

HUMAN RIGHTS IN FALABELLA

Introduction

Falabella is committed to being a socially responsible company towards its customers, employees, suppliers, the communities in which it operates, the environment, and society in general. For this reason, and understanding that its activities can have an impact on the living conditions of its stakeholders, Falabella adheres to the United Nations Guiding Principles on Business and Human Rights. It recognizes the relevance of having mechanisms that allow for proper identification and evaluation of risks to prevent these impacts and, if necessary, provide remedies.

This commitment began in 2016 when Sodimac Chile approved its first Human Rights Policy. In 2018, Sodimac Chile and Sodimac Colombia began human rights due diligence processes with the support of external consultants, and in 2020, Mallplaza Chile joined this initiative. In the same year, a Human Rights working group was established with the Compliance and Sustainability departments of Falabella companies in Chile, led by the Governance, Ethics, Compliance, Communications, and Sustainability management of Falabella S.A., to coordinate corporate-level efforts. In 2021, Falabella companies in Colombia, Argentina, Peru, Brazil, and Mexico also joined this working group.

This working group focused on three main areas: i) drafting and approving a new Human Rights and Business Policy; ii) developing a communication and training campaign to raise awareness among employees and suppliers on the topic; and iii) initiating or updating (as applicable) human rights due diligence processes.

- Regarding the Human Rights and Business Policy, to date, over 70% of Falabella companies in various operating countries have approved it. This policy establishes specific measures for Falabella companies, including: i) conducting human rights due diligence; ii) adopting a Human Rights and Business Program; and iii) establishing communication channels with all stakeholders to enable consultations and complaints on human rights matters.
- Various publications and activities have been conducted to help employees understand the framework of Human Rights and Business. Notable among them is the annual communication campaign "Human Rights and Business Week," training sessions with representatives from the OECD and ILO as part of the Responsible Business Conduct in Latin America and the Caribbean project (CERALC), and involvement of human rights experts.

- Additionally, an annual Supplier Day is held to inform suppliers about Falabella's standards on human rights, as outlined in the Human Rights and Business Policy, the Practical Compliance Guide for Suppliers, and compliance clauses in contracts.
- Regarding the due diligence process, this work began in different business units in 2022, with the assistance of external consultants. The processes adhere to internationally recognized standards and principles to assess how Falabella's activities may affect human rights, either currently or potentially.

The overall goal of the project is to ensure that Falabella systematically reviews and appropriately manages its risks and impacts related to human rights within its organization and value chain.

The process involves three stages: internal awareness-raising, identifying potential impacts on human rights, and internal management, which includes integrating the proposed action plans into risk matrices for remediation.

The methodology used includes the analysis of secondary information, as well as conducting interviews, focus groups or surveys with employees, suppliers, customers, and communities. This aims to gather and integrate the perspectives of relevant stakeholders whose fundamental rights may be affected by business activities.

Among the completed and ongoing processes, the following human rights risks and aspects have been or are being reviewed to identify negative, potential or real, impacts:

- Health and safety at work, and for visitors and customers.
- Working conditions, talent attraction and retention, and training.
- Freedom of association and collective bargaining.
- Non-discrimination towards visitors, customers, and employees, as well as diversity and equal opportunities.
- Forced labor, human trafficking, and child labor.
- Impacts on the environment affecting human rights and quality of life.
- Privacy of information.
- Grievance mechanisms.

It is also worth mentioning that in the acquisitions or mergers of third-party companies that Falabella has undertaken in recent years, the company has included, in its pre-transaction procedures, a review of the legal and regulatory compliance of the company under analysis. This also includes labor and environmental matters, as well as any contingencies, lawsuits, or administrative proceedings related to health and safety of its employees.



Processes Implemented to Mitigate Human Rights Risks

Based on the completed due diligence processes to date (Mallplaza Chile, Peru, and Colombia; Imperial; Sodimac Colombia, Chile, Peru, China, and Brazil), control and mitigation plans have been established for 100% of the identified risks, allowing a reduction in the level of these risks.

Falabella seeks to cease, prevent, and mitigate the negative impacts related to human rights that have been identified, and the work done in implementing controls for each risk, along with the additional action plans incorporated in some cases, are of particular importance.

Examples of these action plans include: incorporating clauses that address human rights issues in contracts with employees and third parties (suppliers, tenants, among others); conducting awareness, training, or communication activities on human rights for employees and suppliers; and strengthening the communication of our Integrity Channel, which receives inquiries and reports from all our stakeholders.

Furthermore, regarding some specific identified risks and their mitigation measures, the following examples from Mallplaza Chile are highlighted:

- Identified Risk: Lack of representation of women and promotion of gender diversity in Mallplaza's executive positions (Human Rights associated with non-discrimination and equitable remuneration).
 - Mitigation Measure: Strengthened guidelines and hiring plans to increase the representation of women in the company.

- Identified Risk: Lack of awareness of the results or actions taken regarding a complaint made through the integrity channel by employees.
 - Mitigation Measure: Conducting awareness campaigns and training on the functioning of the integrity channel and the confidentiality of the process. Additionally, implementing a monthly review of complaints and their status at the corporate level.

Next Steps

During 2023, Falabella will conclude the due diligence processes in Falabella Corporativo, Falabella Financiero, Falabella Retail, Supermercados Tottus, Falabella Inmobiliario, and Marketplace (Falabella.com and Linio). Furthermore, in line with the specific measures outlined in its Human Rights and Business Policy, Falabella will develop a Human Rights Compliance Program and periodically update the due diligence process (every three years or when there are significant operational changes).