



## **BASIS FOR MATTERS TO BE SUBMITTED FOR CONSIDERATION BY THE SHAREHOLDERS AT THE REGULAR SHAREHOLDERS' MEETING OF CENCOSUD S.A. TO BE HELD ON APRIL 27<sup>TH</sup>, 2018**

### **VOTING SYSTEM**

Shareholders will be asked to approve the voting system by hands, where only those shareholders who oppose and those who abstain from voting on the respective item of the Issues List should raise their hands. Their names and shareholding percentages should be recorded, so that it is understood that the remaining shareholders present or represented approve the proposal.

**Basis:** In accordance with the provisions of Article 62 of Law No. 18,046 on Corporations ("Corporations Act") and General Rule No. 273 of January 13<sup>th</sup>, 2010 of the Securities and Insurance Commission ("SVS", today the Financial Market Commission), matters submitted to the decision of the shareholders' meeting must be voted individually, unless, by unanimous agreement of the voting shareholders present at the meeting, the vote on a certain matter may be omitted and proceed by acclamation. All votes cast at a meeting must be taken either by a system that ensures that the votes are cast simultaneously or by secret ballot, and the counting of the votes must be carried out in a single public act, and in both cases, in such a way that it may subsequently be publicly known how each shareholder voted. By Ordinary Official Letter No. 4948 dated April 6<sup>th</sup>, 2010, the SVS considered that the unanimity of the voting shares present at the meeting may opt for a simplified voting method, i.e. vote by hands, in which the votes abstaining or rejecting the matter under scrutiny, or which voted in favour if rejected, are recorded.

### **ANNUAL REPORT, BALANCE SHEET, FINANCIAL STATEMENTS AND REPORT OF EXTERNAL AUDIT FIRM FOR THE YEAR ENDED DECEMBER 31, 2017**

Pursuant to Article 75 of the Corporations Act, General Rule No. 30 of the SVS and Official Letter No. 444 dated March 19<sup>th</sup>, 2008 of the SVS, the Company has made available to shareholders on its institutional website [www.cencosud.com](http://www.cencosud.com), in the section "Investors", "Financial Information" and "Annual Reports", copy of the balance sheet and annual report as of December 31<sup>st</sup>, 2017. Likewise, a sufficient number of copies of the Company's annual report and balance sheet as of December 31<sup>st</sup>, 2017, will be available at the Company's offices located at Avenida Kennedy 9001, 6<sup>th</sup> Floor, borough of Las Condes, Santiago. In addition, the Company's consolidated audited annual financial statements as of December 31<sup>st</sup>, 2017 including its explanatory notes and the report of the external audit firm are available to its shareholders on its institutional website [www.cencosud.com](http://www.cencosud.com), under the "Investors" section.

### **DISTRIBUTION OF DIVIDENDS**

At the Company's Regular Board of Directors' Meeting held on March 28<sup>th</sup>, 2018, it was resolved to propose to the Regular Shareholders' Meeting to distribute a Final Dividend of \$25 (twenty-five pesos) per share, which is added to the Provisional Dividend of \$20 (twenty pesos) per share paid



in November 2017, charged to the profits of 2017, hereinafter referred to as the "Dividend". At the abovementioned Regular Board of Directors Meeting it was also resolved to propose to the Regular Shareholders' Meeting that said Dividend be made available to the shareholders as of May 14<sup>th</sup> of this year.

#### **DIVIDEND POLICY STATEMENT**

At the Company's Regular Board of Directors' Meeting held on March 28<sup>th</sup>, 2018 it was resolved to propose at the next Regular Shareholders' Meeting that the current general dividend distribution policy expected to be followed by the Company in future years be maintained, which consists of distributing at least 30% of its annual net profits.

#### **SETTING THE REMUNERATION OF DIRECTORS**

It will be proposed to set the remuneration of the Directors and the Chairman of the Board of Directors for the 2018 financial year. It is expressly stated that the proposal of these remunerations shall take into account the work, responsibilities and management of the Directors, as well as market conditions. Considering the foregoing, it will be proposed to set the remuneration of the Directors in the monthly amount of 330 *Unidades de Fomento* (Chilean Indexation Unit), and twice this amount in case of the Chairman of the Board of Directors.

#### **SETTING THE REMUNERATION OF THE MEMBERS OF THE DIRECTORS' COMMITTEE AND ITS OPERATING BUDGET AND THAT OF THEIR ADVISERS**

In accordance with current legislation, the Company has formed a "Directors' Committee", which is made up of three members. In accordance with the provisions of article 50 bis of the Corporations Act, the Regular Shareholders' Meeting must approve the remuneration of the members of the Directors' Committee and an operating budget for the period 2018. It is hereby stated that the remuneration and budget proposals shall take into account the work, responsibilities and management of the Directors within the Directors' Committee, as well as market conditions. It will be proposed that the Shareholders' Meeting sets the monthly amount of 110 *Unidades de Fomento* for each member of the Directors' Committee. In addition, 2,500 *Unidades de Fomento* per year are proposed for approval by the Meeting as the operating budget of the Directors' Committee for 2018.

#### **APPOINTMENT OF AN EXTERNAL AUDIT FIRM FOR 2018**

At this Regular Shareholders' Meeting, the appointment of the Company's external audit firm for the 2018 financial year will be submitted to its consideration and resolution.

The factors that the Directors' Committee and the Board of Directors of the Company have considered as key for the election and proposal to be made to the Shareholders' Meeting, given the characteristics of Cencosud Group, hereinafter Cencosud, i.e. its size, industries and/or sectors in which it operates, the complexity of its business and its regional presence, are as follows:



#### I.- Key factors.

- Size of the audit firm /hereafter the Firms/, in terms that are capable of attending clients as Cencosud.
- Presence of the Firms in all the countries where Cencosud operates, through their own offices and not merely through representation and relative positioning in them.
- Experience in the industries or businesses that Cencosud operates in each country and effective coordination of the audit with national and foreign subsidiaries.
- Characteristics of the work teams that each firm normally assigns to clients of Cencosud's relative importance, with special consideration to their experience, training, market recognition and track record.
- Benchmarks and references of level and quality of service of the Firms in each country.
- Understanding the risks of the businesses in which Cencosud is engaged and supporting the strengthening of their processes and controls.
- Availability of the audit firm's professionals.
- Relevant experience in the review of internal control applicable to the businesses in which Cencosud operates.

Regarding to the fees each firm charges for its services, it has been concluded that, in general, the Firms operate within a range of similar hourly rates. However, we stress that the hourly rate factor is not a key factor in the decision making process.

#### II.- Results of the analysis.

In relation to the first analysis factor, it has been concluded that the companies whose size and characteristics are suitable to serve Cencosud are: /i/ EY; /ii/ PwC; /iii/ KPMG and /iv/ Deloitte. All of the above have the necessary resources and areas for an adequate support to the requirements of Cencosud, as well as global methodologies, with similar standards of execution of the work required.

For each of them, an evaluation has been carried out assigning a weighting factor to each aspect, according to the importance defined by Cencosud.

Based on this analysis and evaluation, PwC obtained the highest weighted score, followed by KPMG, EY and Deloitte respectively.

#### III.- Other relevant analysis factors.

Together with the abovementioned factors, the following aspects were taken into consideration:

- Good level of service
- Knowledge of the company and the industry



- Change costs

Considering the number of companies, businesses and countries, the time and workload to effect change is very relevant. Notwithstanding the above, this is by no means a decisive factor.

- Knowledge of internal control systems

Considering that Cencosud has defined the certification of its Internal Control System as a material factor, we have considered this to be a very important attribute to take into account given the size, complexity and number of systems with which the company operates in the 5 countries.

- Change of audit partner

There is no express requirement to change the audit firm under Chilean law.

PwC has been providing audit services to the Company since 2002. During this period the team of auditors and the partner in charge have changed on average every 3 years. This is in line with the Chilean legislation that provides for the change of the Partner in charge of the account every 5 years.

#### IV.- Conclusions and proposals.

Considering the foregoing, the Company's Directors' Committee and the Board of Directors have resolved to recommend the shareholders to hire one of the previously singularized audit firms, establishing that in accordance with the analysis carried out by these bodies, the highest score obtained corresponded to PwC.

In accordance with the foregoing and within the alternatives proposed to the Shareholders' Meeting, both the Directors' Committee and the Board of Directors agreed that the renewal of PwC's services appeared to be the best option, considering especially for them, that the referred Audit Firm has the following additional advantages: /i/ Good level of services; /ii/ Knowledge of the Company and the industry; /iii/ Presents adequate levels of independence and team rotation policy every 5 years is in line with global standards.

Finally, it is necessary to report on certain aspects that contribute to a high standard audit for Cencosud: /i/ the team with technical expertise, including a central partner specializing in the financial industry, a central partner specializing in retail, the Technical Partner of the Firm and IFRS reviewer appointed by the Technical Group based in London for Chile. In addition, a specialized partner is incorporated for each country, with the corresponding support of the tax and audit systems teams integrated into them; /ii/ It presents a multidisciplinary approach to the work; /iii/ There is centralized coordination from Chile with supervision over the other countries and periodic visits during the planning, interim and final review stages; /iv/ In terms of quality assurance, an independent quality assurance partner was incorporated as of 2010; /v/ Cencosud was included in a mandatory annual review program (and not on a selective basis) by the London-based IFRS



specialist central group; and /vi/ Work programs have been expanded to include procedures additional to those provided for in the Auditing Standards for each quarter. In addition, the Financial Statements of the international technical teams for IFRS are being reviewed.

#### **APPOINTMENT OF CREDIT-RATING AGENCY FOR THE YEAR 2018**

The Board of Directors agreed to propose to the Regular Shareholders' Meeting to maintain "Feller Rate Clasificadora de Riesgo Limitada" and "Clasificadora de Riesgo Humphrerys Limitada" as Credit Rating Agencies for the 2018 period.

#### **DESIGNATION OF THE NEWSPAPER WHERE THE SOCIAL PUBLICATIONS WILL BE MADE**

It will be proposed to the Regular Shareholders' Meeting to maintain the newspaper "El Mercurio" of Santiago, to make the publications required by the legal, regulatory and statutory rules applicable to the Company, in view of its recognized track record and wide national circulation, together with the fact that it has traditionally been the newspaper in which the Company's publications have been published and therefore the shareholders are used to this communication means.

#### **THE CHAIRMAN**