

MATERIALITY ASSESMENT: INTEGRATED

(Impact and Financial)

El Puerto de Liverpool

MATERIALITY MATRIX: INTEGRATED

(Impact and Financial)

The sustainability strategy of El Puerto de Liverpool addresses priority issues relating to our business model and operating context. We determine the priorities based on a study of impact and financial materiality.

The process was carried out in 2020, considering as a basis the list of potential issues obtained from our previous materiality study.

From this:

- To the impact materiality conducted surveys and interviews of key management responsible for relations with each stakeholder group. This gave us an insight into the expectations of employees (as internal stakeholders), customers, suppliers, authorities, investors and the media (as external stakeholders). To complement these efforts, we interviewed senior management to learn about the company's strategic vision. By integrating these efforts, we obtained a dual-axis matrix in which the topics were classified by impact.
- To the financial materiality, we took the prioritization exercise prepared by the Sustainability Accounting Standards Board (SASB) internationally for various industries. Concretely, we applied the results for the Multiline and Specialty Retailers and Distributors, E-Commerce and Consumer Finance industries.
- In this way we were also able to identify issues that were material both financially and in terms of impact (doubly material).

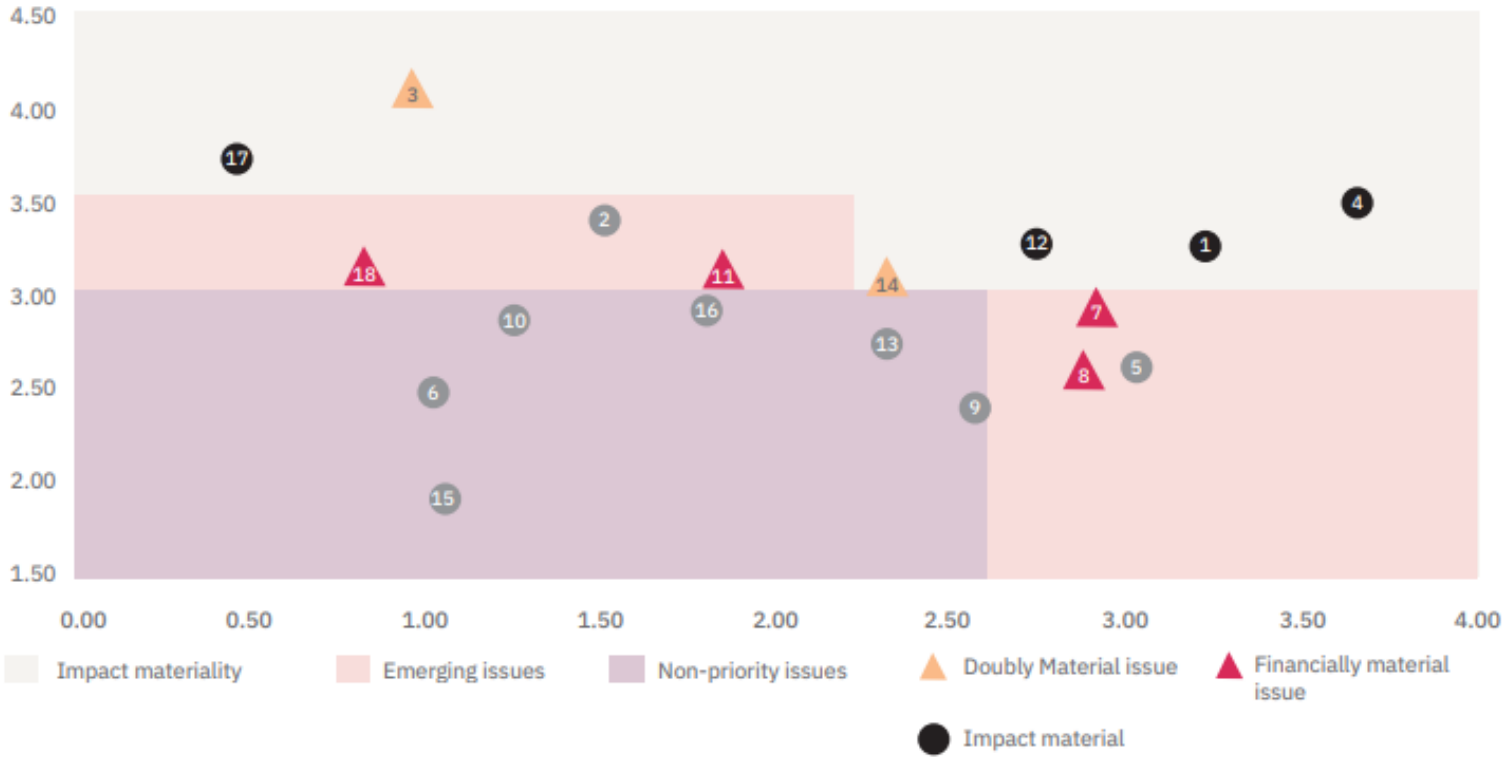
The results served as the basis for the sustainability strategy, in the construction of which the physical risk and compliance teams participated. In this way, they had first-hand input and were able to make use of it in their respective roadmaps.

The results were also presented to the sustainability committee (Puerto of Liverpool Footprint Board, to its initial composition that participated in the construction of the Strategy, with the area leaders, supervised by the CEO).

El Puerto de Liverpool is committed to making periodic updates to the policy. It is being evaluated whether the periodicity will be every two years or at longer intervals.

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Type of materiality	Rank	Material issues
Impact and financial	3	E-commerce and cybersecurity
Impact and financial	14	Diversity and inclusion
Impact	1	Ethics and codes of conduct
Impact	4	Supply chain and responsible sourcing
Impact	12	Education and human capital development
Impact	17	Innovation
Financial	18	Transparency
Financial	11	Employer brand
Financial	7	Operating eco-efficiency
Financial	8	Packaging
Emerging (potentially significant in the short term)		
Impact	2	Corporate governance
Impact	5	Climate change strategy
Impact	13	Environmental and social impact of our products and services*
Non-priority issues		
Impact	6	Environmental management system
Impact	9	Corporate citizenship and social responsibility
Impact	10	Human rights
Impact	15	Biodiversity
Impact	16	Employability and empowerment

*Although this was identified as a non-priority issue, because of its business relevance we classified it as emerging.

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<p>Top impact material topics (impact generated by the company on its stakeholders)</p>	<p>E-commerce and cybersecurity (double material) Diversity and inclusion (double material) Supply chain and responsible sourcing Ethics and codes of conduct Education and human capital development Innovation</p>
<p>Financial material topics (critical to Enterprise Value Creation)</p>	<p>E-commerce and cybersecurity (double material) Diversity and inclusion (double material) Transparency Employer Brand Operating eco-efficiency Packaging</p>

As a legend to the topic tables:

- I: Impact
- F: Financial
- P: Positive
- N: Negative



Material topics	Materiality	Impact		Long term metrics
		Real	Potential	
E-commerce and cybersecurity	I/F	<ol style="list-style-type: none"> Increase of the vulnerability of the company due to the fast growth of digital and technological assets. (N) Increased technology costs: upgrades, systems associated with operational continuity, testing, certification, training of employees, etc. (N) 	<ol style="list-style-type: none"> Reduction of the risk of Information leakage and/or theft. (P) Increase in cyber insurance premiums costs. (N) Loss of customer confidence, due to information incidents. (N) 	<ol style="list-style-type: none"> # of security tests # of incidents related to loss of information Cost of penalties
Diversity and inclusion	I/F	<ol style="list-style-type: none"> Talent attraction and retention. (P) Operations efficacy due to a respectful of a diverse workforce. (P) Reduction of recruitment costs due to employee retention (reduction of turnover rate). (P) 	<ol style="list-style-type: none"> Innovation of new products and services due to the promotion a diverse team with different perspectives. (P) Increase in the representation gaps of the different labor categories. (N) Prevention of serious or legal issues arising, such as bullying, harassment and discrimination. (P) Greater engagement with customers as they are more representative of the society they serve (P) 	<ol style="list-style-type: none"> % of women in middle and senior management positions % gender pay gap % of women in STEM positions # of cases received for discrimination or harassment Cost of penalties
Transparency	F	<ol style="list-style-type: none"> Increase in significant fines for product labeling and communication and monetary cost. (N) 	<ol style="list-style-type: none"> Market differentiation: increase in consumer confidence and preference. (P) Regulatory non-compliance: lack of foresight in the company in the face of possible changes in the regulatory context, which may imply an increase in the number of sanctions received and monetary cost. (N) 	<ol style="list-style-type: none"> # of infractions received MXN Representative total amount
Operating eco-efficiency	F	<ol style="list-style-type: none"> Cost reduction in energy acquisition. (P) Cost reduction in water consumption. (P) Increased financial market confidence. (P) 	<ol style="list-style-type: none"> High costs for implementing new initiatives.(N) Regulatory non-compliance: risk of legal or regulatory non-compliance in face of possible changes in the regulatory context, which may imply an increase in the penalties and costs that these represent. (N) 	<ol style="list-style-type: none"> % reduction in energy consumption % reduction in water consumption % of renewable energy consumed
Packaging	F	<ol style="list-style-type: none"> Involve both suppliers (type of packaging they use), clients (responsible consumption, measures to return packaging and products for second life) and the direct operation (our packaging for distribution, waste management in the centers of activity, especially in the warehouses). (P) Reduction of waste and environmental impact. (P) Cost savings. (P) 	<ol style="list-style-type: none"> Increase in the cost of packaging innovations. (N) Difficulty in developing sustainable packaging due to lack of specialized suppliers. (N) Market differentiation. (P) 	<ol style="list-style-type: none"> % of waste reused or recycled % of recycled or certified material in non-plastic packaging % of recycled or certified material in plastic packaging

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Ethics and codes of conduct	I	1. Reduction of unethical practices. (P)	1. Payment of fines and sanctions due to unfair/unethical practices. (N) 2. Damage reputation of the business due to unethical Behavior. (N) 3. Lack of investor confidence due to the transparency and ethical behavior of the company. (P)	1. Average hours of ethics training per employee 2. Number of corruption cases (employees)
Supply chain and responsible sourcing	I	1. Supplier development and strengthening. (P) 2. Risk mitigation (on ethical, labor and environmental practices). (P) 3. Diversification of suppliers; attention to new consumer trends, customer needs and requirements. (P) 4. Traceability in the origin and route of products, including the practices of the third parties involved; information that can be made available to customers (it addresses the growing trend to be concerned about it and to seek the information). (P) 5. Special analysis and management of suppliers of all of Suburbia's and Liverpool' brands, as well as those with payment orders overorders in excess of \$500 thousand pesos, and to the suppliers of operating products (goods not for sale). (P) 6. Complexity in evaluation: lack of consistency and precision in verification processes. (N)	1. Reputational risk due to potential social and environmental impacts of suppliers. (N) 2. Supply risk: interruptions. (N) 3. discontinuity in the availability of the complete product catalog for our customers. (N)	1. # of suppliers evaluated 2. % of suppliers evaluated 3. % with high risk
Education and human capital development	I	1. Talent attraction and retention. (P) 2. Competitive advantages due to the knowledge and skills possessed by the employees. (P) 3. Address the educational gaps of our employees, to ensure that we have people with the necessary skills. (P) 4. High performance with a significant effect on the success of the organization and customer satisfaction through improving employee performance. (P)	1. Increase in business profit by a workforce of Experts. (P) 2. Possibility that training programs are not adapted to employees' needs. (N)	1. Average hours of training by employees 2. MXN total investment in training 3. MXN/Employee average investment 4. % of employees with a goal based evaluation 5. % of employees with a multidimensional evaluation 6. voluntary turnover rate 7. total turnover rate 8. Active users on a cumulative basis, through the extension of the Liverpool Virtual University and other complementary programs.

Material topics	Materiality	Impact		Long term metrics
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Employer Brand	F	1. Talent attraction and retention. (P) 2. Increase in the company's reputation. (P) 3. Increase employee satisfaction level. (P)	1. Increased levels of voluntary turnover. (N)	1. % voluntary turnover 2. % of total turnover 3. % of satisfaction
Innovation	I	1. Level of customer satisfaction with the company's omnichannel strategy. (P)	1. Deterioration in the level of customer consumption preference. (N) 2. Poor adaptability to changes in customer consumption. (N)	1. % of customer satisfaction 2. % of customers on digital channels 3. % share of digital channels in sales

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