

FUNDACIÓN WAL-MART DE MÉXICO, A.C.

Financial statements

Up to December 31st, 2020 and 2019
with the Report of the independent auditors

FUNDACIÓN WAL-MART DE MÉXICO, A.C.

Financial statements

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Content:

Report of the independent auditors

Financial statements:

Statements of activities

Statements of financial position

Cash flow statements

Notes on the financial statements

REPORT FROM THE INDEPENDENT AUDITORS

To the General Assembly of Associates
of the Fundación Wal-mart de México, A.C.

Opinion

We have audited the attached financial statements of Fundación Wal-mart de México, A.C., which include the statement of financial position as at December 31st, 2020, the statement of activities; and the cash flow statement for the year ended on that date, as well as the explanatory notes to the financial statements containing a summary of significant accounting policies.

In our view, the attached financial statements reasonably present, in all material respects, the financial position of Fundación Wal-mart de México, AC, as at December 31st, 2020, as well as its activities and cash flows for the period ended on that date, in accordance with International Financial Reporting Standards.

Basis of opinion

We have conducted our audit in accordance with International Standards on Audit (ISAs). Our responsibilities under these standards are described below in “*Responsibilities of the auditor in connection with the audit of financial statements*” of our report. We are independent of the Fundación Wal-mart de México, A.C. in accordance with “*International Code of Ethics for Accounting Professionals (including International Standards of Independence)*” (“IESBA Code of Ethics”) together with the ethics requirements that apply to our audit of the financial statements in Mexico by the “*Code of Professional Ethics of the Mexican Institute of Public Accountants*” (“MIPA Code of Ethics”) and we have fulfilled all other ethical responsibilities in accordance with these requirements and the IESBA Code of Ethics.

We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Responsibilities of the Administration and those responsible for the Government of the Company in relation to the financial statements

The Administration is responsible for the preparation and reasonable presentation of the attached financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Council, and for the internal control that the

Administration deems necessary to allow the preparation of financial statements free of material deviation, due to fraud or error.

In the preparation of the financial statements, the Administration is responsible for assessing the Company's ability to continue as an ongoing business, disclosing, as appropriate, issues related to the ongoing business and using the accounting base of ongoing business unless the Administration intends to liquidate the Company or cease its operations; or there is no other realistic alternative.

The representatives for the Company's government are responsible for the supervision of the Company's financial reporting process.

Responsibilities of the auditor in connection with the audit of the financial statements [

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material deviation, due to fraud or error, and issue an audit report that contains our opinion. Reasonable safety is a high degree of security, but it does not guarantee that an audit carried out in accordance with ISAs always detects material deviation when it exists. Deviations may be due to fraud or error and are considered material if, individually or in aggregate form, can reasonably be expected to influence economic decisions that users make on the basis of the financial statements.

As part of an ISAs compliance audit, we apply our professional judgment and we maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material deviation in the financial statements, due to fraud or error, we design and implement audit procedures to respond to such risks and obtained sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material deviation due to fraud is higher than in the case of material deviation due to error, since fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous statements or circumvention of the internal control.
- We gain knowledge of internal control relevant to the audit in order to design audit procedures that are appropriate depending on the circumstances and not with the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- We evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the related information disclosed by the Administration.
- We conclude on the adequacy of the use, by the Administration, of the accounting base of ongoing business and, based on the audit evidence obtained, we conclude whether it exists or not material uncertainty related to facts or conditions that may generate significant doubts about the Company's ability to continue as an ongoing business. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the relevant information disclosed in the financial statements or, if such disclosures are not appropriate, that we express a modified opinion. Our conclusions are based on the audit evidence obtained to the date of our audit report.

However, future facts or conditions may cause the Company to cease to continue as an ongoing business.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosed information, and whether the financial statements represent the underlying transactions and facts in a manner that achieve reasonable presentation.

We communicate with those responsible for the Company's government regarding, inter alia, the scope and the timing of the planned audit and the significant findings of the audit, as well as any significant deficiencies in internal control we identified in the course of the audit.

We also provide the Company's government officials with a statement that we have complied with the applicable ethical requirements in relation to independence and communication with them about all relations and other matters that can reasonably be expected to affect our independence and, where appropriate, the corresponding safeguards.

The partner responsible for the audit is who subscribes to this report.

Mancera, S.C.
Member of
Ernst & Young Global Limited

[illegible signature]

C.P.C. Carlos Carrillo Contreras

Mexico City
February 17th, 2021

FUNDACIÓN WAL-MART DE MÉXICO, A.C.

Statements of activities

Pesos

	For the years ended on December 31st	
	2020	2019
Changes in unrestricted equity:		
Donations received (Note 4)	\$ 73,824,524	\$ 97,029,366
Expenditures:		
Donations granted (Note 5)	58,837,914	77,547,008
Care programs	7,497,802	15,241,453
Administration	3,271,977	4,384,292
Other operating expenses	739,873	1,456,671
Total expenditure	70,347,566	98,629,424
Net change in accounting equity	3,476,958	(1,600,058)
Equity at the beginning of the year (deficit)	(5,893,028)	(4,292,970)
Equity at the end of the year (deficit)	\$ (2,416,070)	\$ (5,893,028)

The attached notes are an integral part of these financial statements.

FUNDACIÓN WAL-MART DE MÉXICO, A.C.

Statements of financial position

Pesos

	As at December 31st	
	2020	2019
Asset		
Circulating:		
Cash in banks	\$ 6,684,123	\$ 3,568,111
Total asset	<u>\$ 6,684,123</u>	<u>\$ 3,568,111</u>
Liabilities and accounting equity (deficit)		
Short-term liabilities:		
Related Parties (Note 4)	\$ 2,906,176	\$ 9,236,868
Accounts Payable (Note 6)	6,194,017	224,271
Total liabilities	<u>9,100,193</u>	<u>9,461,139</u>
Accounting equity (deficit) (Note 7):		
Unrestricted equity (deficit)	(2,416,070)	(5,893,028)
Total equity (deficit)	<u>(2,416,070)</u>	<u>(5,893,028)</u>
Liabilities and accounting equity (deficit)	<u>\$ 6,684,123</u>	<u>\$ 3,568,111</u>

The attached notes are an integral part of these financial statements.

FUNDACIÓN WAL-MART DE MÉXICO, A.C.

Cash flow statements

Pesos

	For the years ended on December 31st	
	<u>2020</u>	<u>2019</u>
Net change in accounting equity	\$ 3,476,958	\$ (1,600,058)
Variations in:		
Related Parties (Note 4)	(6,330,692)	4,324,239
Accounts Payable (Note 6)	<u>5,969,746</u>	<u>(629,519)</u>
Net cash flows in operating activities	3,116,012	2,094,662
Cash at the beginning of the year	<u>3,568,111</u>	<u>1,473,449</u>
Cash at the end of the year	<u>\$ 6,684,123</u>	<u>\$ 3,568,111</u>

The attached notes are an integral part of these financial statements.

FUNDACIÓN WAL-MART DE MÉXICO, A.C.

Notes on the financial statements

As of December 31st, 2020 and 2019

Pesos

1. Information about the Association

Fundación Wal-Mart de México, A.C. (“the Association”), is a company with registered office in Nextengo 78, Santa Cruz Acayucan, 02770 in Mexico City, Mexico, which was constituted under Mexican laws.

It is a subsidiary of Wal-Mart de México, S.A.B. de C.V., and is not for profit. The Association is committed to finding solutions that contribute to achieving the mission of improving food and sustainable development of marginalized communities through projects that increase their income and food availability through their own work.

The Association has focused its social actions on five main axes: food security, community development, projects of community interest, volunteerism and support for victims of natural disasters.

The Association does not have employees and all administrative services are provided to it by an affiliated company.

2. New pronouncements

Rules and amendments that came into force on January 1st, 2020 and are not applicable to the Association:

Amendments to IAS 1, “Presentation of Financial Statements” and IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”

The amendments provide a new definition of “material” which states that “Information is material or has relative importance if its omission, inappropriate expression or concealment of information could reasonably be expected to influence decisions that major users of the general purpose financial statements take from the financial statements”. The changes make it clear that materiality will depend on the nature or magnitude of the information, either individually or in combination with other information, in the context of the financial statements. These modifications have not impacted the Association’s financial statements.

Amendments to the conceptual framework for the financial information

The conceptual framework is not a standard, and none of the concepts therein prevails over the concepts or requirements of any standard. The purpose of the Conceptual Framework is to assist IASB in the development of standards, so as to help trainers to develop consistent accounting policies where there is no applicable standard, and to help all parties to understand and interpret standards. This will affect to those entities that developed their accounting policies based on this Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities, moreover, it clarifies some critical concepts. These modifications have not impacted the Association’s financial statements.

Rules and amendments that came into force from 1st January 2020 and are not applicable to the Association:

- Amendments to IFRS 3, “Business Combination”
- Amendments to IFRS 7, IFRS 9 and NIC 39 “Reform of the reference interest rate”
- Amendments to IFRS 16, Rental concessions related to Covid-19

IFRS that have been issued but do not yet enter into force, which are not applicable to the Association:

- IFRS 17, “Insurance Contracts”
- Amendments to NIC 1, “Classification of liabilities as current or non-current”
- Reference to the conceptual framework - Amendments to IFRS 3, “Business Combinations”
- Amendments to NIC 16 “Properties, site and equipment — Revenues before intended use”
- Amendments to NIC 37 “Onerous Contracts — Costs of performance of a contract”
- IFRS 1, “First-time Adoption of International Financial Reporting Standards — First-time Adopting Subsidiary”
- IFRS 9, “Financial instruments”: Commissions in the test of '10 percent' for derogation from financial liabilities.
- NIC 41, “Agriculture” - Taxation on fair value measurements

3. Summary of significant accounting policies

The most significant accounting policies are summarized below, which have been consistently applied with the fiscal year ended 31st December 2019, unless otherwise indicated.

a) Preparation Bases

The attached financial statements have been prepared in accordance with current International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretation Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The status of activities was prepared based on its function, which allows us to know and reveal expense items, taking into account the specific essence of the type of expenses of the Association.

The attached financial statements have been prepared under ongoing business assumptions. Therefore, the financial statements do not include any adjustments that could result from this uncertainty. The continuity of the Association depends on the financial support it receives from the group to which it belongs.

Cash flow statements are prepared using the indirect method.

b) Cash

Cash is mainly represented by bank deposits.

c) Accounts payable and provisions

Liabilities for provisions are recognized where there is a legal or implied present obligation as a result of a past event, which can be reasonably estimated and where the outflow of economic resources is likely. In the event of a refund, the refund shall be recognized based on the net amount of the obligation when it is certain to be obtained. Expense for any provision is presented in the net statement of business of your refunds.

d) Recognition of contributions

Contributions received are recognized as increases to equity when donations are received in cash or in kind.

e) Recognition of donations granted

Donations made in goods and services are recognized in the financial statements at the time they are known.

4. Related Parties

a) Balances with related parties

As of December 31, 2020 and 2019, the statement of financial position includes the following related party balances.

	<u>2020</u>		<u>2019</u>
Accounts payable:			
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.	\$ 2,887,501	\$	4,226,460
Nueva Wal-Mart de México, S. de R.L. de C.V.	<u>18,675</u>		<u>5,010,408</u>
	<u>\$ 2,906,176</u>	\$	<u>9,236,868</u>

Balances payable to related parties consist of current account balances, interest-free, payable in cash, for which there are no collateral.

b) Transactions with related parties

The amounts of related party transactions for the year ending December 31, 2020 and 2019 are presented below:

	<u>2020</u>	<u>2019</u>
Donations received:		
Nueva Wal-Mart de México, S. de R.L. de C.V.	\$ 73,824,524	\$ 88,605,613
Servicios Administrativos Walmart , S. de R.L. de C.V.	-	8,423,753
Total	\$ 73,824,524	\$ 97,029,366

Donations received in services

The Association received donations for volunteer services provided by associates of subsidiary companies, which provide time to carry out social benefit shares without any remuneration, which are not recognized in the states of business.

Expenses with related parties

For the years ending 31 December 2020 and 2019, the related party expense is as follows:

	<u>2020</u>	<u>2019</u>
Purchase of merchandise	\$ 17,287,466	\$ 8,279,012
Fee for administrative services	2,625,000	3,643,500
	\$ 19,912,466	\$ 11,922,512

The service agreement is indefinite and consists mainly of administrative, financial, accounting, legal and tax services. The amount of compensation is equal to the cost of the operation related to the services received during each month or period, plus a surcharge.

On the occasion of its different volunteer programs, the Association purchases merchandise and supplies in stores of subsidiaries exclusively for the implementation of such programs.

5. Donations granted

During the years ended December 31, 2020 and 2019, donations were granted to the following civil institutions and associations:

	<u>2020</u>	<u>2019</u>
Small Producer Development		
TSERV Soluciones para la Pobreza, A.C.	\$ 30,375,000	\$ 30,375,000
Fundación PRO Empleo Productivo, A.C.	8,998,500	8,212,500
SIFE México, A.C.	-	5,000,000
Patronato Pro Zona Mazahua, A.C.	-	2,237,296
Instituto Mexicano de Investigación de Familia y Población, A.C.	-	1,752,300
Banco de Alimentos Caritas del Estado de México, IAP	-	1,308,534
Espacio Espiral, A.C.	-	999,300
Smartfish Rescate de Valor, A.C.	-	559,900
Empecemos Hoy el Futuro del Mañana, A.C.	-	240,000
Cerrando el Ciclo, A.C.	-	225,450
Subtotal	\$ 39,373,500	\$ 50,910,280

	2020	2019
Fight against hunger		
Fondo para Niños de México, A.C.	\$ -	\$ 8,423,753
Fondo para la Paz, I.A.P.	-	5,875,260
Hábitat para la Humanidad México, A.C.	-	2,100,000
Fundación Pro Zona Mazahua, I.A.P.	-	1,920,075
Comunidad y Ambiente Adonai, A.C.	-	1,672,000
Centro de Acopio para la Tarahumara, A.C.	-	1,500,000
Enlace Ciudadano de Mujeres Indígenas In Yolotl Santa Ana Tzacuala, A.C.	-	546,000
APAC, I.A.P. Asociación PRO Personas con Parálisis Cerebral	-	300,000
Caritas del Guadiana, A.C.	-	254,040
Comedor Infantil Santo Nino de Atocha, A.C.	-	250,000
Subtotal	\$ -	\$22,841,728
Local Disasters		
Cruz Roja Mexicana, I.A.P.	4,460,620	3,795,000
Ministry of Defense	961,165	-
Subtotal	\$ 5,421,785	\$ 3,795,000
COVID-19 Emergency		
Alimentos Para Todos, I.A.P.	\$ 9,664,785	\$ -
Cruz Roja Mexicana, I.A.P.	1,693,600	-
Centro Mexicano Para La Filantropía, A.C.	1,374,817	-
Carita de Monterrey A. B. P.	787,725	-
Secretary of Economic Development of Mexico City	196,602	-
Instituto Mexicano de Investigación de Familia y Población, A.C.	182,393	-
Honorable City Council Of Valle De Chalco Solidaridad	41,180	-
Government of the State of Sonora	30,693	-
Government of the State of Quintana Roo	15,380	-
Durango Municipality	14,910	-
Instituto De Salud Básico Comunitario Simojovel, Chiapas	14,530	-
Tijuana Municipality	14,085	-
Mexicali Municipality	11,929	-
Subtotal	\$ 14,042,629	-
Total	\$ 58,837,914	\$ 77,547,008

The services provided by volunteering during 2020 and 2019 referred to in Note 4) were provided as follows:

2020		
Agenda	No. of volunteers	Project
Volunteering	7,055	Actions are carried out in the community, such as maintenance and cleaning of public spaces, rehabilitation of sports spaces, maintenance and painting of schools, career, activities with children and older adults.
Total	<u>7,055</u>	

Agenda	No. Volunteers	Project
Volunteering	96,985	Community actions are carried out, such as maintenance of schools, orphanages and hospitals, cleaning parks, beaches and lakes, disaster relief, reforestation, activities with children and older adults. Evaluation of projects, mentorships, advice from NGOs, communities and small producers, training courses, among others.
Total	96,985	

6. Accounts Payable

The balance of accounts payable as of 31 December 2020 and 2019 are integrated as follows:

	2020	2019
Transit checks	\$ 5,747,522	\$ 90,255
Others	327,131	16,416
Audit fees	119,364	117,600
	\$ 6,194,017	\$ 224,271

7. Equity

The assets which constitute the equity of the Association, as well as its income, are used exclusively for the purposes of its corporate purpose.

No benefits on the carryovers are granted to members of the Association or to any natural or legal person, except in the case of institutions authorized to receive deductible donations under the terms of the Law on Income Tax or the remuneration of services actually received.

In the event of the dissolution and liquidation of the Association or the Association changes its residence for tax purposes, the General Assembly of Associates shall cover the liability borne by the association and shall be charged what it owes and allocate the entire assets of the Association to entities authorized to receive donations, in accordance with tax laws in force.

8. Fiscal environment

According to the provisions of the Income Tax Law (LISR), Fundación Wal-Mart de México, A.C, as a non-profit civil association, is not a taxpayer of this tax.

The Association is jointly responsible with the tax authorities in respect of any withholding tax that it makes.

As regards Value Added Tax (VAT), the Association is not a taxpayer of this tax.

As of December 31st, 2020, the Association was transferred VAT for \$1,190,310 which was recorded in the expenses for the period, in 2019 it was \$2,059,845.

9. Issuance of financial statements

On February 17th, 2021, the Association Administration authorized the issuance of the financial statements and their notes as of December 31st, 2020, which are made available to the General Assembly of Associates, for approval. Subsequent events are considered up to this date.