

# Corporate Strategy Grupo Éxito

## 1.1. Definition










































Grupo Éxito's strategy for the period 2021 to 2023 is focused on adapting to changes in consumer trends and ensuring the Company's long-term sustainable growth by strengthening innovation, developing omnichannel, monetizing traffic and assets and continuing the operational excellence plan. Through these activities, the Company expects to improve the customer experience, lead in a demanding digital environment and increase its profitability in a sustainable manner over the long term.

## 1.2 Strategic objectives

1. Profitable omnichannel growth
2. Solid growth of the grocery business
3. Transformation of low-cost formats
4. Recovery of the textile business
5. Rethinking the real estate business
6. Aggressive cost reduction
7. Data management as a competitive advantage

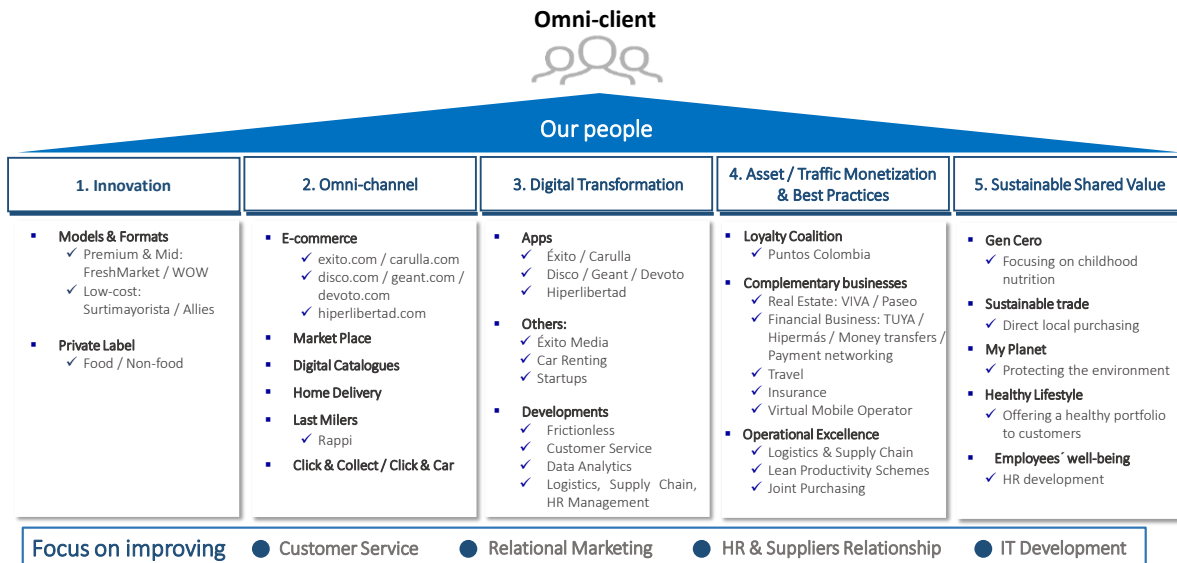
1.3. Objectives aligned with the Sustainable Development Goals - SDGs (Agenda 2030)  
<https://www.grupoexito.com.co/es/Sostenibilidad2020>

The Sustainability Policy is made up of six challenges: Zero Malnutrition, Sustainable Trade, Mi Planeta, Healthy Life, the success of Grupo Éxito is in its people, and Somos Íntegros Which in their structure are defined: purpose, strategic focuses, and contribution to the Sustainable Development Goals, as shown below:

Challenge	Propose	Strategic focuses	SDGs
 Zero Malnutrition	Work for the eradication of chronic child malnutrition in Colombia by 2030.	Communicate and raise awareness. Generate resources and alliances. Generate and disseminate knowledge. Influence public policy	            
 Sustainable Trade	Generate value and trust relationships with partners and suppliers, through the promotion of sustainable practices and support programs that contribute to their growth, local and direct procuring, and support for productive sectors and vulnerable populations.	Promote sustainable supply chains Develop allies and suppliers Maintain local and direct procurement	      
 MI Planeta	Maximize the positive impact on the environment and work to reduce, mitigate and compensate the negative impacts of the operation on it, as well as contribute to the generation of environmental awareness in the different Stakeholders.	Carry out actions for the management of climate change Promote efficiency and enable the circular economy of packaging and plastic in space Lead initiatives in favor of sustainable mobility Real estate management with sustainability standards. Contribute to the protection of biodiversity, together with suppliers, promoting supply chains free of deforestation. Educate and mobilize Stakeholders towards protecting the environment.	    
 Healthy lifestyle	Mobilize customers, employees and suppliers towards healthier and balanced lifestyles, through a portfolio of products and services that allow them to develop healthy lifestyle habits.	Promote healthy lifestyle habits Educating customers, partners and suppliers for healthy living Trade products and services that encourage healthy lifestyles	           
 The success of Grupo Éxito is in its people	Be attractive, diverse and inclusive, promoting diversity and inclusion and social dialogue.	Promote social dialogue Develop our people in being and doing Be attractive, diverse and inclusive. Promote gender equality	         
 Somos Integros	Build trust with Stakeholders in the framework of comprehensive action, under corporate governance standards, ethics, transparency and respecting human rights	Promote best practices in corporate governance Promote and communicate commitments related to respect for Human Rights Build up ethics and transparency standards in the different Interest Groups. Facilitate diverse and inclusive environments Ensure building trust with our stakeholders and promote communication and coherent relationship	         

## 1.1. Strategic Pillars

Grupo Éxito's strategy for the years 2021 to 2023 is comprised of five pillars focused on leading the transformation of the company with a focus on the customer and retail trends. The goal is to position the company as a leader in the retail market in the countries where it operates, by improving the customer service experience through innovation and omnichannel and leading a digital transformation process. Additionally, the company seeks to improve its profitability levels through activities to monetize traffic and its assets, supported by the continuity of the operational excellence plan. These activities are framed within the guidelines of a sustainability and shared value plan with all stakeholders that is expected to favor long-term results. The implementation of these initiatives will follow an approach from Senior Management to the Company's base.



## 1. Innovation

Activities to constantly innovate on stores, in brands and products in accordance with customer requirements.

- **Models & Formats:** upgrading retail and innovating in premium, mid and low-cost markets by improving the store portfolio base and focusing on converting and renovating them into key profitable stores.
  - Premium and Mid-market:
    - The “FreshMarket” model aims to innovate the fresh food category, renovate stores and improve layouts. Furthermore, it includes digital activities, such as apps, improved customer service and strengthening key offerings, such as events for wine, pasta, cheese and coffee related to the premium banner.
    - The “Wow” model: Launched in Colombia in 2018 regards to the hypermarket of the future, a shopping experience connected to the digital world, superior customer service and improved focus on fresh products.
  - Low-cost market:
    - Surtimayorista: to compete versus both the formal and informal markets. The format operates with low operating costs and CAPEX requirements, driving returns and boosting sales following conversions.
    - Allies: near to 1,500 Allies worked in partnership with Grupo Éxito during 2020 and performed high frequency and volume in trade. With the launch of the “Misurtii” app the aim was to digitalize food sales for mom and pops and small businesses and to continue with strong digital presence.
- **Private Label:** development of the current portfolio of products to improve competitiveness by offering customers the lowest price and the best quality available.
  - Food: strengthening well-known brands such as Frescampo in Colombia and positioning Taeq as the most important private label for healthy products across the region.

- Non-food: aiming to apparel democratizing with the brands Arkitekt, Bronzini, People among others, and the brand with international presence Finlandek represented 35% of sales share in textile & home categories in Colombia.

## 2. Omni-channel Model:

Integration of virtual and physical platform to offer clients various channels, products and services to interact with the Company. Related to the development of:

- **E-commerce:** differentiated websites by genre, for non-food and food categories.
- **Market Place:** to improve the customer shopping experience by including multiple vendors, raising the number of transactions through the Company's websites.
- **Digital Catalogues:** kiosks available at stores to purchase and order online.
- **Home Delivery & Last Milers:** to enhance convenience for customers through the development of start-ups such as last milers.
- **Click & Collect:** service available for food and non-food purchases online to be collected at stores.

## 3. Digital Transformation

This pillar included the creation of the Digital Transformation Department in Colombia.

- **Apps:** to improve customer service, reinforced loyalty and increase share of wallet.
  - Éxito and Carulla: Apps complementing on-line initiatives. The new version launched improved historical trends and integration with the Company's trade ecosystem with new functionalities such as Tuya Pay, SmileID in Carulla app, insurance sale, smart shopping lists and virtual line for customers in-store, in addition to customize discounts and integration with Puntos Colombia loyalty program.
  - In Uruguay, the Company is exploring Web and App integration for Disco, Geant and Devoto, reinforcing relationship with start-ups and developing smart web assortment.
  - In Argentina, the plan is to launch the app by 2021.
- **Others**
  - Éxito Media: to monetize the physical and digital asset by offering advertising services, centralizing the media monetization and ecosystem information. Services on-site, off-site and in-stores.
  - Car Renting: to get into the new venture of offering of car renting services to customers.
  - Start-ups: research and analyse the feasibility of start-ups with which the Company may enhance service, operational activities and back office. Other analyses underway include artificial intelligence and image recognition.
- **Developments**
  - Frictionless: to improve the customer service experience at stores, especially when purchasing and paying for groceries or services, to reduce waiting time perception, by implementing:
    - ✓ Self-check-out: customer self-scanning, payment and packaging.
    - ✓ Mobile POS: on-foot cashier.
    - ✓ Scan & Pay: customer self-scanning and on-line receipt ready to be processed at the cashier.
    - ✓ Shop & Go: customer self-scanning, on-line payment through the app and go.

- Customer Service: activities to improve relationship with clients and improving waiting time perception by using trendy channels such as:
  - ✓ Chatbot: 24-hour virtual assistant to answer questions/requirements from clients.
  - ✓ Social Marketing: active attention to customer's social media behaviour and using data collected to improve service and processes.
  - ✓ Social Wi-Fi: free high-quality internet connection available for clients.
  - ✓ Kiosks: interactive devices to allow our customers to self-manage purchases.
- Data Analytics: usage of all data collected through all channels and IT developments to improve customer knowledge and internal data management.
  - ✓ Predictive Models: analyse common trends to improve the understanding of customer, demand, logistics and supply chain.
  - ✓ CRM: Customer Relationship Management.
  - ✓ Relational discounts models, such as "Club del Comerciante" recently launched by Surtimayorista to offer discounts to hospitality customers based on their purchases, aiming to increase average basket by improving cross-selling.
- Logistic and Supply Chain
  - ✓ Inventory Management: improvement and optimization by usage of data and trends.
  - ✓ Productivity Management: transforming processes by focusing on agility, flexibility, efficiency and supply chain precision.
- HR Management
  - ✓ Transforming management of human resources by creating on-line platforms for employee selection and recruitment processes, training and HR data management.

#### **4. Asset /Traffic Monetization and Best Practices**

To boost growth by leveraging activities through the development of:

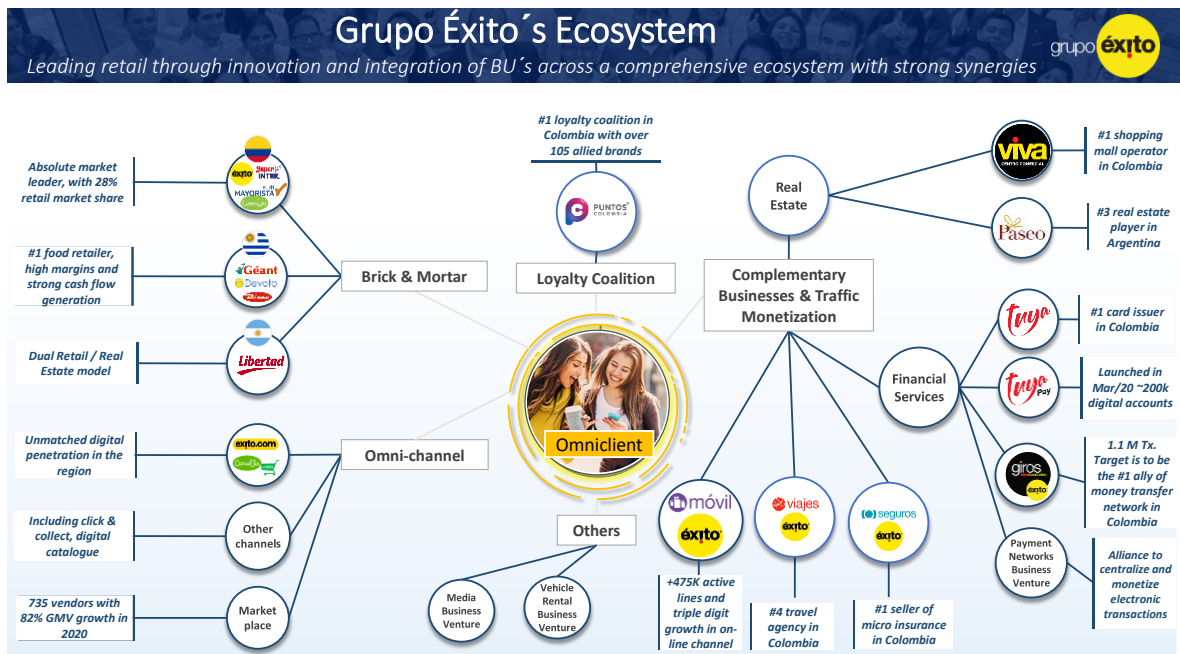
- **Loyalty Coalition:** which provide high potential for data monetization – transactional information, consumer data and marketing focused campaigns through Puntos Colombia.
- **Complementary Businesses:** to improve the Company's returns by strengthening:
  - Real Estate: to optimize the GLA and improve occupancy rates at VIVA and Paseo shopping centers through a dual retail / real estate business model.
  - Financial Services: TUYA, money transfers and payment networking, include a complete set of financial and digital services in alliances to centralize and monetize electronic transactions.
  - Travel: to strengthen the business and reverting the trend seen in 2020.
  - Insurance: to continue offering a wide portfolio of retail insurance policies through the partnership with Suramericana and lead as the seller of microinsurance in Colombia.
  - Virtual Mobile Operator: to increase the number of active users and complement the growth of omni-channel sales.
- **Operational Excellence:** execution of the program across countries to maintain SG&A expense growth below inflation levels, by focusing on:

- Logistics & Supply Chain: improving the operation by setting stores and dark stores to support omni-channel activities and rolling out inventory management activities.
- Lean Productivity Schemes: review of processes and structures across the diverse business units.
- Joint Purchasing: commodity purchasing activities, including indirect goods, services and technology across the region to deliver cost savings.
- Back Office: opportunities to further optimize and centralize diverse processes across the region.

## 5. Sustainable Shared Value

- **Gen Cero**
  - Focusing on childhood nutrition
- **Sustainable trade**
  - Direct local purchasing
- **My Planet**
  - Protecting the environment
- **Healthy Lifestyle**
  - Offering a healthy portfolio to customers
- **Employee well-being**
  - HR development

These five pillars are embedded into a synergic ecosystem in where all business units interact in an efficient manner to offer the best quality service to a customer considered as an “*omniclient*”.



## 1.2. Sustainability Strategy

In Grupo Éxito we are committed to sustainability, in each of our actions we work so that our activities leverage the growth of the country in a framework of good corporate governance, transparency, equity, strengthening the institutional framework and respecting the legislation, considering the expectations of our stakeholders and acting in coherence with the principles of the Global Compact and global sustainability standards. The Sustainability Policy is led by the Presidency of the company and implemented through the Vice-Presidency of Corporate Affairs.

In Grupo Éxito we promote sustainability through initiatives that generate value, with the purpose of contributing to economic growth, social development and environmental protection in Colombia. We do this through six challenges: Generation with zero chronic malnutrition by 2030, promote Sustainable Trade, reduce the environmental impact in Mi Planeta, encourage Healthy Living, labor welfare through The success of Grupo Éxito is in its people and best business practices with Somos Íntegros.

Together with Fundación Éxito, we are working to eradicate chronic child malnutrition in Colombia by 2030.

To achieve this, we work on these fronts:

- Communicate and raise awareness
- Generate resources and alliances
- Generate and disseminate knowledge
- Influencing public policy

### **Sustainable trade**

We are committed to the country's development. We generate relationships of value and trust with allies and suppliers, through the promotion of sustainable practices and support programs that contribute to their growth, local and direct purchasing, and support for productive sectors and vulnerable populations.

To achieve this, we work on these fronts:

- Promoting sustainable supply chains
- Developing our suppliers and partners
- Maintaining local and direct purchasing

## **My planet**

We maximize the positive impact on the environment and work to reduce, mitigate and compensate the negative impacts of our operations on the environment, as well as contribute to the generation of environmental awareness in the different stakeholders.

To achieve this, we work on these fronts:

- Carrying out actions in favor of climate change management.
- Promote efficiency and enable the circular economy of packaging, especially plastic.
- Leading initiatives in favor of sustainable mobility.
- Real estate management with sustainability standards.
- Contribute to the protection of biodiversity, together with suppliers, by promoting deforestation-free supply chains.
- Educate and mobilize stakeholders towards environmental protection.

## **Healthy living**

We mobilize customers, employees and suppliers towards healthier and more balanced lifestyles, through a portfolio of products and services that allow them to generate healthy lifestyle habits.

To achieve this, we work on these fronts:

- Promote healthy lifestyle habits
- Educating customers, employees and suppliers
- Marketing products and services that encourage healthy lifestyles.

## **The success of Grupo Éxito is in its people**

We are proud of our employees. We are attractive, diverse and inclusive, promoting diversity and inclusion and social dialogue.

To achieve this, we work on these fronts:

- Fostering social dialogue
- Developing our people in being and doing.
- To be attractive, diverse and inclusive.
- Promote gender equity



## We are Integral

We build trust with stakeholders within the framework of an integrated performance, under high standards of corporate governance, ethics, transparency and respect for human rights.

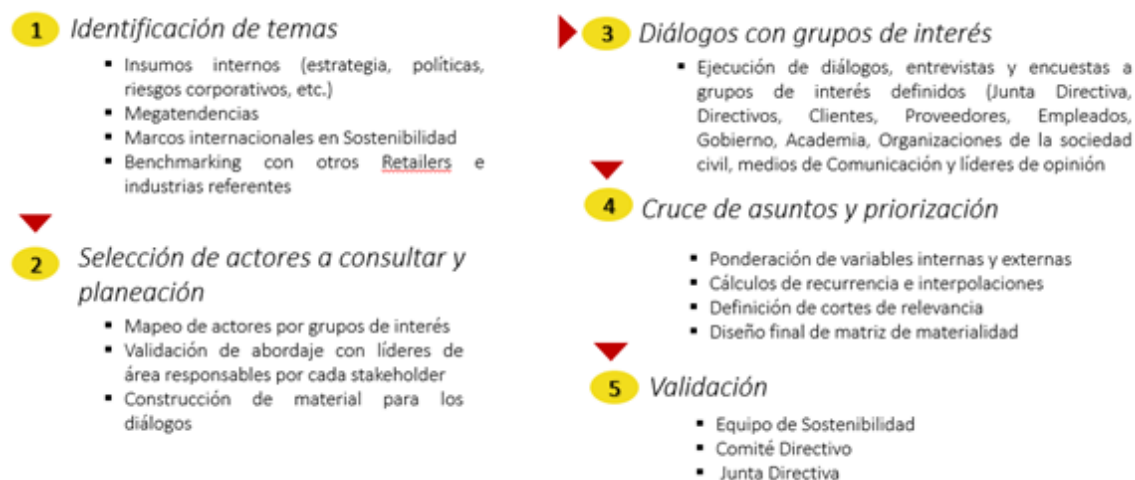
Our commitment is to: promote best practices in corporate governance, promote and communicate commitments related to respect for human rights, promote ethical standards and transparency in the different stakeholders. Facilitate diverse and inclusive environments in our stakeholders, ensure the building of trust with our stakeholders and promote consistent communication and relationships.

### 1.3. Definition of Materiality

Grupo Éxito periodically evaluates material issues in order to strengthen sustainable performance through the identification, analysis and prioritization of the most important economic, environmental and social issues for the company and its stakeholders, both in the present and in the near future. This process is led by the company's sustainability area.

For Grupo éxito this exercise is done on a biannual basis since the current environment and market dynamics, as well as the expectations of stakeholders, are constantly changing and may be affected depending on the current state of the company's relationship with them. Additionally, this process allows us to draw time horizons to validate whether the issues covered by the strategy today will remain the same in the short, medium and long term.

Process for identifying material issues 2020:



## 1.4. Definition of materiality (responsible for the process)

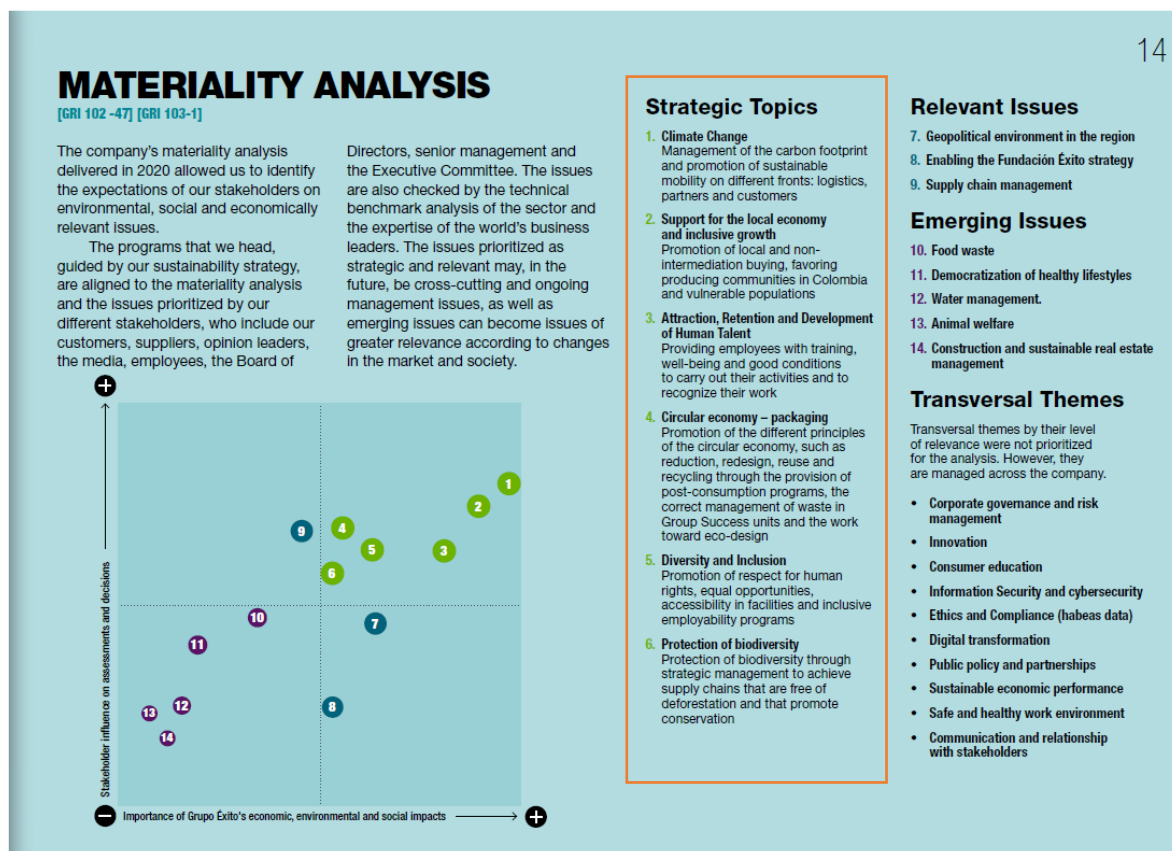
It allows us to identify the expectations of our stakeholders on social, environmental and economic issues. The programs we carry out are aligned with the materiality and issues prioritized by the different stakeholders: customers, suppliers, opinion leaders, media, employees, Board of Directors, Senior Management and Executive Committee with the technical analysis of the sector and with the referencing of business leaders in the world. The issues prioritized as strategic and relevant may, in the future, become cross-cutting and ongoing management issues, just as emerging issues may become more relevant as the market and society change.

### Relation of material issues to corporate strategy

<https://www.grupoexitocom.co/es/2020-sustainability-report.pdf>

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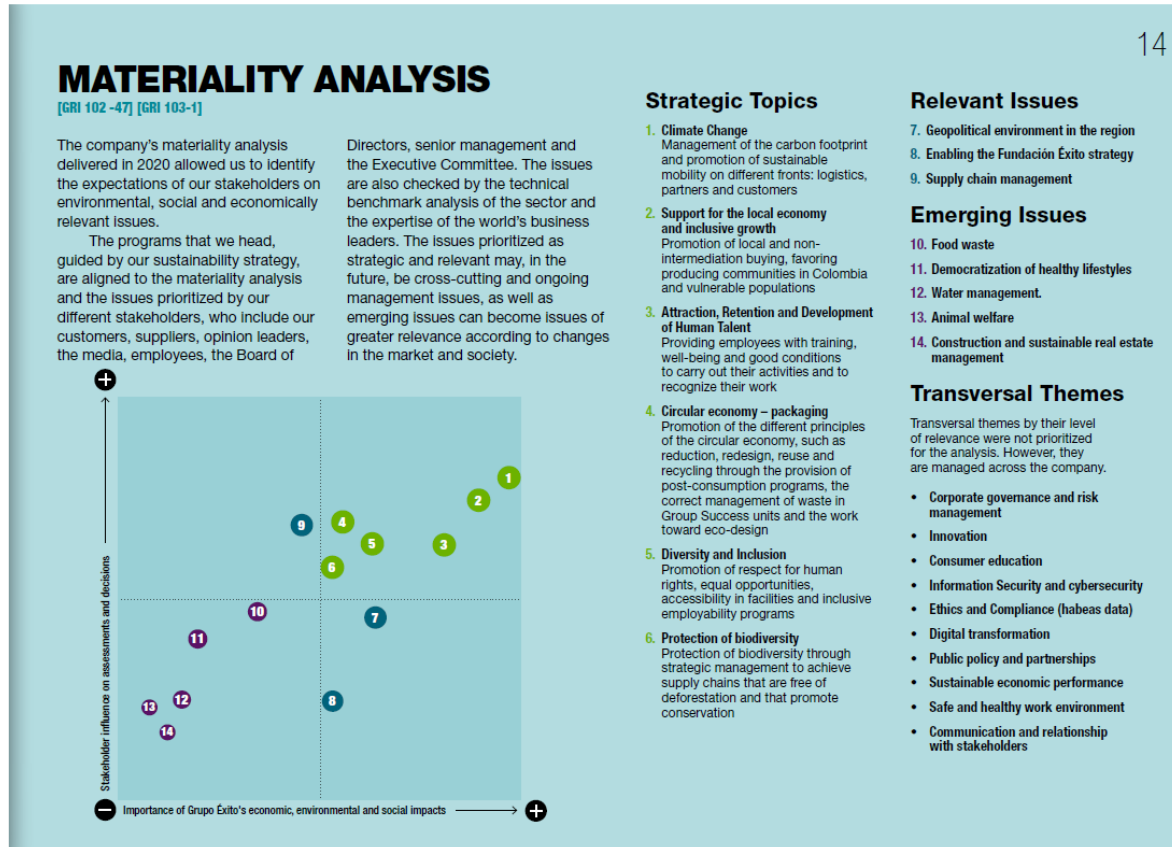
Issues related to the strategy are indicated in the red box



## 1.5. Materiality matrix

<https://www.grupoexito.com.co/es/2020-sustainability-report.pdf>

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1. Climate Change: Manage the carbon footprint and promote sustainable mobility on the different fronts: logistics, collaborators and customers.

2. Supporting the local economy and inclusive growth: Promote local purchasing without intermediation, favoring producer communities in Colombia and vulnerable populations.

3. Attracting, retaining and developing talent: Providing employees with training, welfare and good conditions for their work and recognizing their work.

4. Circular economy - packaging: Promote the different principles of the circular economy such as reduction, redesign, reuse and recycling through the implementation of post-consumption programs, the correct management of waste in Grupo Éxito's facilities and the work in favor of eco-design.

5. Diversity and inclusion: Promote respect for human rights, equal opportunities, accessibility in the facilities and inclusive employability programs.

6. Biodiversity protection: Protecting biodiversity through strategic management to achieve deforestation-free supply chains that work towards conservation.

### 1.6. Alignment of governance bodies with corporate strategy

Grupo Éxito has defined in Article 34 of the Company's Bylaws the functions of the Board of Directors ("Board"), within which a section is highlighted in relation to the functions that the Board will have in relation to the company's strategy. Likewise, Article 31 of the Bylaws establishes that the Chairman of the Board shall be an independent member who shall ensure that the Board efficiently sets and implements the strategic direction of the company.

On the other hand, in the report on the implementation of best corporate practices ("Country Code Survey") for the year 2020, which is published on the corporate website of Grupo Éxito, it was reported on the implementation of measure No. 16, which brings some recommendations regarding the composition of the Board. In it, it is established that Grupo Éxito has a policy and procedure published on the corporate website, which clearly establishes the profiles that candidates for Board members must meet, so that prior to their election, the tentative composition of functional profiles associated to aspects such as knowledge and professional experience is published, as well as personal profiles, informing aspects such as career, recognition, prestige and other relevant characteristics. Likewise, once elected, Grupo Éxito publishes the origin of such members, their status as patrimonial or independent, and a matrix of skills and experience, which confirms the suitability of the members to be part of the Board of the company, who will act for the benefit of the company to fulfill the proposed strategy.

Finally, on the corporate website, in the following link you can find a matrix with the experience of the Board and a history of how the Board has been formed over the years.  
<https://www.grupoexito.com.co/es/boardofdirectors>

### 1.7. Digital strategy

Grupo Éxito has defined its digital strategy, focused on a data-centric operation, prioritizing relationship marketing, integration with the loyalty ecosystem and new business.

To carry out the development of this strategy, the Company created the Omnichannel Vice-Presidency in order to strengthen and maintain the focus on the profitable development of digital channels. It also created the Vice-Presidency of Business, Development and Innovation to drive the performance of new businesses and innovation as a fundamental pillar for the digital transformation of the organization. Para cumplir con el propósito de establecer una sólida plataforma con capacidades digitales y cobertura omnicanal fomentando un significativo valor agregado, la Compañía se ha centrado en desarrollar un modelo omniciente y un proceso claro de transformación digital así:

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- HR Management
  - ✓ Transforming management of human resources by creating on-line platforms for employee selection and recruitment processes, training and HR data management.