



Net Value

Added

grupo **éxito**[®]

OVERVIEW

In line with the Superior Purpose of "Nourishing Colombia with Opportunities", in 2021 the Company began an exercise to measure the net added value that the company generates to society, with the support of EAFIT University.

Although social and environmental commitment has been present throughout the history of Grupo Éxito, the company chose to perform a rigorous quantification of the value it generates to society beyond economic profits.

The way in which companies generate value for society through their direct operations or voluntary initiatives makes it possible to strengthen the cycle of investment, growth, and innovation in organizations, making them more sustainable in the long term.

On the other hand, as members of Colombian society and the planet, we consider our commitment to transparency in accountability, including those of social and environmental impact.

Therefore, Grupo Éxito evidenced the need to consolidate an inventory of its impacts on the environment, society, and the economy, and quantify them in a way that would allow us to make decisions based on quantitative criteria for the integral management of the company's ESG issues. Additionally, this exercise allowed us to identify opportunities for improvement and prioritize actions that generate greater value for stakeholders.

DEFINITION OF NET VALUE-ADDED

The approach used by Universidad EAFIT is based on the macroeconomic methodology for calculating value-added and other impact valuation methodologies such as SROI (social return on investment). With this, we sought to define an appropriate metric to determine the impact that a business organization produces in society: what value it generates, how that value affects stakeholders, what positive and negative externalities are associated with its management, and how those externalities are mitigated or reinforced. By applying this methodology, it was identified that Almacenes Éxito has two ways of influencing its environment.

On the one hand, there is its natural operation as a retail company, and the activities it performs to carry out this corporate purpose, that is, the way in which Almacenes Éxito impacts the economy by developing its corporate purpose, and by existing, operating and complying with the mandatory regulations imposed by law. In this exercise of its work, it generates not only value for shareholders and other stakeholders but also multiplier effects of management and negative externalities associated with the ordinary course of business. On the other hand, the company carries out voluntary and discretionary activities in addition to the operation of the business, which we call "deliberate actions", which constitute the social, economic, and environmental investment programs that arise voluntarily from the Company's humanistic initiative. The above is summarized in Figure 1.



Figure 1: Net value-added generation

DIRECT AND INDIRECT VALUE-ADDED

For their operation, corporations' contract with other productive sectors and purchase intermediate inputs in order to process them and offer them to their clients, generating a profit margin for the owners of the organization and income for their employees, capital suppliers, and the State, which we call direct economic value. It should be noted that in this process value is generated not only for the shareholders, but also for their employees, in the form of salaries, for the State, in the form of taxes, and for the suppliers of capital, through interest payments (See Figure 2).

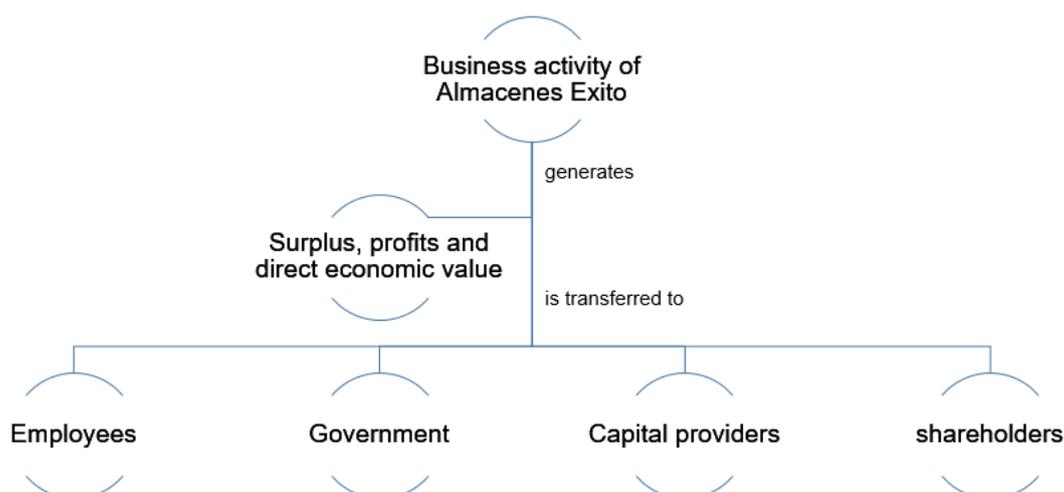


Figure 2: Generation of direct economic value

This value delivered to collaborators, the State, and capital suppliers, is put into circulation in the economy through forms of consumption, public spending, or through the generation of public or private investment projects, which in turn contribute to generating value in other instances of the economy. In addition, in its daily operations, it purchases products and services from its suppliers, thus enabling them to generate value through a multiplier effect in the productive chains, which,

however, must be subtracted from the negative externalities that are also generated. The sum of all this makes up the indirect economic value.

CALCULATION OF POSITIVE AND NEGATIVE EXTERNALITIES

Deliberate actions that generate value are those that are voluntarily implemented with the express purpose of enhancing the organization's contribution to the better functioning of the economy, the well-being of employees, the benefit of other stakeholders, contributions to society in general, and to the sustainability of the planet by mitigating negative environmental effects or contributing to the conservation of biodiversity and the restoration of ecosystems.

Economic externalities

Within the focus on economic externalities, deliberate sustainable trade programs were addressed, both in the purchase of fruits and vegetables and the supply chain of products in the textile and apparel sector.

The express intention of approaching fruit and vegetable suppliers, buying their products directly, and supporting their business development, opens up immense opportunities for a sector that, like the agricultural sector, is deeply limited by the fragmentation of markets and the limitations of physical, commercial, and connectivity infrastructure. As a result, it enhances possibilities for development and growth that would not otherwise exist.

The textile and apparel supply chain promotes the formalization of productive activity and employment in an economy like Colombia's, which is affected by high levels of informality and unemployment. This formalization of activity and employment reduces the demands on society resulting from labor informality, thus contributing to the better functioning of the social insurance system.

Social externalities

Social investment has always been part of Grupo Éxito's DNA. We have an impact on the welfare of our employees and society in general through various initiatives,

including education programs, Tiempo Para Ti, philanthropy, and the contribution to child nutrition generated through the Back-store Recycling program.

For this, we considered the transforming effect that investments in education have on the country's economy, the impact that adequate nutrition of children in their most critical stages (0 to 3 years) can have on their expected future income, and the contribution to the socioeconomic fabric through the various strategies of Fundación Éxito.

Environmental externalities

Production activities are usually associated with the generation of negative externalities on the environment, resulting from the use of energy and biological resources, interaction with nature, and relations with other productive agents.

Greenhouse gas emissions, the effects on biodiversity, and the consequent negative impacts on ecosystems are costs that are often not recognized by organizations, but which affect the planet and, consequently, society.

Proper measurement of these environmental effects is the first step in establishing appropriate sustainability policies, followed by the monetization of these impacts to quantify the economic consequences and integrate appropriate evaluation and decision-making criteria. This provides the ability to invest in effective and efficient deliberate actions that enable society to achieve ambitious goals of "net zero emissions" or environmental neutrality.

Within the EAFIT University approach, scope 1 and 2 emissions, emissions caused in the beef supply chain, water consumption, and food waste were considered. Similarly, the effects of deliberate actions to mitigate these negative externalities were included, such as the efforts made to enable a sustainable mobility strategy, food donation, the change of polluting refrigerant gases to more sustainable alternatives (Retrofit), the purchase of bonds to offset emissions, the SoyRE post-consumer recycling model and the Back-store Recycling program.

CONCLUSIONS

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Measuring the integral impact that an organization has on the economy, society, and the environment is undoubtedly a necessity in a world that requires maintaining the economic dynamism that results from the good performance of business organizations, but at the same time promoting the welfare of all stakeholders that relate to them, whether they are employees, suppliers, customers, government structures or society in general, in terms of both welfare and care of the planet.
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Measurement makes it possible to incorporate sustainability issues into the general purpose of the organization and integrates into the corporate culture the express consideration of the effects on all stakeholders, making it possible in the future to implement methodologies that optimize the results of the deliberate actions undertaken to contribute positively to the sustainability of the system and the planet.
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Future development of the measurement methodology will deepen detailed impact assessments of deliberate actions, thus facilitating the appropriate selection and optimal choices of those voluntary actions that will ensure the future profitability of the organization, taking into account the interests of the stakeholders that relate to it.