



Integrated Report Supplementary Document

SMU S.A.

CSA 2024 (FY 2023)



SMU S.A. Integrated Report Supplementary Document

As part of its ongoing efforts to improve the quality of its financial and non-financial disclosures to stakeholders, SMU S.A. (SMU S.A. and subsidiaries, herein referred to as “SMU” or the “Company”) has provided the information in this document is provided as a supplement to its 2023 Integrated Report.

Risk Management Processes: Internal Audit

As defined in the Company’s Corporate Risk Management Policy, the Internal Audit department is responsible for periodically and independently evaluating the risk management model and proposing improvements when applicable. An extract from the internal audit report issued in December 2022 is provided below. The audit included reviews of key risk indicators, monthly reports, procedures, and Management Risk Committee minutes and presentations, among others.



INFORME DE CONTRALORÍA – SMU

A : SR. MARCELO GÁLVEZ SR. ARTURO SILVA SR. PATRICIO ACEVEDO	GERENTE GENERAL SMU GERENTE CORPORATIVO DE ADMINST. Y FINANZAS GERENTE CONTROL INTERNO
DE : JUAN DAVID QUIJANO	GERENTE CORPORATIVO DE CONTRALORÍA

REF: AUDITORÍA DE REPORTES Y SEGUIMIENTO DE RIESGOS CORPORATIVOS – INDICADORES KRI

INFORME CL-282-22-SMU	SANTIAGO, DICIEMBRE 26 DE 2022
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OBJETIVO

Emitir una opinión independiente sobre la eficacia de los mecanismos de control y riesgos asociados al proceso de “Evaluación de Riesgos Corporativos – Indicadores KRI”, respecto de los objetivos planteados en el plan estratégico que define la Compañía para el período 2020-2022.

Environmental Management System: Verification of Environmental Programs

To ensure the effectiveness of its Environmental Management System, SMU conducts internal audits for each of the relevant environmental components that need to be monitored, associated with full compliance with the Corporate Environmental Management Policy. In this way, we can ensure environmental protection, prevent pollution, reduce carbon emissions, improve energy efficiency, decrease waste generation, increase the use of recyclable materials, develop sustainable packaging, and, in general, make efficient use of resources.

Examples of the internal audits conducted since the approval of the Corporate Environmental Management Policy are:

- Audit of Law No. 21,368, which regulates the distribution of single-use plastics and plastic bottles (2022)
- Audit of compliance with food waste prevention (2022)
- 100% of applicable operations were audited for compliance with the Extended Producer Responsibility (EPR) law
- Audits of store operations. The audit checklist includes management of hazardous waste, wastewater management, energy efficiency, and community matters, among others.

These audits cover 100% of SMU's operations in Chile.

Energy Consumption

Total energy consumption	Unit	FY 2020	FY 2021	FY 2022	FY 2023
Total non-renewable energy consumption	MWh	295'179	277'505	264'856	258'704
Total renewable energy consumption	MWh	0	0	7'380	30'691
Data coverage ¹	% operating space (m ²)	97	97	97	99

SMU's energy consumption target is to have contracts signed ensuring renewable energy sources for facilities accounting for 40% of its electricity consumption in Chile by 2025.

¹ Data coverage includes gas and electricity consumption for Chile in all years, and electricity consumption for Peru in 2023.

Plastic Packaging

	FY 2020	FY 2021	FY 2022	FY 2023
A. Total weight (tons) of all plastic packaging	3'621	3'664	4'396	3'999
B. Percentage of recyclable plastic packaging (as a % of the total weight of all plastic packaging)	-	73.5	78.2	78.3
C. Percentage of compostable plastic packaging (as a % of the total weight of all plastic packaging)	-	-	-	-
D. Percentage of recycled content within your plastic packaging (as a % of the total weight of all plastic packaging)	-	-	-	-
Coverage (as a % of cost of goods sold)	100	100	100	100

Waste Management Programs

Waste audits to identify opportunities to improve waste performance:

- **EXTENDED PRODUCER RESPONSIBILITY LAW (ERP):** The Company conducts internal audits to comply with the requirements of the ERP Law, focusing on gathering information and establishing baselines to quantify the priority products introduced into the market by SMU subsidiaries. For SMU, the priority products include packaging, electrical and electronic equipment, and batteries, which are part of own-brand products, imported products, and operational materials. The internal audit ensures the accuracy of this information regarding the quantity of products sold during a period and that the technical information recorded in the baselines matches what is stated in the technical sheets of each product. In addition to the internal audit, the ReSimple Packaging and Packaging Management System, of which SMU subsidiaries are part, conducts audits to ensure compliance with the ERP Law alongside the producers that comprise it. These audits also seek to verify that the reported baselines for each company are correct, as this impacts the goals to be met for each material according to the packaging introduced into the market during a certain period, and thus calculate the associated cost of collection and recycling.
- **REDUCING FOOD WASTE:** As part of the "Reducing Food Waste" program, the Company, through its subsidiaries, donates products whose expiration date is too close for the products to be exhibited in stores but are still suitable for human or animal consumption. Internal audits are carried out to ensure that the internal process is conducted according to the Company's established procedures, aiming to reduce the voluntary destruction of food fit for human consumption that can be donated to non-profit organizations distributing or receiving products whose commercialization has become unviable. The donation process prevents such products from becoming waste and being sent to landfills or dumps.

- **HAZARDOUS WASTE MANAGEMENT:** SMU has made progress in segregating the waste generated by its stores and distribution centers, establishing internal criteria to comply with the requirements of Supreme Decree N°148, which regulates the storage, transportation, and disposal of hazardous waste. Some products sold in the Company's supermarkets are considered hazardous substances due to their characteristics. When these products are not suitable for sale, they are classified as waste and treated as hazardous waste. The hazardous nature of these products can be due to their flammability, toxicity, or corrosiveness. Specific procedures have been implemented to manage these wastes properly, with special warehouses and designated areas for their segregation in each establishment. The Company has also established internal audits to ensure compliance with hazardous waste regulations, preventing this waste from being disposed of with common trash and reducing the risk of contamination.
- **LIQUID WASTE AUDIT:** In the operation of supermarkets and distribution centers, liquid waste is generated and discharged into sewers and treated in specialized plants. These treated waters are then incorporated into water courses or infiltrated into the soil. These actions are carried out in compliance with Supreme Decree N°609 and Supreme Decree N°90. Monitoring of liquid waste is conducted to verify that discharges comply with the parameters established by the regulations. SMU conducts internal audits to ensure compliance with legal and internal regulations.

Action plans to reduce waste generation:

- **REDUCING FOOD WASTE:** This program has been implemented in the Company's supermarkets and distribution centers to prevent product waste. It applies strategic measures to select store assortments and maintain efficient supply control, avoiding both stockouts and overstock. Additionally, it establishes a process chain to prevent products from being wasted, allowing those that are not marketable to be donated or recycled.
- **“CONSUME SOON”:** This initiative aims to reduce food waste by selling products close to their expiration date but still in optimal condition for consumption. The Company's customers can access these products at lower prices, with discounts of up to 50%, while contributing to waste reduction.
- **DONATIONS:** If products cannot be sold, the process to enable them for donations is activated, making products available for social organizations to collect and use. Products unsuitable for human consumption are also donated to zoos and animal care and rescue organizations.
- **ALTERNATIVE USES FOR UNSALEABLE PRODUCTS:** Alternative uses can be found for certain categories of wasted food that cannot be sold or donated. These products can be used as raw materials to manufacture new products. This is done in partnership with GrupoCycle, who recycle this waste to produce animal feed supplements.
- **ECO-LABELING OF PACKAGING:** SMU joined the Clean Production Agreements for Eco-labeling I and II, which developed a recyclability seal to certify that product packaging is made of materials that are technically recyclable in the country. This certification is provided by independent certifiers and valorization companies. The seal aims to influence consumer preference for products bearing this label and recycling instructions.

- **REUSABLE PACKAGING - ECOCARGA:** To reduce waste generation, SMU actively promotes reusable packaging. During 2023, the sale of cleaning products continued through Ecocarga points, where customers can refill their containers with detergent, dishwashing liquid, or fabric softener, avoiding the disposal of bottles and bags used for packaging such products.
- **COMPOSTING PILOT AT LO AGUIRRE DISTRIBUTION CENTER:** At the end of 2023, a pilot project was conducted at the cafeteria of the Lo Aguirre Distribution Center to compost food preparation and leftover food waste, aiming to reduce the waste sent to landfills. These organic wastes were recycled at the Armony composting plant. The pilot included a staff awareness campaign.
- **RECYCLING OF PACKAGING WASTE AND USED OILS:** The main wastes recycled by SMU include packaging waste like flexible plastics and cardboard used for transporting and storing products, paper waste, and oils and fats generated in food preparation. Processes have been established for their proper management and valorization with authorized handlers.

Quantified objectives to minimize waste:

- **RESCUED TONS OF PRODUCTS AS A PERCENTAGE OF SHRINKAGE FROM EXPIRATION OR DAMAGE:** The Company has set an annual target of 8% of rescued tons over the total tons of shrinkage due to expiration or damage generated. Rescued products include all those donated for human and animal consumption, as well as tons of products that are unsuitable for donation but are transformed to create new products.
- **PERCENTAGE OF RAW MATERIAL PRODUCTS CERTIFIED WITH ECO-LABELING:** SMU has committed to reviewing its private label products, both existing and new developments, to certify the recyclability of their packaging, following the certification schemes established in the Clean Production Agreements I and II of Eco-labeling, and the continuation of these schemes as established by the Ministry of the Environment and the Packaging and Packaging Management Systems. The goal to be met is 50% of private label products with certified packaging by 2025.

Investment in innovation or R&D to minimize waste:

- **SAP DEVELOPMENTS FOR ERP LAW REPORTS:** To gather information and generate reports in compliance with the ERP Law, SAP transactions were developed to record and store data on packaging, electrical and electronic equipment, and batteries for each commercialized product. Additionally, work is ongoing to create reports that associate the impact of each product sale with the related tariffs for the collection and recycling of the waste generated.
- **REDUCING LIQUID INDUSTRIAL BYPRODUCTS GENERATED AT LO AGUIRRE DISTRIBUTION CENTER:** Implementing the system to recirculate the water used for refrigeration at the Lo Aguirre Distribution Center not only saves water but also reduces the volumes of water discharged into sewers and treated by the sanitation company.
- **ALTERNATIVE USES FOR UNSALEABLE PRODUCTS:** Some categories of wasted food, even if they cannot be sold or donated, can be valorized and used as raw materials to manufacture new products. This is done in partnership with GrupoCycle, who recycle this waste to produce animal feed supplements.

Waste reduction training for employees:

- **WASTE MANAGEMENT TRAINING:** Training employees at the central office, supermarkets, and distribution centers is essential for SMU's progress toward waste reduction. Staff are educated in sustainable practices, proper product handling to avoid waste, and managing recyclable waste. This helps the Company establish a culture of environmental responsibility through training that reinforces good practices and regulatory compliance. Environmental training topics include solid and liquid waste management, donations, compliance with environmental legislation (ERP Law, Single-use plastics Law), hazardous waste management, circular economy, and more.
- **CHANGE MANAGEMENT FOR WASTE REDUCTION:** The Company conducts various actions to promote an environmental care culture among its employees, focusing on waste reduction and waste prevention. Courses, operational talks, internal communications, campaigns, and other informative activities are carried out to raise awareness among employees about the importance of caring for the environment and their responsibility in properly executing activities that minimize environmental impact.

Integration of recycling programs to reduce landfill waste:

- **ALTERNATIVE USES FOR UNSALEABLE PRODUCTS:** Alternative uses can be found for certain categories of wasted food that cannot be sold or donated. These products can be used as raw materials to manufacture new products. This is done in partnership with GrupoCycle, who recycle this waste to produce animal feed supplements.
- **RECYCLING OF PACKAGING WASTE AND USED OILS:** The main types of waste recycled by SMU include packaging waste such as flexible plastics and cardboard used for transporting and storing products, paper waste, and oils and fats generated during food preparation. Processes have been established for their proper management and valorization with authorized handlers.

Water Efficiency Management

Evaluation of Water Use to Identify Opportunities for Improving Water Efficiency:

- **WATER CONSUMPTION MONITORING:** The Company has implemented a consumption management tool for all supermarkets and distribution centers, where monthly water consumption recorded in the respective bills is tracked. This platform makes it possible to identify facilities with higher and lower water consumption to evaluate water efficiency initiatives.
- **LO AGUIRRE DC WATER FOOTPRINT:** In 2023, the Company joined the Blue Certified Clean Production Agreement (APL) led by the Sustainability and Climate Change Agency to quantify the water footprint at the Lo Aguirre Distribution Center, which was verified by an independent third party. This measurement helped identify processes in the facility that have the greatest impact on the water footprint to implement reduction initiatives.
- **STORES LOCATED IN WATER SCARCITY AREAS:** Annually, the Company conducts a survey of supermarkets and distribution centers located in water scarcity areas to prioritize these facilities when evaluating any water efficiency initiative.

Actions to Reduce Water Consumption:

- **WATER RECIRCULATION PROJECT AT LO AGUIRRE DC:** In 2023, a project was designed to recirculate water from the DC's cooling system, which began operation in 2024. This project aims to recover and reintroduce between 50 and 60% of the water used to cool the condenser system, which was previously lost through evaporation and sewage. The project was implemented in two stages: first, a reverse osmosis system was installed to filter the water that was being disposed of into the sewer and reintroduce it into the cooling system. Additionally, a condensation system was implemented to capture evaporated water, filter it, and reintroduce it into the cooling system.
- **EMPLOYEE AWARENESS CAMPAIGN:** To encourage and engage employees in promoting environmental care, the Company has launched an awareness campaign through visual materials, internal communication emails, operational talks, and mass water efficiency talks, aiming to raise employee awareness and provide tips that can be incorporated into their daily routines, fostering water efficiency and environmental care.

Actions to Improve Wastewater Quality:

- **WASTEWATER TREATMENT:** To improve the quality of wastewater generated at the Company's facilities, products that help improve the quality of industrial effluents (RILES) have been implemented. These products are based on microorganisms that break down the organic matter present in the wastewater, converting it into oxygen. This reduces the number of pollutants discharged into the sewer system.
- **TRAINING ON BEST PRACTICES:** To promote best practices among supermarket and distribution center employees, training sessions are held to encourage environmental care through actions that prevent the generation of pollutants in wastewater. These training sessions are conducted in person to engage employees on the proper handling of waste and spoilage that can lead to water contamination.

In 2023, with the support of the Quality team, a total of 640 people across the country were trained.

- **OPERATIONAL TALKS:** SMU's efforts to raise awareness among employees include five-minute talks held before starting the workday, providing key tips on proper effluent handling and waste management in the facilities. This aims to establish a sustainable culture within the Company.
- **EFFLUENT QUALITY CONTROL ANALYSIS:** To monitor the quality of wastewater discharged into the sewer system, regular effluent quality checks are conducted at the Company's various facilities through a certified external laboratory, ensuring regulatory compliance.
- **GREASE TRAP TREATMENT:** The Company has installed grease traps that help retain greasy water generated by the operations of supermarkets and distribution centers, preventing it from being discharged into the sewer system. These traps are cleaned regularly, and an authorized external company handles their final disposal treatment.

Objectives to Reduce Water Use:

- **WATER RECIRCULATION PROJECT:** The water recirculation project implemented at Lo Aguirre DC aims to reduce water use in the cooling system by 50 to 60%, resulting in economic savings by lowering water consumption. This objective is quantified annually.

Water Recycling:

- **WATER RECIRCULATION PROJECT:** The water recirculation project at the Lo Aguirre DC cooling system allows for recycling process water through the implemented reverse osmosis and condensation systems, as the water undergoes a cleaning treatment before being reintroduced into the process.

Employee Awareness Training on Water Efficiency Management Programs:

- **EMPLOYEE AWARENESS CAMPAIGN:** The employee awareness campaign encourages environmental care and educates on efficient water resource use through visual materials, internal communication emails, operational talks, and mass water efficiency talks.

Sustainable Agriculture Practices

With the implementation of the "100% Nuestro" program, we have conducted training sessions for suppliers on good agricultural practices. The topics addressed are as follows:

Programs to reduce water consumption: The water topic is addressed through the proper use of water, maintenance, and installation of equipment. The measures discussed are:

1. Select and adapt periodic maintenance of equipment to prevent leaks and optimize performance.
2. Act quickly in the event of possible leaks or breakdowns in the installation to reduce water losses.
3. Identify water that can be reused and implement practices for its new use.
4. Consider irrigation times when the temperature is not the highest (early in the morning or at night).

Program to reduce GHG emissions: This topic is analyzed from the point of emission generation, which is the energy consumption in crops. To address this, training sessions are conducted on the following topics:

1. What is energy efficiency?
2. Choosing efficient appliances (equipment, machines, processors, etc.)
3. Energy and cost savings
4. Improvements for the environment
5. Improvements in supply