

**FREE TRANSLATION**



**FALABELLA S.A.**  
Publicly Traded Stock Corporation  
Securities Registry Entry No. 582

**RATIONALE FOR THE MATTERS SUBMITTED FOR CONSIDERATION  
BY THE SHAREHOLDERS OF FALABELLA S.A.**

**AT THE ANNUAL SHAREHOLDERS'  
MEETING TO BE HELD ON APRIL 19, 2022**

This document is intended to provide shareholders with sufficient information to understand the rights they may exercise and the rationale for each of the matters to be submitted for their consideration at the Annual Shareholders' Meeting of FALABELLA S.A. (hereinafter, the "**Company**") to be held on April 19, 2022.

## **BACKGROUND OF THE ANNUAL SHAREHOLDERS' MEETING**

The Board of Directors of the Company, at a meeting held on April 1, 2022, called the shareholders to an Annual Shareholders' Meeting (hereinafter, the "Annual Shareholders' Meeting"), for the purpose of bringing to their attention and requesting approval of the matters set forth in the notice of the Annual Shareholders' Meeting.

The information on the call and notice of the Annual Shareholders' Meeting was also communicated to the Financial Market Commission (hereinafter, the "CMF") by means of a material event notice dated April 1, 2022.

The notice of the meeting was published for the first time in the electronic newspaper <http://www.latercera.com> on April 4, 2022.

## **INFORMATION ON THE ANNUAL SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS**

*Date of the Annual Shareholders' Meeting:* April 19, 2022, starting at 3:00 pm.

*Venue:* Álamo AB Room of the Courtyard by Marriot Hotel, located at Av. Kennedy 5601, 7th floor, Las Condes, Santiago.

*Shareholders entitled to participate in the Annual Shareholders' Meeting:* All persons holding shares of the Company registered in its shareholder registry at midnight on April 11, 2022.

*Participation in the Annual Shareholders' Meeting:* Shareholders may attend and participate in person or by proxy. In the latter case, the shareholder's representative must evidence his or her power of attorney in accordance with the law. The qualification of proxies, if applicable, will take place on the day of the Annual Shareholders' Meeting at the time it begins.

*Voting system applicable at the Annual Shareholders' Meeting:* In accordance with the provisions of Article 62 of Law No. 18.046, on Corporations (hereinafter, the "**LSA**"), it is hereby informed that, unless unanimously agreed by the shareholders present and entitled to vote that it is permitted to omit voting on one or more matters and proceed by a show of hands, the matters submitted for decision at the Annual Shareholders' Meeting will be individually voted on through the electronic voting system, as provided for in Section I Letter B of General Rule No. 273 of the CMF. Each shareholder attending the Annual Shareholders' Meeting in person will be able to access the electronic voting system provided by DCV Registros S.A., a subsidiary of Depósito Central de Valores S.A. (hereinafter, "**DCV**"), through their own electronic device with internet access and that meets the technical requirements to participate remotely in the Annual Shareholders' Meeting or, if they do not have one at the venue of the Annual Shareholders' Meeting, with the electronic device that the Company will provide them for voting purposes at the same venue of the Annual Shareholders' Meeting. Both the voting of shareholders attending the Annual Shareholders' Meeting in person and of those participating remotely will be carried out within the same electronic voting system, ensuring the accuracy, completeness and simultaneity of the voting of all those attending the Annual Shareholders' Meeting (regardless of whether it is in person through the electronic devices or remotely, as explained below).

*Holding of the Annual Shareholders' Meeting in view of restrictions derived from the COVID-19 pandemic:* The COVID-19 pandemic (hereinafter, the "**Pandemic**") and the measures for its containment that the authorities have issued and could issue in the future that entail restrictions to the hosting of public events (hereinafter, the "**Sanitary Measures**"), could impact the holding of the Annual Shareholders' Meeting, both with respect to the modality of its holding, and the possibility of holding it, at all, within the term required by law. In consideration of the above, and the provisions of General Rule No. 435 and Circular No. 1,141, both of the CMF, which have authorized the use of technological means that allow shareholders who are not physically present at the place where the meeting is held to participate and vote at meetings of open stock corporations, the Company will make the aforementioned technological means available to its shareholders so that they can also participate in the Annual Shareholders' Meeting remotely.

Due to the Pandemic and the Sanitary Measures, and in accordance with the provisions of the CMF in its General

Rule No. 435 and its Circular No. 1,141 mentioned above; shareholders may participate in the Annual Shareholders' Meeting: i) in person, if this is possible in accordance with the Sanitary Measures, in a number that added to the persons who will conduct the Annual Shareholders' Meeting, and in order of arrival, does not exceed the maximum capacity then allowed at the venue of the Annual Shareholders' Meeting, in accordance with the Sanitary Measures, and provided that these allow the presence of at least 10 persons; or, ii) through videoconference and electronic voting through DCV's remote registration and voting system.

In order to participate remotely in the Annual Shareholders' Meeting, shareholders entitled to participate in the meeting must first register in accordance with the instructions that will be published as of April 4, 2022, on the Company's website <https://investors.falabella.com>. This remote participation registration may be carried out until 2:00 p.m. on April 18, 2022. Shareholders so registered will receive by e-mail, at the address provided at the time of registration, the link and password that will enable them to participate in the Annual Shareholders' Meeting remotely and to vote electronically at the meeting. On the day of the Annual Shareholders' Meeting, the shareholder must access the web platform that will be provided for this purpose with the access code (control number) that will be given to him/her, to attend the Annual Shareholders' Meeting and vote electronically, through the same electronic voting system provided by DVC and enabled on the electronic devices available to shareholders attending the Annual Shareholders' Meeting in person.

## RATIONALE FOR MATTERS TO BE DISCUSSED AT THE ANNUAL SHAREHOLDERS' MEETING

### **FIRST MATTER: 2021 ANNUAL REPORT.**

- a) **Matter:** resolution of the Annual Shareholders' Meeting on the Company's annual report for the year ended December 31, 2021 (hereinafter, respectively, the "**Annual Report**" and "**Year 2021**").
- b) **Board of Directors' Proposal:** approval.

The Annual Report is available to shareholders on the Company's website <https://investors.falabella.com> as of April 4, 2022.

**Voting on the First Matter:** Vote for, against or abstain from voting on the approval of the Annual Report.

**SECOND MATTER: 2021 BALANCE SHEET.**

- a) **Matter:** resolution of the Annual Shareholders' Meeting on the audited consolidated balance sheet of the Company for the Year 2021 (hereinafter, the "**Balance Sheet**").
- b) **Board of Directors' Proposal:** approval.

The Balance Sheet is available to shareholders on the Company's website <https://investors.falabella.com> as of April 4, 2022.

**Voting on the Second Matter:** Vote for, against or abstain from voting on the approval of the Balance Sheet.

**THIRD MATTER: 2021 STATEMENT OF INCOME.**

- a) **Matter:** resolution of the Annual Shareholders' Meeting on the audited consolidated statement of income of the Company for the Year 2021.
- b) **Board of Directors' Proposal:** approval.

The audited consolidated statement of income of the Company for Year 2021 is available to the shareholders on the Company's website <https://investors.falabella.com> as of April 4, 2022.

**Voting on the Third Matter:** Vote for, against or abstain from voting on the approval of the audited consolidated statement of income of the Company for the Year 2021.

**FOURTH MATTER: OPINION OF THE EXTERNAL AUDITORS.**

- a) **Matter:** resolution of the Annual Shareholders' Meeting on the report of the external auditors of the Company corresponding to the Year 2021.
- b) **Board of Directors' Proposal:** approval.

The report of the external auditors of the Company, EY Servicios Profesionales de Auditoria y Asesorías SpA (hereinafter, "EY") for the Year 2021, is available to the shareholders on the Company's website <https://investors.falabella.com> as of April 4, 2022.

**Voting on the Fourth Matter:** Vote for, against or abstain from voting on the approval of the report of the external auditors of the Company, EY, corresponding to the Year 2021.

**FIFTH MATTER: DISTRIBUTION TO SHAREHOLDERS OF EARNINGS FROM YEAR 2021.**

- a) **Matter:** resolution by the Annual Shareholders' Meeting of the payment of a definitive and final dividend to be charged to the distributable net income of the Company, from the distributable net income for the Year 2021 (hereinafter, the "2021 Earnings").
- b) **Board of Directors' Proposal:** i) that a final and definitive dividend of \$65 per share be paid out of the 2021 Earnings, which in addition to interim dividend of \$30 per share paid on September 29, 2021 would amount to an aggregate dividend of \$95 per share out of 2021 Earnings, equivalent to a distribution of 36.49% of the 2021 Earnings; ii) that such dividend be paid on April 28, 2022 to those shareholders registered in the shareholders' registry as of April 22, 2022; iii) that the payment of the proposed dividend be made through bank deposits or direct withdrawal by the shareholders of the respective demand voucher in their name at any of the branches of Banco de Crédito Inversiones, BCI, in the country; and iv) with regard to the dividend to be paid out on April 28, 2022, shareholders shall have the chance to apply to the transitory elective legal regime provided in interim article 25 of Law 21210, provided they instruct and authorize the Company in advance to withhold and pay 13.94396% of the relevant amount of dividend subject to such regime as a single tax in substitution of FUT (ISFUT). Such instruction and authorization shall be delivered to the Company before 2:00 p.m. on April 26, 2022, through the form "Instructions for Payments of Substitute Tax in lieu of Final Taxes" (*Instrucciones Pago Impuesto Sustitutivo de Impuestos Finales*) that will be made available for its download by shareholders on the Company's website <https://investors.falabella.com> as from April 4, 2022. Dividends paid out to shareholders who did not deliver the referred instruction and authorization to the Company in due time and form shall be subject to the general applicable tax regime pursuant to Decree Law of No. 824 of 1974 of the Ministry of Finance. For further information on the ISFUT elective regime, see the document "Information about taxes substitute tax elective regime in lieu of final taxes" (*Información sobre el régimen opcional de impuesto sustitutivo de los impuestos finales*) that will be available as from April 4, 2022 on the Company's website <https://investors.falabella.com>.

**Voting on the Fifth Matter** Vote for, against or abstain from voting on the approval of the proposal to pay a final and definitive dividend out of the 2021 Earnings in the terms proposed by the Board of Directors.

**SIXTH MATTER: DESTINATION OF UNDISTRIBUTED 2021 EARNINGS**

- a) **Matter:** resolution of the Annual Shareholders' Meeting on the destination to be given to the part of the 2021 Earnings that will not be distributed to the Company's shareholders.
- b) **Board of Directors' Proposal:** that the remaining balance of the 2021 Earnings that will not be distributed to the Company's shareholders be destined to increase the Company's retained earnings fund.

**Voting on the Sixth Matter:** Vote for, against or abstain from voting on the Board of Directors' Proposal on the destination to be given to the part of the 2021 Earnings that will not be distributed to the Company's shareholders.

## **SEVENTH MATTER: DIVIDEND POLICY FOR THE YEAR 2022**

- a) **Matter:** resolution of the Annual Shareholders' Meeting regarding the Company's dividend payment policy for the fiscal year ending December 31, 2022 (hereinafter, the "**Fiscal Year 2022**").
- b) **Board of Directors' Proposal:** to maintain the Company's current dividend policy, which consists of distributing at least 30% of the distributable net income for the year through dividends.

**Voting on the Seventh Matter:** Vote for, against or abstain from the Board of Directors' Proposal to maintain the Company's current dividend policy of distributing at least 30% of distributable net income for the year through dividends.

**EIGHTH MATTER: DIRECTORS' COMPENSATION.**

- a) **Matter:** resolution by the Annual Shareholders' Meeting of the amount of the compensation of the members of the Board of Directors for the time elapsing between the Annual Shareholders' Meeting and the annual shareholders' meeting to be held pursuant to the LSA in the first four months of 2023 (hereinafter, the "**2022/2023 Period**").
- b) **Board of Directors' Proposal:** i) A fixed monthly per diem for the equivalent in pesos of 55 Unidades de Fomento (hereinafter, "**UF**") gross for each month or fraction of a month during the time the corresponding director is in office as of the Annual Shareholders' Meeting; ii) That in addition to the fixed monthly per diems described above, the directors also receive an annual variable per diem in the amount in pesos equivalent to 0.35% of the distributable net income for Fiscal Year 2022, which variable per diem: a) Would be payable equally among all directors, with the exception of the Chairman, who would be entitled to double the amount corresponding to each director; b) Would be payable immediately upon the holding of the shareholders' meeting that approves the result for Fiscal Year 2022; and, c) Would be payable on a pro rata basis to those directors who have not held office during the entire 2022/2023 Period.

**Voting on the Eighth Matter:** Vote for, against or abstain from voting on the proposed directors' compensation.

**NINTH MATTER:** APPOINTMENT OF THE EXTERNAL AUDITORS FOR FISCAL YEAR 2022.

- a) **Matter:** election by the Annual Shareholders' Meeting of the external auditors of the Company for Fiscal Year 2022.
  
- b) **Board of Directors' Proposal:** following the proposal of the Company's Directors' Committee (hereinafter, the "**Directors' Committee**"), the Board agreed to propose to the Annual Shareholders' Meeting to appoint as external auditors of the Company and its subsidiaries for the Fiscal Year 2022, firstly, EY Servicios Profesionales de Auditoria y Asesorías SpA; and, secondly, KPMG Auditores Consultores Limitada, for the following reasons: **i)** the quality of the professional team in charge of the audit of the Company; **ii)** the past work experience of the Company with EY; **iii)** the international presence of EY in the countries where the Company and its subsidiaries operate; **iv)** the economic proposal received from EY for the audit services; and, **v)** the recent incorporation of new countries and businesses that need correct accounting entries in the audit process.

**Voting on the Ninth Matter:** Vote for, against or abstain from voting on the Board of Directors' Proposal for the appointment of external auditors for Fiscal Year 2022.

**TENTH MATTER: DESIGNATION OF THE RISK RATING AGENCIES FOR THE 2022/2023 PERIOD.**

- a) **Matter:** election by the Annual Shareholders' Meeting of the risk rating agencies for the securities issued by the Company for the 2022/2023 Period.
- b) **Board of Directors' Proposal:** following the proposal of the Directors' Committee, the Board agreed to propose to the Annual Shareholders' Meeting:
  - i) maintaining Fitch Chile Clasificadora de Riesgo Limitada and Feller-Rate Clasificadora de Riesgo Limitada as risk rating agencies for the shares, bonds and bills of exchange issued in Chile by the Company; and
  - ii) maintaining the Standard & Poor's and Fitch Ratings rating agencies for the rating of securities issued abroad.

**Voting on the Tenth Matter:** Vote for, against or abstain from voting on the Board of Directors' Proposal for the designation of risk rating agencies for the 2022/2023 Period.

**ELEVENTH MATTER:** RENDERING OF ACCOUNTS OF TRANSACTIONS BETWEEN RELATED PARTIES.

- a) **Matter:** receipt by the Annual Shareholders' Meeting of the Board of Directors' account of related party transactions entered into during Fiscal Year 2021, regulated by Title XVI of the LSA.
- b) **Board of Directors' Proposal:** informative matter that does not require a decision by the Annual Shareholders' Meeting.

During Fiscal Year 2021, no transactions were entered into under Articles 146 and following of the Corporations Law that: **i)** due to their amount; **ii)** due to their being an exception to the Company's customary policy for this type of transaction; or, **iii)** due to being entered into between related parties in respect of which the Company is not the direct or indirect owner of at least 95% of its shares or capital stock; would have required special approval by the Board of Directors or an Extraordinary Shareholders' Meeting. Notwithstanding the foregoing, the list of transactions between related parties entered into during Fiscal Year 2021 shall be shown.

**TWELFTH MATTER: REPORT BY THE DIRECTORS' COMMITTEE**

- a) **Matter:** receipt by the Annual Shareholders' Meeting of the report on the performance of the Company's Directors' Committee established in compliance with and pursuant to Article 50 bis of the Corporations Law (hereinafter, the "**Directors' Committee**"), during Fiscal Year 2021.
  
- b) **Board of Directors' Proposal:** informative matter that does not require a decision by the Annual Shareholders' Meeting.

The performance of the Company's Directors' Committee during Fiscal Year 2021, whose annual management report is also included in the Company's Annual Report, and is also available to shareholders on the website <https://investors.falabella.com>, will be reported.

**THIRTEENTH MATTER: COMPENSATION OF THE MEMBERS OF THE DIRECTORS' COMMITTEE.**

- a) **Matter:** by the Annual Shareholders' Meeting of the compensation to be received by the directors of the Company who are members of the Directors' Committee, in accordance with the law and in addition to those per diems that correspond to them as members of the Board of Directors, for the 2022/2023 Period.
- b) **Board of Directors' Proposal:** i) A fixed fee for the equivalent in pesos of one third of the fixed monthly compensation established for a director of the Company, for each meeting of the Directors' Committee that the respective member attends, and that in the case of the Chairman of the Directors' Committee a fixed monthly compensation be added for the equivalent in pesos of 160 UF gross for each month or fraction of a month during the time he holds the position as from his election; plus, ii) In addition to the fixed fee described in the previous point, that the members of the Directors' Committee different from the Chairman also receive an annual variable compensation in the amount in pesos equivalent to one third of the annual variable compensation established for the directors of the Company and that, in the case of the Chairman of the Directors' Committee, such annual variable compensation be in the amount of pesos equivalent to two thirds of the annual variable compensation established for the directors of the Company; and, iii) That all of the above amounts be in addition to those that the members of the Directors' Committee are entitled to receive in their capacity as directors of the Company.

**Voting on the Thirteen Matter:** Vote for, against or abstain from voting on the Board of Directors' Proposal for the compensation of the members of the Directors' Committee.

**FOURTEENTH MATTER: EXPENSE BUDGET OF THE DIRECTORS' COMMITTEE.**

- a) **Matter:** determination by the Annual Shareholders' Meeting of the budget of the Directors' Committee, for the 2022/2023 Period, for the operating expenses of said committee and the contracting of consultancies and services in matters within its competence.
- b) **Board of Directors' Proposal:** that said budget be for an amount equivalent to the sum of the annual compensation of the members of the Directors' Committee.

**Voting on the Fourteenth Matter:** Vote for, against or abstain from voting on the Board of Directors' Proposal for the expense budget of the Directors' Committee.

**FIFTEENTH MATTER: NEWSPAPER FOR CORPORATE PUBLICATIONS.**

- a) **Matter:** determination by the Annual Shareholders' Meeting of the newspaper to be used for the Company's publications required by law during the 2022/2023 Period.
- b) **Board of Directors' Proposal:** that such publications be made in the electronic newspaper <http://www.latercera.com>.

The foregoing, due to its wide presence in legal publications on the Internet and being accredited for such purposes by the Financial Market Commission.

**Voting on the Fifteenth Matter:** V Vote for, against or abstain from voting on the Board of Directors' Proposal of the electronic newspaper <http://www.latercera.com> as the newspaper in which the Company's publications will be made.