



**S.A.C.I. FALABELLA**  
Public Stock Company  
Securities Register Entry No. 582

**RATIONALE FOR ITEMS OF BUSINESS REFERRED TO THE  
CONSIDERATION OF THE SHAREHOLDERS OF  
S.A.C.I. FALABELLA**  
**AT THE SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
APRIL 23, 2019**

This document is intended to provide the shareholders with sufficient information to understand the rights they may exercise and the rationale behind each of the items of business that will be referred to their consideration at the Special Meeting of Shareholders of S.A.C.I. FALABELLA (the "Company") to be held on April 23, 2019.

## **BACKGROUND FOR THE SMS**

The Board of Directors of the Company, at a meeting held on March 26, 2019, issued a call to the shareholders to convene at a special meeting of shareholders (the "SMS"), in order to refer the items of business indicated in the notice of the SMS to their consideration and to request their approval therefor.

The same information on the call to and notice of the AGM was communicated to the Financial Market Commission (hereinafter, the "CMF" – Spanish acronym) by means of a material event notice dated March 26, 2019.

The notice of meeting was published for the first time in the El Mercurio de Santiago newspaper, on April 5, 2019.

## **INFORMATION ON THE AGM AND SHAREHOLDERS' RIGHTS**

Date Scheduled for the SMS: April 23, 2019, at 4:00pm.

Venue: Álamo AB Room at the Courtyard Hotel located on Av. Kennedy 5601, 7<sup>th</sup> Floor, Las Condes, Santiago.

Shareholders Entitled to Participate at the SMS: All persons holding shares of stock in the Company appearing as shareholders of record in the Shareholders' Register at midnight on Monday, April 15, 2019.

Participation at the AGM: The shareholders may attend and participate in person or by proxy. In this last case, the representative for the shareholder shall submit the applicable proxy letter in accordance with the law. To facilitate the above, on April 5, 2019, the shareholders were sent, together with the notice of the SMS, a form of proxy letter that the shareholders may fill out and submit at the venue for the SMS starting at 2:00pm on April 23, 2019.

Voting System Applicable at the AGM: As provided in article 62 of Law No. 18046 on Stock Companies, it is hereby advised that, unless otherwise unanimously agreed by the shareholders present with the right to vote, to dispense with formally voting on one or more items of business and to decide by means of a show of hands. The items of business referred to the decision of the shareholders in the SMS shall be voted on individually through the "Ballot" system authorized by the CMF. This system allows for the collection, in writing, through a ballot submitted at the same SMS, of the intention of each of the shareholders with the right to vote, in relation to one or more of the items of business being voted on, ensuring that said intention be expressed secretly, albeit allowing – after the vote is taken – for proper identification of the shareholder and how said shareholder voted. Casting of the votes shall be made through one or more ballots, which shall include the items of business to be voted on, and the identification of the shareholder or of the relevant proxy, and the number of votes cast thereby.

Upon completion of the voting process, the votes shall be tallied manually and out loud, showing the results on a board or other display system, all in a single public act. The system shall allow for the subsequent public disclosure of how each shareholder voted.

## **RATIONALE FOR THE ITEMS OF BUSINESS TO BE DISCUSSED AT THE SMS**

### **FIRST ITEM OF BUSINESS:**

**Modify the name of the Company to “Falabella S.A.”, being able to use the fictitious name “Falabella”, and to this end modify the text of the present Article 1 of the Articles of Incorporation of the Company.**

The name change for which the Board of Directors has filed a motion is in line with the new corporate image of the Company.

The changes to be incorporated into Article 1 of the articles of incorporation are that appearing with markups below:

- “ARTICLE 1. **Name.** The name of the company is ~~S.A.C.I.~~ “Falabella S.A.”, being able to use the fictitious name “Falabella”. It is a stock company to be governed by these Articles of Incorporation and by the legal provisions applicable thereto.

***Voting on First Item of Business:*** Vote in favor of, against or abstain from making a determination on the modification of the name of the Company to “Falabella S.A.”, being able to use the fictitious name “Falabella”, and to this end modify the text of the present Article 1 of the Articles of Incorporation of the Company on the proposed terms.

**SECOND ITEM OF BUSINESS:**

**Amend Articles 19, 21 and 23 of the Articles of Incorporation of the Company, as per the comments received from the Financial Market Commission by means of Official Letter No. 6749 dated March 5, 2019. Said comments are related to: (a) in the case of Articles 19 and 23 of the Articles of Incorporation of the Company, the need to update the references to numbers of articles of the old implementing regulations to the Law on Stock Companies, approved by executive order No. 587 issued by the Ministry of Finance in 1982, which became obsolete upon approval of the new Implementing Regulations to the Law on Stock Companies by means of Executive Order No. 702 issued by the Ministry of Finance on May 27, 2011, and (b) in the case of Article 21 of the Articles of Incorporation, the need to replace a reference found in the same to Article 30 of the Articles of Incorporation, with a reference to Article 23 of the Articles of Incorporation.**

By means of Official Letter No. 6749, dated March 5, 2019, the Financial market Commission ("CMF" – Spanish acronym), raised the following points upon its review of the updated articles of incorporation of the Company, which had been submitted to said Commission pursuant to sub-section 2.3 of section I of Title II of General Regulation No. 30 of the CMF.

- "1. In relation to the proxy letter to appear at shareholders' meetings, article 19 of the articles of incorporation states: "Shareholders may be represented at shareholders' meetings by another person who need not be shareholder, and the respective proxy letter shall be in writing and contain the information indicated in Article 63 of the Stock Companies Regulations." Since the aforementioned information is indicated in article 111 of Executive Order No. 702 of the Ministry of Finance, which approved the new Stock Companies Regulations, the company must adjust the reference made in that provision of the articles of information.*
- 2. In turn, article 21 of the articles of incorporation provides that resolutions of the shareholders are binding on all shareholders, "...notwithstanding their right to withdraw from the company as provided in article 30 of these Articles of Incorporation". Since the right of withdrawal is discussed in article 23 of the articles of incorporation, the above reference must be modified.*
- 3. Moreover, the articles of incorporation provide, in relation to the right of withdrawal in article 23: "... With regard to the form and timing for exercising the right of withdrawal, the price to be paid for the shares of stock, which shares of stock are comprised by said right, and other rules related to this matter, the provisions of articles 69 and 71 of law No. 18046, and of articles 76, 77, 78, 79, 80 and 81 of the Stock Companies Regulations shall apply." In relation to this article, the company must modify the reference to the articles of the Stock Companies Regulations since this matter is governed by the provisions of articles 126 et seq. of Executive Order No. 702 of the Ministry of Finance, which approved the new Stock Companies Regulations."*

In its reply dated March 12, 2019, the Company advised the CMF that the points raised by this regulator will be corrected at the immediately following special meeting of shareholders of the Company to be held.

The changes to be incorporated consequently into articles 19, 21 and 23 of the articles of incorporation are those appearing with markups below:

- **"ARTICLE 19: Proxies.** "Shareholders may be represented at shareholders' meetings by another person who need not be shareholder, and the respective proxy letter shall be in writing and contain the information indicated in ~~Article 63~~ **of the Stock Companies Regulations."**
- **"ARTICLE 21: Resolutions Binding.** The resolutions adopted at Shareholders' Meetings legally convened and taken in accordance with current legislation and these articles, are binding on all shareholders, but this is notwithstanding the right of the shareholders to withdraw from the company as indicated in article ~~23~~ **30** of these Articles of Incorporation."
- **"ARTICLE 23: Right of Withdrawal.** The approval at a Shareholders' Meeting of any of the matters contemplated by article 69 of Law No. 18046 shall grant the dissenting shareholder the right to withdraw from the company upon payment of the value of the shares of stock by the company. In relation to the form and timing for exercising the right of withdrawal, the price to be paid for these shares of stock, which shares of stock are comprised by this right and other rules governing this matter, the provisions of ~~articles 69 and 71~~ of Law No. 18046 and of ~~articles 76, 77, 78, 79, 80 and 81~~ of the Stock Companies Regulations shall apply."

***Voting on Second Item of Business:*** Vote in favor of, against or abstain from making a determination on the modification of Articles 19, 21 and 23 of the Articles of Incorporation of the Company, as per the comments received from the Financial Market Commission by means of Official Letter No. 6749 dated March 5, 2019, on the proposed terms.

**THIRD ITEM OF BUSINESS:**

**Adopt any resolution deemed necessary or advisable to supplement or act upon the resolutions adopted at the Special Meeting of Shareholders to meet any legal, regulatory or administrative requirement or demands imposed by the Financial Market Commission, Internal Revenue Service, Santiago Securities Exchange, Central Securities Depository, or any other public authority or self-regulated entities, arising as a result of the aforementioned amendments to the Articles of Incorporation of the Company.**

In addition to the modification to the name of the Company to be proposed at the Special Meeting of Shareholders, and to prevent any inconsistencies in the updated articles of incorporation to be submitted to the CMF in accordance with sub-section 2.3 of section I of Title II of general Regulation No. 30 ("NCG 30"), and publish the same in the website of the Company in compliance with sub-section 3.4 of section I of Title II of NCG 30, a motion is also filed with the SMS to replace article 35 and interim article of the articles of incorporation of the Company, the references to "S.A.C.I. Falabella" with "Falabella S.A.".

The changes to be incorporated consequently into article 35 and interim article of the articles of incorporation are those appearing with markups below:

- **"ARTICLE THIRTY-FIVE: INCORPORATION OF THE COMPANY.** It is hereby noted that stock company ~~S.A.C.I.~~ Falabella S.A., the official name of which was originally "Sociedad Anónima Industrial Comercial Falabella SACIF", was incorporated under a notarially-recorded instrument executed on March 19, 1937, in the presence of Santiago Notary Jorge Gaete Rojas, and was authorized and declared legally established by Executive Order No. 1424, dated April 14, 1937, the Articles of Incorporation and Executive Order mentioned above having been recorded on page 1181 and 1200, under entry numbers 400 and 401 of the Commerce Register for the same year, kept by the Santiago Real Estate Records Office. The Articles of Incorporation and Executive Order mentioned above were published in the Official Gazette on April 27, 1937, and in the Diario La Nación de Santiago newspaper on April 27, 28, 29 and 30, and May 3 of that same year."
- **"INTERIM ARTICLE:** The capital of ~~S.A.C.I.~~ Falabella S.A. shall be the sum of \$1,038,597,784,976, divided into 2,518,795,103 registered, single-series shares of stock without par value, heretofore paid and to be hereafter paid as follows: a) With the sum of CLP 533,409,643,676, divided into 2,434,465,103 registered, single-series shares of stock without par value, which is the subscribed-for and paid-up capital of ~~S.A.C.I.~~ Falabella S.A., prior to August 20, 2018; b) with the sum of CLP 505,188,141,300, divided into 84,330,000 registered, single-series shares of stock without par value, which reflect the capital increase approved at the special meeting of shareholders held on August 20k, 2018, to be paid in pesos, lawful Chilean currency, within a maximum of 3 years as from the date of the aforementioned meeting of shareholders."

***Voting on Second Item of Business:*** Vote in favor of, against or abstain from making a determination on the modification of Article 35 and Interim Article of the Articles of Incorporation of the Company, replacing the references to "S.A.C.I. Falabella" with "Falabella S.A."