



## Corporate Governance

For Grupo Éxito, corporate governance is a set of practices to achieve a balance in the company's relationship with its different stakeholders.



In order to forge more valuable relationships with its stakeholders, company management is abiding by national and international guidelines, along with analyzing the practices adopted by other participants in the Colombian stock market and those of comparable international companies.

## Fostering Valuable Relationships with our Stakeholders

As a result of adopting some of the **best practices in corporate governance**, the company in 2019:

- > Was recognized for its **high sustainability standards** and ranked in the top 10 in the food category globally, according to the Dow Jones Sustainability Emerging Markets Index.
- > Achieved a **significant increase in the overall Dow Jones Sustainability Index score**. This rating in the Corporate Governance dimension increased by 12 points over the previous year, rising from 42 to 54 points and surpassing the average (48 points). Likewise, in the Risk and Crisis Management dimension, the company earned 93 points, positioning itself as the best in the industry in this dimension.
- > Received, for the seventh consecutive year, the **Emisores-IR recognition from the Colombian Stock Exchange** for its voluntary adoption of best practices in the areas of information disclosure and investor relations.

## Ownership Structure

Grupo Éxito has an authorized capital of 530 million common shares, of which 448,240,151 have been issued and 81,759,849 are in reserve. Of the issued shares, 447,604,316 are outstanding and 635,835 have been reacquired.

As a result of the public tender offer of the company's shares on Dec. 31, 2019, **Sendas Distribuidora S.A.** (Sendas) now holds **96.57%** of the capital stock. Companhia Brasileira de Distribuição (GPA) is the only shareholder of Sendas.

In addition, **Casino, Guichard-Perrachon S.A.** (Casino) owns 41.25% of GPA's shares.



**Learn more** about the ownership structure here

## Management Structure





## Board of Directors

### INDEPENDENT MEMBERS

- 1.** Luis Fernando Alarcón Mantilla  
Chairman of the Board of Directors
- 2.** Felipe Ayerbe Muñoz
- 3.** Ana María Ibáñez Londoño

### NON-INDEPENDENT MEMBERS

- 4.** Ronaldo Iabrudi dos Santos
- 5.** Peter Paul Estermann
- 6.** Christophe José Hidalgo
- 7.** Rafael Russowsky
- 8.** Philippe Alarcon
- 9.** Bernard Petit



**Learn** about the composition of the previous Board of Directors and the percentage of assistance in the different meetings.



**Learn** about the profiles of the members of the new Board of Directors.

\* This new Board was elected on Jan. 23, 2020 for the period 2020 - 2022, at the extraordinary meeting of the General Shareholders Meeting.

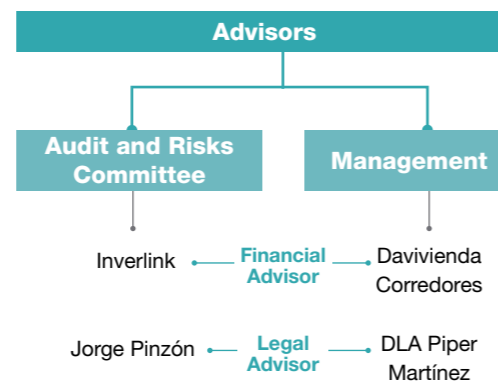
## Related Party Transactions

The following were the most important transactions from the company's point of view:

### Project to simplify the corporate structure of Casino, Guichard-Perrachon S.A. in Latin America

The simplification process included:

- A public tender offer of shares in cash presented by GPA for up to 100% of the company's shares, in which Casino contributed with its equity capital in Éxito (55.3%).
- The acquisition by Casino of the company's indirect stake in GPA, through the French company Segisor S.A.S. (the Transaction).
  - The Transaction** was completed in accordance with the company's policies and procedures, and in compliance with all legal requirements. Additionally, the company had the counsel from top advisors.



The rigorous analysis carried out by the Committee was characterized by the compliance of high corporate governance standards. The details of the Committee's evaluation were published by the company as relevant information published Aug. 26 and also shared during the extraordinary meeting of the General Shareholders Meeting held on Sept. 12.

The company informed both the stock market and its shareholders, through the relevant information channel provided by the Superintendence of Finance of Colombia, all the matters related to the Transaction and the public tender offer.



Learn more about the related party transactions policy.



Extraordinary meeting of the General Shareholders Meeting (Sept. 12, 2019)

### Other transactions

The most relevant related party transactions in 2019, from the company's point of view, were as follows:

- With respect to Casino, the company reported earnings of COP60 million, which correspond to the agreement providing strategic guidance services in Latin America.
- With the Casino companies there were transactions that reported revenues of COP\$14,042 million, derived primarily from the provision of services. The company also reported COP61,902 million in expenses resulting mainly from implementation of energy efficiency services, intermediation and the cost of purchasing and importing merchandise.
- Regarding national affiliates and subsidiaries, the main transactions carried out are related to income from (i) the sale of merchandise to Éxito Industrias S.A.S. (previously known as Distribuidora de Textiles de Colombia S.A.S. – Didetexco); (ii) the provision of administrative services to Almacenes Éxito Inversiones S.A.S., Gemex O & W S.A.S., Logística, Transporte y Servicios Asociados S.A.S. and Patrimonios Autónomos; and (iii) leasing of property to Patrimonios Autónomos and Éxito Viajes y Turismo S.A.S. The income from these transactions surpassed COP 44,743 million.
- The reported expenditures with national affiliates and subsidiaries of COP 363,631 million were come from (i) the purchase of goods for resale to Éxito Industrias S.A.S. (previously known as Distribuidora de Textiles de Colombia S.A.S. Didetexco); (ii) transportation services received from Logística y Transporte y Servicios Asociados S.A.S.; (iii) leasing and management of property with Patrimonios

Autónomos; (iv) the purchase of corporate plans from Almacenes Éxito Inversiones S.A.S.; and (v) services received, the purchase of goods and reimbursements from other subsidiaries. With respect to joint ventures, the company reported revenues of approximately COP111,192 million, primarily from (i) bond and coupon returns and energy from Compañía de Financiamiento Tuya S.A.; (ii) participation in the company collaboration agreement with Compañía de Financiamiento Tuya S.A.; (iii) leases of real estate to Compañía de Financiamiento Tuya S.A.; (iv) other services to Compañía de Financiamiento Tuya S.A.; and (v) the provision of services to Puntos Colombia S.A.S.

- The company reported costs and expenditures of COP363,631 million from its joint ventures, which come primarily from the cost of the loyalty program Puntos Colombia S.A.S. and the management of its liability, and from the payment method commissions with Tuya S.A..
- Finally, with other related parties, as is the case of the Board of Directors, there were expenses for the provision of services (fees) of COP1,464 million. It should be noted that the company did not enter into any transactions with the members of the Board of Directors other than for the payment of their fees described above.

The details of related party transactions can be examined in Note 37.2 of the Financial Statements report.



# Risk Management System

## Internal Control System and its modifications during the year

During 2019, Grupo Éxito maintained its process of continuous improvement and strengthening of the internal control system in accordance with the Corporate Governance Code, which includes the best corporate governance standards to guarantee the achievement of strategic objectives, support the businesses sustainability and continuity and meet the expectations of the different stakeholders.

The following aspects of the system's components had positive results in 2019:

### Control Environment

The Control Environment operates within the established guidelines of the bylaws, the Corporate Governance Summary and the policies and procedures. It's also backed up with a strong commitment and performance from senior management with oversight provided by the Board of Directors and its supporting committees.

The Board of Directors approved changes to the organizational structure that leverages the company's governance, accountability and control environment, including internal promotions, succession planning and continued leverage of regional synergies. The Company:

- Applied the best corporate governance standards: rules, policies, procedures and performance evaluations; consolidating the best practices; and forming valuable relationships with stakeholders.
- Maintained its internal control environment based on the self-control principle, with the support of risk managers, the integrated risk management division and internal auditing.
- Obtained the Sello Plata Equipares by going above and beyond the certification requirements with a rating of 84.8%. The company plans to reach the third level of the Sello Oro Cierre de Brechas through the implementation of new initiatives.
- Redesigned the management model for selection processes to improve the transparency, agility and experience of people who want to join the company.

### Integrated Risk Management

The goal of Integrated Risk Management is to contribute to the company's sustainability, continuity and fulfilment of its strategic objectives through a systematic and standardized risk and opportunity management process.

## Milestones

- > *A renewed focus on studying the environment for threats and opportunities was incorporated into the company's strategic definition, helping to create a new definition of the risk categories at a strategic level.*
- > *The Business Continuity Plan (BCP) continued to mature, and the Crisis Management Plan was updated.*
- > *The company monitored the businesses risk management processes during the year, including the definition of new administrative strategies that were coordinated with the various risk managers.*
- > *The sustainability risk matrix was formalized as part of strategic risk management, which considers the impact on the different stakeholders.*
- > *Progress was made in the development of initiatives to limit some frequency risks through non-traditional risk transfer mechanisms.*
- > *The risk management program for contracting providers of goods and services was strengthened*

## STRATEGIC RISKS

### Ranking Level

Risks monitored by the Audit and Risks Committee and presented to the Board of Directors.

Risks monitored by Senior Management and presented to the Audit and Risks Committee.

Risks monitored by Senior Management and presented to the Audit and Risks Committee when they were found to be beyond the company's appetite for such risks during the annual risk valuation.

### Risks

- Information Security
- Country Risk
- Compliance – Habeas Data
- Market Share
- Macroeconomic
- Retail Operations
- Information Technology
- Human Resources
- Natural Hazards
- Financial Risk

### Change of rating compared to 2018

Increases + Decreases - Stays the same = New \*

## Control Activities

The main control activities are incorporated in the internal policies and procedures for process management. We highlight the never-ending search for operational optimization and excellence, technological advances and digital transformation through the application of continuous improvement methods.

The Company:

- Structured its governing framework to embrace the digital transformation.
- Implemented mechanisms to optimize work methods, processes and their connections, with best practices such as: Six Sigma, Lean, and agile methodologies, among others.
- Moved forward with the implementation of tools for the creation of safe collaborative spaces, digital connectivity, records and interaction among users, with identification, classification and controls according to the type of information.
- Updated the e-commerce platform to improve the customer experience and strengthen the control framework for online purchases.

- Adapted Éxito and Carulla's mobile Apps, with direct and effective communication and greater control for transaction security.
- Advanced projects to synchronize the different channels, product and process controls related to order management, customer knowledge, discount management, customer experience and others within the omnichannel framework.
- Increased the number of store formats with advanced technology focusing on improving services, processes and controls during the shopping experience.
- Obtained ISO 9001 certifications in the Risk Management Model as an Authorized Economic Operator [AEO] and in the Business Anti-Smuggling Coalition for its logistic and transport operations model.
- Implemented the new DIAN electronic invoicing model ahead of time.
- Developed the risk matrix procedure for the disclosure of both financial and non-financial information.

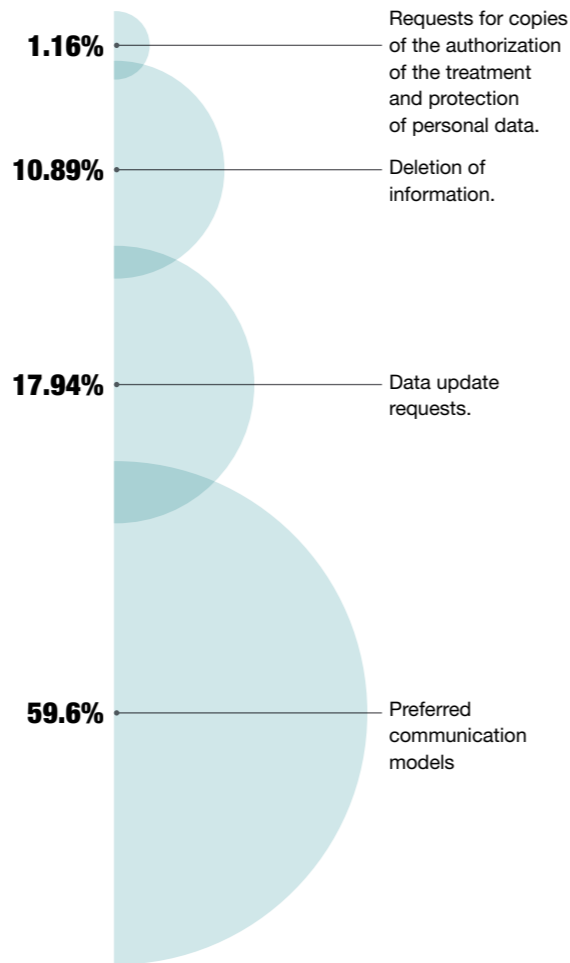
## Ethics and Compliance

At Grupo Éxito, compliance risk management integrates programs for the prevention of fraud, bribery, corruption, money laundering, the financing of terrorism and the protection of personal data. These operate under the common banner of transparency and corporate ethics, which govern the conduct of all those involved.

## Milestones

- *The cornerstone of the Transparency Program is the commitment of the Board of Directors and senior management to strengthen the culture of zero tolerance for corruption.*
- *This program set the bar of action for both national and foreign subsidiaries. Therefore, its implementation was monitored by each member of the Board of Directors in 2019.*
- *During 2019, Grupo Éxito developed policies in specific risk areas such as sponsorships, paid trips by third parties, interest and relationship management involving civil servants and the possibility of declaring assets for critical events and positions.*
- *Focusing on the prevention and control of money laundering and financing of terrorism amid the context of the digital transformation, the company began revamping the mechanisms for the exercise of due diligence of knowledge and monitoring of counterparts. This helped achieve greater assertiveness, efficiency and opportunity.*
- *The company strengthened the personal data protection system, which was raised to the level of strategic risk, demonstrating the commitment of management at the highest levels of the organization.*
- *In turn, the personal data protection system, under a risk-based prioritization, focused on the alignment of initiatives aimed at the expansion of e-commerce and digital transformation.*
- *Grupo Éxito improved its process for handling queries and complaints from personal data holders leveraged on the implementation of Customer Relationship Management.*

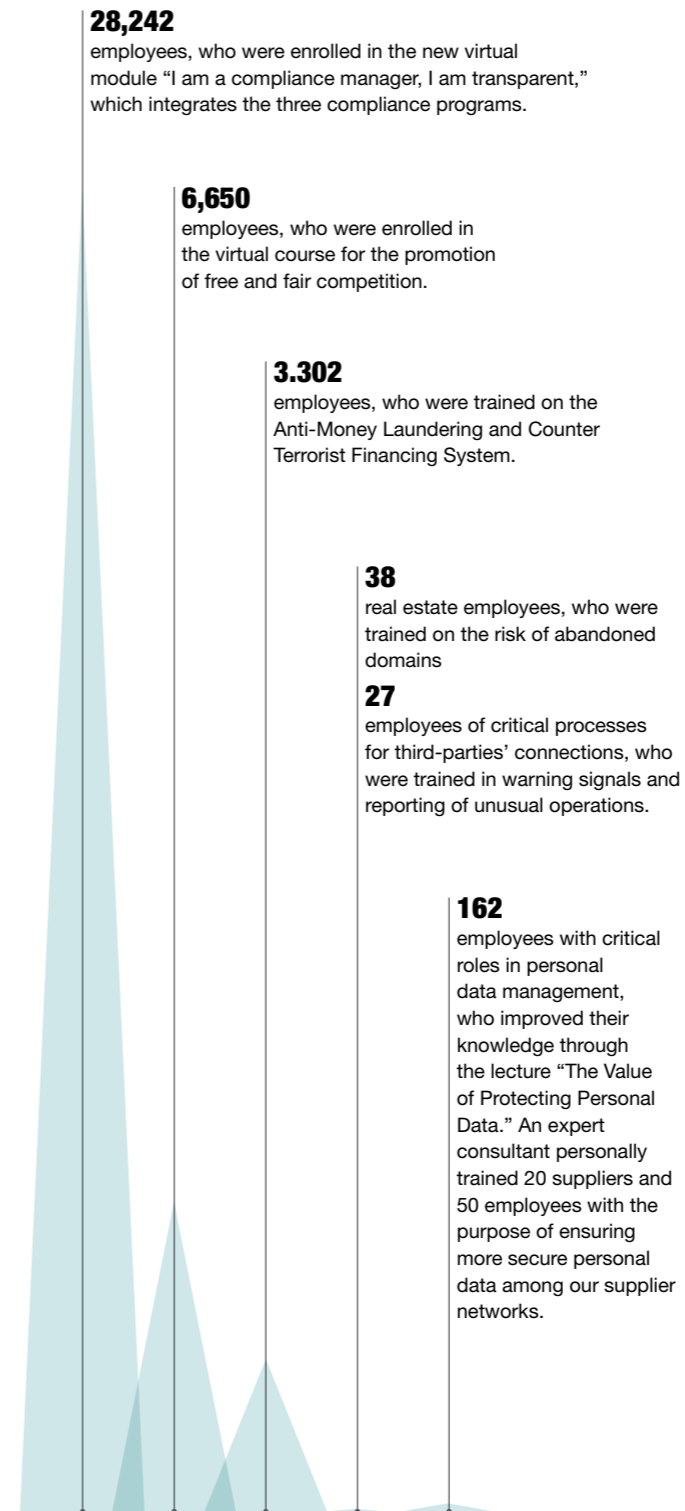
## MANAGEMENT OF HABEAS DATA REQUESTS



### Contributing to a culture of transparency

Grupo Éxito launched its annual “Soy Transparente” communications campaign, which served as a vehicle for direct messages from the CEO and senior management regarding the uncompromised transparency that should be applied to each of the company’s actions in relation to every single stakeholder.

- ➔ In response to the ongoing communication and training on this subject, the number of conflict of interest declarations increased by 16% compared to the previous year. The Conflicts of Interest Committee made recommendations on properly addressing these situations.
- ➔ Of Grupo Éxito’s 40,000 employees, the company trained:



## GRUPO ÉXITO EMPLOYEES TRAINED IN COMPLIANCE

### Performance of the transparency line

- ➔ An independent third-party consultant managed transparency line channels, which operated without interruption and guaranteed confidentiality and anonymity.
- ➔ Of the reports received, 75% came from employees and 25% from customers, suppliers and contractors.

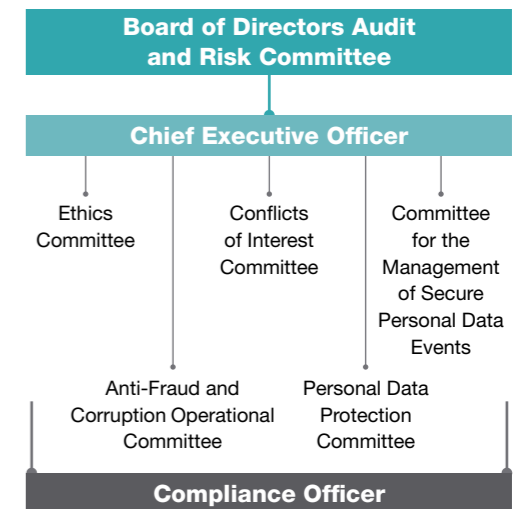
### Participation in different initiatives.

- ➔ We participated in No eXcuses!, an initiative led by the Alliance for Integrity in conjunction with the Colombian Secretariat of Transparency, to promote transparency and integrity in the economic system.
- ➔ We had representation on the Compliance Officers Committee of Antioquia, a business initiative that aims to share good practices for the prevention of compliance risks.

### Top management commitment

#### -Tone at the top

In 2019, Grupo Éxito’s directors and managers actively participated in compliance risk management through the following governance framework:



Grupo Éxito participated in the No eXcuses! Initiative led by the Alliance for Integrity, in conjunction with the Secretariat of Transparency of the Republic of Colombia. The goal was to promote transparency and integrity in the economic system.

### Information and Communication

The company:

- Supports operations on information and communication platforms and systems, supervised and centralized with security standards by the stakeholders in this collaboration.
- Grupo Éxito conducted internal communication and training campaigns to promote and strengthen structure elements and corporate governance processes, fulfill compliance with the main regulatory regimes and ensure best practices in information security. These efforts included campaigns on transparency to foster transparent relations with stakeholders.
- It renewed the Portal Pro website platform and implemented a supplier's registration web tool to provide them with fast, complete, secure information in real time.

Senior management depends on:

- Communication and supervision mechanisms between the different work teams and within the teams themselves.
- Internal support committees for process management, businesses or key risks.

### Monitoring and Supervision

- The supporting committees of the Board of Directors – the Audit and Risk Committee, the Financial Committee, the Appointments, Remuneration and Corporate Governance Committee, the Sustainability Committee and the Expansion Committee – carried out their functions of managing and monitoring important elements of governance.
- The Audit and Risk Committee supported the Board of Directors in overseeing financial reporting and information, risk management, internal and external audit management, relevant internal controls and compliance issues, related party transactions and conflicts of interest.
- The Internal Auditing Division performed the function of independent oversight to ensure compliance with corporate governance rules and standards, risk management and control and the main strategic projects. It also supports the company in the investigation of possible fraud cases submitted via reporting channels.
- The external auditing firm, Ernst & Young Audit S.A.S., evaluated the accounting and financial processes and systems, the preparation and disclosure of financial information including related risks and internal control, and internal and external compliance.
- The self-monitoring program facilitated periodic self-assessment of risks and relevant controls at the corporate and operational level by the process owners.

## General Meeting of Shareholders

### Meetings

In 2019, the General Shareholders Meeting met twice:

1. The **ordinary** meeting was held on March 27.
2. The **extraordinary** meeting took place on September 12.

The company fully complied with the provisions of the External Circular Letter 028 of 2014 - issued by the Superintendence of Finance (known as Country Code measures) – and with the provisions contained in the bylaws and the Corporate Governance Code, which require timely, clear and complete information disclosure to shareholders and to give adequate notice prior to the date of the meeting of the General Shareholders meeting. By fulfilling these requirements, the company guarantees the rights of shareholders and encourages their participation.

**Learn more**  
about the decisions  
made by the General  
Shareholders Meeting



Wednesday,  
March 27, 2019



Thursday,  
Sept. 12, 2019

### Regulations of the General Meeting of Shareholders.

Within the subsequent paragraphs, we will be highlighting the differences in the operation of the General Shareholders Meeting between the minimum requirements of current regulations and those defined by the company's bylaws and the rules of procedure of the General Shareholders Meeting:

- The company has surpassed the term legally established for the call to the meeting of the General Shareholders Meeting, in order to provide more time for the shareholders to know and understand the matters to be discussed.
- The company granted shareholders a period of five calendar days following the call of the meeting to: (i) propose the inclusion of one or more items on the agenda; (ii) present new proposals for decisions on the matters included on the agenda; and (iii) request additional information or ask questions on such issues.
- Upon giving the meeting call and in order to provide shareholder equality, the company posted proxy forms on its corporate website reflecting each of the items on the agenda to be discussed and/or approved at the meeting of the General Shareholders Meeting. This enabled shareholders to indicate to their representatives prior to the meeting how they would have liked them to vote.
- The company published the call for the meeting of the General Shareholders Meeting in various media including (i) a newspaper of broad local and national circulation; (ii) through the relevant information channel provided by the Superintendence of Finance of Colombia; (iii) at the offices of Fiduciaria Bancolombia, the company's stockholders' ledger; (iv) on the corporate website; and (v) in the News to Investors Bulletin sent by the Investor Relations Department.