

C o r p o r a t e

G o v e r n a n c e

R e p o r t

Comprehensive review of the Compendium of Corporate governance and other policies, procedures and internal rules that govern the matter.

Positive aspects:

- Professionalism and complementarity of the members of the Board of Directors.
- Good relationship with the management.
- Propitious environment for deliberation.

Introduction

In 2017, the Company kept progressing in its consolidation of good practices. As well as the Best Corporate Practices Code of Colombia – Código País, it used the following as references: the results of the Dow Jones Sustainability Index, the analysis prepared by the CESA Business School in partnership with the Colombian Securities Exchange, and new Colombian and foreign regulation on transparency and anti-corruption, as well as other local and international references.

We highlight the comprehensive review of the Corporate Governance Summary and the Code of Ethics, as well as other policies and procedures carried out during the year. Said verification had two purposes: to remain at the cutting-edge of the best standards and to make this regulatory framework easier to understand and consult for all stakeholders. The comprehensive amendment was adopted by the Board of Directors at the meeting on February 19, 2018, after prior analysis by the respective committees, and it is currently being subject to the consideration of the General Meeting of Shareholders on the matters of its responsibility.

After an evaluation process of the Board of Directors in 2016 conducted by an independent third party with an excellent track record and renowned in the area, an internal assessment was due to be conducted in 2017. This is how we carried out a 360-degree feedback process, which consists of: (i) self-assessment by the Board members, (ii) individual and global assessment by the Chairman of the Board, and (iii) evaluation between peers. This assessment system covered three categories: role and responsibilities, participation, and strategic contribution. There were notable results of said internal assessment process, which included, the level of professionalism and complementarity among Board members, as well as their good relationship with the Company's Administration. Additionally, the existence of an ideal environment for deliberation and the diversity of the

members' profiles and experience, which enriches the deliberations, stood out.

Finally, the Enterprise Risk Management Model was consolidated in 2017, through which management broken down into levels has been implemented, enabling the integration of risks of the process, business and strategic levels that threaten the achievement of the Company's objectives into an authorized methodology and language.

The maturity process is shown in management of the strategic-level risks, as a result of the participation and inclusion of Senior Management and the Board of Directors in the assessment and prioritization of these risks, as well as in the definition of management and scenario analysis measures. This is done with the aim to ensure, to a reasonable degree, the effectiveness of said measures in the evolution of these risks.

Additionally, for the risks identified as at the strategic level, the risk appetite and Delegation Policy were defined in order to conduct regular monitoring and follow-up of Senior Management and the Board of Directors.

Company Ownership Structure

Company Capital and Ownership Structure

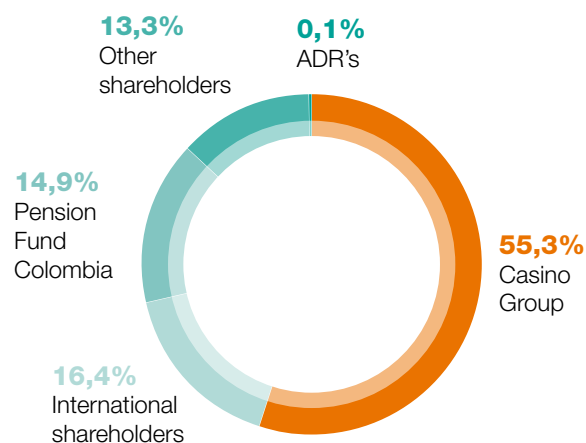
The Company has an authorized capital of 530 million common shares, of which 448,240,151 have been issued and 81,759,849 are in reserve. Out of the issued shares, 447,604,316 are outstanding and 635,835 have been reacquired.

The number of shareholders as at December 31, 2017, is 9,655. Out of which, 88.75% is comprised of individuals with a 9.37% shareholding, and 11.25% is comprised of legal entities with a 90.63% share of the share capital.

Major Direct and Indirect Shareholders

The Company is controlled by Casino Guichard-Perrachon S.A., which, as at December 31, 2017, indirectly held 55.30% of the share capital through the companies Géant International B.V., Géant Fonciere B.V. and Bergsaar B.V.

The Company's share structure is as follows:



Main Shareholders as at December 31, 2017

Name	Number of Shares	Shareholding
Géant International B.V.	187,689,792	41.93%
Géant Fonciere B.V.	47,725,428	10.66%
Fondo de Pensiones Obligatorias Porvenir Moderado	24,368,315	5.44%
Fondo de Pensiones Obligatorias Protección	19,561,704	4.37%
Bergsaar B.V.	12,130,244	2.71%
Fondo Bursátil Ishares Colcap	6,894,095	1.54%
Norges Bank	6,780,069	1.51%
Fondo de Pensiones Obligatorias Colfondos Moderado	6,572,492	1.47%
Vanguard Emerging Markets Stock Index Fund	4,144,808	0.93%
Lombard Odier Darier Hentsch Invest	3,355,000	0.75%
Total	319,221,947	71.31%

Shares and Securities Held Directly or Indirectly by Board Members, Members of Senior Management and other Administrators, Trading of them and the Rights to Vote they Grant

Luis Fernando Alarcón Mantilla and Daniel Cortés McAllister, Board members, acquired common shares in the Company. These transactions were previously authorized by the Board of Directors at its meeting on August 16, 2016, and the market was informed on the same date through the relevant information mechanism. As at December 31, 2017, Luis Fernando Alarcón Mantilla held 10,000 common shares and Daniel Cortés McAllister held 5,500 common shares.

As at December 31, 2017, eight members of Senior Management (levels 1, 2 and 3 of the Company's organizational structure) held 3,257 shares, and in 2017, they did not make any transactions with them.

At this time, the Company does not have any securities other than its outstanding shares, nor does it hold shares in the Company.

Company shareholders shall be recognized and guaranteed the same rights and privileges. Each share listed in the Share Ledger shall entitle the holder to one vote at the General Meeting of Shareholders, without restriction in terms of the number of votes that the holder or its proxy can make, but maintaining the prohibitions or ineligibilities established by law to vote on certain decisions, such as the case of Company Administrators and employees in the events indicated by law.

Family, Commercial, Contractual or Business Relationships that Exist between Major Shareholders and the Company, or between Major Shareholders

Géant International B.V., Géant Foncière B.V. and Bergsaar B.V. belong to the Casino Group of France, of which the parent company is Casino, Guichard-Perrachon S.A.

The Company does not have any other major shareholders, which are defined as parties holding 10% or more of the outstanding shares.

Shareholder Agreements

In 2017, the Company did not receive information about the signing, amendment or termination of Shareholder Agreements.

Company Management Structure

Composition of the Board of Directors and Committees

The Company's Board of Directors is comprised of nine members elected by the Ordinary General Meeting of Shareholders held on March 30, 2016, for the 2016-2018 period.

Out of the nine directors elected, four are independent members and five are equity members, exceeding the legal standard.

Out of the nine directors elected, **four are independent members and five are equity members, exceeding the legal standard.**

Board of Directors Committees

The Board of Directors has five Committees, which are comprised of at least three members and are chaired by an independent member.

- | | |
|-----------------------|-------------------------------------|
| ● Independent | ● 1. Luis Fernando Alarcón Mantilla |
| ● Equity | ● 2. Ana María Ibáñez Londoño |
| ● External Consultant | ● 3. Daniel Cortés McAllister |
| | ● 4. Felipe Ayerbe Muñoz |
| | ● 5. Yves Desjacques |
| | ● 6. Phillipe Alarcón |
| | ● 7. Bernard Petit |
| | ● 8. Hervé Daudin |
| | ● 9. Matthieu Santon |
| | ● 10. Josseline De Clausade |
| | ● 11. Tatyana Aristizábal Londoño |

- | | |
|--------------|--|
| 1 2 3 4 9* | Audit and Risk Committee |
| 3 4 6 7 9 | Finance Committee |
| 4 1 2 3 5 8 | Appointment, Remuneration and Corporate Governance Committee |
| 2 4 6 10 | Sustainability Committee |
| 1 3 7 8 9 11 | Expansion Committee |

* Guest

Board of Directors

1 Luis Fernando Alarcón Mantilla
11/06/2015** / 30/03/2016***
Bucaramanga, Colombia****

Independent director
Chairman of the Board
of Directors
Chairman of the Audit
and Risk Committee and the
Expansion Committee.

2 Ana María Ibáñez Londoño
20/03/2014** / 30/03/2016***
Bogotá, Colombia****

Chairman of the
Sustainability Comitee.

3 Daniel Cortés McAllister
30/03/2016**
Bogotá, Colombia****

Chairman of the
Financial Comitee.

4 Felipe Ayerbe Muñoz
11/10/2010** / 30/03/2016***
Popayán, Colombia****

Chairman of the Nomination,
Remuneration, and
Corporate Governance.



5 Yves Desjacques
19/03/2010** / 30/03/2016***
Ugine, Francia****

6 Phillipe Alarcon
16/03/2012** / 30/03/2016***
Saint Etienne, Francia****

7 Bernard Petit
20/03/2014** / 30/03/2016***
Craponne-Sur-Arzon, Francia****

8 Hervé Daudin
30/03/2016**
Rueil-Malmaison, Francia****

9 Matthieu Santon
30/03/2016**
Marsella, Francia****

** Date of Initial Appointment *** Date of Last Reelection **** Place of birth.

Luis Fernando Alarcón Mantilla

Degree in Civil Engineering from Universidad de los Andes, with a postgraduate degree in Economics from the same university, and a Master of Science in Civil Engineering from the Massachusetts Institute of Technology (MIT), as well as other studies. Former CEO of Interconexión Eléctrica S.A. (ISA), CEO of Asofondos and of Flota Mercante Grancolombiana, Minister of Finance, and Executive Director of the Inter-American Development Bank. He has been a member of several boards of directors, including: Avianca, Banco de Bogotá, Bolsa de Valores de Colombia, Bavaria, Caracol S.A., Cafesalud, Valores Bavaria and Caracol Televisión. Currently, he is the Chairman of the Board of Almacenes Éxito S.A. and Grupo de Inversiones Suramericana S.A. (SURA), and of the Board of Governors at Universidad de los Andes.

Felipe Ayerbe Muñoz

Law degree and Ph.D. in Business Law from Universidad de los Andes, and studies in Arbitration, International Law and Common Law at New York University.

Former principal advisor on different acquisition transactions for companies such as: Carulla Vivero and Almacenes Vivero S.A., Carulla Vivero S.A. and Surtimax, Productos Yupi S.A., McCain, and Yupi Ecuador. Former legal advisor on issues related to acquisitions, shareholder agreements and shareholder representation, using his expertise in financial, business and corporate law. Former Chairman of the Carulla Vivero S.A. and Banco Andino Boards of Directors, and former member of the Aseguradora del Valle and Compañía de Financiamiento Comercial Internacional Boards of Directors. Current member of the Banco de Occidente and Almacenes Éxito S.A. Boards of Directors.

Ana María Ibáñez Londoño

Economics degree from Universidad de Los Andes. Master's in Agricultural Economics and Natural Resources from the University of Maryland, College Park, and Ph.D. in Agricultural Economics and Natural Resources from the same university. From 2012 to 2016, Dean of the School of Economics at Universidad de Los Andes. Currently a professor at Universidad de los Andes.

Member of the Advisory Group of the United Nations Peacebuilding Fund for the consolidation of peace. Experience as a researcher and consultant for: Fedesarrollo; the World Bank; Universidad de los Andes; University of Maryland, College Park; Inter-American Development Bank; Ministry of the Environment; the Central Bank of Colombia; the Colombian Coffee Growers Federation; and the Estrategia Económica y Financiera journal.

Former member of the Academic Council of Universidad de los Andes, the World Bank Commission on Global Poverty Advisory Group and the Ministry of Finance's Advisory Committee on Fiscal Rule. She has participated in and has led forums and research on sustainability, diversity, inclusion and female leadership.

Daniel Cortés McAllister

Accounting and Business Administration degrees from the University of Pennsylvania, with studies focused on finance with emphasis on investments and portfolios. Experience as an executive of: Bank of America, Banco Santander Colombia, Santander Central Hispano (Madrid), BBVA, Davivienda, Citibank Colombia and Old Mutual Skandia, where he was CEO of this banking group in Colombia.

He has participated in the boards of directors of Fiduciaria Davivienda, Compañía de Seguros Bolívar, Pensiones y Cesantías Santander, Santander Investment Trust, Gas Natural Colombia E.S.P., Emtelsa, Fiduciaria de Occidente, Citibank Colombia and Citivalores S.A. Comisionista de Bolsa.

Yves Desjacques

Master's in Public Law with specialization in Labor Law from the International Human Resources Management Interdisciplinary Center (CIFFOP, for the French Original) at Université Panthéon-Assas.

Corporate Human Resources Director of the Casino Group, being a member of its Executive Committee until October of 2017. Former advisor to and member of the Mercialis (France) and Companhia Brasileira de Distribuição (Brazil) Boards of Directors.

Philippe Alarcon

Degree in Finance and Accounting at the Institut Universitaire de Technologie de Saint-Étienne.

International career at the Casino Group since 1984 with roles that have included: Financial Manager of Supermarkets, member of the Rally Steering Committee, Chief Financial Officer of Cafetería Casino, Chief Financial Officer of the Casino Group in Poland and, subsequently, CEO of Immobilière in the same country. Currently, the Deputy General Manager of Human Resources and Corporate Relations of the La Poste Group.

Bernard Petit

Public Accountant with Master's in Accounting. Different responsibilities at the Casino Group since 1983, including manager of the Accounting, Management Control and Audit Departments. Chairman of the Casino Services organization. Member of various boards of directors of the Casino Group's companies such as Disco in Uruguay, Libertad in Argentina, and Cdiscount, Banque Casino and Codim in France. Current Deputy Chief Financial Officer for Latin America at the Casino Group.

Hervé Daudin

Degree in Physics at École Normale Supérieure of Paris with a Ph.D. in Economics at École des Ponts ParisTech. Current member of the Executive Committee and Marketing Director of the Casino Group. Former Head of Distribution for Casino France, Director of Via Varejo, Deputy Director of the Euris Group, and General Secretary for Economic and Corporate Investments at the Department of the Treasury. Formerly, Court Advisor for ASF, SANEF, ATMB, AFTRP Epamarne, SNCM and STIF at the state courts. Former top-level official at the Ministry of Economy and Finance. Former Director of Strategy and Planning and Executive Committee Secretary at the Casino Group.

Matthieu Santon

Master's in Finance at École Supérieure de Commerce de Paris, ESCP Europe.

Notable career in investment banking, and strategic project, merger and acquisition consulting for HSBC, Natixis and Rothschild. Experience working in the Paris and London offices of Bank of America Merrill Lynch and the London office of Perella Weinberg Partners. He joined the Casino Group in 2012, where he held positions including Deputy Director of Development and Shares.

Board Members who sit on the Boards of Directors of Subsidiary Companies or Hold Executive Positions thereof

Yves Desjacques is a Board member of the subsidiary Companhia Brasileira de Distribuição. Bernard Petit is a Board member of the subsidiaries Grupo Disco de Uruguay S.A. and Devoto Hermanos S.A.

Policies Approved by the Board of Directors in the Reporting Period

The Board of Directors approved the implementation of the Hedging Policy for loans indexed to the IBR to achieve significant hedging of the total debt with interest rate swaps.

Board Member Appointment Process

The Procedure for the Appointment and Election of Board Members, approved in February 2016 and amended in February of the current year, regulates items including:

- The deadline for appointing candidates.
- The process for appointing candidates.
- The method for evaluating candidates.
- The desired profile of candidates (experience and personal profiles).

The procedure establishes a term of ten calendar days following publication of the announcement of ordinary meetings to propose the lists of candidates together with the additional documentation required.

Said procedure establishes requirements including that in all cases, the proposals must include at least three candidates for independent members and attach the supporting documents that accredit said independence in accordance with Law 964/2005 and the Company's regulatory framework.

Once it has received said proposal, the Appointment, Remuneration and Corporate Governance

Committee proceeds to assess the proposed candidates based on their level of knowledge, managerial and leadership skills, personal skills, commitment and impartiality. This is done with the aim to verify that all the candidates meet the requirements established in the Board of Directors Election and Succession Policy, in all cases with the proposed Board members abstaining from being reelected.

Once approved by the Board of Directors, the results of said evaluation must be posted on the Company's website: www.grupoexito.com, together with the résumés of the candidates at least 15 days before the Ordinary General Meeting.

Board of Directors Remuneration Policy

The Board of Directors Remuneration Policy, approved by the General Meeting of Shareholders on June 11, 2015, states that the members of said body shall be entitled to the same remuneration for attending sessions whether in person or remotely. The amount for the corresponding period will be established by the General Meeting of Shareholders at the session for election of its members and the value must meet the following principles and criteria:

- Remuneration shall be consistent with stringent risk management, without fostering an inappropriate assumption thereof, and be aligned with the shareholders' interests, promoting the creation of long-term value.
- Remuneration shall be competitive in order to attract and retain talent of the highest professional, academic and personal quality, but at the same time be appropriate and fair.
- The structure, obligations, and responsibilities of the Board of Directors, as well as the methods for evaluating the performance thereof.
- The personal and professional qualities of its members, as well as their professional experience.

- Time spent.
- The remuneration for this kind of position in comparable national and international companies.
- Any other criteria that the General Meeting of Shareholders deems appropriate when making the decision.

Board of Directors and Senior Management Remuneration

When the Board of Directors Remuneration Policy was drafted during the Ordinary General Meeting of Shareholders on March 30, 2016, the following remuneration for the 2016-2018 period was approved:

- For the Chairman of the Board, a fee of COP 10,500,000 was approved for preparing for and attending each Board meeting.
- For Board members other than the Chairman, a fee of COP 7,000,000 was approved for preparing for and attending each Board Meeting.
- For the Chairmen of the Committees, a fee of COP 7,000,000 was approved for preparing for and attending each meeting of the respective Committee.
- For Committee members other than the Chairman of each Committee, a fee of COP 3,500,000 was approved for preparing for and attending each meeting of the respective Committee.

As a result, in 2017, the Company paid Board members a total of COP 1,067,511,940.

The Board of Directors approved the Senior Management Remuneration and Evaluation Policy in September 2016, which establishes the criteria and guidelines that need to be considered for remuneration and other financial benefits for Senior Management, i.e., the CEO, the Chief Operative Retail Officer in Colombia, Chief Officers, the General Counsel and the Internal Audit Officer.

The remuneration for Senior Management members is disclosed in the notes to the Company's financial statements and can be consulted on the corporate website: www.grupoexito.com.co

Attendance of Board and Committee Meetings¹

Board Meetings

Board Member	Sessions Attended
Luis Fernando Alarcón Mantilla	
Ana María Ibáñez Londoño	
Daniel Cortés McAllister	
Felipe Ayerbe Muñoz	
Yves Desjacques	
Philippe Alarcon	
Bernard Petit	
Hervé Daudin	
Matthieu Santon	

35

Quorum for Board Meetings

Type of Meeting	Date	Quorum
1. Ordinary	January 25	
2. Ordinary	February 27	
3. Ordinary	March 31	
4. Extraordinary	April 18	
5. Ordinary	May 10	
6. Ordinary	July 12	
7. Extraordinary	August 17	
8. Ordinary	September 20	
9. Ordinary	November 21	
10. Ordinary	December 20	
11. Extraordinary	December 21	

1. Includes in-person and remote attendance
2. Average board meeting attendance: 85%.

Chairman of the Board of Directors

As well as leading and ensuring that the Board meetings are conducted in an orderly fashion, complying with the agenda and addressing all the issues proposed, the Chairman of the Board also performs the functions stipulated for said position in Article 31 of the Company Bylaws:

- Ensure that the Board of Directors efficiently establishes and implements the Company's corporate strategy.
- Drive the Company's governance actions, serving as a liaison between the shareholders and the Board of Directors.
- Coordinate and plan the operation of the Board of Directors by establishing an annual work plan based on the functions assigned.
- Announce the meetings, directly or through the Secretary of the Board of Directors.
- Prepare the agenda for the meetings, in coordination with the Company CEO, the Secretary of the Board of Directors and other members.
- Ensure the delivery of information, in due time and proper form, to the Board Members, directly or through the Secretary of the Board of Directors.
- Chair meetings and moderate debates.
- Supervise the execution of agreements of the Board of Directors and follow up on its decisions and mandates.
- Monitor the active participation of the Board Members.
- Lead the annual process of assessing the Board of Directors and its Committees, except for the Chairman's own evaluation.

- Audit and Risk Committee
- Finance Committee
- Appointment, Remuneration and Corporate Governance Committee
- Sustainability Committee
- Expansion Committee

Members

Attendance

Luis Fernando Alarcón Mantilla (Chair)

Ana María Ibáñez Londoño

Felipe Ayerbe Muñoz

Daniel Cortés McAllister

Daniel Cortés McAllister (Chair)

Felipe Averbé Muñoz

Philippe Alarcon

Bernard Petit

Matthieu Santon

Felipe Ayerbe Muñoz (Chair)

Luis Fernando Alarcón Mantilla

Ana María Ibáñez Londoño

Daniel Cortés McAllister

Yves Desjacques

Hervé Daudin

Ana María Ibáñez Londoño (Chair)

Felipe Ayerbe Muñoz²Philippe Alarcon³

Luis Fernando Alarcón Mantilla (Chair)

Daniel Cortés McAllister⁴Philippe Alarcon⁵

Bernard Petit

Matthieu Santon

Hervé Daudin

2. Appointed as a member of the Sustainability Committee on March 31, 2017.
3. Joined the Sustainability Committee on July 12, 2017.
4. Appointed as a member of the Expansion Committee on March 31, 2017.
5. Served as a member of the Expansion Committee until July 12, 2017.

Board of Directors Secretary

Claudia Echavarría Uribe has been the Secretary of the Company's Board of Directors since March 30, 2015, and she is also Secretary of the General Meeting of Shareholders and Corporate Affairs Manager at the Company. In exercise of her roles, she has been working on the consolidation of good corporate governance practices, encouraging the adoption, implementation and observance of the corporate governance standards provided in the New Best Corporate Practices Code.

Pursuant to Article 43 of the Company Bylaws, her functions are as follows:

- In accordance with the law, keep the books of minutes of the General Meeting of Shareholders and the Board of Directors, draft the minutes and authorize with his or her signature any copies issued thereof.
- Understand everything related to the issuance and authentication of share certificates and registration of minutes or documents in the corresponding Share Ledger.
- Communicate announcements of meetings of the Board of Directors and the General Meeting of Shareholders.
- Lead the Company's document and archive management, and ensure the custody and preservation of the books, deeds, securities certificates, receipts and other elements entrusted to it.
- Keep to the agenda, fulfilling the legal requirements and registration of the trademarks, logos, names and other rights of industrial or commercial property, insurance policies, public deeds and other documents related to property, ownership or possession of the Company's assets and rights.

Relationships of the Board of Directors with the Statutory Auditor, Financial Analysts, Investment Banks and Rating Agencies, and External Consulting Services Received by the Board of Directors

The relationship between the Board of Directors and the Statutory Auditor was characterized by the active participation of the members of the Audit and Risk Committee in the follow-up of auditing processes on the quarterly and year-end financial statements

conducted by the Statutory Auditor, as well as the action plans proposed by the Administration in response to the opportunities for improvement identified in the respective reports. In the Audit and Risk Committee meetings, the Statutory Auditor reported its progress regarding the external auditing plan; the findings and recommendations related to the accounting and financial processes and systems; as well as the follow-up of compliance with the action plans proposed by the Administration.

Mr. Ricardo Sala, an independent consultant, provided advice to the Board of Directors during its evaluation process and made recommendations for the consolidation of the Board's best performance with a long-term vision, aiming to generate value for the Company's stakeholders and foster the development of long-lasting relations.

Management of Board of Directors Information

In 2017, we complied with the term provided in the Company's Corporate Governance Code for sending information to the Board members regarding the items on the agenda for the respective meeting. This information was prepared by the Secretary of the Board of Directors and Senior Management under the leadership of the Chairman of the Board.

After each meeting of the Board of Directors and its respective Committees, the General Counsel and the secretaries of each body take responsibility for the custody of the information and for ensuring that it serves as support to draft the minutes for the respective meetings and, when applicable, adding this information to the minutes.

Additionally, as the person responsible for disclosing relevant information to the market, the Company's Chief Financial Officer led the process of disclosing the decisions made by the Board of Directors when they were deemed relevant, in coordination with the Information Disclosure Committee.

In 2017, the Committee's activities focused primarily on the following:

- Review of Grupo Éxito strategic and business risks.
- Knowledge of and recommendations about effective management regarding conflicts of interest in the Board of Directors and Senior Management.
- Review of the proposal to update the corporate governance and transparency standards, the standards of the Code of Ethics and Conduct, and the Policies on Giving and Receiving Gifts and Favors.
- The Committee supported the Board of Directors in the process of evaluating its performance.

Activities of the Board Committees

Audit and Risk Committee

The Audit and Risk Committee monitored processes related to financial information and reporting, enterprise risk management, the internal control architecture and system (including monitoring of Internal and Statutory Audits), regulatory compliance (with an increased focus on preventing money laundering and terrorist financing), and the Transparency Program.

Furthermore, it monitored the transactions between related parties, as well as management of the conflicts of interest presented by members of Senior Management and the Board of Directors.

In 2017, the Committee's activities focused primarily on the following:

- Analysis of the individual and consolidated, interim and year-end financial statements, and the main financial indicators, prior to their submission to the Board of Directors; and disclosure of information to the market, including verification of the main regulatory changes in terms of accounting and compliance with the International Financial Reporting Standards (IFRS).
- Review of Grupo Éxito strategic and business risks, as well as approval of the levels of delegating functions for the strategic risks and risk appetite. The Committee provided insight so that actions could be taken as an appropriate response to mitigate risks.
- Review and approval of the scope, methodology and annual plan of the Internal and Statutory Audits, their results and the action plans agreed with Senior Management, as well as follow-up thereof. The Committee also monitored and evaluated the Internal Auditing Department's performance and the opinion issued by the Statutory Auditor.
- Knowledge of the most relevant aspects of the audit of Éxito in Colombia and its national subsidiaries, as well as the management of the audit teams of subsidiaries in

Brazil, Uruguay and Argentina.

- Consideration of and recommendations about transactions between related parties that are reported by the Administration, including information on their materiality, value generation, protection of the parties' interests, fair treatment of shareholders, and market conditions validated by independent third parties. It also made recommendations to the Board of Directors about transactions that required its approval.
- Knowledge of and recommendations about effective management regarding conflicts of interest in the Board of Directors and Senior Management.
- Review of the reports on the progress of the Transparency Program, focused on the implementation of Law 1778/2016 on Transnational Bribery and its implications for the Corporate Ethics Program.
- Review of the proposal to update the corporate governance and transparency standards, the standards of the Code of Ethics and Conduct, and the Policies on Giving and Receiving Gifts and Favors.
- Review of the Compliance Officer's management reports on money laundering and terrorist financing and the statistics of suspicious operations reported to the Financial Analysis and Information Unit (UIAF, for the Spanish original) of the Ministry of Finance.
- Review of the most relevant cases involving third parties with the possible risk of money laundering, regarding which the Committee made the relevant recommendations.

- Preparation of a report on the state of implementation of the Personal Data Protection System (Law 1581/2012).

Finally, the Committee reported on its activities and management to the Board of Directors, including the recommendations it made on matters of its responsibility. It also validated the Corporate Governance Report prepared by the Company.

Appointment, Remuneration and Corporate Governance Committee

The Committee monitored the main indicators and policies regarding the Company's human resources affairs, including: personnel costs; operational excellence regarding optimization of labor costs; the results of the leadership assessment; talent planning; the desired organizational culture and development practices; and the balance between work relationships and the draft labor laws.

Additionally, the Committee supported the Board of Directors in the process of evaluating its performance. It did this through an internal assessment using the 360-degree feedback process, working on the execution of the procedure established for that purpose, and the analysis and consolidation of the respective results.

Additionally, the Committee notified the Board of Directors about the process of intervention in the corporate operating model, the amendment of benefits not required by law, and variable remuneration systems for employees and Board members regarding optimization of the Company's labor costs.

Finally, it is worth noting that the Committee submitted to the Board of Directors: (i) a proposal for performance management of the CEO and Internal Audit Director; (ii) an analysis of the responsibility systems of the Board members, and the policy's scope and main aspects to be considered by the Board members and administrators; (iii) the results of the internal evaluation of the Board members, together with a brief explanation of the methodology used, the strengths and opportunities for improvement identified, and the action plans to follow; and (iv) the proposals to amend the Corporate Governance Code.

Finance Committee

The Finance Committee carried out a rigorous follow-up of the local and international macroeconomic indicators, focusing particularly on the U.S. dollar, oil, interest rates and exchange rates, as well as monitoring the Company's cash positions. This intends to ensure due management of the Organization's resources and compliance with the investment policies as part of its regular risk assessment.

At the same time, the Finance Committee worked to review and monitor the Company's local and international debt position, supporting the Board of Directors in structuring strategies and proposals for contracts, reprofiling and/or extensions of credit lines, which enabled optimization of financial expenses and improvement of the Company's financial indicators.

the Finance Committee worked to :

- Review and monitor the Company's local and international debt position
- Supporting the Board of Directors in structuring strategies and proposals for contracts, reprofiling and/or extensions of credit lines, which enabled optimization of financial expenses and improvement of the Company's financial indicators.

Additionally, we highlight the Committee's significant efforts on the risk hedging strategy, regarding the exchange difference as well as the interest rate. For said purpose, hedging portfolios with derivatives (forwards, interest rate swaps and cross currency swaps) were structured in order to minimize the impact of market volatility on the Company's Profit and Loss (P&L) Statement.

Finally, it is worth noting that the Finance Committee was also responsible for the support and regular monitoring of the obligations resulting from credit agreements and covenants regarding grounding of the Net Financial Debt to adjusted EBITDA ratio.

Expansion Committee

The Expansion Committee worked on the analysis and assessment of 27 projects to open retail projects, mostly consisting of hypermarkets, supermarkets and cash and carry stores.

Regarding real estate, the Committee was in charge of assessing and monitoring the development of more than 115,000 m² of construction of the Viva Envigado and Viva Tunja Shopping Centers; and it made a performance and operation assessment visit to the Viva Barranquilla Shopping Center. It was also in charge of creating leasable areas in stores for maximizing value with the opening of the first Decathlon brand store in the country as part of the Max Éxito Colina Project with a gross leasing area (GLA) of 3,956 m².

Finally, it is worth highlighting that the Committee studied, analyzed and monitored the first year of operation of the Company's real estate trust, Viva Malls, which consists of developing and operating shopping centers in Colombia under the Viva brand name. Fondo Inmobiliario de Colombia holds a 49% share in this project. The Viva Malls portfolio ended 2017 with a GLA of 310,624 m².

Sustainability Committee

In 2017, the Sustainability Committee worked on monitoring progress regarding the challenges and areas of focus of the Company's Sustainability Strategy.

It is worth highlighting the following work carried out by the Committee during said period:

- An analysis of the priority strategic matters for the Company, identifying the following: (i) people, quality and product safety; (ii) packaging and waste; (iii) reduction of food waste; (iv) energy and climate change; and (v) ethics and transparency.
- Approval of 50 strategic projects of greater priority for 2017 as part of the five challenges defined in the Company's Sustainability Strategy.
- In-depth monitoring of said projects.
- Approval and monitoring of the sustainability indicators considered in the Company's variable remuneration.
- Approval of the Company's carbon footprint measurement for 2016.
- Request for the Company to strengthen the strategy to communicate and assess the focuses of action and data that support each sustainability project, such as: the Professional Equality Policy, direct local purchasing and the comprehensive waste program.

The Expansion Committee worked on:

- the analysis and assessment of 27 projects to open retail projects.
- Regarding real estate, the Committee was in charge of assessing and monitoring the development of more than 115,000 m²

In 2017, the Sustainability Committee worked on monitoring progress regarding the challenges and areas of focus of the Company's Sustainability Strategy.

Board of Directors and Senior Management Evaluation

Pursuant to the Corporate Governance Code, the Company conducts an annual evaluation process to assess: (i) the qualities of the members of the Board of Directors and its Committees; (ii) the individual performance of each member; and (iii) the overall performance of the respective governing body. A mixed contribution and performance evaluation system has been established for this assessment, which involves alternating the type of evaluation between internal and external each year.

Having conducted an assessment by an independent third party in 2016, an internal evaluation was due for 2017. This is how we carried out said 360-degree feedback process, which consists of: (i) self-assessment, (ii) evaluation of the Chairman of the Board, and (iii) evaluation among Board members and peers, using validation in three categories: (i) role and responsibilities, (ii) participation, and (iii) strategic contribution.

As a result of the evaluation, regarding the performance of the Board of Directors as a whole, the elevated level of professionalism and complementarity among its members stands out, as well as a balance of knowledge and experience that facilitates ample and comprehensive coverage of the topics to be considered by the Board of Directors.

Additionally, the assessment identified strengths and opportunities for improvement.

The following strengths stand out:

- Experience, complementarity and diversity of its members.
- Good relations with the Company's Administration.
- High-quality composition of the Board of Directors.
- An environment conducive to discussion and exchange of ideas with the utmost respect.
- Good interpersonal relations of the Board members.

Strengths of the Committees:

- The Committee members have knowledge and experience that complement each other and enrich discussion.
- The Administration prepares each committee well and this makes the discussion at the meetings productive and relevant.
- The Committees make decisions and they are not merely for the purposes of information.

Regarding opportunities for improvement, the Board members expressed an interest in consolidating further the knowledge of the sector and the Company's businesses, as well as of the countries and markets in which it operates.

Regarding operation of the Board and Committees, suggestions for improvement and optimization were made, for which the Administration proposed action plans. The following of these stand out:

- Reduce the number of topics discussed at each meeting in order to optimize time management in the meetings.
- At the Board meetings, not repeat in detail the topics discussed at the Board Committee meetings.
- Keep making visits to stores and operations in order to increase knowledge of the business.

Finally, regarding assessment of Senior Management, the Company has strictly applied the Remuneration and Evaluation Policy for Senior Management adopted by the Board of Directors at its meeting on September 14, 2016.

Transactions with related parties

Board of Directors Responsibilities regarding Related Parties and Conflicts of Interest

The Policy on Transactions between Related Parties defines the following duties and responsibilities of the Board of Directors:

- Annually, and whenever such situations arise, every Administrator and Board member must inform the Company's General Counsel about the people or entities with which they have relationships and that could be considered related parties. They must also provide the necessary information about the relationship in order to comply with the policy.
- The Board of Directors authorizes any material transactions (i.e., transactions with a value equal to or greater than 46,000 times the value of the minimum monthly salary at the time of the transaction) and non-recurrent transactions (i.e., those transactions that are not part of the Company's ordinary course of business) in advance, except for those that, according to the law or the Company Bylaws, are the responsibility of the General Meeting of Shareholders.
- When the General Meeting of Shareholders is responsible for approving transactions between related parties, both the Audit and Risk Committee and the Board of Directors must investigate and evaluate the transaction in order to make a proposal to the General Meeting of Shareholders based on the analysis, assessment and conclusions of both bodies.
- In the event of breach of the Policy on Transactions between Related Parties, the Audit and Risk Committee or the Board of Directors, as applicable, must evaluate the transaction and make a decision on whether it should be approved, modified or terminated. The circumstances that led to the breach of said policy must also be analyzed, and the actions deemed necessary to ensure said compliance and effectiveness must be taken.

The Company Bylaws define the responsibilities of the Board of Directors with respect to conflicts of interest as follows:

- Investigate and manage conflicts of interest that arise between the Company and its Shareholders, Board members and Senior Management.
- Approve policies to manage conflicts of interest and use of privileged information by any employee.
- Regulate the creation and operation of the Conflict of Interest Committee

This list is not an exhaustive description of the responsibilities of the Board of Directors regarding conflicts of interest. When the Board of Directors acts as the Corporate Governance, Conflict of Interest and Use of Privileged Information Committee or, in other words, when the Board is responsible for analyzing the circumstances that led to a conflict of interest for a Board member, the other, non-conflicted Board members will fulfill additional functions, such as:

- Enforce, define and resolve all matters related to the Policy on Transactions between Related Parties, Conflicts of Interest and Use of Privileged Information; and establish solutions and penalties whenever there is an infraction of the duties and/or prohibitions of the policy.

- Determine whether the conflict of interest affects the operation of the Company as a whole and is of such a scale that it makes the involved party unable to perform his or her role or, on the contrary, whether it is a situation that can be addressed by following the rules set forth in the Conflict of Interest Policy.

Additionally, the Board's Audit and Risk Committee is responsible for fulfilling the following roles related to conflicts of interest:

- Assess and inform the Board of Directors of conflicts of interest in which a Major Shareholder or member of the Board of Directors or Senior Management could be involved directly or indirectly or through a related party, making the necessary suggestions to manage the situation.
- Assess and inform the Board of Directors of possible conflicts of interest that could arise between the Board and branches and/or subsidiaries, or between these entities, or between Administrators and related parties, making the necessary suggestions to manage the situation.
- Following prior authorization from the Board of Directors, examine and inform the Board about direct or indirect operations of the Company with Board Members, Controlling or Major Shareholders (as defined in the Company's ownership structure) or members of Senior Management at levels 1 through 3, and of operations between companies of the Corporate Group or entities related thereto (operations with related parties) that, because of their value, nature or terms, pose a risk for the Company. Verify that operations are carried out according to fair market conditions and do not compromise equal treatment of shareholders.

Breakdown of the Most Relevant Transactions between Related Parties in the Opinion of the Company, Including Operations between Companies of the Conglomerate

Transactions between related parties correspond to revenue from the sale of goods and services, as well as to costs and expenses related to risk management and technical assistance support, and to the purchase of goods and services received. The most relevant transactions between related parties in 2017 were the following:

- Respecto a la controladora, la Compañía percibió unos ingresos. Regarding the majority shareholder, the Company received a revenue of COP 7,003 million, which corresponds to the strategic management service agreement for Latin America signed with Casino Guichard Perrachon S.A., and it generated costs and expenses amounting to COP 26,424 million for the consulting and technical support services provided by the majority shareholder and Geant International B.V.
- With the companies of the majority shareholder, transactions were made that generated: (i) revenue of COP 993 million; and (ii) costs and expenses mainly for services received related to energy efficiency and merchandise imports amounting to COP 8,991 million.
- Regarding the subsidiaries, the main transactions made in 2017 were in revenue from (i) the sale of merchandise to Distribuidora de Textiles y Confecciones S.A.S. – Didetexco (formerly Cdiscount Colombia S.A.S.); (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. These transactions amounted to COP 27,139 million.
- Costs and expenses generated from subsidiaries amounted to COP 477,607 million and were mainly from: (i) the purchase of merchandise and goods to sell to Distribuidora de Textiles y Confecciones S.A. (now, Distribuidora de Textiles y Confecciones S.A.S.); (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.

- Regarding joint ventures, in this case Compañía de Financiamiento Tuya S.A., a revenue of COP 28,159 million was made, primarily from property leasing; and expenses of COP 2,376 million were generated, mainly from commission on payment methods.
- Finally, with other related parties, such as the case of the Board members, expenses were generated from the provision of services amounting to COP 1,057 million.

The breakdown of transactions with related parties can be consulted in note 34.2 of the Financial Statements.

Conflicts of Interest that Arose, Action of Board Members, and Mechanisms to Resolve Conflicts of Interest between Companies of the Same Conglomerate and their Application during the Fiscal Year

The Company has adequate mechanisms for the report, analysis and management of conflicts of interest disclosed by the Company's Board of Directors, Senior Management and employees, complying with the policy that regulates this issue.

The main activities carried out in 2017 that demonstrate this compliance are described below:

Reporting Mechanisms for the Board of Directors and Employees

- **Identification and quarterly report of conflicts of interest:**
To report and identify conflicts of interest, the Board of Directors and Senior Management were requested on a quarterly basis to update information on companies in which they hold 10% or more of the share capital or over which they hold significant influence, or any other situation that could result in a conflict of interest.

The Audit and Risk Committee evaluated reports from 11 Board members and made recommendations

In 2017, 507 declarations about possible conflicts of interest were received to be resolved by the Corporate Governance, Conflict of Interest and Use of Privileged Information Committee.

- **Annual conflicts of interest declaration:**
Employees from levels 1 to 4 of the organizational structure and those whose positions are related to the Company's critical processes were requested to make an annual declaration on conflicts of interest through the Human Resources Department's computer system provided for this purpose.

Analysis mechanisms for reported situations

To analyze the reported situations, the Corporate Governance, Conflicts of Interest and Use of Privileged Information Committee operated taking into consideration their appropriate formation according to the organizational position of the person implicated in the respective conflict of interest and responding to the criteria established in the policy that regulates the issue.

Management and resolution mechanisms for conflicts of interest

- For conflicts of interest involving members of the Board of Directors and Senior Management (levels 1 and 2 in the organizational structure), the Audit and Risk Committee evaluated reports from 11 Board members and made recommendations to the Board of Directors or the Appointment, Remuneration and Corporate Governance Committee, as applicable, with suggestions about actions and measures for their solution and management. Additionally, Board members involved in conflicts of interest abstained from participating in the assessment, discussion and voting thereof to make the corresponding decision.

- Regarding conflicts of interest with the Company's employees from level 3 and above of the organizational structure, the Corporate Governance, Conflict of Interest and Use of Privileged Information Committee, comprised of representatives from Human Resources, Corporate Affairs Management and the Internal Auditing Department, met three times over the year and established the solutions and/or penalties as required. In 2017, 507 declarations about possible conflicts of interest were received to be resolved by the Corporate Governance, Conflict of Interest and Use of Privileged Information Committee. None of these situations required the mandatory resignation of the person reporting the conflict of interest, as they did not affect operations as a whole, nor were they of a scale that would make it impossible for said person to exercise his or her position.

Mechanisms to Resolve Conflicts of Interest between Grupo Éxito Companies and their Application during the Fiscal Year

Conflicts of interest between Grupo Éxito companies were handled in accordance with the Policy on Transactions with Related Parties, Conflicts of Interest and Use of Privileged Information.

The Administration submitted 20 transactions to be made between the companies for the consideration of the Audit and Risk Committee, indicating their nature, materiality, recurrence, analysis and basis of the market conditions and main justifications. Out of these transactions, five were submitted for the approval of the Board of Directors, eight required approval from the same Committee and seven were submitted for the purposes of information.

Risk management system

Internal Control System and its Modifications during the Fiscal Year

According to the Corporate Governance Code regarding the Company's Control Architecture, this must have an internal control risk management system and establish the roles and responsibilities required to achieve the control objectives and ensure adequate risk management.

The main mechanisms for achieving these objectives are described below:

Control Environment

- The guidelines provided by the General Meeting of Shareholders in the Company Bylaws and by the Board of Directors in the Corporate Governance Summary must be followed in order to have an adequate risk management and internal control culture and environment, where the Administrators are responsible for managing the implementation and maintenance thereof, supported by the owners of the different processes.
- The Company kept consolidating its organizational structure and operating model, which operate under the system of governance, control and reporting lines established between the different countries, businesses and models, as well as coordinated work to leverage synergies between them.
- Senior Management annually reviews the strategy, business plans and their indicators, which are validated by the Board of Directors and, in turn, the Company's effective management and results are managed, monitored and followed up.
- The Company sets objectives for the different areas, processes and employees, which it incorporates into a performance management model with regular monitoring and measurement of its compliance.
- Through Human Resources, the Company leads programs to attract, develop, strengthen and retain human talent with strong skills to support the achievement of objectives, innovate and optimize organizational performance.
- The Company's Transparency Program is led by the Ethics Committee, which is comprised of the Chief Operative Retail Officer, Chief Services Officer, Chief Human Resources Officer, Corporate Affairs Manager and Internal Audit Manager.

- The Ethics Committee met five times during the year to monitor compliance with the Transparency Policy, the Code of Ethics and Conduct, and other internal regulations that support and promote the most ethical behavior. In 2017, 654 reports were received, which were handled using the system established in the Company for managing cases according to the guidelines of the Ethics Committee and Anti-Fraud and Anti-Corruption Committee.

Risk Management

- The Enterprise Risk Management Policy, which defines and guides the general framework for managing the Company's business risks, is based on its connection to the Company's strategic pillars and the objectives of each business.
- Senior Management, the process owners as responsible for risk management, and the risk managers, who across all the processes support risk management in different areas, are included in the application of and compliance with risk management.
- According to the established delegation scale, the Audit and Risk Committee and Board of Directors regularly monitor the Company's main risks.
- Strategic and business risk maps that facilitate identification of areas for action to mitigate and respond to the risks.
- Through the Internal Risk Committee, which carries out a regular review of the main risks of the businesses, the established management measures and the materialization of risks, which provides information for defining strategies in each one of its processes, achieve comprehensive and cross-cutting support for enterprise risk management.
- The Enterprise Risk Management Department leads the implementation of the policy in the Company.

Control Activities

- The policies and procedures define the main activities that support the operation of the businesses. In 2017, the Company strengthened initiatives to achieve the strategic objective of operational excellence with the aim to improve process efficiency and generate greater value, mainly in the sales, operations and shared services departments.
- Some key and cross-cutting risks for the Company are managed with the leadership of specialized departments, which operate as a second line of defense. The main ones include: Enterprise Risk Management, Compliance, Information and Technology Security, (physical and human) Resource Protection, Food Quality, Comprehensive Health and Financial Planning.
- The Compliance Department was consolidated in 2017 to unify and mature the processes under the responsibility of the Compliance Officer, aimed at the management of the Prevention and Control of Money Laundering and Terrorist Financing, Personal Data Protection and Transparency Programs. Through this management, the Company has developed work plans to align its Transparency Program with the guidelines of the Corporate Ethics Program set forth in Law 1778/2016, and other regulations that add to it, aimed at the prevention of transnational bribery and other corrupt practices, as well as to adjust its personal data protection processes with the provisions of Law 1581/2012 and its regulatory standards.
- The Company is committed to preventing risks related to money laundering and terrorist financing, for which it develops due diligence procedures, aiming to know its counterparties. It refrains from engaging in business with persons related to this risk, and it reports suspicious operations. In 2017, 9,060 employees were trained on the Anti-Money Laundering and Counter Terrorist Financing System.

Information and Communication

- Computer and Technology Management has centralized governance for managing the computer and telecommunications systems and the technology platforms. Additionally, it manages information security risks.
- The Company has different internal and external communication channels, through which it communicates with the different stakeholders. The main channels include the corporate website, the customer service lines, the Investor Relations Department and internal media for employees.

- There is a system for process management, in which the new policies and procedures and their updates are disclosed.
- Internal management committees operate regularly at different organizational levels, where the Company's relevant information is communicated.
- Financial information is validated and consolidated under the guidelines and computer systems of the Finance Department and Services Department, which incorporate management control processes to achieve greater reasonability and integrity of information.
- The Information Disclosure Committee for the market operates in compliance with the established Financial and Non-financial Information Disclosure Procedure.
- Based on the Company's commitment to act in order to prevent, detect, investigate and respond to possible acts that could have an impact on the risk of fraud and corruption, the confidential reporting channels provided by the Company and managed by an independent third party for recording related events have always been available: transparency hotline 018000522526, email etica@grupo-exito.com, ethics form available at www.grupoexito.com.co/es/nosotros/transparencia and the corporate intranet. In addition, the Operating Anti-Fraud and Anti-Corruption Committee has monitored statistics, addressed queries and made mechanisms available for effective response, management and solution of the reports received, promoting administrative measures and action plans with the departments and processes necessary to improve the Internal Control System and avoid the materialization of new risks. In 2017, the Internal Auditing Department or people responsible for the processes in the Self-Control Program conducted 565 assessments of departments or processes to monitor risks related to fraud and corruption.
- The Transparent Communications Campaign was held during the year, which addressed the main topics to raise employees' awareness on the prevention of fraud, bribery and corruption, as well as for the proper management of conflicts of interest and compliance with the Company's Gift Policy. Furthermore, 10,116 employees carried out online induction training, which disseminated the key elements of the Transparency Program.

Supervision and Monitoring

- The Board of Directors is supported by the following Committees to monitor key elements of the Organization's governance: Audit and Risk Committee, Finance Committee, Sustainability Committee, Expansion Committee, and Appointment, Remuneration and Corporate Governance Committee. In particular, the Audit and Risk Committee supervises the financial information and reporting processes; enterprise risk management; the Internal Control Architecture and System; monitoring of the management and results of the Internal Audit and Statutory Audit; as well as relevant matters of regulatory compliance for the Company. Additionally, it considers transactions between related parties and management of conflicts of interest.
- The Internal Auditing Department carries out risk-based planning and assessment of the risk management, control and governance processes, with a focus on complying with business objectives and on the Organization's main projects. In 2017, it assessed assurance and provided consultancy to the relevant business processes, both nationally and internationally; it supported the Compliance Department with the Transparency Program; and conducted investigations of possible cases of fraud reported through the reporting channels. Recommendations were made from the assessments, and action plans were established with Senior Management and process leaders to improve the design and operation of the Internal Control System.
- The Statutory Audit Firm, Ernst & Young Audit S.A.S., conducted assessments, which covered the accounting and financial processes and systems; the preparation and disclosure of financial information; the risks and internal control that have an impact on financial information; and compliance with the legal regulations, the Company Bylaws, and the decisions made by the Board of Directors.
- The process leaders carry out regular self-assessment of their key controls and risks through the Self-Control Program, which recognizes the "capacity of people to consider control as an inherent part of their responsibilities, fields of action, and decision-making". This program facilitates the process owners' establishment of corrective action plans when deviations are detected that could have an impact on the achievement of their objectives.

Enterprise Risk Management Policy

The Enterprise Risk Management Policy approved by the Board of Directors and included in the Corporate Governance Code was updated, taking into account the new risk management model proposed in 2017.

The roles and responsibilities were defined in this model according to the different risk management levels, where the predominant role of Senior Management, the Audit and Risk Committee and the Board of Directors stands out at the strategic level

Risk Management Model



Using this model, a delegation scale was structured for strategic risk management, which is given according to the rating of each of these and the established appetite.

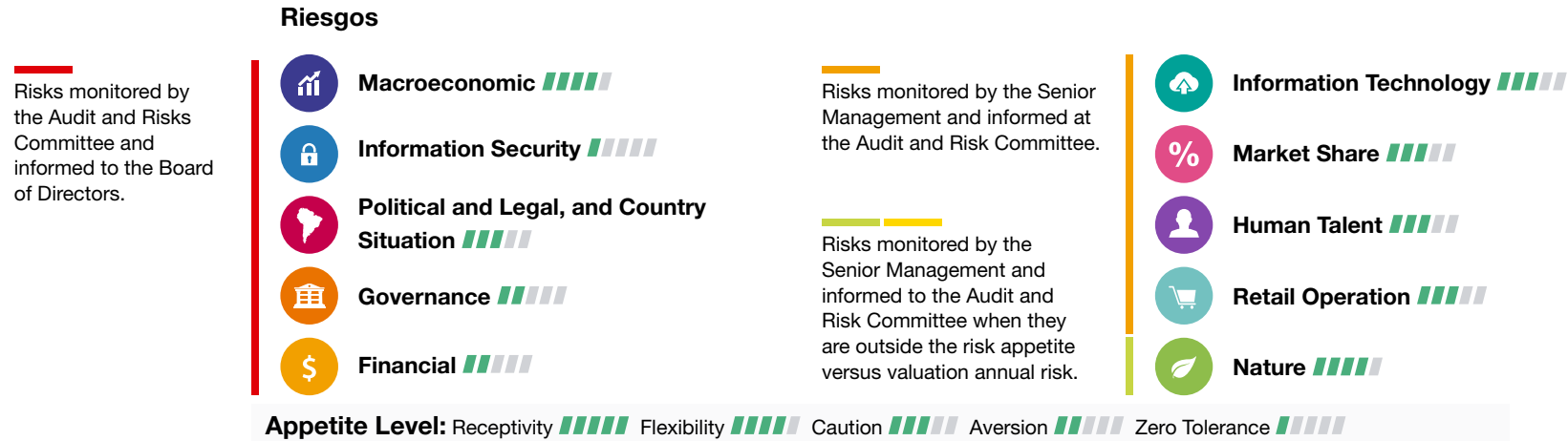
The strategic-level risks, which are those that could affect compliance with the Company's strategic pillars, were reviewed by the Audit and Risk Committee at two meetings, and by the Board of Directors at one meeting, thus facilitating their visibility in an authorized language, and at the same time, including the governing bodies in the monitoring of these risks.

Said risks have a conglomerate vision, notwithstanding the risks that are identified and managed by each company, and they have the following categories:

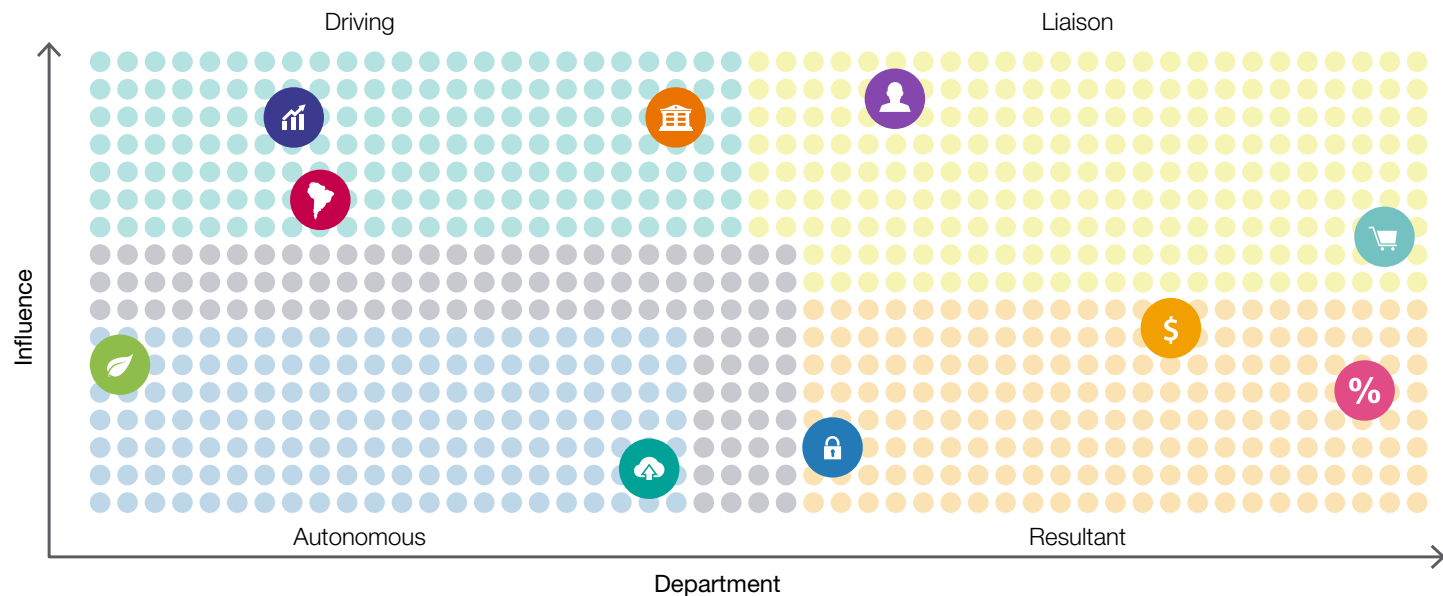
The strategic risks were assessed by Senior Management according to their impact (financial or reputational) and probability of occurrence. This assessment was added to with an analysis of the interaction of the ten categories of risk, according to the level of influence and dependence of each risk on the others. Consequently, the following prioritization was obtained:

Strategic Risks

According to the Combination of their Probability and Impact



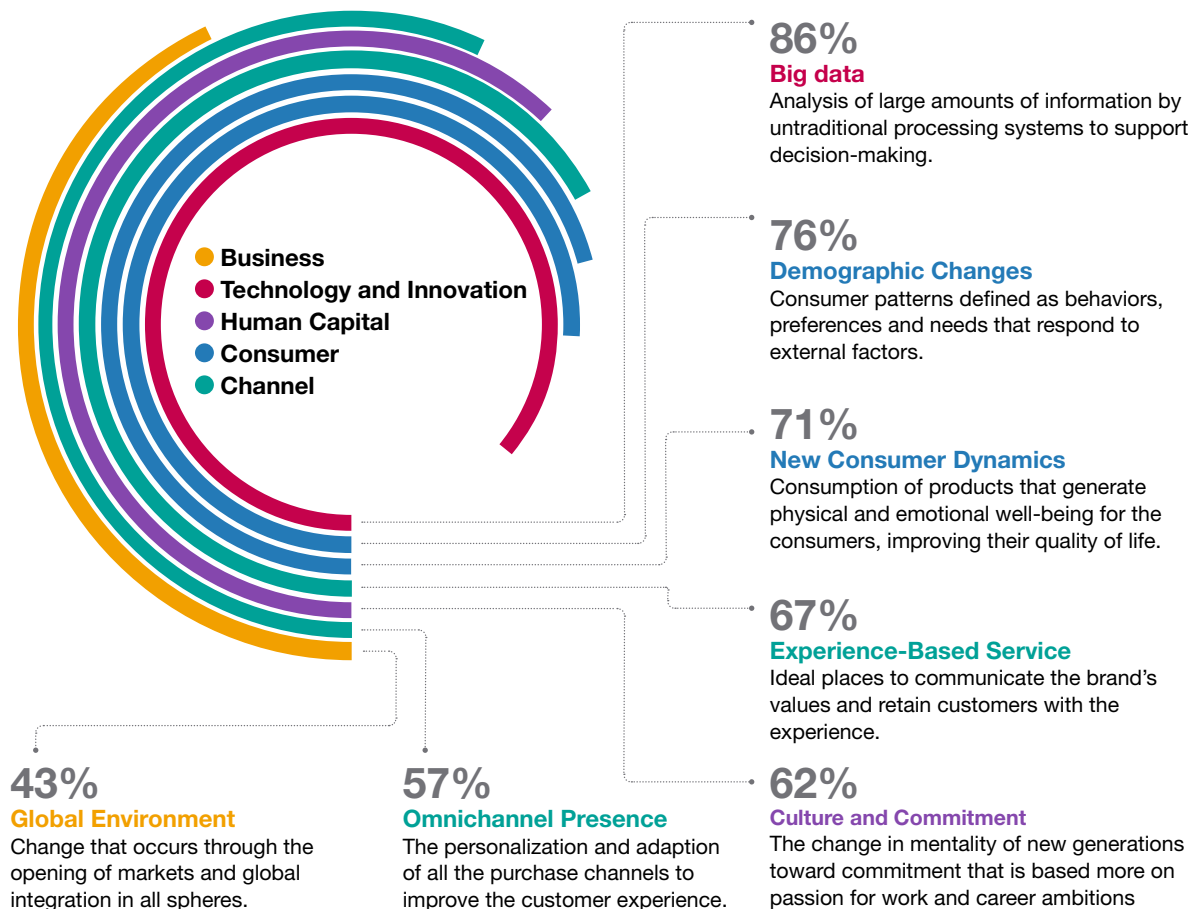
According to their Interaction (Level of Influence and Dependence)



As a result of the above, the management of the risks in the Macroeconomic; Governance; and Political and Legal, and Country Situation categories is prioritized, because as they are driving risks, they have a greater degree of influence on the other risks.

Analysis of the environment

Taking into account the strategic pillars, the trends that have the most impact on compliance with said pillars were prioritized by the Company's Senior Management, as follows:



Continuity Plan and Crisis Management Plan

In development of the Business Continuity Plan, a Business Impact Analysis (BIA) was conducted of the retail business process, with which 25 sub-processes were prioritized that are considered to be critical for the business, and on which the continuity strategies were defined.

To complement the continuity management, the Crisis Management Plan was updated with the following aims:

- Increase the scope to the events that are caused by matters other than those of operation and that could occur in any of the Company's businesses;
- Coordinate it with the Social Network Crisis Management Plan;
- Coordinate it with the protocol for disaster response.

Materialization of Risks during the Fiscal Year

In the context of the main risks that arose in the year, which are inherent to the operations and ordinary course of business, the following are noted:

- As a result of the social demonstrations in the city of Buenaventura, Almacén Éxito Buenaventura and the Viva Buenaventura Shopping Center suffered effects on their property and assets, and looting of merchandise, generating losses of:
 - » Almacén Éxito Buenaventura: COP 5,683,228,042
 - » Viva Buenaventura: COP 252,239,365.

These losses less their deductible were covered by the insurance company during the fiscal year.

- There were no events associated with the risk of employee disloyalty. In addition, acts that were identified and related to the risk of fraud and corruption did not materialize.

None of these events, individually or as a group, had a significant impact on the financial position, on the reputation or on the adequate processing and disclosure of the Company's financial information.

Response and Supervision Plans for the Main Risks

The management measures for strategic risks are established in light of the scenarios defined in each risk, which permits establishment of the scope of the measures and assurance of the efficacy of these for risk management to a reasonable degree.

These measures may be ongoing and systematic, or new and specific, and we call them actions plans. Those defined for the most significant risks are highlighted:

Management Measures



Macroeconomic

- Hedging with derivatives
- Diversification of businesses
- Diversification of countries by exchange rate exposure



Governance

- Legal, bylaw and regulatory framework of corporate governance
- Ongoing disclosure to the market
- Financial and Non-financial Information Disclosure Policy and Information Disclosure Committee
- Regulation on transactions with related parties
- Audit and Risk Committee comprised exclusively of independent members



Financial

- Action plans to control the EBITDA
- Ongoing control of expenses and revenue regarding the budget and reviews
- Debt control through factoring
- Ongoing monitoring of the working capital variables
- Monitoring of profit
- Streamlining of the CAPEX
- Monetization of taxes to charge in tax reimbursement securities (TIDIS, for the Spanish original)
- Cdiscount - Didetexco merger
- Review of the Company's tax strategy



Political and Legal, and Country Situation

- Keep cost and expense structures low
- Moderate the pace of investments without exceeding the cash limit
- Keep a low debt level



Information Security

- Firewalls, intruder prevention systems, network access control systems, vulnerability identification tests, security services with suppliers, etc.*
- Operation of outsourced security services*
- Programming of ethical hacking tests*
- Implementation of the Identity and Access Management Project*

General meeting of shareholders

Differences in the Operation of the General Meeting of Shareholders between the Minimum System of Current Regulation and that Defined by the Company Bylaws and Rules of Procedure for the General Meeting of Shareholders

The activities required for adequate running of the General Meeting of Shareholders in 2017 were different to the minimum legal requirements established in the following aspects:

- The term for announcement of the Ordinary General Meeting of Shareholders held on March 31, 2017, was 30 calendar days, as it was published on February 28, 2017. This practice was conducted in compliance with the Company Bylaws and Rules of Procedure for the General Meeting of Shareholders, which establish a term of thirty (30) calendar days for the announcement of ordinary meetings, and fifteen (15) calendar days for extraordinary meetings.
- Taking into account the holding of the Ordinary General Meeting of Shareholders in accordance with the Company Bylaws and the Rules of Procedure for the General Meeting of Shareholders, a term of five calendar days was given, which began on March 1, 2017, and ended on March 7, 2017, for the shareholders to: (i) propose the inclusion of one or more points on the meeting's agenda, (ii) submit new proposals for decisions on matters included in the agenda, and (iii) request additional information or raise questions about said matters.
- On February 28, 2017, the Company published a proxy template form on its corporate website that included the vote on each of the items on the agenda to be discussed and/or approved at the Ordinary General Meeting of Shareholders held in 2017, so that the shareholders could indicate to their proxies how they would vote.
- The Company published the announcement for the Ordinary General Meeting (i) in a widely distributed local and national newspaper; (ii) through the relevant information mechanism provided by the Financial Superintendence of Colombia; (iii) in the offices of Fiduciaria Bancolombia, which manages the Company's Shareholder Department; (iv) on the corporate website; and (v) in the newsletter (News to Investors) sent by the Investor Relations Department.
- The announcement of the Ordinary General Meeting of Shareholders for 2017 was accompanied by a communication with the proposals that the Board of Directors or Administration had to submit for the approval of the General Meeting of Shareholders.

Actions Taken during the Year to Encourage Shareholder Participation

In 2017, the Company fully complied with the Best Corporate Governance Practices Code – Nuevo Código País, and the provisions of the Company Bylaws and Corporate Governance Summary in terms of timely sending of clear and complete information to shareholders and with adequate notice regarding the General Meeting of Shareholders. In this way, the Company encourages the shareholders' participation and guarantees respect of their rights.

The following activities were carried out to promote the participation of shareholders in 2017:

- Four teleconferences on quarterly results.
- Two meetings with local stockbrokers and analysts.
- Seven international conferences of investment banks in Cancun, Santiago (Chile), London, New York, Paris and Lima.
- A non-deal roadshow (NDR) with international analysts.
- Four non-deal roadshows (NDRs) with local analysts in Bogotá, Medellín and Cali.
- Two non-deal roadshows (NDRs) with Colombian pension funds.
- An event to present the cash & carry wholesale model to local funds and analysts in Bogotá.
- Receipt of 57 visits by investment funds and analysts.
- Answering of 77 calls from both local and international investment funds and analysts.
- Attendance of the annual conference organized by the National Investor Relation Institute (NIRI).

Information and Communication with Shareholders

Through the corporate website, specifically the Investors and Relevant Information website, we posted the main information about the decisions of the Board of Directors, the proposals for the General Meeting of Shareholders and their supporting information, and the corresponding relevant information.

For the Ordinary General Meeting of Shareholders held on March 31, 2017, the following documents were published:

- Announcement
- Proxy template forms for legal entities and individuals
- Management report
- Corporate Governance Report
- Sustainability Report
- Financial Statements as at December 31, 2016, together with their attachments and other legally required documents
- Profit distribution proposal
- Donations proposal
- Proposal to amend the Company Bylaws

Regarding relevant information, 22 press releases were published, informing the market about items including the relevant decisions made by the Board of Directors and the General Meeting of Shareholders, the signing or amendment of relevant agreements, and the quarterly and annual results of the Company.

Number of Requests and Matters on which Shareholders Have Requested Information from the Company

During 2017, the Company addressed the requests of approximately 114 shareholders in a timely manner. Out of these, 17 were in-person visits and 97 were telephone calls through Fiduciaria Bancolombia, which manages the Company's Shareholder Department.

In addition, around 393 shareholder requests were handled, including rights of petition, related to the following matters:

- Issuance of tax certificates

- Authorization for replacement of securities certificates
- Information on the value of dividends for shareholders and the process for their payment
- Transfers
- Replacement of securities certificate to update information
- Exchange of shares in Cadenalco or Carulla for shares in the Company
- Provision of certificate of entry into the Colombian Central Securities Depository (DECEVAL, for the Spanish original)
- Provision of historical certificates

Consequently, in 2017, there was a decrease of approximately 60% from 2016 in the number of requests submitted by the Company's shareholders.

Attendance of the General Meeting of Shareholders

The Ordinary General Meeting of Shareholders held on March 31, 2017, at the Company's administrative offices had the participation of 596 shareholders and a quorum of 81.63%.

Main Decisions of the General Meeting of Shareholders

On March 31, 2017, the Ordinary General Meeting adopted the following decisions:

- Approve the Management Report of the Board of Directors and CEO.
- Approve the Annual Corporate Governance Report.
- Approve the individual and consolidated financial statements as at December 31, 2017, together with their attachments and other legally required documents.
- Approve the following profit distribution proposal:
 - » Allocate the net profit of the period from 1 January to 31 December 2016, which amounts to COP 43,528,075,827, as follows:
 - i. Increase the "Future Expansions and Improvements" Reserve by COP 21,756,601,897.
 - ii. Distribute COP 21,771,473,930 as dividends.

- » Pay annual cash dividends of COP 48.64 per share for the 447,604,316 outstanding shares.
- Approve the following proposal in terms of donations:
 - » Appropriate COP 1,435,000,000 from the reserve called Future Expansions and Improvements to make donations to institutions working for the common good, foundations, corporations, and individuals or legal entities.
- Approve the following proposal to amend the Company Bylaws:
 - » Amend the corporate purpose article:
 - » Adding information related to the business of transfers and remittances.
 - » Specifying that the power of the Company to form, finance, promote and agree with individuals or legal entities on the formation of companies or businesses is applicable with those whose purpose is to provide services related to the corporate purpose as a whole, not only referring to some parts of the corporate purpose.
 - » Updating the purpose of the real estate business according to its current size.
 - » Expressly indicating that the Company may participate in any form of association.
 - » Combine Articles 58 and 58 bis so that matters related to the supporting Board Committees are covered in a single article.
 - » Update the functions of the Internal Auditor in accordance with the International Standards on Auditing, and the international policies established in the Internal Audit Charter.
 - » Incorporate into Article 61 references to transparency as well as to the prevention of fraud and corruption, emphasizing the Company's commitment in this matter. Additionally, the Company's express commitment to these topics is added to the Company Bylaws in response to the recommendation made by the Colombian Presidency's Secretary for Transparency.