the home improvement sector. In the context of the pandemic, it flexibilized its innovation strategy, introducing services such as online customer advice. In this way, as well as supporting sales, it was able to enhance customers' shopping experience. One such innovation was an assisted online sales service (VOA) through which customers can obtain online advice from a Sodimac salesperson through a video call. Together with Lazarillo, a start-up, the company also made this innovation available to people with partial or complete visual impairment as a means of guiding their browsing and shopping experience on the Sodimac website. VOA had the added advantage of allowing the company's sales force to work remotely, keeping them active but in the safety of their homes.

Another innovation was an online decoration advice service (ADO) that, by providing video call-based personalized advice, makes home design available to a broader public. Through this service, customers can talk to expert decorators about how to adapt their homes to the new demands of life and work.

Sodimac's systematic management of innovation is designed to ensure that the company remains at the forefront in this field, thanks to an in-depth understanding of the new needs of customers and the development of the corresponding technological solutions.

New openings

In recent years, the development of physical stores has focused on projects that provide flexible and timely solutions to changes in the surrounding area and the needs of customers. In 2020, the company opened three new stores in locations that target new markets while four stores were closed on efficiency grounds or in response to new commercial propositions. Given the difficulties caused by the pandemic for the construction industry and society in general, opening these stores on the planned date called for great efforts on the part of the teams involved.

The new Sodimac Homecenter Quilín store in Santiago's Peñalolén district opened on May 11. With a sales area of 12,136 m², it is located in a Power Center along with a Tottus supermarket. Its commercial standards are based on the "phygital" concept and it is the first store to have a PRO Garden section, with inputs, equipment and machinery for the professional gardener.

On September 4, the company closed the Constructor store in the city of Talcahuano in order to take advantage of cost efficiencies and synergies with other stores in Greater Concepción. In addition, the Homy Kennedy store in Santiago was returned to the lessor on November 30 as part of the IKEA project at the same location. During the year, the Homy Plaza Vespucio and Homy Plaza Egaña stores in Santiago were also closed. The Homy brand will be maintained in different lines of products marketed through Sodimac Homecenter stores and online.

The new Sodimac Homecenter La Portada store in the northern part of the city of Antofagasta opened on December 3. It has an area of 13,960 m² and is the company's third store in this city. With the latest commercial value proposition, it seeks to attract new customers in line with the area's real estate expansion.

Just a week later, the first store under the Sodimac Express brand was inaugurated in Santiago's Chicureo district. With an area of 810 m², it occupies an existing building which the company accepted the challenge of adapting, creating a new proposition to enable customers in the surrounding area to see products for themselves and obtain expert advice. Combined with the company's online services, this allows it to offer them a full service for their home improvement projects while it builds

a larger store, with the Homecenter and Constructor formats, in the nearby Colina district, which it expects to open in 2023.

At the same time, the company began to remodel a number of stores around the country to improve customers' shopping experience and expand options for the collection of online purchases, improving stores' pick-up facilities and creating a car collection service.

E-commerce and the omnichannel strategy

In 2020, a year strongly marked worldwide by the pandemic, e-commerce played an even more important role in customer relations. With respect to traditional

sales, digital sales set a new record, with an extraordinary increase in visits.

In Chile, Sodimac.com achieved very significant growth of sales, which were up by over 140%, with more than 235 million visits and over 3.3 million transactions.

The company was also a pioneer in introducing a price guarantee (one of the pillars of its price strategy) on Sodimac.com. Using a simple form, customers can activate this guarantee, which offers a 10% discount if an identical product is available from a competitor at a lower price.

In terms of web content, more than 150,000 new photos were generated for over 60,000 products. New and better emotional content was incorporated, long with products suggested by users and content generated by them, which increases the site's credibility.



Sales through the Sodimac app showed exponential growth. It received over 2.5 million visits and was downloaded over 600,000 times. In a key milestone, it was the country's most downloaded and popular free app during Cyber Monday 2020.



The advice and digital sales generated through the modules.com kiosks in stores are one of the key pillars of the digital store. Operation of these kiosks represented a great challenge for the omnichannel strategy because of the reduction of traffic in stores, their closure during some periods and customers' reluctance to have physical contact with these modules. As a result, sales through this channel contracted by some 33% in 2020. However, it accounted for over 360,000 transactions and, for 2021, the company has drawn up a plan that will greatly improve the payment experience. It will eliminate the need to go to a checkout and allow customers to use the Falabella group's FPAY e-wallet, boosting contactless payment through QR codes.

In general terms, the non-store retail (NSR) digital ecosystem, comprising e-commerce sales and digital sales in stores through kiosks, accounted for 13.7% of

total company sales and 16% of retail sales. In both cases, this represented an increase of four to five percentage points on 2019.

The main technological advances of the year included the implementation of Catalyst, a new e-commerce platform, offering improved browsing, a new search engine with filters and facets, a redesigned shopping basket and new means of payment. The company also implemented Cyber Source, a world-class fraud prevention tool, and improved payment and validation processes.

During the year, two Cyber events took place, both with record sales. On the Cyber Day in September, they were up by 58% on the previous year while, on Cyber Monday in November, they showed an increase of 10%, despite lower inventory and the pandemic-related reduction in use of modules.com kiosks in stores.

The company's operation with the Linio platform was quite successful, exceeding the plan established by more than 60%. In the case of financing and means of payment, the company implemented FPAY as a payment gateway and the Falabella group's e-wallet in the site's checkout.

Responsible trade and marketing

In 2020, the company focused on operating responsibly, protecting its employees, customers and suppliers. As soon as the health crisis began, store opening hours were reduced in order to adjust shifts and allow personnel in risk groups to remain at home.

Under the Healthy Store concept, physical stores were adapted to apply all the protocols necessary to guard against Covid-19 infections, including measures that went

beyond those required by the authorities, and priority was given to e-commerce with a contactless delivery protocol.

At the start of the pandemic, the company froze the prices of hygiene and cleaning products to avoid speculative increases and limited the number of units customers were allowed to buy. In the case of consumer rights, the deadlines for registering complaints and activating guarantees were lifted and the company compensated customers when it was unable to fulfill its promises.

Sodimac was able to transform itself to accompany its audiences and customers during lockdowns when they required advice for carrying out their activities and improving their homes and, in the case of tradesmen, for their work. Special advisory content was developed for the company's YouTube channel and the LiVES videos of the *Hágalo Usted Mismo* (Do It Yourself) program.

Through the Do It Yourself videos, the company was present in homes, explaining how to reduce consumption, protect the environment and carry out maintenance projects of different types. During the year, 98 new videos were uploaded to the YouTube channel and were viewed more than 90 million times, attracting over 430,000 subscribers.

The Great Online Fair was one of the training milestones of the year. It attracted more than 200,000 visitors from the world of construction of whom 11,902 were women. Over three days, it offered over 100 online courses, with more than 50 interactive supplier stands, and presented the latest developments in construction. All this content was also posted online. As a means of providing technical training for tradesmen, over 40 events using the LIVES format also took place, some of which were viewed by over 4,000 people as well as being reproduced more

than 2 million times. In 2020 alone, more than 4,000 tradesmen and tradeswomen were trained virtually by the Sodimac Tradesmen's Circle (CES), representing an almost six-fold increase in five years.

In 2020, Sodimac opened its Marketplace to micro-entrepreneurs to support them in the crisis caused by the pandemic. It provided free training and support to those who joined it as new suppliers and waived commission charges on their sales for three months. This initiative, which was supported by the Chilean Association of Entrepreneurs (ASECH) and Sistema B Chile, represented a continuation of the support Sodimac has long provided for entrepreneurs. It also formed part of the company's backing for the *aPóYaMe* (Support Me) initiative, led by the Economy Ministry and the Santiago Chamber of Commerce, which seeks to facilitate the access of small

and mid-sized enterprises (SMEs) to e-commerce. On its website, Sodimac offers some 1,800 products from mini-SMEs and, in 2020 alone, sold more than 30,000 items made by micro-entrepreneurs.

Sustainability

In the social sphere, the company has always been committed to sustainable development and responsibility towards society, contributing value to the communities where it operates. In 2020, it supported 18 cases of housing improvement through the *Aquí Somos Todos* (Here We Are All) program of the Canal13 television channel.

During the year, the company worked with the organizations with which it has alliances. In the case of Techo, it supported the *Chile Comparte Vivienda* (Chile Shares Housing) campaign, implemented together with the Vivienda Foundation, to build 500 basic homes while, in the case of Movidos x Chile, it collaborated in its campaign to help vulnerable people and families. Together with other Falabella companies, it also supported the *Red de Alimentos* (Food Network) and the donation of boxes of food organized by the Confederation of Production and Commerce (CPC). In addition, the company distributed materials and products to the *Plan Protege Calle* (Street Protection Plan) of the Ministry of Social Development and the Family and to the hospitals of Valdivia and La Calera and the Huechuraba Emergency Hospital in Santiago.

In addition, Sodimac's alliance with Techo-Chile resulted in the implementation of three housing projects, consisting

of apartments designed and built with the families themselves, which benefited some 1,100 people. The company also provided each community with materials to implement and improve different places for neighbors to meet.

Sodimac made a financial contribution to the Junto al Barrio Foundation as well as participating in community projects in the Renca and Valparaíso municipal districts through its *Construyendo Sueños de Hogar* (Building Dreams of Home) program. In 2020, the Plaza Blanca Vergara in the Renca district of Santiago was inaugurated, thanks to collaboration between the Neighborhood Association, the Junto al Barrio Foundation, Sodimac and the district's municipal government. This project provided a meeting place for the community as well as a connection between it and the Renca Hill.

As part of its efforts to combat climate change, Sodimac implemented a number of initiatives to contribute to protection of the environment and promote greater awareness of the need to care for the planet among its suppliers, customers, employees and the community in general.

For the second consecutive year, Sodimac was awarded the Seal of Excellence of the Environment Ministry's *Huella Chile* (Chile Footprint) program as well as its seals for the quantification and reduction of greenhouse gases (GHG) in recognition of the company's efforts to reduce the impact of its emissions. The Seal of Excellence is the highest distinction awarded by *Huella Chile*, a voluntary



program that promotes GHG measurement, reporting and management by public and private organizations.

Since March 2019, all the company's deliveries to customers in Chile have been carbon neutral. The company is also gradually implementing an electromobility plan for both home deliveries and the operation of its distribution centers and stores. For the first time, the company received certification under the *Giro Limpio* (Clean Transport) program of the Energy Sustainability Agency (AgenciaSE). This certification is awarded to companies that transport at least 50% of their freight in trucks with the Clean Transport Seal or, in other words, belong to transport companies that are committed to energy efficiency and emissions reduction. In addition, AgenciaSE selected Sodimac to participate in the new Electromobility Accelerator.

In 2020, Sodimac's alliance with Techo-Chile resulted in the implementation of three housing projects, consisting of apartments designed and built with the families themselves, which benefited some 1,100 people. The company also provided each community with materials to implement and improve different places for neighbors to meet.

As part of its measures to protect the planet, the company promotes circular economy measures for waste recovery and recycling, reduction of the use of plastic through the redesign of product containers and packaging, the marketing of eco-sustainable products and services, increased use of clean energy through photovoltaic panels at its facilities (in 2020, panels were installed at a further 20 stores, taking the total to 48), a power purchase policy that favors non-conventional renewable energies (NCRE) and different eco-efficiency measures in its operations.

In 2020, Sodimac and the Papa John's pizza chain signed an alliance that will introduce the first collection points where the latter's customers will be able to take their used pizza boxes for composting. This agreement is an unprecedented initiative in Chile for the collection and recycling of this waste.

In addition, under its *Haciendo ECO* (Being ECO) initiative, the company offers customers over 4,300 sustainable products, some of which are made with recycled material from its Clean Points waste collection facilities. In 2019, Sodimac joined the Chilean Plastics Pact of the Fundación Chile technology transfer institute and, in 2020, continued working with the *Circula el Plástico* (Circulate Plastic) Summit and participating in working groups, campaigns and activities as a means of exercising collaborative leadership in changes in plastics production models and the reduction of their impact on the environment.

Boosting the CMR card

As a consequence of the pandemic and the reduction in customers visiting stores in the first half of the year, the company launched a strategy under which customers could obtain a CMR credit card online. With the support of Banco Falabella, it was able to issue digital CMR cards on sodimac.com, surpassing its targets. It also implemented campaigns that significantly increased the number of Sodimac customers enrolled in the CMR points program with all means of payment, thereby strengthening this loyalty program.

As from the second quarter of the year, Sodimac customers could redeem CMR points online, using the same platform as the holding's other businesses. In this way, it was possible to extend the experience of redeeming CMR points to the online world.

Progress on corporate governance and business ethics

In 2020, the BH Compliance consultancy company again certified Sodimac's implementation of the governability, risk and compliance (GRC) tool, which includes a crime prevention model to guard against the crimes indicated in Chilean Law N° 20.393.

Sodimac's latest Sustainability Report – which was externally assured by EY (Ernst & Young) – was prepared in accordance with the Core option of the Guidelines of the Global Reporting Initiative (GRI). Preparation of the Report, which provides an account of the company's economic, social and environmental performance, helps it to continue progressing in the fulfillment of the Sustainable Development Goals (SDGs) to which it is committed in order to manage and reduce the negative impacts of the business and generate value for the context in which it operates.

In 2020, Sodimac's parent company, Falabella became the only Chilean retailer selected for inclusion in the Dow Jones Sustainability World Index (DJSI World), alongside listed multinational companies considered leaders on sustainability according to economic, social and environmental criteria. In the retail category, it ranked fifth worldwide. Falabella was also selected for the equity portfolios of the other indices in which it was invited to participate. It is the only Chilean company that is part of four indices (World, Emerging Markets, MILA Pacific Alliance and Chile).

Prizes and recognitions

In 2020, Sodimac took first place in Latin America in the home improvement category of the international 2020 Great Place to Work (GPTW) ranking. Similarly, at the local level, it consolidated its position as one of the two brands most trusted by Chileans, again taking second place after the Fire Service in the ICREO study. It also took first

place in the home improvement category of two other important rankings: the Customer Experience Ranking, published by the Praxis Xperience Index (PXI) and the La Tercera newspaper, and the Chile 3D, Brands and Lifestyle study of La Tercera and GFK.

The company was also awarded an important distinction by the Marketing Hall of Fame as a Great Chilean Brand for its Importance Overseas 2020. In addition, it took first place in the National Survey of Volunteering and Solidarity 2020 of the Trascender Foundation and Criteria. The United Nations Global Compact awarded the company the Global Compact 2020 recognition in the Prosperity category for its *Construyendo Sueños de Hogar* (Building Dreams of Home) program while the Chilean government's National Training and Employment Service (SENCE) recognized Sodimac as the company that trained most workers in Chile.

In the case of innovation, the company took top place in the home improvement sector in the ranking of Chile's Most Innovative Companies, which is published annually by the ESE Business School in alliance with the El Mercurio newspaper and the MIC Innovation consulting firm. All the companies in this ranking are evaluated on the basis of their innovation policies, processes and procedures, the elements that create and form their innovation culture and the impact of innovation on their results.

Sodimac also took third place in the ranking of Responsible Companies with the Best Corporate Governance, published by Corporate Reputation Business Monitor (Merco) and El Mercurio in which it was awarded top place in the



home improvement category. In addition, the company obtained leading positions in various other national rankings, including Corporate Reputation, Citizen Brands 2020 and the Merco Talent Ranking, in all of which it took first place in the home improvement category.

Future challenges

In 2021, the great challenge will be to strengthen the operation as it was adapted and transformed in 2020, maintaining the new mix of channels. To this end, work will continue on improving processes, incorporating the best technology and training teams so they achieve their maximum potential.

During the year, the company expects to maintain the cultural change it has already achieved. It will also be seeking to capitalize on the lessons left by the explosive growth of e-commerce in stores and distribution centers by

improving existing capabilities, with a focus on cultivating the loyalty of professional customers, and transforming this adaptation into innovations that strengthen Sodimac's leadership of the home improvement sector.

Sodimac Chile Executive Committee



Eduardo Mizón Friedemann
General Manager



Claudia Castro Hruska
Human Resources Manager



Juan Carlos Corvalán Reyes
*Legal Affairs and Sustainability
Manager*



Lucrecia Fittipaldi
*Administration, Control
and Risk Manager*



**Cristián Andrés
Huidobro Alarcón**
IT Manager Chile



Mariano Ariel Imberga
Operations Manager



Ignacio Monteverde
*Commercial, Marketing
and Distance Sales Manager*



**Francisco Javier
Pirozzi Jabat**
Supply Chain Manager



Ignacio Román Moreno
*Planning, Development
and Projects Manager*



Sodimac
Colombia





Sodimac Colombia
Accelerating
the
transformation
of the
business



Miguel Pardo, General Manager, Sodimac Colombia


386,000
m² of sales floor

40
stores
in 25 cities 

410,730
hours of training 

 **9,288**
employees

"In the context of the pandemic, we focused on guaranteeing the health of our employees and customers through strict biosafety measures and adjustments to our operating model whilst also strengthening our logistics capabilities to decisively promote digital channels and the omnichannel approach. We devoted great efforts to listening to customers and implementing solutions for new demands, including the speed of deliveries and their fulfillment. The social programs we implement continue to demonstrate our commitment to the communities where we operate."

2020 brought many changes, particularly in consumers' habits and how they relate to retail. The two great pillars on which work centered were digital hyper-acceleration and the evolution of the company's value propositions.

The pandemic triggered a series of transformations in the business, of which one of the most marked was the renewed importance of the home. From being in it only at night and weekends, people began to use it for multiple activities during the day, including as a home office. The pandemic also meant a great change in the frequency of visits to stores and purchases there and an important migration to e-commerce in the face of which the company had to adapt and quickly improve its value proposition.

Sodimac Colombia's main challenges involved strengthening the organization's capabilities, particularly in the logistical processes of preparing and dispatching orders, inventory supply, and improvements in fulfillment of deliveries. During the year, five stores were transformed into operational nodes, generating a new operating model for dispatches from stores. In addition, the capacity of the distribution centers was expanded, dispatch traceability was implemented and new logistics services were incorporated, including payment against delivery and express delivery in time windows from distribution centers and within 24 hours in Bogotá, Medellín and Cali.

In the case of digital hyper-acceleration, the company sought to provide a better e-commerce service, strengthening its digital channels, delivery promises, product information and the content that accompanies the shopping journey. In this area, key initiatives included the accelerated positioning of the Homecenter app, backed

by a strong campaign in mass and targeted media and accompanied by an increase in paid and organic traffic to digital channels, search engine optimization and the strengthening of the performance of the website and the app. Numerous digital events were also held, along with the implementation of e-mail marketing strategies that helped convert single-channel customers into omnichannel customers.

Across all areas of the company, the incorporation of digital hyper-acceleration permitted the development of an entrepreneurial mentality, with training provided through the Digital School, and the implementation of agile methodologies and work in collaborative networks in two spaces: (i) addressing the emergency and moving towards recovery, and (ii) ongoing planning for the future.

The company remained true to its value proposition for the customer, who is always at the center of its actions,

adapting it to the digital challenges in line with customers' expectation of receiving a superior and personalized service across the different channels at any time. For this reason, investment in technology, which is constant and will continue in the coming years, focused on improving customer experience and included projects such as the development of new functionalities for the app, the implementation of solutions to facilitate purchases (for example, calculation of the materials required for a particular task) and new versions of the system of quotes and service in stores. In addition, the company invested in new business intelligence models, software for connecting with suppliers, the routing of deliveries and improvements in the operation of distribution centers.

At the same time, software and hardware updates were implemented to guarantee operational continuity and increase the company's capacity to support special events such as the Day without VAT and/or Cyber Days.

Self-service checkouts were installed in eight new stores, taking the number of stores in which they are available to 38, out of the company's 40 points of sale in Colombia. Towards the end of the year, after extensive testing, deployment of a scan-pay-and-go system began. This enables customers to scan their products, go to a checkout and pay in a more agile way.

Strengthening the value proposition

In physical stores, progress was achieved on implementing inspirational spaces for customers. Areas to improve customer experience were inaugurated in the flooring and kitchens categories in ten stores and a project to improve the Carpenter Pro customer journey was replicated in 32 stores. In addition, work began on the development of social commerce, which is expected to benefit customer experience in 2021.



Across all areas of the company, the incorporation of digital hyper-acceleration permitted the development of an entrepreneurial mentality, with training provided through the Digital School, and the implementation of agile methodologies and work in collaborative networks. This meant that estimated sales through digital channels were brought forward by four years, visits by two years, development of the app by five years and the Marketplace growth plan by two years.

Sodimac Constructor, which serves tradesmen, implemented an important training program that reached over 20,000 people during the lockdown, enabling them to receive training in topics related to construction and their areas of expertise. A milestone in training was marked by the first virtual Great Training Fair, which was attended by more than 98,000 tradesmen from the construction industry around the country.

For its audiences, the company implemented different strategies in line with the phases of the pandemic. In the initial phase, it sought to ensure that its home and professional customers, as well as employees, understood the health protocols required in both their homes and public places while, in the lockdown phase, the company established Emergency Supply Centers (CAE) to attend the basic needs of households, in terms of both biosafety and domestic emergencies.

In the case of tradesmen, Constructor implemented a solid training program. During the strict quarantine, it reached over 20,000 people who were able to receive training in topics related to construction and their areas of expertise. For home customers, the company generated multiple content to accompany the new dynamics of life at home, both as regards the necessary care and ideas for organizing and redistributing spaces to adapt them to new needs.

In times like these, solidarity is a key value and, in response, Sodimac participated, together with Corona, Falabella and Banco Falabella, in an initiative to contribute 1,000 million Colombian pesos to the ProBogotá Foundation for the purchase of UCI equipment and medical supplies for Bogotá's health network. It also distributed 2,000 boxes of food and other products to the most vulnerable members of the Tradesmen's Circle.

In the phase of recovery from the pandemic, the company continued to place strong emphasis on inculcating awareness of biosafety and ensuring the application of protocols on access to stores and the limit on the

number of people in a store at a given time. Constructor implemented the *Más Socios que Nunca* (More Partners than Ever) campaign, leveraged on biosafety at work, low prices for volume (Precios + Pro) and digitization of the purchase process. The Constructor Academy virtual training platform was also consolidated and the first virtual Great Training Fair took place. Attended by more than 98,000 tradesmen from the construction industry around the country, it marked a milestone in access to training in the sector.

Communication of the Homecenter brand was based on positivity and good energy. Dynamic and cheerful campaigns, such as Aaappp Homecenter and *Cambiar es Divertido* (Changing is Fun) were implemented while statements in categories such as remodeling, decoration and paints were reinforced, awakening great interest on the part of users, all through the *Haz de tu Casa tu Lugar en el Mundo* (Make your Home your Place in the World) communications platform.

The company also achieved important milestones in customer experience, management and retention. They included the broadening of the CMR Points loyalty program to all means of payment in a bid to reach a larger number of customers with numerous benefits, such as gift card redemption, online coupons and the physical and digital redemption of points in exchange for products.

In the midst of a challenging year, the company made changes to its social responsibility programs, adapting them to virtual environments. The first digital volunteer activities took place with the support of employees who,

with their knowledge and experience, contributed from home to the transformation of environments. Campaigns such as *Tu Casa Libre de Estereotipos* (Your House Free of Stereotypes), *El Valor de ser tu Mismo* (The Value of Being Yourself) and *El Morado en tu Casa y No en tu Piel* (Purple in Your House and Not on Your Skin) sought to position the issues of diversity, equity and inclusion, create awareness and generate strategies to combat discrimination and violence.

The company formed an alliance with the National Network of Women and the Presidential Council for Women's Equality with the aim of eliminating stereotypes and implementing awareness and prevention strategies.

In the case of improvement of the habitat, actions included ISO 14001 Certification - Environmental Management Systems (EMS) in 27 stores and completion of the planting of 38,600 trees over the past seven years, with the resulting mitigation of 10.5% of the company's carbon footprint over the past ten years. In addition, more than 9 tonnes of batteries and light bulbs and over 63,000 used tires and wheel rims were collected from customers for their correct treatment and recycling.

Sodimac Colombia also strengthened its brand image, climbing 17 places in the Merco survey to 39th position.

Challenges in 2021

After an unprecedented year, Sodimac Colombia will continue to implement initiatives to better serve the Colombian consumer, based on integrating its sales channels into an omnichannel experience in order to offer rapid and simple solutions and responses. It will continue to transform its stores into places of greater inspiration and specialized attention whilst also investing in logistics and technological capabilities that improve service standards. Further important efforts will be made to enhance the shopping journey of Colombia's tradesmen and accompany them in their personal and professional development. Finally, the company will maintain its commitment to protecting the environment and improving the habitat in Colombia, implementing initiatives that contribute to the construction of the country and the development of environmentally friendly and sustainable solutions, fulfilling its purpose of Together Building Dreams and Home Improvement Projects.



To ensure business continuity, the company gave priority to compliance with protocols and norms for Covid-19 prevention, with the different areas focusing on ensuring employees, suppliers and customers' compliance with biosafety measures.

Sodimac Colombia Executive Committee



Miguel Pardo Brigard
General Manager



**Diego Hernández
Arizabaleta**
Development Manager



**Pedro José
Gallón Tamayo**
Operations Manager



**Juan Antonio
Bustos Ortega**
*Finance and
Administration Manager*



**Erasmo Jesús
Moreno Aguilera**
Technology Manager



**Karym Cecilia
Grijalba Mármol**
*Integral Human
Resources Manager*



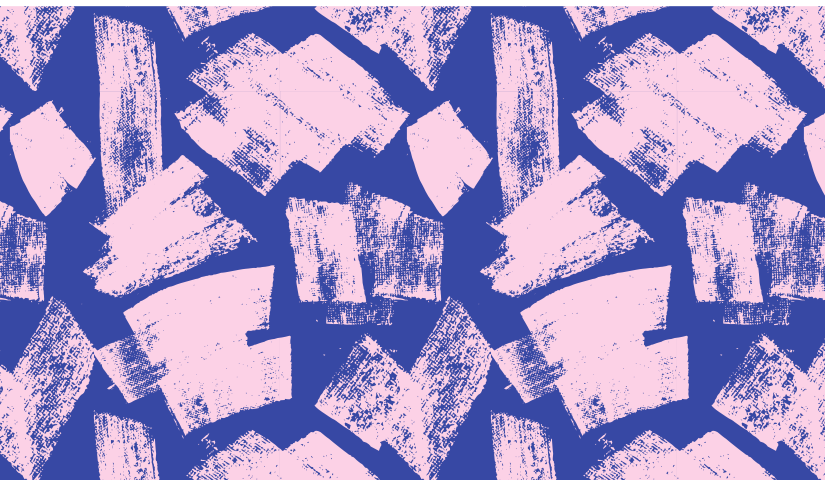
**Julián Fernando
López Cardemil**
Supply Chain Manager



Luis Prieto Archidona
Commercial Manager



Sodimac Peru





Wilhelm Ramberg Arnillas, General Manager,
Sodimac Peru

Sodimac Peru

A company
committed to
the dreams of
Peruvian men
and women




385,217
m² of sales floor

56 
Sodimac
and Maestro
stores

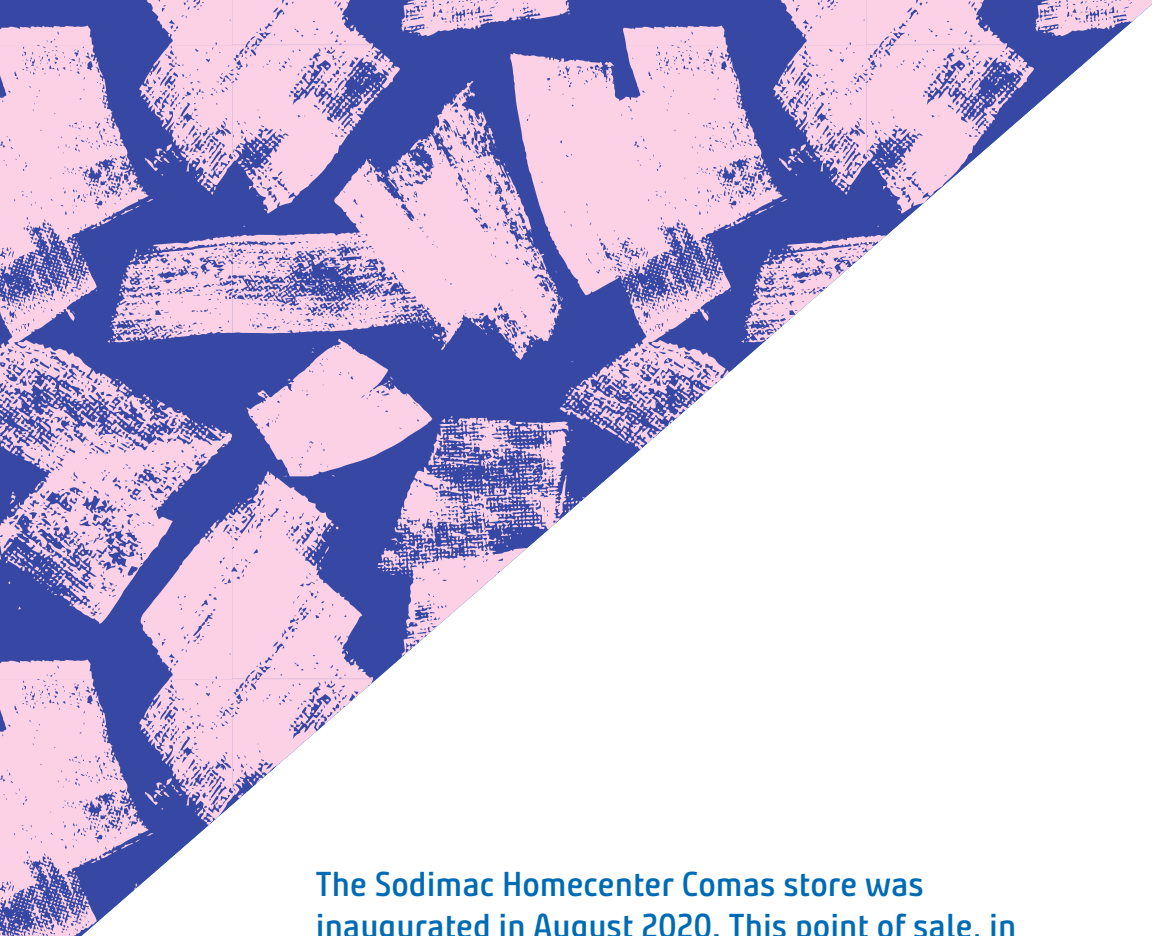
411,868 
hours of training


9,738
employees

"The pandemic hit Peru particularly hard and meant a long paralyzation of our entire operation, including e-commerce. This represented the greatest challenge so far in our history and accelerated the transformation process on which we have embarked in a bid to provide unique experiences and respond to the expectations of our customers and other stakeholders, guided always by our values and purpose."

Convinced of the importance of our purpose "Together we Build Dreams and Home Improvement Projects", Sodimac and Maestro continued to help realize the wishes of thousands of families in 2020 whilst also serving as the best ally for entrepreneurs and home improvement and construction professionals in the implementation of their projects. Over the course of the year, the company implemented projects adapted to the situation in order to have a positive impact on society. It also accelerated processes related to digitization, seeking to adapt to the behavior of the new consumer and refocus its strategy, giving priority to the health of employees, customers and suppliers.

In 2020, the Covid-19 pandemic transformed the lives of everyone. Work, studies and coexistence, among other things, underwent a 360° degree shift. Together We Build Dreams and Home Improvement Projects was the guiding principle under which the company sought to adapt and guarantee



The Sodimac Homecenter Comas store was inaugurated in August 2020. This point of sale, in a modern mall built in line with the requirements of LEED certification (underway), is located in the Comas district of northern Lima, one of the city's most densely populated areas. It has a total area of 10,465 m² and a sales area of 8,761 m² on one level.

operational continuity, an objective it pursued on a daily basis and was supported by strategic priorities, such as ensuring the wellbeing of employees in their physical or remote workplace and providing clear, transparent and honest information.

Through collaboration, the company had to adapt to a new reality and transform solutions and systems to strengthen its omnichannel strategy, offering a broad mix of products and delivering them in the shortest possible time. It invested in logistics nodes in strategically located stores and in click & collect warehouses to complement its offer of delivery within 24 hours and same-day and express services. In this way, it improved the On Time In Full (OTIF) indicator of the omnichannel service, which reached 94.8%, while continuing to reduce delivery times, fulfilling 70% in less than 48 hours.

Online sales reached an unprecedented level. In order to offer the best shopping experience in the face of this change, the company took important decisions, reinforcing its commitments. A study by APOYO Comunicación shows that, during the lockdown, home improvement was one of the sectors where demand was highest. This study also ratified the Sodimac brand's leadership in Peru, positioning it as top of mind for 42.2% of consumers when thinking of shopping at a home improvement store.

In 2020, the Sodimac and Maestro School of Excellence implemented a training plan aligned with the organization's culture and strategic pillars and designed to offer customers the best shopping experience to accompany them in

building their dreams and home improvement projects. Importantly, Sodimac and Maestro did not neglect their commitment to sustainability, diversity and inclusion. Among the numerous initiatives implemented during the year, they became the first retailers in Peru to introduce inclusive masks for serving customers with a hearing disability. Today, all their stores are equipped with a number of these masks, which facilitate lip-reading, the main vehicle of communication for people with a disability of this type. This measure was implemented in alliance with Peru's National Council for the Integration of Persons with Disabilities (CONADIS).

E-commerce and the omnichannel strategy

In 2020, online sales were up by 142% on the previous year, positioning Sodimac Peru among the country's top five retailers, with some 6.6 million monthly visits. The company implemented home deliveries as from 24 hours and over 60% were fulfilled in 48 hours or less. Its positioning among professional customers also strengthened and, in some product segments, sales growth reached over 160%.

A pick-up service was implemented at all Maestro stores and was also available at other group companies (Tottus and Falabella). The option of paying at the checkout with any means of payment was also introduced for the modules.com kiosks.

Human resources

In 2020, the company implemented a series of measures that contributed to the self-sustaining learning methodology. They included the creation of 13 knowledge communities of the hard and soft areas in Workplace, the deployment of sales arguments for the 13 technical sales departments and the posting of 26 Knowledge Podcasts on the Spotify +Juntos (+Together) channel.

In addition, 2,904 internal monitors around the country were certified to provide training in different sales and operations projects.

In the case of omnichannel training, the range of e-learning courses was expanded with the launch of 38 new initiatives through which to continue enhancing employees' knowledge of auditable, transversal and technical issues. In addition, the *Construyendo Liderazgo Microlearning* (Building Leadership Microlearning) program was deployed, targeting the Top 2000 through the UBITS learning platform, and provided 581 hours of training.

To continue fulfilling their role as partners, Sodimac and Maestro focused on digitization of the tradesmen segment, implementing virtual platforms with training, courses and digital tools to help tradesmen and construction professionals improve their work and the management of their businesses.

Thanks to the use of digital platforms, it was also possible to decentralize training, reaching all parts of the country, addressing needs detected in the construction sector and

converting them into the best solutions for the company's customers.

In line with the role of diversity as a pillar of the company, Sodimac and Maestro implemented measures under their equity and inclusion policy. They also sought to reflect different groups of people in their communications without distinctions of any type.

Key brands

In 2020, the market share of Sodimac Peru's own brands increased by four percentage points, consolidating the company's strategy of growing the sale of core products that have a key place in its commercial portfolio.

The most relevant brands in the Peruvian market were Kölor, Home Collection, Holztek and Dacqua. These have featured constantly in the company's communications and media strategy and it has increased their presence in messaging and productions.

In the second half of the year, the company launched the CMR Points program, supported by a solid and transversal communications strategy and a presence in all channels. This included visuals in stores, mailings and communication on social networks as well as presence in the press and other mass media. The program exceeded its enrollment goal, a result in which competitions for customers and employees also played a key role.

Contribution to the community

Over the course of the year, the company implemented different campaigns, adapted to the situation, to generate a positive impact on society. They included a campaign in alliance with Estrafalarío (a local enterprise that supports vulnerable and imprisoned women) and the Ministry of Women and Vulnerable Populations under which 1,000 reusable face masks were made for a shelter for vulnerable people.

The company also donated over 2,600 biosafety kits and disinfection materials to the *Te Cuido Perú* (I Look After You Peru) team and improved the implementation of health protocols in the Central Market. The latter included the installation of signage, distancing circles, hand sanitizer stations, industrial foot disinfection devices, bins and bags for bio-contaminated material in the Ramón Castilla Central Market as well as the

donation of 1,000 bottles of bleach and hand sanitizer to all the stalls. This initiative was implemented in alliance with the Lima Municipal Government. The company also donated 5,000 N95 masks to the Essalud organization for the use of healthcare personnel.

Work continued on the *Construyendo Juntos Empleabilidad* (Building Employability Together) program, which seeks to equip participants with resources and tools that increase their employability, are conducive to future opportunities and motivate them about their capacity for insertion in the world of work. In the early part of the year, the program was in-person but subsequently had to reinvent itself and migrate to a digital format. This increased the reach of the program, which has so far benefited 5,535 people.

In the framework of Women's Day, the company opted to draw attention to a situation that demonstrates the ongoing existence of workplace barriers to equity. According



In 2020, Sodimac Peru built logistics nodes in four stores - Sodimac San Miguel, Sodimac Megaplaza, Sodimac Ate and Sodimac Atocongo - to strengthen 24-hour and same-day delivery of all the company's assortment of products. The capacity of the Distribution Center's storage area was also expanded to accommodate products for online sales, increasing the availability of the centralized assortment.

to a study by the Ministry of Housing, Construction and Sanitation, women's participation in the labor market in Peru reaches just 15%. The situation is even more marked in the construction sector where the idea persists that women cannot do work of this type. This is reflected, for example, in adverts for jobs, which are written in the masculine, excluding women and discouraging them from applying. To highlight this situation, Sodimac and Maestro joined forces with El Comercio, one of the country's most important newspapers, to intervene its classified job ads and demonstrate that those related to the construction industry do not include women. In this way, the company not only drew attention to the existence of women carpenters, plumbers, welders and engineers, but also obtained a commitment from the newspaper to continue fostering the use of inclusive language in all its advertisements, adding the letter "a" of the feminine in Spanish at no extra cost.

The company also implemented the *Sorpreasas que no Queremos Recibir esta Navidad* (Surprises We do not Want to Receive this Christmas) campaign in a bid to help reduce accidents caused by electrical faults which, in Peru, typically increase during the Christmas period. Together with Peru's Voluntary Fire Service, it sent high-impact Christmas presents (a burnt teddy bear) to different stakeholders to increase awareness of the issue and encourage them to help educate the population about the risks it entails. This campaign contributed to a 39.8% decrease in short-circuit incidents and achieved a total potential reach of 7,058,890 people.

Achievements in sustainability

In 2020, Sodimac and Maestro continued to reaffirm their commitment to sustainability. During the year, they implemented campaigns to publicize the Integrity Channel complaints vehicle, which is managed corporately for the Falabella group. Work also continued on the company's alignment with the Sustainable Development Goals (SDGs) in order to assess its contribution. At the same time, the company strengthened its Sustainability, Diversity and Inclusion Committee, which began to meet monthly, incorporating different first-line leaders in order to achieve a multidisciplinary approach.

Volunteer activities took place during the first two months of the year but, in light of the health situation, the company subsequently gave priority to donations for improving spaces to prevent the spread of the virus and contributions to its alliance with the Fe y Alegría organization for the promotion of high-quality education. In 2020, Sodimac Peru obtained an 88% satisfaction rating in the Workplace Climate Measurement of the Great Place to Work organization. This represented an increase of two percentage points on 2019. During the year, the company also launched the *#JuntosNosCuidamos* (#Together We Look after Ourselves) program to promote physical and emotional wellbeing and prevent Covid-19 infection. The program deployed communications actions with a pedagogical focus and implemented measures to guarantee compliance with the company's Covid-19 Vigilance, Prevention and Control Plan. In the framework of *#JuntosNosCuidamos*, the company also launched

Reinvéntate (Reinvent Yourself), an inclusion program to allow employees in a high-risk group (seniors, pregnant women, people with disabilities and those with underlying medical conditions) to take on alternative positions from the safety of their homes.

The company continued to consolidate its leadership on diversity and inclusion through its Equity, Diversity and Violence Prevention (EDIPVI) Strategy, whose 115 monitors continued to deploy the Equity Route. In addition, EDIPVI communities were created in Workplace: *Mujeres Conectadas* (empowerment and female leadership), *Junto a Ti* (inclusion of people with disabilities), *Espíritu Joven* (inclusion of seniors), *Comunidad Libertad* (LGBTIQ+ inclusion), *Nuevas Masculinidades* (men's role in gender equality) and *Talento Z* (strengthening of the capabilities

of Generation Z). These communities seek to visibilize vulnerable internal groups, generating knowledge and interaction around diversity. As part of Women's Day activities, prominence was given to Chapter I (Gender Equity) of the company's Inclusive Communications Manual while Chapter II (Sexual Diversity) and Chapter III (Disability) were emphasized in the context of Pride Day and the Day of Persons with Disabilities, respectively. These efforts sought to embed guidelines on inclusive behavior as part of the company's culture.

In the case of its Customers pillar, the company implemented the Turbo Digitization strategy. It aims to accelerate the development of physical-digital capabilities as a means of strengthening the customer experience, adapting these capabilities to a new reality in which collaboration is key to promoting innovation, efficiency and digitization.

Despite the complicated health situation, Sodimac Peru transformed the Cerro Colorado store in the Arequipa Region, incorporating categories of products that were not previously available at this point of sale. As a result, it was possible to offer customers a more complete value proposition, with a variety of decoration products, household goods, organization products, furniture and other items, to complement their home projects.



Different types of training were migrated to a digital format in a bid to achieve closeness and strengthen ties with customers. Digital training replaced the company's physical Construction Fairs, a move that increased their reach by 250%, and the company launched the *Construyendo Seguridad* (Building Safety) project for economic reinsertion (employability and protocols), with a video that received 25,897 visits.

The Great Online Training Fair, held in 2020, positioned itself as the largest free training platform in Latin America for tradesmen. This was the first time the Fair had taken place 100% digitally and it achieved an unprecedented reach, enabling the company to fulfill its undertaking to be more a partner than ever in times of uncertainty and strengthen an educational role that translates into new projects for customers. Over 38,000 people registered for the Fair, up by 25% on the previous year, and it was attended by over 30,000, an increase of 51% on 2019.

As a result, the training sessions were attended by a total of over 117,000 people, up by 311% on 2019 and well ahead of projections.

In 2020, the company participated in initiatives such as *Hazla por Tu Playa* (Do it for Your Beach) and Earth Hour. In March, more than 60 volunteers from Lima and the provinces, including employees and their families, cleaned the Waikiki beach and other beaches in the north, together completing over 360 hours of voluntary work. The company maintained its alliance with EcoTrash, a social enterprise that seeks to optimize the recycling process, creating opportunities for women and young people, who collected 5.3 tonnes of paper and 1.2 tonnes of bottles.

In addition, the + BICI plan was launched to promote sustainable transport as an alternative in the face of Covid-19 and to protect the planet. Under this plan, more than 400 employees were able to acquire bicycles at

special prices. In 2020, in line with the government's *Perú Limpio* (Clean Peru) plan, plastic bags also ceased to be available at Sodimac and Maestro stores.

In 2020, Sodimac Peru measured its carbon footprint for the fifth time. The measurement, corresponding to 2019, showed that total emissions were down by 1,697 tCO₂e on 2018, a reduction equivalent to 5,091 trees planted. This represents the conservation of 38.6 hectares of lowland forest or, in other words, approximately 15,172 trees.

Recognitions

Sodimac and Maestro have continued to position themselves positively in the Peruvian market. In 2020, they won two ECHO Gold Awards, the world's most important recognition for data-driven marketing. They are for excellence in creativity, marketing strategy and response results in data-driven campaigns across all types of media used in direct and interactive. One of the awards was in the Best Direct Mail category for the *Sorpreasas que no Queremos Recibir esta Navidad* (Surprises We do not Want to Receive this Christmas) campaign while the other, in the Best Use of Branded Content category, was for the *Yo Soy el Maestro* (I'm the Tradesman) campaign.

In the Great Place to Work 2020 ranking, the company was not only positioned as one of the best companies with over 1,000 workers in Peru but Sodimac and Maestro also took top place on Diversity and Inclusion. In addition, the Perú 2021 organization awarded them the PODS: Peru for the SDGs recognition in the Prosperity category for

the *Junto a Ti* program (inclusion and workplace insertion of people with disabilities). In the PAR Ranking of the Aequales organization, Sodimac Peru maintained its position among the ten best companies on the promotion of gender equality and diversity. For the seventh consecutive year, it also obtained the Socially Responsible Company Distinction, awarded by Perú 2021 to organizations that integrate sustainability into their business model and achieve a positive economic, social and environmental impact. Finally, the company was once again among the top places in the Merco rankings: Best Business Reputation, Talent Peru 2020, and Responsibility and Corporate Governance.

Challenges in 2021

In 2021, Sodimac Peru will continue to give priority to the safety of its customers and employees, focusing on the prevention of Covid-19. For the latter, it is developing predictive models that will enable it to anticipate measures and reduce infection risks. It will also continue to implement the Healthy Store initiative, ensuring application of the protocols required for business continuity and putting prevention first.

Value propositions for customers will be strengthened and deepened. Particular emphasis will be placed on professional customers, drawing on a deeper understanding of their needs and market opportunities. This will be achieved by improving products, projects and services and strengthening the value proposition in stores and online.

CAPACÍTATE Y CERTIFÍCATE

POTENCIA TUS CONOCIMIENTOS CON LAS MEJORES MARCAS PARA OBTENER MÁS Y MEJORES PROYECTOS.



INSTALACIÓN DE MEZCLADORA DE COCINA
Y OUCHA TELÉFONO

Dictado por VAINSA

CONSTRUCCIÓN EN SECO

Dictado por BAUKER

The omnichannel experience, leveraged on the Falabella ecosystem, will continue to be simple and frictionless. The company will continue to implement Turbo Digitization and, in 2021, will focus on modernizing after-sales service, expanding its store pick-up network, extending nodes in provincial stores and digitizing facilities and sales to companies. At the same time, ongoing improvements will be made in web content, co-marketing will be strengthened, efforts will be made to increase downloads and use of the app and the online conversion rate, and on/off campaigns will be 100% aligned. In addition, the company will continue to promote the ecosystem's pillars: payment, logistics, financing, loyalty, analytics and Marketplace.

To consolidate sustainability initiatives, Sodimac Peru will focus on the creation of shared value in the supply chain, generating a positive business-environment impact

through risk management, integrating environmental, social and governance (ESG) criteria throughout the value chain in order to manage risks in an integral manner.

The company will also maintain its Diversity and Inclusion activities, ensuring positioning through its Equity, Diversity and Violence Prevention (EDIPVI) Strategy, its next steps (EDIPVI ambassadors and the EDIPVI Route) and visibility of the EDIPVI communities.

Sodimac Peru Executive Committee



Wilhelm Ramberg
General Manager



Rossina Castagnola
*Human Resources and
Sustainability Manager*



José Antonio Moralejo
Supply Chain Manager



Luis Felipe Bedoya
*Projects and Real Estate
Development Manager*



David Toledo
IT Manager



Rodrigo Barceló
Digital Retail Manager



Erick Chang
Legal Compliance Manager



María Estela Guillén
*Administration and Management
Control Manager*



Jonathan Ontaneda
Operations Manager



Francisca Siles
Legal Manager



Ramón Ponce de León
*Commercial and
Marketing Manager*



Sodimac *Argentina*





Pablo Ardanaz, General Manager,
Sodimac Argentina

Sodimac Argentina A year of accelerated transforma- tions


84,826
m² of sales floor

8
stores 


830
employees as
of Dec. 2020



"In 2020, we were able to add capabilities of our own and of our network of suppliers to adapt quickly to a changing scenario, which called for the utmost efforts to accompany our customers in their new needs and respond to the exponential growth of e-commerce. At the same time, we continued to make progress towards becoming an ever more efficient organization, with a flexible and lightweight structure that allows us to face 2021 renewed and confident we can capitalize on the lessons of the past and the opportunities the Argentine market offers for the home improvement business."

The pandemic did not interrupt Sodimac Argentina's efforts to be an ever more efficient and profitable organization, able to respond agilely to its customers' new needs and the expansion of e-commerce.

2020 was a particularly challenging year for Sodimac Argentina. The demands and restrictions of the pandemic were accompanied by a great deal of macroeconomic uncertainty in the local market. However, the sound decisions the company took in 2019 put it on a better footing to address these challenges.

The company had a good assortment of products and its logistics capabilities had been strengthened by the changes introduced in 2019 in the distribution center and the logistics systems and operator. Through these investments in logistics and processes, the company had sought to increase the

Sodimac Argentina focused on deploying integrated campaigns, centered on customers and their needs, at a time when the home gained importance as a refuge and multifunctional space.

operation's flexibility and scalability with a view to the expected development of e-commerce.

The new distribution center was designed with the expansion of demand and the robotization of certain sectors in mind. As a result, it is able to provide services that are highly competitive in terms of cost and flexibility, such as same-day, 24-hour, 48-hour and scheduled-date delivery in line with the needs of the different types of both professional customers and families.

Exponential growth of e-commerce

Faced with the pandemic's evolution in the second quarter of the year, the authorities imposed tight restrictions on the movement of customers and ordered the temporary closure of stores. In this context, the home became a refuge, workplace, school and place of entertainment. This boosted demand for products to improve and adapt spaces to make them multifunctional, with a resulting increase in online transactions.

E-commerce sales increased tenfold compared to normal periods, posing enormous operational and logistics challenges. Customers also demanded shorter delivery times. However, despite the stress this implied, Sodimac Argentina was able to quickly adapt its stores and operations to this new normal, expanding pick-up areas and store collection capacity.

Organizational efficiency

In the second half of the year, the company continued to strive to reduce spending and become an ever lighter and more efficient operation. This led to the decision to close two stores (Villa Tesei and Malvinas) while the Falabella group – Sodimac's parent company – embarked on a search for a strategic partner for its operations in Argentina.

As part of this pursuit of efficiency gains, a voluntary retirement plan was introduced to reduce the workforce. A key consideration was to minimize its impact on the functioning of teams and this resulted in internal processes to fill vacancies, which provided opportunities for growth and career development within the organization.

At the same time, the company sought to maintain the training and integral development of employees. It also strengthened internal channels of communication, especially Workplace, with the aim of boosting collaboration between areas and employees' commitment to Sodimac's purpose and the challenges of transformation and adaptation to change.

Commercial proposition

The company's joint work with its suppliers was essential in addressing the year's challenges. It permitted an acceleration of the supply of both cleaning and personal protection products demanded by the pandemic and those required to meet the new needs of customers in their

homes. Demand for items in categories such as furniture, cleaning products and home appliances increased more than threefold compared to 2019.

Along with its usual commercial communications, the company incorporated pedagogical messages related to self-care that targeted both customers and employees, seeking to avoid unnecessary risks in transactions. It also continued to invest in digital media and the use of personalized commercial e-mails, tailored to the profile of each customer.

The key commercial campaigns included the *Las Cosas Cambian, las Casas También* (Things Change, Houses Too) campaign which included 360° communication in offline and online media. A highlight of this campaign was a mini-series about eight real cases posted on Sodimac's YouTube channel through which the company empathized with the audience and customers, entering homes in a simple way and providing inspiration for their remodeling.

Similarly, *Especialistas de Entre Casa* (In-house Tradesmen), a tools campaign, had a great impact. An umbrella concept, it leveraged an insight of the moment, bearing in mind the ongoing lockdown in which people began to reinvent themselves, addressing the challenges of repairing, decorating and rearranging their homes themselves, learning to cook, serving as a school teacher and even putting together a daily gym routine. Internal teams developed the strategy and concept and assembled all the communications materials, achieving a great result in terms of quality and cost-efficiency.

Other campaigns included a special campaign for outdoor and garden products under the concept of *Reinventar tu Espacio Verde* (Reinvent your Green Space) and a tactical paints campaign, which also contributed to achievement of the business plan.

At the end of July, the company once again participated in the event organized by the Argentine Chamber of E-Commerce (CACE) in which its sales more than doubled the previous year. For this event, Sodimac implemented a campaign on platforms such as Facebook, Instagram, YouTube, Google, television and radio in a bid to achieve the highest possible traffic.

At the beginning of November, CACE also organized a new version of Cyber and Cyberweek, an e-commerce hard sale that has established a consolidated position in the Argentine market. Sodimac was very active in this event, reporting excellent results in terms of both sales and profitability, particularly in categories such as outdoors, bathrooms and kitchens, furniture, flooring, garden and paints.

The new distribution center and logistics operator and systems helped the company to handle a volume of e-commerce that was more than ten times larger than in a normal year.

Sustainability and contributions to the community

In response to the health situation, public and private institutions had to expand their medical care areas to support the health system and avoid collapses. Under the lockdown ordered by the national government, Sodimac was included among essential services and was

authorized to operate. As a result, it was able to collaborate in making available products and materials required for the mounting and equipment of health services.

In addition, the company contributed to the René Favoloro Hospital, located in the Matanza district, and to the Gregorio Laferrere Hospital.

It also donated products and materials to other institutions such as Tecnópolis, where a complementary center for medical care and isolation was also set up, and the Center for Medical Education and Clinical Research (CEMIC) to which it contributed inflatable mattresses, latex gloves and safety glasses.

Future challenges

In 2021, Sodimac will be seeking to take advantage of the opportunities offered by the Argentine home improvement market. It will be deploying a strategy to accompany its

customers and respond to their expectations and needs whilst also seeking to maintain and consolidate the growth of e-commerce achieved in 2020 and working to improve the experience of customers and their level of satisfaction.

It will also be seeking to boost the teams of Río de la Plata between Argentina and Uruguay, increase synergies between the two countries and develop joint services with a view to obtaining efficiency gains and scale economies.

The company will continue to tighten its strategic alliance with its valuable network of suppliers in order to innovate, continue to adapt agilely to the needs of the market and contribute to the country's development.



Sodimac Argentina Executive Committee



Pablo Ardanaz
General Manager



Marcelo Sochi
Marketing Manager



Ignacio Stenta
Human Resources Manager



Marcelo Elicegui
*Administration and
Finance Manager*



Federico Neme
Commercial Manager



Silvana Lanari
IT Manager



Guillermo Petrino
Operations Manager



Tomás Ferrari
Logistics Manager



Juan Luis Barandiarán
*General Manager,
Sodimac Uruguay*



Sodimac Brazil





Eduardo de Vries, Director President, Sodimac Brazil

Sodimac Brazil

A brand ever
more popular
among
Brazilians



173,228
m² of sales floor



53 
stores (6 Sodimac
Homecenter|Constructor;
42 Sodimac Dicico of which
6 were remodeled in 2020;
5 Dicico)

46,000
hours of training 

3,532
employees 

"This year was marked by the challenges posed by the pandemic, but also by important advances. We faced a strict lockdown but kept the stores open to make essential products and services available to the population, applying a series of measures to protect customers and employees. Despite the impact of the reduction in economic activity, our efforts enabled us to close 2020 with double-digit sales growth."

In 2020, recognition of the Sodimac brand increased in Brazil, thanks mainly to the work carried out in the Sodimac Homecenter|Constructor stores and the expansion of the Sodimac Dicico model. E-commerce sales were up by more than 250% and progress was achieved on the omnichannel strategy, with innovations that are more customer-friendly and integrate the different shopping channels.

Social confinement in the face of the pandemic meant that the home became a place to work and study as well as for leisure. Because they were at home longer, people felt a need to invest in renovations and decoration. At the same time, the Brazilian real estate market

expanded, due to easier access to credit and the attractiveness of investment in property. In addition, the emergency assistance provided by the federal government had a positive impact on people's income. As a result of this combination of circumstances, the construction sector one of the least affected by the crisis, even in the midst of a macroeconomic situation characterized by record unemployment and a contraction of GDP.

In the face of changes in consumption habits and the growth of online sales, all areas of the company worked to move forward with the company's digital transformation.

The implementation of a new e-commerce platform permitted greater automation and facilitated product and inventory management. Product assortment increased by more than 7,000 SKUs to a total of 35,000. Improvements were made in browsing filters, photos, technical data sheets, search engine optimization content of organic importance, and descriptions of articles with information to facilitate the purchase decision.

To support the e-commerce operation, a hub was created in the Sodimac Anchieta store. This space was set aside exclusively for the operation and dispatch of e-commerce sales and a stock reserved for online sales in the distribution center.

As part of the omnichannel strategy, customers in stores were offered access to e-commerce by allowing them to pay directly at checkouts for purchases through totems. This option was widely used during Black Days, the local equivalent of Black Friday.

During Black Days, which lasted for ten days in November, hundreds of special discounts were available on products purchased online. This had positive results and contributed to record sales that month and the highest ever monthly conversion rate.

Part of the expansion of e-commerce was the result of the consolidation of Sodimac's presence in the marketplaces of two of Brazil's largest retail groups: Magazine Luiza and Via Varejo. The alliance, signed at the end of 2019 and implemented throughout 2020, gave the brand important exposure and attracted new customers.

In December, the Sodimac Brazil application for smartphones was launched. As well as including exclusive special offers, it allows customers to make lists of their favorite products, browse options by location or category and seek inspiration. Through the application, they can also locate products within a store and, with its scanning functions, access technical data about products and related content on the website. As a result of these initiatives, e-commerce increased as a share of the total sales of Sodimac Brazil.

Progress in store transformation, logistics and IT

In 2020, the company continued to convert Dicico stores to the Sodimac Dicico brand. Six more points of sale were completely remodeled to adapt them to the new format, which is based on the concept of a neighborhood store and is geared to the renovation and upkeep of homes.

Out of the remodeled stores, three are located in the São Paulo capital: one in the city of Santo André in Greater São Paulo and the other two in the cities of São José dos Campos and Guaratinguetá in the interior of the State of São Paulo. In total, 42 stores are already operating under the new brand.

To keep pace with the company's growth, the Logistics area invested in the renovation and update of its equipment. In addition, it continued to work 24 hours a day, always with the necessary care in relation to the prevention of Covid-19, and, through a review of its internal processes, increased its productivity.

In line with the progress of the company's digital strategy, the Logistics area also established new alliances with operators in order to serve market channels and optimized delivery routes, which resulted in a reduction in transport costs.

In the IT area, one of the highlights of the year was the expansion of RFID tag technology to all display items of flooring and cladding, window frames and sanitary ware. This reduced the time required to take inventories to 15 minutes, down from two or three days. The technology also automatically issues reports about missing items, speeding up the replacement process and permitting analysis of the relationship between products on display and stock.

Another key initiative was the implementation of Ilha Digital (Digital Island), a web-based system with dashboards updated in real time that show the sales results of each store. Based on historical data, the system calculates hourly sales targets, making it possible to track the alignment of sales with targets throughout the day.

The CRM MS Dynamics customer relationship management tool was also incorporated. This provides all back-office



In 2020, the company continued to convert Dicico stores to the Sodimac Dicico brand. Six more points of sale were completely remodeled to adapt them to the new format, which is based on the concept of a neighborhood store and is geared to the renovation and upkeep of homes. In total, 42 stores are already operating under the new brand.

areas with access to centralized information about the life cycle of customers, increasing the company's capacity to respond to demand.

During the year, implementation of the pilot Self-Checkout project began in the Dicico Ipiranga store. This allows customers to pay for their purchases at automated checkouts.

Commercial and marketing challenges

In response to the different situations that occurred over the course of the year, the Commercial area took measures to guarantee the availability of products and services and, at the same time, maintain business stability. The company engaged in permanent negotiations with suppliers and ensured that stores were stocked throughout the year while also expanding the assortment available online.

To avoid duplications and inventory redundancies, the assortments of the Sodimac Homecenter|Constructor, Sodimac Dicico and Dicico formats were unified. In addition, inventories of products no longer carried and obsolete articles close to their sell-by date were reduced by 50%.

In Sodimac Dicico stores, progress was achieved on the introduction of the assortment of imported products and special attention was paid to the six stores that were remodeled in 2020 in order to define a suitable assortment and its strategic display at the point of sale.

Given the challenges posed by the pandemic, the Marketing area reorganized its strategies and accelerated investment in digital media while reducing the company's presence in offline platforms. This decision had extremely positive results. At the same time, the company further tightened its ties with consumers, communicating its role in the supply of essential products and offering the best solutions at a time when people began to spend more time at home and appreciate comfort.

The Marketing area also gave priority to construction professionals. The Tradesmen's Circle (CES) was expanded and its members began to be able to earn points on purchases at all the company's 53 stores in Brazil, rather than just the six Sodimac Homecenter|Constructor stores. Other benefits were also expanded, including new online courses, mobile phone recharge, fuel vouchers and various prizes. In 2020, the first Meeting of Construction Professionals took place. This online event, which lasted three days, offered talks and training in alliance with the country's largest industries.

Supporting customers

The implementation of the CRM tool in 2020 gave the company a better understanding of its customers, making it more agile in solving problems and enabling it to tailor measures to the specific needs of each consumer. The system automatically integrated the main customer relationship sites as well as social networks, providing a single point of service for the different means of contact with Sodimac Brazil.

In 2020, there was a 40% increase in the registration of new customers compared to 2019. This reflected a gain in market share, with the company achieving its goal of consolidating the Sodimac brand in Brazil.

In the case of financing, the Sodimac credit card, launched in 2019, consolidated its position, becoming better known to customers and achieving an ever larger market share as a means of payment. As well as payment in up to 12 interest-free monthly installments and financing in up to 24 installments, with a 10% discount on the first purchase, campaigns implemented throughout the year offered additional benefits to encourage its use.

Work climate and prevention

The Human Resources area has played a fundamental role in Sodimac Brazil's ability to operate during the pandemic and protect the health of its employees. Among other measures, employees of the support office (CAL)

and those considered to be in groups at risk worked from home. Close communication was maintained during this period in order to reinforce health protocols, reassure employees working remotely and keep them committed, motivated and aligned with the company's strategies.

Weekly LIVES videos, with technical and behavioral content, were used to maintain employee development programs. They covered topics that ranged from product information to nutrition.

The company continued to implement measures related to the work climate and culture, always taking care to avoid the meeting of large groups of people. One example of this was the *Bodas* ceremonies, which take place when employees complete five, ten, 15 or 20 years with the company. Instead of holding celebrations in stores, kits were delivered to employees' homes and live shows were held. The company continued to listen to employees through stores' Dream Committees, formed by representatives from different positions.

Implementation of the CRM tool in 2020 resulted in a 40% increase in the registration of new customers as compared to 2019. This reflected a gain in market share and progress in consolidation of the Sodimac brand in Brazil.

Despite the atypical year, new projects were implemented, including the introduction of succession programs for store managers and directors. Their objective is to ensure business continuity by mapping employees who can assume a leadership role and investing in their development.

Sustainability and business ethics

In 2020, Sodimac Brazil launched a diversity project, led by the Human Resources area and supported by the Legal area. Conversations took place with employees about sexual orientation, gender transition, race and gender equity. This will continue to be a focus of attention in 2021.

During the year, progress was achieved on corporate governance. The company's Code of Integrity was reviewed

and updated to reinforce its commitment to acting with integrity in its relations with employees, suppliers, customers and other stakeholders. For example, the updated version highlights the importance of employees exercising special care when posting or sharing company information on social networks and protecting data and the company's private information.

Sodimac Brazil ensures that employees are familiar with its internal policies and control measures to combat and mitigate risks related to the crimes of corruption, asset laundering and the financing of illicit and anti-competitive activities.

In a process that will continue in 2021, the company invested in the review and adaptation of its processes and systems to the requirements of Brazil's new General Data Protection Law in terms of protecting the personal data of employees, suppliers and customers.



and makeup to donate to women with cancer. In addition, the company donated construction materials for a bazaar organized by the Instituto. On Children's Day, the company donated toys for the campaign of the Subprefecture of Ipiranga, the district where its support office (CAL) is located, for distribution to children in poor communities.

Prizes and recognitions

In 2020, Sodimac Brazil was recognized for its excellent customer service. For the second year, it was chosen as the Best Company in Customer Satisfaction in the retail construction segment in the survey by the Instituto MESC and, for the first time, received the Best Companies for the Consumer award of the Reclame Aqui platform. This award is one of Brazil's most highly regarded recognitions since it selects companies that offer a good service by popular vote.

The Sodimac Dicico brand once again took top place in the ranking of the construction materials segment in Baixada Santista (on the coast of the State of São Paulo). For the seventeenth time, the company was also recognized in a Top of Mind survey by the A Tribuna newspaper.

For the second time, Sodimac Brazil also ranked as one of the best construction materials retailers in the Estadão Best Services ranking. This is based on a survey, carried out by the O Estado de São Paulo newspaper and Blend New Research (HSR), of almost 3,600 consumers who rated the companies where they had shopped in the previous 12 months.

Challenges for 2021

In 2021, the company will continue to implement its strategy of growing online and increasing the share of e-commerce in total sales whilst also expanding its physical stores through remodelings and inaugurations. For this purpose, it will increase its use of business intelligence tools to gain an ever deeper understanding of customers, using the information to define the best strategies to meet their expectations.

The company will also be intensifying actions that target construction professionals to increase their familiarity with the brand and convert them into loyal customers. It will further strengthen its range of finishings, intensify sales through showrooms and use digital tools, such as an electronic catalogue and totems, for access to e-commerce so that all stores sell the company's complete assortment, even if articles are not available at sales points.

The crisis committee, formed by executives from all the company's different areas, was active throughout the year, monitoring and taking measures with respect to risks, including the pandemic, that could affect the continuity of operations. In this context, the company implemented measures and protocols to protect the health of customers and employees and prevent the spread of the virus. It also applied strict auditing processes in stores to ensure awareness of the measures and compliance with them.

In 2020, Sodimac Brazil continued to work on the correct disposal of waste. Together with the Brazilian Association of Steel Containers (Abeaço) and the Prolata project, collection points for empty paint cans have been installed at five stores. In addition, the company began work with Green Eletron, a company that specializes in reverse logistics, which has already installed collection points for batteries and electronic equipment at 19 stores. At the same time, a system for the collection of fluorescent tubes, implemented in alliance with Reciclus, has continued to grow and is now present in 36 stores.

In the case of community engagement, the company and the Instituto Amor em Mechas collected wigs, scarves



Sodimac Brazil Executive Committee



Eduardo De Vries
Director President



Nelson Pedro
Human Resources Director



Marcos Onety
Operations Director



Dagmar Duarte
Internal Audit Director



Gustavo Souza
Supply Chain Director



Alfonso Barberena
Commercial Director



Paulo Souza
*Administration and
Finance Director*



Celso Souza
*Projects and
Infrastructure Director*



Claudio Marassi
IT Director



Maria Helena Magalhaes
Legal Director



Sodimac
Uruguay





Sodimac Uruguay Meeting targets in the pandemic



SIEMPRE
donde vos estás

Juan Luis Barandiarán, Manager, Sodimac Uruguay


24,849
m² of sales floor

3
stores 

2,938
hours of training 


413
employees

"In 2020, we implemented important campaigns to consolidate our positioning at the local level. They included Make Your House Your Place in the World, through which we sought to empathize with the public and promote our company as an ally in addressing the new situation created by the pandemic, and Your Dream Home a Click Away, which enabled us to showcase the variety of categories and products that can be bought on our website from any part of the country with the greatest safety."

In 2020, Sodimac Uruguay worked intensely to fulfill targets and improve its results in the midst of the complex and uncertain situation created in Uruguay by the arrival of Covid-19. The digital channel was strengthened and the company promoted online sales through campaigns that empathized with the public in the face of the new reality imposed on their homes.

2020 was marked by the evolution of the pandemic in Uruguay. The most critical months were March and April when the virus began to spread and there was uncertainty about the level it would reach. During this period, Sodimac stores closed on Sundays and Mondays but otherwise remained open, albeit with reduced hours.

In the market generally, shopping malls closed completely for several months and, for a time, construction activity halted. Part of sales in stores moved to the online channel, which showed three-digit growth in March and April compared to the same period in 2019.

Given the contingency, the company significantly adjusted spending as well as inventories, reducing days of stock of Uruguayan products and postponing imports in preparation for a possible temporary closure of stores. For a few months, it also postponed investment in the new Avenida Italia store, which was scheduled to open in 2020. Construction work resumed in October and it is now expected to open in mid-2021.

The Cyber Monday campaign in May set a new record for sales of 4,800 e-commerce transactions and a share of almost 10% of sales. As from May, sales were up on the same month in 2019 and, combined with spending efficiency, this enabled the company to fulfill its plans for the year. In this period, it introduced innovations such as a click-to-car service, which allows customers to pick up orders without getting out of the car. It accounted for over 25% of store collections.



In May, during the Cyber Monday campaign, sales set a new record of 4,800 e-commerce transactions and a share of almost 10% of sales. As from May, sales were consistently up on the same month in 2019. Combined with spending efficiency, this enabled the company to level up results and fulfill its plans for the year.

In November, the number of cases of Covid-19 increased significantly, with the consequent uncertainty, and the government confirmed its plan to maintain the borders closed even during the tourist season, which affected consumption. This was reflected in a drop in traffic in stores. However, thanks to spending efficiency, the company was able to meet its targets and improve results.

Growth and investment

In 2020, sales were up on the previous year. Sales to companies increased by 15%, boosted by construction work on the Avenida Italia store. At the same, the operation

returned a profit, due to a change in the sales mix, with growth of over 50% in the Outdoors, Bathrooms and Kitchens, and Electricity categories, accompanied by a significant increase in margin.

In the case of IT investments, support for stores and the distribution center achieved an 80% service level in 2020. The platform for managing all incidents was also changed and showed a significant improvement. The Sayago and Giannattasio stores were equipped with a Mesón Pro (Professional Counter), transferring the Special Services sector to the Cut-to-Size and Tool Rental counter.

A number of projects were implemented to facilitate store operation and agility of customer service. In logistics, the lighting of the Distribution Center was improved, including the installation of new lights.

A new Customer Service Center was created to improve service quality. It manages all digital contact channels,

with a 90% service level. In stores, the modules.com kiosks and the click & collect service (purchase online and collection at a store) continued to be available. During the year, the company also introduced a click-to-car service, which allows customers to pick up orders without getting out of the car. It accounted for over 25% of store collections.

Growing online sales

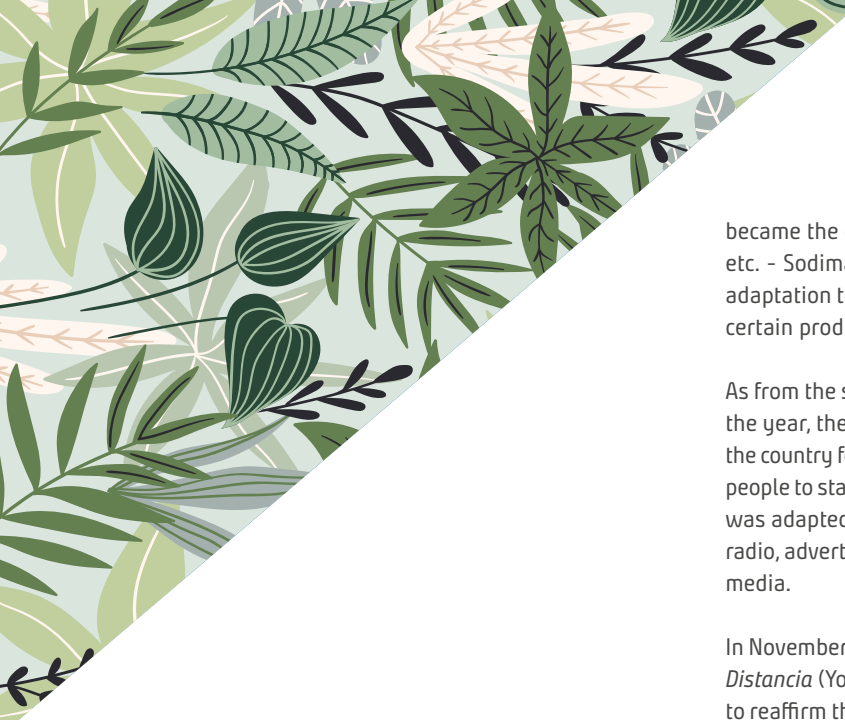
In January and February, the issue of new cards performed very well, showing an increase over the same months in 2019. However, because promotion of the card takes place in-person in stores, it was subsequently affected by the pandemic and the related restrictions on movement. Despite a drop in the issue of new cards, results in 2020 were better than in 2019, due to the increased number of transactions and revenues generated by the active base

of cards built up in previous years. Indeed, the share of retail sales exceeded the KPI for the year.

Together with the bank, the company continued to invest in the development of new tools for online promotion of the card. At the same time, online use of the card was promoted through special discounts and BBVA's Unique Opportunities.

New positioning campaigns

In 2020, important campaigns strengthened the positioning of the company and its brands at the local level. Through the *Hacé de tu Casa tu Lugar en el Mundo* (Make Your Home Your Place in the World) campaign, Sodimac sought to empathize with the public and promote the company as an ally in addressing the complex and atypical situation created by the pandemic. As the house



In 2020, Sodimac continued to foster inclusive and volunteer activities among its employees. A Diversity & Inclusion Committee was established and it discussed the pillars of work in these two fields, suggesting measures conducive to a more inclusive culture.

became the center of families' life - the office, the gym, etc. - Sodimac sought to be part of its renovation and adaptation to daily life in this new situation, promoting certain products through discounts.

As from the start of the pandemic and during the rest of the year, the company offered free delivery throughout the country for orders over a certain amount, encouraging people to stay at home and shop remotely. The campaign was adapted for different formats, including television, radio, advertisements in the press, billboards and digital media.

In November, the campaign *Tu Casa Soñada a un Click de Distancia* (Your Dream Home a Click Away) was launched to reaffirm the positioning of e-commerce. It showcased the variety of categories and products available on the website from any part of the country, with the greatest security and all the health protocols for their delivery. As an additional benefit to attract traffic to the website, the company also offered a 10% discount coupon for first-time users.

Tradesmen's Circle

Despite the pandemic, the Tradesmen's Circle (CES) continued to grow in 2020 when, considering the three stores, the number of registered members increased by 3.5%. In-person workshops were replaced with virtual training using social networks and a number of Uruguayan tradesmen participated in the online Great Training Fair organized by Sodimac Chile.

To support CES's members in the context of the pandemic, new benefits were incorporated, introducing a Gold level with discounts in selected categories for members with a minimum level of purchases during a given time.

As from November, the company also sought to improve the shopping experience of TOP sales members by offering to receive, prepare and deliver their orders in a personalized way.

Contribution to the community

Sodimac has continued to promote inclusive and volunteer activities among its employees. A Diversity & Inclusion Committee was established and it discussed the pillars of work in these two fields, suggesting measures conducive to a more inclusive culture. The Committee comprises representatives of the Human Resources, Legal Affairs and Governance areas as well as the Compliance Officer.

In addition, together with Sodimac's operations in other countries, the company joined the Executive Board of *Mujeres Conectadas* (Connected Women) in a bid to identify and promote initiatives through which to heighten the visibility of female talent and, in this way, increase women's presence in executive positions.

Since 2020, under Uruguay's Law on the Inclusion of Persons with Disability, people with disabilities must account for a certain percentage of the workforce of private companies. Sodimac Uruguay is working with a consultant (Entrust) and the Bensadoun Laurent Foundation to fill the corresponding positions.

The company has also continued to develop its alliance with the Forge Foundation, which uses an innovative integrated training and employment system to foster the labor market insertion of young people from low-income families. Sodimac sponsored ten young people from the program, offering them the possibility of an internship at the company and of being hired to start their working life there.

Sodimac was once again recognized by the Forge Foundation for Valuable Support for the Workplace Insertion of Young People and for its Important Contribution. Thanks to this teamwork, it has been possible to continue supporting the creation of high-quality employment for the young people of Uruguay.

In 2020, the company renewed the alliance with the Techo organization that it formed in 2015. As well as donating money and construction materials to the organization, the company contributes through the voluntary work of its employees and by providing voluntary technical advice to foster the sustainability of Techo's improvement and construction projects.

For the second year, it also supported the *Súmate por Techo* (Join for Techo) campaign, offering customers the opportunity to participate by buying a "brick" (a fictitious SKU for a certain amount) as a donation to Techo's construction work. During the five-week campaign, store and office employees worked voluntarily in stores to collect donations.

Looking to 2021

One of the company's main challenges in 2021 will be the opening of the Sodimac Homecenter Plaza Italia, its fourth store in Uruguay. This store will be emblematic, incorporating all Sodimac's latest innovations at the regional level. At the same time, Sodimac Uruguay will continue to address the challenge of strengthening its digital channel, which grew well ahead of the market in 2020, a performance it should repeat in 2021.

In the case of sales to companies, ongoing efforts will be made to grow Sodimac's presence in the interior of the country through sales of this type, with the aim of reaching regions where it currently has a smaller market share.

As regards businesses and categories, the challenge will be to transform many of them to improve customers' shopping experience. In several cases, this will involve changing some sales, display, operational and logistics models.





Sodimac
Mexico





Sodimac Mexico Ongoing growth

Patricio Silva, General Manager, Sodimac Mexico

Over
60,000
m² of sales floor

6 stores
in operation

516,690
hours of training
(in-person and online)

1,000
employees.



ANNUAL REPORT 2020
SODIMAC

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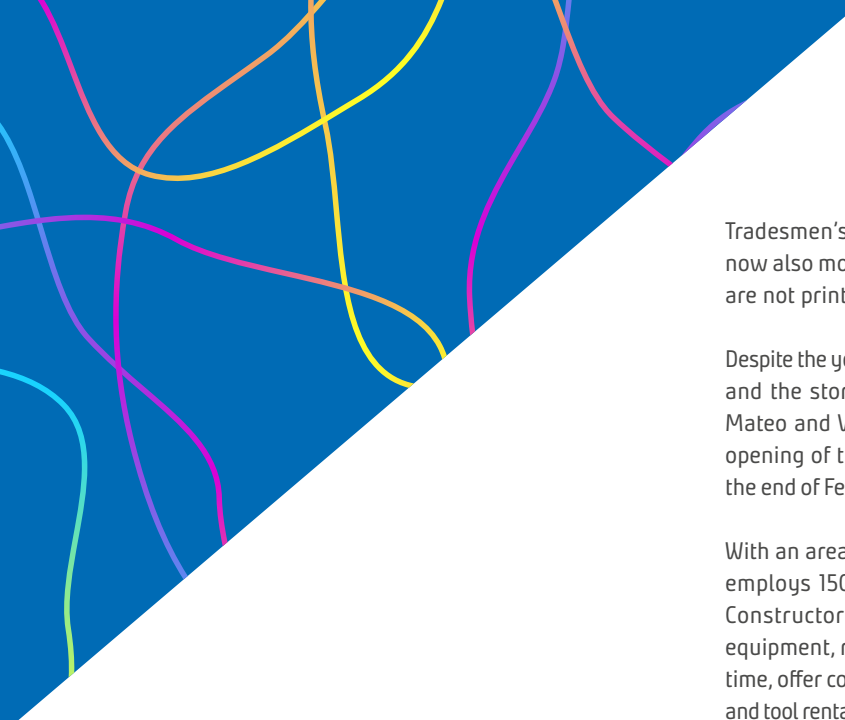
"In 2020, we achieved ongoing growth despite the health contingency, implementing a strategy that focused on delivering the best experience to our customers and progressing on an omnichannel offer, digital projects, operations and logistics. We opened a new store in San Luis Potosí, taking the total in the country to six. In all the stores, we applied strict health protocols that have been a benchmark in the market due to the minimum number of cases of infection we have had during the pandemic."

In a complex period for all the region, Sodimac Mexico, which is now in its third year of operations, continued to implement its process of digital transformation. This meant that distance sales were able to respond opportunely to the pandemic and its effects, leading to increased demand in digital channels and three-digit growth in both sales and their contribution to the company's results.

In 2020, Sodimac Mexico faced numerous challenges. As from March, there were restrictions on the number of people in a store at a given time and this affected the operation. The company gave priority to daily sales and the challenge was to function with less personnel and support the growth

of sales. Despite the pandemic, customers wanted to visit stores accompanied by others, including children and seniors, while regulatory differences between states also had some impact on the operation and sales.

Data was constantly and exhaustively analyzed to adjust propositions to customers' needs and the situation. Based on analysis of the customer journey, the company migrated to 360° totally omnichannel communication as from April, with 100% digital formats, including social networks and search engines. In the Constructor area, it also reinforced training and regional and local workshops, using streaming and videos, and increased the benefits available to members of the



Sodimac Mexico inaugurated its sixth store in the country in San Luis Potosí, one of the states with the highest growth and greatest development potential. With an area of some 10,000 m², it includes the Homecenter and Constructor formats and directly employs 150 people.

Tradesmen's Circle (CES). As a result, the company is now also more ecologically responsible since materials are not printed.

Despite the year's complexities, same-store sales increased and the stores that opened at the end of 2019 in San Mateo and Veracruz began to show consolidation. The opening of the Sodimac Homecenter San Luis Potosí at the end of February also meant an increase in sales floor.

With an area of some 10,000 m², this new store directly employs 150 people. It includes the Homecenter and Constructor formats to cater for the needs of home equipment, renovation and decoration and, at the same time, offer construction materials, ironmongery products and tool rental, installation and furniture assembly services.

It is Sodimac's sixth store in Mexico and is located in one of the states with the highest growth and greatest development potential. It has self-service checkouts for faster payment, a home delivery service and a bathroom and kitchen design center. It also stocks interior and exterior doors and offers made-to-measure windows as well as holding workshops for customers, among other services. It was designed to make efficient use of natural light and has LED lighting to save energy and, among other measures to protect the environment, includes systems to reduce water consumption to a minimum.

Digital transformation

Since its arrival in Mexico, Sodimac has established itself as a benchmark for the country's retail sector. This reflects its introduction of innovative solutions on the sales floor

of its stores, such as digital catalogue modules and self-service checkouts to leverage the company's operating models and corporate services. The business unit in Mexico, which is a joint venture between the Falabella and Soriana groups, is investing heavily in IT, implementing a technological renewal plan for core applications and services that will permit agile implementation of better solutions for customers.

In the context of the health contingency, remote working and information security tools were introduced in the second half of 2020, a process that is expected to continue in 2021. This forms part of a long-term continuous improvement plan. The company also established a Digital Workforce, with a robotic process automation (RPA) approach that will permit efficiency gains in routine operations. Investments in this field will continue in the coming months. Other progress included improvements in after-sales flows and the implementation of new self-service tools such as project videos on shelf labels that can be consulted using QR codes.

Six new functionalities were implemented in "Pechera" app for business productivity in Mexico (including the integration of home delivery, quotes and promotional points). In addition, five digital projects were implemented to support the operation and the growth of distance sales. Efficiency and productivity gains were achieved through Task Manager (including a reduction in paper consumption, walks and projects).

In 2020, distance sales underwent an important digital transformation, including the migration of all telephone sales agents. This involved infrastructure, technology and

information security challenges as well as personnel management.

In addition, work continued on the launch of the app in Mexico, which began operation during the first week of December 2020.

Business ethics

In March 2020, Sodimac Mexico joined the Falabella Integrity Channel platform. This was accompanied by a communications campaign and training in its use.

Sodimac Mexico also updated its Code of Ethics and approved and communicated environmental and crime prevention policies.

During the year, the company worked on material for e-learning training on the handling of personal data and economic competition and implemented its annual conflicts of interest awareness campaign.

In 2020, the company measured its Sustainability Index and is working at the regional level to adjust the Sustainability Policy.

Service quality and financing

For Sodimac Mexico, it is very important that its employees provide the best quality of service in terms of proactively seeking customers, relating to them with empathy and offering them advice and solutions that enable them to implement their projects and satisfy their needs.

In 2020, the index of complaints showed an important drop on 2019, despite the large increase in the number of transactions.

In addition, the company achieved improvements in processes and flows of customer service and in Lean operations in the stores. It is also working with store and dispatch operational bases to ensure the shopping and after-sales experience in all channels.

In the case of financing, the company promoted use of the Falabella Soriana card through an increase in differentiated special offers, the scheduling of strategic campaigns and weekly meetings, achieving a penetration comparable to that of mature operations.

Regular mailings are sent to the cardholder base to announce bank special offers and Sodimac Unique Opportunities. This is complemented with monthly POP materials for special offers with Falabella Soriana in all stores and segmented mailings to cardholders in each of the new dispatch areas.

In the case of financing, the company promoted use of the Falabella Soriana card through an increase in differentiated special offers, the scheduling of strategic campaigns and weekly meetings, achieving a penetration comparable to that of mature operations.

Maintaining a good work climate

In 2020, the company implemented a number of initiatives to continue advancing in terms of the work climate. They included cultural events, start-of-the-year parties in stores, the January 6 celebration known as *Rosca de Reyes* and celebration of Candelaria Day and Women's Day as well as virtual meeting on results and a survey of employees' experience of working remotely. The latter's results served to implement improvements such as the *Adopta tu Silla* (Adopt your Chair) and *Regala una Sonrisa* (Give a Smile) programs, financial support for Internet services in employees' homes and a special home office sale.

In response to the Covid-19 health contingency, the company designed a protocol to ensure the safety of its operations and permit operational continuity, providing employees with all the necessary protective elements. Communication was key in informing employees about the protocol and reinforcing the importance of compliance.

The approach adopted was preventive and promoted the use and application of health measures through three vehicles of communication: e-mails, the Workplace platform and printed information. Recommendations were also provided for employees working at home.

Operations received support from store employees who were working from home and collaborated remotely in management and sales activities to promote stores' sales in the construction and home segments. In stores, more than 13 procedures were introduced to improve processes, controls and care of the stores' assets through training and self-control auditing of the operation.

Challenges for 2021

In 2021, Sodimac Mexico will resume store openings, inaugurating three stores with the Homecenter and Constructor formats, in order to complete the products and services it offers customers.

The company will also be seeking to maintain the growth of distance sales. The greatest challenge will be to retain consumers whom the pandemic forced to use digital, rather than offline, channels.

Another important challenge will be to continue to open dispatch areas and overcome the logistics barriers that currently prevent the company from offering 100% of its assortment in the new areas and the remaining extended areas (Acapulco, Guanajuato, Guadalajara, Monterrey, Querétaro, Puebla and Toluca). The company will also be seeking to develop new logistics capabilities that enable

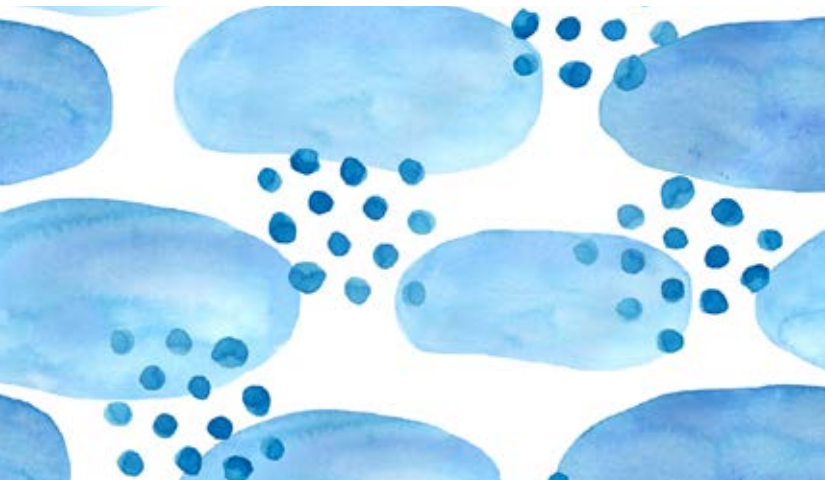
it to meet customers' delivery expectations, offering flexibility and a wide range of options in terms of dates and times for home delivery or pick-up in stores. In this way, it will reinforce omnichannel concepts so that, regardless of whether the sales channel is physical or online, customers find solutions to all their needs in a store or the call center.

Emphasis will also be placed on transforming the digital experience of professional customers, offering them new tools to simplify their operations with the company as a means of growing transactions with this special segment of customers.

The challenges posed by the Covid-19 pandemic will undoubtedly leave permanent changes in habits and the way in which customers demand and consume products and services. Harnessing new technological trends to address these changes, the company will implement new digital communications platforms and services for customers through a variety of channels and popular social networks.



Imperial





Imperial Strengthening automation



Rodrigo Fuenzalida F., General Manager, Imperial


67,876
m² of sales floor

13
stores 

35,733
hours of training 


1,222
employees


"In the face of the pandemic, we gave priority to the safety and health of our employees and customers whilst also making important changes in the business to better serve all our customers, including an important base of furniture makers. E-commerce grew well ahead of expectations and, despite restrictions on movement and lockdowns, Imperial had a successful year in terms of results and was able to accompany its customers in their projects."

In 2020, Imperial continued to strengthen its digital channels, seeking to streamline and improve the shopping experience and value for customers, both in stores and online. Emphasis was placed on the integral training of employees and progress was achieved on creating business value, maintaining good corporate governance practices and sustainable growth.

In 2020, the main milestones of the specialized Imperial chain related to the digital field where customer sales and use of the Imperial App showed very important growth. In the case of B2B, the online service is now available for customers who use their Imperial credit, buying with token technology. The chain's

annual investment plan gave priority to its digital channels (website and the app), expanding functionalities for the purchase of products and the wood and board cutting service. In logistics, Imperial implemented the Warehouse Management System (WMS) software, which increases speed and agility in the supply chain, allowing the company to offer a better shopping experience to its tradesmen customers.

To streamline service and improve the shopping experience in stores, self-service checkouts were installed in five stores. They complement the self-service model implemented in the Huechuraba and Reñaca



Imperial successfully implemented the Warehouse Management System (WMS) software, which enables it to offer its tradesmen customers a better shopping experience, increasing speed and agility in the supply chain, optimizing inbound and outbound logistics processes and permitting control and management of stocks in each distribution center.

stores, which have delivered good results, gaining market share with respect to facilities with a traditional model. The company also increased the capacity of its board services, improving service and response times for its furniture-maker customers.

In line with the company's commitment to the environment and customers, campaigns on sustainable and antibacterial products were implemented, promoting the use of boarding, paneling and paints with antimicrobial properties to reduce the impact of viruses and bacteria.

In the case of community relations, the company distributed protective elements to safeguard the health of its neighbors in the face of Covid-19 and also reinforced the importance of self-care. It donated masks and hand sanitizer to the La Granja municipal government as a means of supporting personnel providing in-person services.

In October, company executives participated in a volunteer activity under the *Siempre por Chile* (Always for Chile) initiative, organized by the country's Confederation of Production and Commerce (CPC). Through this activity, Imperial assisted 120 families from vulnerable neighborhoods in the La Granja district of Santiago.

Corporate governance and integrity

In 2020, Imperial progressed on creating business value and maintaining good corporate governance and decision-making practices. In line with the undertakings

and objectives set out in the company's Corporate Compliance Program, the list of executives who must sign the Declaration of Interests, Interlocking and Related Parties was expanded as a preventive measure. This is in addition to the declaration of interests that must be signed by directors.

A number of measures related to corporate integrity were also taken. They included the ongoing implementation of the *Yo Juego Limpio* (I Play Clean) campaign to foster anti-corruption and anti-bribery practices. The company also continued to implement the *Un Millón de Gracias, pero No* (Many Thanks, but No) campaign about never accepting gifts from third parties related to the company. For this, communications were sent to all employees, a special section was created in the Imperial application and a digital information sheet was sent to suppliers.

A total of 205 employees, including an increased number of exposed positions, received training on Free Competition and Crime Prevention. Significant progress was achieved on certification of the company's Crime Prevention Model (eight crimes), which is currently at the last stage (audit) of this process.

Boosting human resources management

For Imperial, education is the engine of the company's development. In line with this, it provided 35,733 hours of training in 2020, contributing to the growth of 1,791 employees. These activities addressed topics in areas



such as logistics, occupational safety, risk prevention and IT tools.

During the year, the company also implemented a virtual campus where participants will soon be able to find individually designed training plans. This portal will include downloadable materials, online tests and business cases, assessments, a library, videos and all kinds of educational resources. Through detailed activity reports on each student, the Digital Academy will permit continuous monitoring of their progress. As from 2021, this will contribute to the company's growing training of its teams as it strives for continuous improvement and the professional development of each person.

In 2020, in a bid to obtain input about employees' real training needs, the company implemented a performance evaluation process for all employees. It will result in feedback and commitments between employees and their line manager. With this tool, it will be possible to evaluate each person's performance and potential, fostering their development, guiding them in the

achievement of their objectives and building a career development plan for them within the organization.

In line with the importance that Imperial attaches to its people's development, 77 internal promotions took place in 2020. As well as fostering the professional growth of employees, these promotions are also a form of recognition. Two internal promotions also took place for executive-level positions.

A further way in which Imperial contributes to employees' development is through the scholarships it awards each year to those who, out of personal interest, undertake technical or professional studies with a view to opting for new positions within the company. In 2020, 28 employees benefited from this scholarship plan.

Each year, Imperial recognizes employees who stand out within their team. In this way, it seeks to retain people and clearly demonstrate the importance of each employee. The recognitions include quarterly prizes for the best employees in each area from among whom the

best of the year are selected to receive the Imperial Spirit award. In 2020, 100 employees, the winners in 2019, received prizes and 25 of them obtained the Imperial Spirit award.

In a further form of recognition, six employees were selected from this group as The Best of the Best and the company also presented the Career Prize, an award given to only one employee who has stood out for his or her development within the organization, dedication and commitment to the company.

Care and wellbeing in the pandemic

In 2020, control of the pandemic within the company's facilities was a key concern. Imperial worked to develop protocols to protect employees and their families and provide safe working conditions as well as education on how to reduce risks associated with the pandemic.

Support measures were stepped up with the creation of an emergency number, designed exclusively to address the questions of employees and their families and provide the necessary information and assistance. The health of high-risk groups was a particular concern and the company established conditions that would ensure minimum risk of infection. It also implemented activities to support the community, providing information and personal protective items to guard against contagion events.

Given the context, the Great Place To Work study, which Imperial had been implementing for two years, did not take place in 2020. In light of this, work focused on the development of a plan to address the opportunities for improvement in the work climate detected by the 2019 study.

Activities to manage the work climate included the development of an internal communications plan, based on the company's strategy and corporate communications; the activation of a change management plan; the establishment

of a participatory and transversal communications model; and a review of benefits to incorporate improvements in line with employees' needs, giving greater visibility to the benefits manual. Attention was also paid to the leadership role of line managers in terms of generating stronger ties with employees through a close and transparent relationship.

In the area of people's wellbeing, Imperial strengthened benefits, principally in the fields of healthcare and education. It has a Complementary Health Plan, which is highly valued by employees, as well as a collective agreement with the health insurer (Isapre) on preferential plans and agreements for medical attention that favor greater access to healthcare.

Investments in different areas

In addition to its investments to expand the functionalities of the website and the app for the purchase of products and services, the company acquired machines to boost its cutting services, offering its tradesmen customers a service tailored to their needs.

Implementation of the WMS software also represented a significant investment that served to optimize inbound and outbound logistics processes, permitting control and management of stocks in each distribution center.

Marketing, efficiency and productivity

In 2020, the company's marketing strategy focused on digital channels, reaching an important base of 120,000 registered customers and achieving very good opening rates and response from customers. This led to a sustained rise in sales, reflected principally in an increase in sessions, new users and conversion rates in digital channels.

Cyber campaigns performed successfully, positioning Imperial.cl (the website and the app) as a real option for customers. Together with the digital campaigns implemented throughout the year, this increased familiarity with these channels and attracted many new customers.

In parallel, the company continued to consolidate its commercial relationship with suppliers, ensuring a constant supply of key products for tradesmen customers during months of high demand and market scarcity.

During the year, new developments enabled customers to track their orders, providing them with constant information about their status. To provide a better cut-to-size service, a new model of incentives was also introduced, prioritizing productivity in all the stores.

In August, the NPS survey was conducted, at a general level and by dimension, to monitor e-commerce customers' shopping experience. It covered the ease of finding products and the information necessary to make a purchase decision as well as delivery.

Payment by debit and credit card has gradually been incorporated into self-service totems, streamlining service, reducing contact points and improving the shopping experience. In addition, a cut-to-size service was incorporated into the website, expanding the channels for offering services to customers.

In line with the company's commitment to the environment and customers, campaigns on sustainable and antibacterial products were implemented, promoting the use of boarding, paneling and paints with antimicrobial properties to reduce the impact of viruses and bacteria.

Omnichannel optimizer self-service modules were installed, reducing the time required to serve customers who need to make a plan of their furniture project and enhancing their shopping experience. At the same time, an optimization for sales through the app was developed.

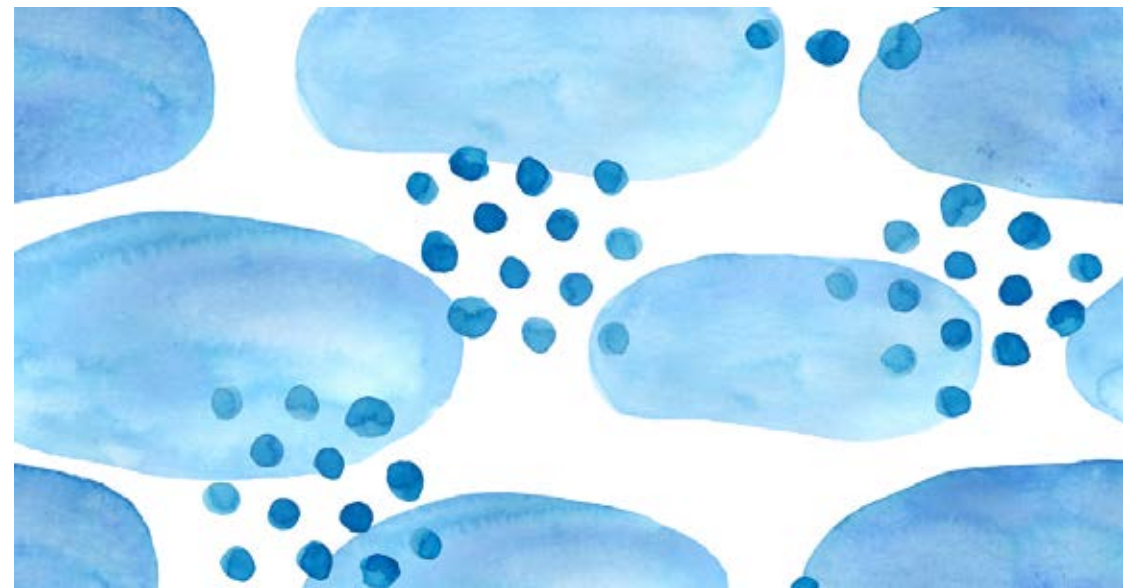
During the year, cutting plant supply workshops also took place to improve compliance with delivery times and identify cut-to-size opportunities at the Mapocho store. In addition, LEAN workshops were held for the distribution center, targeting productivity, dispatch and the click & collect process.

Challenges for 2021

In 2021, the challenge in e-commerce will be to deepen the B2C channel and have B2B available for the wholesale channel, incorporating product propositions for different customer segments as well as a purchase service using Imperial credit.

Logistics and dispatch will also be strengthened by enhancing the WMS software, which permits visibility and traceability of all inventory, along with the administration of operations within the distribution center. At the same time, the traceability of orders for customers will be reinforced.

A further challenge will be to promote self-service and implement the model in other stores in addition to the Huechuraba and Reñaca stores in pursuit of ongoing improvements in customer experience. In addition, the company will be seeking to grow the capacity and automation of its cut-to-size services, with a view particularly to furniture-maker customers, whilst also boosting Imperial's Furniture Experience Center (CEM).



Imperial Management Team



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Sustainability



Responsible management in a pandemic year

In 2020, despite the health crisis, Sodimac did not neglect its long-term commitments. As well as continuing to supply the population with essential goods and acting responsibly throughout its value chain, the company was able to report progress on labor relations, corporate governance and business ethics, commitment to the community, responsible trade, marketing and procurement, and the environment.



The Covid-19 pandemic hit Latin America hard in 2020, testing the resilience of people and companies. As in other emergencies, Sodimac did its utmost to support the population by supplying essential goods whilst always operating responsibly, giving priority to the health of employees, customers and suppliers and implementing a series of protocols under the Healthy Store concept.

However, the company is very much aware that its contribution goes beyond maintaining supply and it must collaborate and act responsibly throughout the value chain. In the different countries where it operates, it took measures aligned with the local situation and the needs of customers, suppliers and the community, supporting the efforts of the authorities and the organizations with which it has strategic alliances.

Despite the health crisis, the company also continued to work towards its long-term undertakings. In 2020,

further progress was achieved towards the Sustainable Development Goals (SDGs) to which Sodimac is committed in order to manage and reduce the negative impacts of the business and generate value for the context in which it operates.

For over ten years, the company has been governed by a formal Sustainability Policy that takes into account all its stakeholders and seeks to respond opportunely to them within the framework of a process of continuous improvement that aims to balance economic performance with social and environmental commitments.

Sodimac is guided by best local and international sustainability practices. They include the ILO's Principles concerning Multinational Enterprises and Social Policy; the UN Guiding Principles on Business and Human Rights; the principles of the UN Global Compact; the commitments the company has entered into voluntarily under the

Sustainable Development Goals (SDGs); ISO 26000; and the Global Reporting Initiative (GRI).

In all the markets where the company operates, it uses a Sustainability Index to measure the integration of sustainability into the management of its business, using concrete indicators of its economic, social and environmental performance to identify gaps or opportunities for improvement, with an emphasis on the areas most critical for the sustainable development of the business.

In 2020, for the fifth consecutive year, Sodimac's parent company, Falabella, was selected for inclusion in the Dow Jones Sustainability World Index (DJSI World), alongside listed multinational companies considered leaders on sustainability. Falabella was also selected for the equity portfolios of the other indices in which it was invited to participate and is the only Chilean company that is part of four indices (World, Emerging Markets, MILA Pacific Alliance and Chile).

Responsibility towards the environment

Sodimac has continued to intensify its efforts regarding the evaluation and mitigation of environmental impacts, promoting the responsible use of resources in its operation and striving to foster environmental awareness among customers, suppliers and the community in general.

In the context of the challenges of climate change, the company measures and seeks to reduce its carbon

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

In Chile, photovoltaic panels were installed at a further 20 stores in 2020, taking the total to date to 48, and this process will continue in 2021. The company received certification under the *Giro Limpio* (Clean Transport) program of the Energy Sustainability Agency (AgenciaSE). This certification is awarded to companies that transport at least 50% of their freight in trucks with the Clean Transport Seal or, in other words, belong to transport companies that are committed to energy efficiency and emissions reduction. The company is also seeking to move towards electromobility and AgenciaSE selected it to participate in the Electromobility Accelerator 2020. In recognition of the company's work on reducing the impact of its emissions, Sodimac Chile once again received the Quantification and Reduction Seals of the Environment Ministry's *Huella Chile* (Chile Footprint) program and, for the second year, its Seal of Excellence. It is the only company in the retail sector with this seal.

In 2020, Sodimac Peru measured its carbon footprint for the fifth time. The measurement, corresponding to 2019, showed that total emissions were down by 1,697 tCO₂e on 2018, a reduction equivalent to 5,091 trees planted. This represents the conservation of 38.6 hectares of lowland forest or, in other words, approximately 15,172 trees.



In 2020, Sodimac was able to transform itself to accompany families during lockdowns when they required advice to carry out their activities and improve their homes and, in the case of tradesmen, for their work.

In Colombia, the company obtained ISO 14001 Certification - Environmental Management Systems (EMS) for 27 stores and completed the planting of 38,600 trees over the past seven years, with the resulting mitigation of 10.5% of its carbon footprint over the past ten years.

Sodimac is committed to sustainable development that integrates the concept of a circular economy. This implies an effort from a product's design and packaging through to its recycling and reuse in order to cover the entire chain in a circular manner. At the regional level, the company is making progress on reducing the use of plastic in the containers and packaging of the products it sells as well as stopping to provide disposable plastic bags in its stores. In 2020, it ceased to provide plastic bags in stores in Peru in line with the government's *Perú Limpio* (Clean Peru) plan.

The company promotes the recovery, recycling and reuse of both its own waste and that generated by the community. In Chile, the pandemic meant that its National Network of Clean Points was closed for some months but, over the whole year, they received 268,00 visits and recovered over 2,409 tonnes of material.

In 2020, Sodimac Brazil continued to work on the correct disposal of waste. Together with the Brazilian Association of Steel Containers (Abeaço) and the Prolata project, collection points for empty paint cans have been installed at five stores. In addition, the company began work with Green Eletron, a company that specializes in reverse logistics, which has already installed collection points for batteries and electronic equipment at 19 stores. At the

same time, a system for the collection of fluorescent tubes, implemented in alliance with Reciclus, has continued to grow and is now present in 36 stores.

In Colombia, more than 9 tonnes of batteries and light bulbs and over 63,000 used tires and wheel rims were collected from customers for their correct treatment and recycling.

In Peru, the company participated in initiatives such as *Hazla por Tu Playa* (Do it for Your Beach). In March, more than 60 volunteers from Lima and the provinces, including employees and their families, cleaned the Waikiki beach and other beaches in the north. The company also maintained its alliance with EcoTrash, a social enterprise that seeks to optimize the recycling process, creating opportunities for women and young people, who collected 5.3 tonnes of paper and 1.2 tonnes of bottles.

In 2019, Sodimac joined the Chilean Plastics Pact of the Fundación Chile technology transfer institute together with the Ellen MacArthur Foundation and now offers over 4,400 eco-sustainable products and services in its stores. They include products in which more than 50% of the content is recycled and which are biodegradable in no more than six months, are reusable or can be reassembled. Other products are verifiably efficient in their use of energy or water or are free of volatile organic compounds (VOCs), which are harmful to health. The company also offers sustainable services and products with recognized certification that have been manufactured with care for natural resources and mitigating environmental impacts. In addition, it provides space for inclusive trade in products

that have a positive impact on society, contributing in this way to social causes.

In 2020, the company also implemented campaigns focusing on sustainable and antibacterial products. For example, Imperial promoted the use of boarding, paneling and paints with antimicrobial properties that reduce the impact of viruses and bacteria. At the same time, Sodimac continued to work towards the goal of recyclable packaging and containers for all the products it markets, starting with own brands.

Training and development

Sodimac is committed to the personal and workplace development of its employees and implements initiatives that seek to make sustained progress on indicators of culture and work climate, prevention, training and quality of life.

The company fosters opportunities for internal mobility and the creation of local jobs. In the different countries, ongoing progress was made on the development of career plans and training programs. The integral training of employees is of fundamental importance to the company and it was particularly concerned to avoid its interruption by the pandemic. To this end, it converted numerous courses to an e-learning format, enabling it to provide over 1,500,000 hours of training around the region through the Sodimac School of Excellence, the Imperial Academy and other programs implemented with universities and certified institutions.

During the year, the company continued to implement important prevention campaigns, focusing on self-care, in a bid to ensure a safe workplace, reduce the risk of Covid-19 infections and maintain low accident rates.

Sodimac respects and values everyone's contribution equally. It has an Inclusion, Diversity and Non-Discrimination Policy through which it seeks to provide a workplace where no one is excluded on grounds other than their professional contribution. During the year, a series of initiatives were implemented to promote the workplace inclusion and professional-workplace development of people with disabilities and to foster gender equality, cultural diversity, sexual diversity and opportunities for people in a vulnerable situation and senior citizens.

Sodimac has a talent succession plan in place in stores that allows employees to progress to positions of greater

responsibility, based on objective factors and in equal conditions. Since 2019, it has participated in the PAR Latin America Initiative, whose measurement permits identification of gender-related gaps in areas such as co-responsibility measures, the protection of maternity and the development of female talent.

In this field, the numerous recognitions that Sodimac received in different countries in 2020 included Peru's top place for Diversity and Inclusion in the Great Place to Work 2020 ranking. In addition, the Perú 2021 organization awarded it the PODS: Peru for the SDGs recognition in the Prosperity category for the *Junto a Ti* program (inclusion and workplace insertion of people with disabilities).

Since 2019, the company has implemented the NPS (Net Promoter Score) measurement internally to help it listen more closely to employees and take measures to increase their satisfaction and engagement.

Sodimac has continued to lead innovation in the home improvement sector with the introduction of services such as the online advisory services launched in Chile through which the company was able to enhance customers' experience of shopping from home.



Thanks to its commitment to people and the work climate, Sodimac has continued to consolidate its position as one of the best companies for which to work in Latin America, according to the Great Place to Work (GPTW) ranking.

Corporate governance and business ethics

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

The company rejects all forms of discrimination and corruption in accordance with the ten principles to which it voluntarily adhered when it signed the UN Global Compact. It is also a member of the GOLD community

of the Global Reporting Initiative (GRI), which seeks to promote transparency in companies around the world. In 2020, together with Falabella, Sodimac held two training and reflection meetings for its directors and senior executives. They addressed matters that included diversity and inclusion, the digital ecosystem, directors' duties to society and shareholders, risk management and compliance.

As part of its integrity program, the company also continued to provide internal training on matters such as customers' rights, norms on relations with public officials and free competition.

Sodimac has a Corporate Integrity Channel that any stakeholder can use for inquiries or complaints. It guarantees confidentiality, investigation and a solution. This online platform, which serves all Falabella companies,



is operated by an external company, thus reinforcing its necessary impartiality, objectivity and confidentiality.

Both Sodimac Brazil and Sodimac Mexico updated their Code of Ethics. The latter also joined the Falabella Integrity Channel platform, implementing a communications and training campaign on its use, and approved and communicated environmental and crime prevention policies.

In the case of data protection, Sodimac Brazil reviewed its processes and systems and began their adaptation to the country's new General Data Protection Law to protect the personal data of employees, suppliers and customers. In Chile, ahead of the new requirements envisaged in the Data Protection Law, the company began to re-register the members of its Tradesmen's Circle (CES), incorporating a signed opt-in or informed consent to participation in the program.

Commitment to communities

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

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

In Chile, the company supported the community through different initiatives implemented together with the organizations with which it has alliances, participating in campaigns of Movidos x Chile and Techo that benefited

vulnerable families. It also contributed to the *Red de Alimentos* (Food Network) campaign and the donation of boxes of food organized by the Confederation of Production and Commerce (CPC). In addition, the company contributed materials and products to the *Plan Protege Calle* (Street Protection Plan) of the Ministry of Social Development and the Family as well as to the hospitals of Valdivia and La Calera and the Huechuraba Emergency Hospital in Santiago. Sadly, given the health situation, the company's *Construyendo Sueños de Hogar* (Building Dreams of Home) volunteer program could not be implemented in 2020. This program seeks to contribute to the development of communities near the company's operations and it hopes to resume it as soon as possible.

In Peru, Sodimac and Maestro organized volunteer activities during the first two months of the year and, subsequently, implemented different campaigns, adapted to the situation, in a bid to have a positive impact on

society. They included a campaign in alliance with Estrafalarío (a local enterprise that supports vulnerable and imprisoned women) and the Ministry of Women and Vulnerable Populations under which 1,000 reusable masks were made for a shelter for vulnerable people. The company also donated biosafety kits and disinfection materials to the *Te Cuido Perú* (I Look After You Peru) team and improved the implementation of health protocols in the Central Market. The latter included the installation of signage, distancing circles, hand sanitizer stations, industrial foot disinfection devices, bins and bags for bio-contaminated material in the Ramón Castilla Central Market as well as bleach and hand sanitizer for each of the stalls. This initiative was implemented in alliance with the Lima Municipal Government.

In Peru, work also continued on *Construyendo Juntos Empleabilidad* (Building Employability Together), a community program that seeks to equip students and

graduates with resources and tools that facilitate and foster their labor market insertion. In addition, a number of campaigns were implemented to increase awareness in the community of issues related to gender equity and fire prevention.

In Colombia, the company implemented changes in its community programs, adapting them to virtual environments. The first digital volunteer activities took place with the support of employees who, with their knowledge and experience, contributed from home to the transformation of environments. Campaigns such as *Tu Casa Libre de Estereotipos* (Your House Free of Stereotypes), *El Valor de ser tu Mismo* (The Value of Being Yourself) and *El Morado en tu Casa y No en tu Piel* (Purple in Your House and Not on Your Skin) sought to position the issues of diversity, equity and inclusion, create awareness and generate strategies to combat discrimination and violence. In addition, the company formed an alliance with the National Network of Women and the Presidential Council for Women's Equality with the aim of eliminating stereotypes and implementing awareness and prevention strategies. It also supported the *Más Unidos que Nunca* (More United than Ever) program under which it made a donation to the ProBogotá Foundation for the purchase of UCI equipment and medical supplies to strengthen Bogotá's health network. In addition, it distributed 2,000 boxes of food and other products to the most vulnerable members of the Tradesmen's Circle.

In Brazil, the company and the Instituto Amor em Mechas collected wigs, scarves and makeup to donate

to women with cancer. In addition, the company donated construction materials for a bazaar organized by the Instituto. On Children's Day, the company donated toys for the campaign of the Subprefecture of Ipiranga, the district where its support office (CAL) is located, for distribution to children in poor communities.

Sodimac supported the work of the Techo organization in different countries through donations of money and construction materials, logistics support, voluntary work and technical advice. In Chile, three definitive housing projects were completed in Santiago, Valparaíso and Copiapó, consisting of apartments designed and built with the families themselves, which benefited some 1,100 people. Sodimac Uruguay renewed its alliance with Techo, originally formed in 2015, and, for the second year, supported the *Súmate por Techo* (Join for Techo) campaign, offering customers the opportunity to participate by buying a "brick" as a donation to Techo's construction work.

In Uruguay, the company also has an alliance with the Forge Foundation, which uses an innovative integrated training and employment system to foster the labor market insertion of young people from low-income families. In 2020, Sodimac sponsored ten young people from the program, offering them the possibility of an internship at the company and of being hired to start their working life there.

Responsible trade and marketing

Sodimac's marketing communications are governed by strict ethical parameters based on good faith, fair competition and correct promotional practices and the company voluntarily adheres to advertising codes of ethics and self-regulation principles. In this framework, it implements sustainable marketing campaigns to foster awareness and provide expert advice, reinforcing the

concept of saving and the care that customers should take into account in their homes and, in this way, help to protect the environment.

Sodimac's Responsible Trade Policy seeks to safeguard the quality and safety of the products it markets and ensure they are produced sustainably. In line with this, suppliers must comply with a series of norms on workplace safety, verification of the labeling of their products and care for the environment. Production plants are inspected and products are tested for their compliance with minimum technical standards (SPEC).

In 2020, Sodimac was able to transform itself to accompany families during lockdowns when they required advice to carry out their activities and improve their homes and, in the case of tradesmen, for their work. Special advisory content was developed for the company's YouTube channel and the LiVES videos of the *Hágalo Usted Mismo* (Do It Yourself) program.



Through these videos, the company was present in homes with advice on how to reduce consumption, protect the environment and carry out maintenance projects of different types. During the year, 98 new videos were posted on the YouTube channel and were viewed more than 90 million times.

The Sodimac Tradesmen's Circle (CES), the company's emblematic inclusive business program, has continued to grow in the different markets and introduced new benefits. The program serves as a channel through which the company can relate with a growing group of regular customers, who include tradesmen and contractors, helping them to improve their work and the management of their businesses through training and the transfer of expertise.

In the case of training, different digital formats were developed in a bid to remain close to the company's tradesmen customers and strengthen ties with them. For the eighth consecutive year, CES training fairs were held in different countries and attracted the participation of some 400,000 construction professionals who were able to obtain online training in various areas and learn about new technologies, putting them at the forefront of market trends and enabling them to innovate in their work. In 2020, Sodimac Brazil held its first Meeting of Construction Professionals, an online event, which lasted three days and offered talks and training in alliance with the country's largest industries.

On innovation in customer service, Sodimac has continued to lead the home improvement sector. Innovations during the year included the online advisory services launched in Chile through which the company was able to enhance customers' experience of shopping from home. Under the assisted online sales (VOA) service, they can obtain advice from a Sodimac salesperson via a video call. Working with Lazarillo, a start-up, the company also made this innovation available to people with total or partial visual impairment as a means of guiding their browsing and online shopping experience. The VOA had the added advantage of allowing the company's sales force to remain active from the safety of their homes. In a further innovation, the company launched an online decoration advice service (ADO) which, also through a video call, makes home design available to a broader public, allowing customers to obtain advice from expert decorators on how to adapt their homes to the new demands of life and work.

Sodimac and Maestro became the first retailers in Peru to introduce inclusive masks for serving customers with a hearing disability. Today, all stores are equipped with a number of these masks, which facilitate lip-reading, the main vehicle of communication for people with a disability of this type.

The company has in place a series of channels of contact and mechanisms through which to receive feedback from the public. They include mystery shoppers, surveys of





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

Responsible procurement

In the self-regulatory framework of the Sodimac Commercial Transparency Policy (TCS), Sodimac audits local and overseas factories, carries out quality inspections of own brands at origin and obtains certificates for associated products.

The company has incorporated its suppliers into its sustainability policies. With them, it has built long-term, transparent and mutually beneficial relations and seeks to ensure rigorous compliance with the agreements signed on commercial matters.

The company uses all the information services available in the market to ensure suppliers' ethical standards. It also makes a point of communicating its best practices and knowledge of responsible production to its supplier base, particularly small and mid-sized enterprises (SMEs), and provides support to small craftspeople and input producers (referred to as social suppliers) who form part of the supply chain but fall outside the company's traditional procurement programs.

The company works with Sedex, an international non-profit organization that seeks to promote improvements in business practices as regards supply-chain ethics and social responsibility.

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

Innovation is a fundamental pillar of Sodimac's strategy and one of its objectives is to enhance customer experience in stores. In line with this, it participates in an open innovation and entrepreneurship ecosystem, enabling it to harness the creativity and capabilities of different start-ups to the company's internal challenges.

As part of the measures it took to help micro-entrepreneurs in the context of the pandemic, Sodimac Chile offered them free access to its Marketplace for three months so they could expand their customer base and also provided training and other forms of support. On its website, Sodimac offers some 1,800 products from micro-entrepreneurs.



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