

REPORT OF INVESTIGATION
BY THE
SPECIAL INVESTIGATIVE COMMITTEE
OF
COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO
CONDUCTED UNDER COORDINATION OF THE AUDIT COMMITTEE BY
REQUEST OF THE BOARD OF DIRECTORS

L. Nelson Carvalho
Eleazar de Carvalho Filho
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EXECUTIVES OF CBD REQUESTED TO ASSIST AND SUPPORT THE WORK OF THE SPECIAL INVESTIGATIVE COMMITTEE:

Alexandre Machabanski – Head of Internal Audit
André Vitória – Head of Risks and Internal Controls
Aymar Giglio - Head of Treasury
Fernando Merino – Legal Counsel – (substituted by Fábio Leone, when the investigation was substantially completed)
Luiz Henrique Costa – Head of the Center for Shared Services

OUTSIDE COUNSEL:

Eduardo Reale – Criminal Attorney
Marcelo Trindade and Pedro Testa from Trindade Advogados (law firm) – Corporate Law
Ruy Camilo – Attorney, Administrative Law

OTHER SENIOR PERSONNEL INVOLVED IN SPECIFIC MEETINGS:

Ms. Maria Helena Santana, Independent Board Member
Ronaldo Iabrudi, CEO

I. OBJECTIVE

The Special Investigative Committee (“Committee”) of the Board of Directors of Companhia Brasileira de Distribuição. (“CBD” or the “Company”) submits this Report of Investigation. This Report summarizes the results of an investigation conducted by the Committee regarding the news published on April 19th 2015 by the Brazilian magazine “Revista Época” which mentioned payments allegedly made by the Company, in 2010, to a law firm of a Former Brazilian Justice Minister and criminal lawyer Márcio Thomaz Bastos (either the law firm or the individual hereinafter will be referred to as “MTB”). Suspicions raised by the magazine were that such payments eventually were made to be passed over to Projeto Consultoria Financeira e Econômica Ltda. (“Projeto”), a consulting firm of another former Minister of Brazil, Antonio Palocci (either the consulting firm or the individual hereinafter will be referred to as “AP”). Both MTB and AP were no longer ministers when the payments would have been made.

II. SCOPE OF INVESTIGATION

As a result of the scope of the authority granted to this Committee by the Board of Directors of the Company (the “Board”), the investigation was related (i) the supposed existence and the origin of the payments, if any, (ii) the corresponding services related thereto; and (iii) the chain of approvals regarding such payments.

Although certain individuals and other companies had not been mentioned by Revista Época, during the investigations it was found that such individuals and other companies have been identified as possibly having relationship with MTB and/or AP and CBD or its subsidiaries, so the scope was extended to search for any association among these individuals and other companies, MTB / AP and CBD and subsidiaries.

Period of coverage for most of analyses concentrated from 2009 up to 2012.

III. SUMMARY TIMELINE OF THE WORK OF THE COMMITTEE

On April 19th, 2015, the Board held a meeting pursuant to article 15 of the Company’s Charter and articles 8 and 9 of the Internal Regulation of the Company’s Board.

All the members of the Board of Directors attended the meeting by conference call and decided, unanimously, to approve the chairman’s proposal to request the Audit Committee to initiate the aforementioned investigation.

On April 20th the Committee was formed. Weekly meetings took place in the Company’s headquarters and the work was considered in condition to have its conclusions reported to the Board on July 2nd, 2015.

IV. WORK DONE

GENERAL

Our investigation was a private internal inquiry. We requested and received voluntary production of documents from many areas at the Company. We were provided files and collected materials prepared by the Company. In addition, we requested access to the Company's computer system, including restoring selected server backups. We reviewed these supporting documents. We also performed interviews with current employees, officers and board members that could provide information related to the inquiry.

On April 19th, 2015, the current Board Members of the Company, the CEO, the CFO and the Legal Counsel informed the Committee that they were not aware of any of the facts related to the investigation. As advised by Counsel, neither the Company nor the Committee has any legal or contractual authority to request information from the Board Members and the key officers that are no longer with the Company. Therefore no interviews (either in person or in writing) were performed with them.

APPROVALS OF PAYMENTS

As part of the work we verified the approval process for payments in the Company, including the procedures performed at the Shared Services Center, signature cards, policies and level of authority in place for the period related to this investigation. The purpose was to identify, if payments were made, how they were made (electronic, cash or any other method), their purpose, who has approved and the internal flow of this approval.

We have interviewed Fabio Leone, current head of the legal department, who signed one out of eleven requests for payment to MTB. In such interview, he has informed us that he was not aware of the content of the services rendered and the document signed was a formal procedure performed after the expense was approved by the legal counsel at that time.

DOCUMENTS REQUESTED FOR OUR REVIEW

In order to identify any commercial relationship between the Company and MTB or AP, we requested any signed contracts, proposals, documents or emails that could support an eventual service provided by MTB or AP to the Company, as well as any description of eventual work performed under these contracts or payments.

Bank statements of the Company from the period of 2002 until 2012 were also requested to verify existence of payments made to MTB or AP or to any consulting company that could be associated to these firms.

We refrained from searching phone bills of corporate mobile phones assigned to senior officers of the Company at the time of the facts because we lacked the identification of the people they might eventually have called to.

Receipts were found from MTB supporting the payments above. These receipts correspond to R\$500 thousand related to a specific criminal inquiry on a location of the Company in Sorocaba City and the remaining R\$8 million were indicated only as “legal fees” in its description, without any other indication (which legal work was requested and/or performed and no contracts relating to these payments were found in the Company’s files). (*Appendix B*)

Few drafts of contracts without the name of the service provider and without signatures. They are potentially related to the payments made to MTB, since amounts and due dates corresponds to payments made to MTB. The object of these drafts was defined as “Legal advice in criminal area”. (*Appendix C*)

Copy of a letter from MTB addressed to the Legal Counsel of the Company at that time which confirms contracts between MTB and the Company were not formalized through signatures of the representatives of the two entities. (*Appendix D*)

Draft of contracts and a letter, without signatures indicating MTB as Legal advisor in the process of business combination between the Company and Casas Bahia Ltda. (*Appendix E*).

A declaration signed by the Legal Counsel of CBD at that time indicating that the Company hired MTB office to provide services related to the merger with Casas Bahia Ltda.. This declaration also indicates that the Company was informed by that office, that they had hired AP to assist on this project. (*Appendix F*).

In the course of the investigation, the Committee had access to copies of the proceedings initiated by Procuradoria Geral da República “PGR” (Attorney General’s Office) mentioned by Revista Época. The PGR investigation was initiated to verify the influence of AP during his mandate as a congressman (2006-2010) benefitting several companies (including CBD). (*Appendix G*). The review of those documents does not contradict the findings of the Committee.

Copy of files and documents in the legal department sent from Legal Counsel of the Company at that time to the General Attorney mentioning that there were services provided by MTB to the Company but with no formal contract signed.

The IT service provider informed that, in accordance with the contract with the Company, it was not possible to recover emails and files dated of the investigation’s period from servers. (*Appendix H*)

No payment to AP was identified, although there is a signed agreement dated February 9th, 2009, valid for 180 days, between the Company and AP related to the acquisition of a Company in the food retail segment - (*Appendix I*).

VI. CONCLUSION

In the view of the foregoing, we concluded that:

- ✓ There were payments made by the Company to MTB, from December 2009 to April 2010, in the amount of R\$ 500 thousand, rendered by MTB for a specific criminal inquiry on a location of the Company in Sorocaba City.
- ✓ There were payments made by the Company to MTB, from January 2010 to May 2011, in the amount of R\$8 million without written agreements. We have not identified written materials in connection with the service rendered. The receipts found do not necessarily indicate the specific purpose of the services provided since they were described as “General Legal Services”.
- ✓ Although the Company has confirmed, in a declaration signed by the Legal Counsel at the time of the events, that it hired MTB to provide services related to the merger with Casas Bahia Ltda., and also informing its knowledge that MTB had contracted AP to assist MTB on this project, no written materials resulting from such services were found.
- ✓ The chain of approvals and the procedures in relation to such payments followed the procedures of the Company in force by the time of the events.
- ✓ An agreement was entered into by the Company and Projeto Consultoria Financeira e Econômica Ltda., on February 9th, 2009, valid for 180 days, to provide services related to the acquisition of a company in the food retail segment. No payments to the hired company or services rendered under resulting from this or any other contract were identified.

VII. APPENDIX

(Note: although this report was prepared in the English language, we did not at this time undertake the task of translating into English the pages of the Appendix)

- A. Manual Notes
- B. Payment receipts from MTB
- C. Draft of Contracts for Legal advisory in criminal area
- D. Letter from MTB to the Company
- E. Draft of Contracts for Legal advisory in the process of joint venture between the Company and Casas Bahia Ltda.
- F. Declaration from Legal Counsel at the time of the investigation
- G. Copies of the documents related to an investigation made by the Attorney General's Office which the Committee was made aware of
- H. Email from IT service provider on recovery of emails
- I. Contract with Projeto
- J. Compact Disk with Bank Statements from the period of the investigation