



ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

IDENTIFYING DATA OF ISSUER

CLOSING DATE OF THE FINANCIAL YEAR OF REFERENCE

31/12/2018

TAX NUMBER (CIF) A28164754

Company name:  
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

Registered office:  
C/ JACINTO BENAVENTE, 2A (EDIFICIO TRIPARK), (LAS ROZAS), MADRID

**ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES**

**A OWNERSHIP STRUCTURE**

A.1 Complete the following table on the company's share capital:

Last modification date	Share capital (€)	Number of shares	Number of voting rights
11/09/2015	62,245,651.30	622,456,513	622,456,513

Indicate whether there are different types of shares with different associated rights:

Yes       No

A.2 Provide details of the direct and indirect owners of significant shareholdings at year end, excluding directors:

Name or company name of shareholder	% of voting rights attributed to shares		% of voting rights attributed to financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
LETTERONE INVESTMENT HOLDINGS, S.A.	0.00	29.00	0.00	0.00	29.00

Detail of indirect shareholding:

Shareholder name or company name of indirect owner	Shareholder name or company name of direct owner	% of voting rights attributed to shares	% of voting rights attributed to financial instruments	% of total voting rights
LETTERONE INVESTMENT HOLDINGS, S.A.	L1R INVEST1 HOLDINGS S.À R.L.	29.00	0.00	29.00

Indicate the most significant changes in the shareholder structure during the year:

<b>Most Significant Movements</b>		
SOCIÉTÉ GÉNÉRALE, S.A.	20/04/2018	Stayed above 3% of the share capital
MORGAN STANLEY	07/06/2018	Decreased below 3% of the

		share capital
BLACKROCK, INC.	18/06/2018	Decreased below 3% of the share capital
USB GROUP AG	30/08/2018	Decreased below 3% of the share capital
BLACK CREEK INVESTMENT MANAGEMENT INC	31/08/2018	Decreased below 3% of the share capital
LSV ASSET MANAGEMENT	07/09/2018	Decreased below 3% of the share capital
THE GOLDMAN SACHS GROUP, INC.	19/10/2018	Decreased below 3% of the share capital
BAILLIE GIFFORD & CO	31/10/2018	Decreased below 3% of the share capital
NORGES BANK	27/11/2018	Decreased below 3% of the share capital
THE GOLDMAN SACHS GROUP, INC.	04/12/2018	Exceeded 5% of the share capital
THE GOLDMAN SACHS GROUP, INC.	05/12/2018	Decreased below 3% of the share capital
THE GOLDMAN SACHS GROUP, INC.	13/12/2018	Exceeded 5% of the share capital
SOCIÉTÉ GÉNÉRALE, S.A.	17/12/2018	Decreased below 3% of the share capital
THE GOLDMAN SACHS GROUP, INC.	21/12/2018	Decreased below 5% of the share capital

On 19 January 2018, Letterone Investment Holdings, S.A. exceeded the threshold of 25% of the voting rights, with a total of 25.001%, of which 15.001% were indirect voting rights attributed to the shares and 10% to financial instruments in accordance with article 13(1)(a) of Directive 2004/109/EC and article 28.1.a) of Royal Decree 1362/2007 (collateralised forward purchase transaction).

On 9 March 2018, Letterone Investment Holdings, S.A. owned 29.001%, where an additional 4% corresponded to financial instruments in accordance with article 13(1)(a) of Directive 2004/109/EC and article 28.1.a) of Royal Decree 1362/2007 (collateralised forward purchase transaction).

On 19 October 2018, the early termination of the two collateralised forward purchase transactions was resolved and, as a result, Letterone Investment Holdings, S.A. indirectly acquired, through L1R Invest1 Holdings S.à.r.l., of which it is the ultimate control shareholder, 14% of the Company's share company and, consequently, it indirectly owned 29.001% of the Company's voting rights.

A.3 Complete the following tables on company directors holding voting rights through company shares

Name or company name of director	% of voting rights attributed to shares		% of voting rights attributed to financial instruments		% of total voting rights	% of voting rights <u>which can be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR BORJA DE LA CIERVA ALVAREZ DE SOTOMAYOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JULIÁN DÍAZ GONZÁLEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MS MARÍA LUISA GARAÑA GORCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR RICHARD GOLDING	0.15	0.00	0.00	0.00	0.15	0.00	0.00
MS ANGELA LESLEY SPINDLER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MARIANO MARTIN MAMPASO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR ANTONIO URCELAY ALONSO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MIGUEL ÁNGEL IGLESIAS PEINADO	0.00	0.00	0.01	0.00	0.01	0.00	0.00

<b>% of total voting rights held by the Board of Directors</b>	0.19
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Detail of indirect shareholding:

Name or company name of director	Shareholder name or company name of direct owner	% of voting rights attributed to shares	% of voting rights attributed to financial instruments	% of total voting rights	% of voting rights <u>which can be transferred</u> through financial instruments
No data		NA	NA	NA	NA

- A.4 Indicate, where applicable, any family, commercial, contractual or corporate relations between the holders of significant shareholdings, where they are known by the company, unless such relations are irrelevant or arise from normal trading activities, except those stated in section A.6:

Name or company name of related parties	Type of relations	Brief description
No data		

- A.5 Indicate, where applicable, any commercial, contractual or corporate relations between the holders of significant shareholdings, and the company and/or its group, unless such relations are irrelevant or arise from normal trading activities:

Name or company name of related parties	Type of relations	Brief description
No data		

- A.6 Describe the relations, unless they are irrelevant for both parties, between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of directors which are legal persons.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate the directors appointed to represent the significant shareholders, whose appointment is fostered by the significant shareholders, or those linked to significant shareholders and/or companies in its group, specifying the nature of such relations. In particular, indicate, where applicable, the existence, identity and position of the board members, or the directors' representatives, of the listed company who are also members of the governing bodies, or their representatives, of companies with significant shareholdings in the listed company or in the companies in the group of those significant shareholders.



Name or company name of related director or representative	Name or company name of related significant shareholder	Name of the company in the group of the significant shareholder	Relations / Position
No data			

A.7 Indicate whether any shareholder agreements have been notified to the company that affect it under Articles 530 and 531 of the Corporate Enterprises Act. If so, describe them briefly and specify the shareholders bound by such agreements:

Yes  No

Indicate whether the company knows of the existence of any concerted actions among its shareholders. If so, describe them briefly:

Yes  No

If any modification or cancellation of these covenants, agreements or concerted actions has taken place during the year, please make express mention of this:

A.8 Indicate whether there is any individual person or company that exercises, or may exercise, control over the company, pursuant to Article 5 of the Securities Market Act. If so, identify:

Yes  No

A.9 Complete the following tables on the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
3,542,356	6,000,000	1.53

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
BANCO SANTANDER, S.A.	6,000,000
<b>Total:</b>	

On 2 January 2019, the equity swap matured whereby the Company was the indirect owner of 6,000,000 shares through Banco Santander, S.A. and, on that date, it became the indirect owner of those 6,000,000 shares.

At the issue date of this report, the Company was the direct owner of 9,433,735 own shares, representing 1.52% of its share capital.

Explain the significant changes during the year:

### Explain the significant changes

No significant changes took place during the year.

A.10 Give details of the terms and conditions corresponding to the Annual General Meeting's current mandate to the Board of Directors to issue, buy back or assign treasury stock.

On 22 April 2016, the Annual General Meeting delegated the Board of Directors the power to increase share capital by attributing it the power to exclude preferential subscription rights up to a maximum nominal amount equivalent to 20% of the share capital on the authorisation date, within the limits and with the requirements established in the Corporate Enterprises Act, for a term of five years from the date of the Meeting's resolution. That resolution rendered null and void the resolution adopted by the Meeting on 13 June 2012.

Likewise, on 22 April 2016, the Annual General Meeting resolved to authorise the Board of Directors, subject to the general regime for issuing debentures and bonds exchangeable for shares of the Company or of any other company, and/or convertible into shares of the Company, as well as warrants, in accordance with the provisions of articles 286, 297, 417 and 511 of the Corporate Enterprises Act and article 319 of the Companies Registration Office Regulations and with articles 14.2, 14.3 and 16.1.e) of DIA's Articles of Association, to issue marketable securities one or more times within the maximum five-year period starting from the date of adopting the resolution, with a maximum amount of 480,000,000 euros.

Moreover, on 20 April 2018, the Annual General Meeting also resolved, subject to the provisions of article 319 of the Companies Registration Office Regulations and to the general regime for issuing debentures and to the Articles of Association, the power to issue simple bonds and debentures, promissory notes and other fixed-income securities, subject to the following terms and conditions:

- (a) The issuances which can be delegated can be made one or more times within 5 years of adopting the resolution.
- (b) The maximum net amount of the issuance(s) will be 1,500,000 euros or its equivalent in another currency.
- (c) The outstanding balance of the issued promissory notes cannot exceed 480,000 euros or its equivalent in another currency at any time. That limit is independent of the previous section.
- (d) The total of the debt represented by securities issued subject to the previous two points or of previous issuances cannot exceed 1,500,000 euros overall.
- (e) Such limits will be calculated by deducting, from the new issuances agreed under this

authorisation, the amounts corresponding to the redemptions or buybacks made or taken place during its term and will be added to the outstanding balances of the issuances agreed subject to the Board's previous delegations of power.

That resolution rendered null and void the unused amount of the resolution adopted by the Annual General Meeting on 22 April 2016.

The Annual General Meeting held on 20 April 2018 expressly resolved to authorise the Board of Directors, with express powers of substitution, in accordance with the terms of article 146 of the Corporate Enterprises Act, to proceed with the derivative acquisition of company shares under the following conditions:

- (a) The Company can acquire shares directly or indirectly through its subsidiaries under the same terms as this resolution.
- (b) The shares can be acquired through sales transactions, swaps or any other operation permitted under law.
- (c) The purchases can be made at any time up to the maximum amount permitted under law.
- (d) The purchases cannot be made at a price exceeding the share price or less than the nominal value of the share.
- (e) This authorisation is granted for a maximum term of five years from the time of this resolution.
- (f) If, as a result of the purchase of shares, including those that the Company or the person acting in their own name but on behalf of the company had acquired previously and had in their portfolio, the resulting equity may not be reduced to an amount less than the sum of the share capital plus the restricted legal or bylaw reserves, all of which will be in accordance with article 146.1 b) of the Corporate Enterprises Act.

It was expressly stated that shares purchased as a result of this authorisation may be used both for transfer or redemption and for application of the remuneration systems considered in paragraph three a) of article 146.1 of the Corporate Enterprises Act, in addition to carrying out the programmes which will foster participation in the corporate capital such as, for example, dividend reinvestment plans, incentive plans and other analogous instruments.

That resolution rendered null and void and revoked the unused amount of the authorisation for the derivative acquisition of own shares granted by the Annual General Meeting on 24 April 2015.

## A.11 Estimated floating capital

	%
<b>Estimated floating capital</b>	69.27

At the issue date of this report, the Company's estimated floating capital was 63.913%.





A.12 Indicate, where applicable, whether there is any restriction (bylaw, legislative or any other) to the transfer of securities and/or any other restriction on voting rights. In particular, indicate the existence of any type of restriction which may hamper the company's takeover through the acquisition of shares in the market and any prior authorisation or communication systems applicable to it based on sector regulations regarding the acquisition or transfer of the company's financial instruments.

Yes  No

A.13 Indicate whether the Annual General Meeting has agreed to adopt neutralisation measures against a takeover bid by virtue of the provisions in Act 6/2007.

Yes  No

If applicable, explain the measures approved and the terms under which these restrictions may be lifted:

A.14 Indicate whether the company has issued securities not traded on a regulated Community market.

Yes  No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

## **B** ANNUAL GENERAL MEETING

B.1 Indicate and, where applicable, list the differences between the minimum regime under the Corporate Enterprises Act and the quorum for establishing the Annual General Meeting.

Yes  No

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework set forth in the Corporate Enterprises Act.

Yes  No

B.3 Indicate the rules applicable to the amendment to the company bylaws. In particular, indicate the majority required to amend the bylaws and, where applicable, the rules for protecting shareholders' rights when changing the bylaws.

The rules applicable are in line with the regulations established by the Corporate Enterprises Act. Thus, according to article 16 of the Bylaws, the Annual General Meeting is the competent body to amend the bylaws. With respect to the right to information in the case of amendment, article 19 of the Bylaws sets forth that, in addition to the mentions required by law, the notice of an Annual General Meeting must include the right corresponding to all the shareholders to examine at the registered office the complete text of the amendment proposed and the report on it, and to request the delivery or free shipment of these documents.

Equally, under article 286 of the Corporate Enterprises Act, when an amendment is proposed to the Bylaws, the directors must draft the whole text of the proposed amendment and a report justifying it, which must be made available to the shareholders with the notice of the Annual General Meeting that is to deliberate on this amendment.

With respect to the quorum and the majorities needed to resolve an amendment to the Bylaws of DIA, article 23 of the Bylaws, pursuant to article 194 of the Corporate Enterprises Act, requires that, in order for the General Meeting to validly be convened at first call, shareholders holding at least 50% of the subscribed voting capital must be present or represented. At second call, it will suffice for 25% of the capital to attend. In order to adopt a resolution to amend the Bylaws, pursuant to article 201 of the Corporate Enterprises Act, if the capital present or represented exceeds 50%, at first or second call, it will suffice for the resolution to be adopted by absolute majority. However, the favourable vote of two-thirds of the capital present or represented at the Meeting will be necessary if, at second call, shareholders representing 25% or more of the subscribed voting capital without reaching 50% are present.



B.4 Indicate the attendance figures at the General Meetings held each year to which this report refers and those of the previous two years:

Date Annual General Meeting	Attendance data				Total
	% attending in person	% represented by proxy	% remote voting		
			Electronic vote	Other	
22/04/2016	1.28	54.01	0.00	6.56	61.86
Of which floating capital	0.02	54.01	0.00	6.56	60.60
28/04/2017	1.94	54.58	0.00	2.45	58.98
Of which floating capital	0.02	54.58	0.00	2.45	57.06
20/04/2018	1.81	56.93	0.00	0.27	59.01
Of which floating capital	0.03	56.93	0.00	0.27	57.24

B.5 Indicate if any items on the agenda of the General Meetings held during the year were not approved for any reasons by the shareholders.

Yes  No

B.6 Indicate whether there is any restriction in the bylaws establishing a minimum number of shares needed to attend the General Meeting or to vote by remote means:

Yes  No

B.7 Indicate whether certain resolutions, other than those established in the law, involving the acquisition, divestment, contribution to another company of core assets or other similar corporate transactions, must be submitted for approval by the General Meeting.

Yes  No



B.8 Indicate the address and form of accessing the information on corporate governance through the company's website and other information on AGMs that should be made available to the shareholders through the Company's website:

DIA's website is [www.diacorporate.com](http://www.diacorporate.com). There are three ways to obtain corporate governance information (i.e. the Company's Board of Directors, Committees or internal regulations):

- Select the "Shareholders and Investors" tab, then click the "Corporate Governance" tab.
- Select the "CSR" tab, then click the "Corporate Governance" tab.
- Select the "Corporate Governance" tab.

In order to access all information on the General Meetings that must be available to the shareholders, select the "Shareholders and Investors" tab, then click the "General meeting" tab.

Furthermore, during the notice period for the AGM, all related information is available to the shareholders through a specific link provided on the home page.

**C** GOVERNING STRUCTURE OF THE COMPANY

**C.1 Board of Directors**

C.1.1 Maximum and minimum number of directors envisaged in the bylaws and the number established by the General Meeting:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5
<b>Number of directors established by the General Meeting</b>	12

C.1.2 Complete the following table with the members of the board:

Name or company name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR MARIANO MARTÍN MAMPASO		Independent	2ND VICE-CHAIRMAN	05/07/2011	28/04/2017	AGM RESOLUTION
MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR		Executive	CEO	05/09/2016	28/04/2017	AGM RESOLUTION
MR JULIÁN DÍAZ GONZÁLEZ		Independent	DIRECTOR	05/07/2011	22/04/2016	AGM RESOLUTION
MS MARÍA LUISA GARAÑA CORCES		Independent	DIRECTOR	14/12/2016	28/04/2017	AGM RESOLUTION
MR ANTONIO URCELAY ALONSO		Other external	DIRECTOR	05/07/2011	28/04/2017	AGM RESOLUTION
MR MIGUEL ÁNGEL IGLESIAS PEINADO		Executive	DIRECTOR	28/12/2018	28/12/2018	BY CO-OPTION
MR RICHARD GOLDING		Independent	1ST VICE-CHAIRMAN	05/07/2011	28/04/2017	AGM RESOLUTION
MS LESLEY ANGELA SPINDLER		Independent	DIRECTOR	08/02/2016	22/04/2016	AGM RESOLUTION

<b>Total number of directors</b>	8
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Indicate the directors who left, through resignation, removal or any other reasons, the board during the reporting period:

<b>Name or company name of director</b>	<b>Status of director at the time of leaving</b>	<b>Date of last appointment</b>	<b>Leaving date</b>	<b>Specialist committees where the director was a member</b>	<b>Indicate if the director left before the end of the mandate</b>
MR JUAN MARÍA NIN GÉNOVA	OTHER EXTERNAL	22/04/2016	22/06/2018	AUDIT AND COMPLIANCE COMMITTEE	YES
MR ANTONIO COTO GUTIÉRREZ	EXECUTIVE	24/08/2018	30/12/2018		YES
MR RICARDO CURRÁS DE DON PABLOS	EXECUTIVE	22/04/2016	24/08/2018		YES
MS ANA MARÍA LLOPIS RIVAS	OTHER EXTERNAL	22/04/2016	31/12/2018		YES
MR STEPHAN DUCHARME	EXTERNAL PROPRIETARY	20/04/2018	04/12/2018	NOMINATION AND REMUNERATION COMMITTEE	YES
MR KARL-HEINZ HOLLAND	EXTERNAL PROPRIETARY	20/04/2018	18/12/2018	STRATEGY COMMITTEE	YES
MR SERGIO FERREIRA DIAS	EXTERNAL PROPRIETARY	16/10/2018	18/12/2018	AUDIT AND COMPLIANCE COMMITTEE	YES

<b>Reasons for leaving and other comments</b>
See section H.

C.1.3 Complete the following tables on the members of the board and their status:

EXECUTIVE DIRECTORS		
Name or company name of director	Position in the company's organisation chart	Profile
MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	CEO	<p>Mr Cierva Álvarez is a graduate in Business Administration from Santiago de Compostela University. He also took a Business Senior Management Programme (PADE) at Vigo University and is a chartered accountant. His career has involved three main areas. He began in auditing, working as an auditor at Arthur Andersen for nine years.</p> <p>In 1995, he joined the General Finance Department of Inditex, S.A., where he had a successful career as the Group's Chief Financial Officer until 2006. Just after, he joined El Corte Inglés, S.A., where he was the Deputy Purchase Manager and, more recently, the Supply Chain Manager, until May 2016. He has also been involved significantly in education and research: he has taught at several universities in Spain and elsewhere and has been a member of the consulting team for the European Transparency Directive and of the accounting experts of the Spanish Commission to implement IFRS at public-sector companies. He has also been a member of the Board of Unirisco SCR, the first university venture capital company authorised by the CNMV (Securities Market Commission) in Spain.</p> <p>At present, he is a member of the Supervisory Board of UNINVEST, S.G.E.I.C., S.A. and, until his appointment as the CEO, he was a director at Be Diligence Strategy Consulting, S.L.</p>
MR MIGUEL ÁNGEL IGLESIAS PEINADO	Corporate Secretary	<p>Mr Iglesias has a Bachelor Degree in Law from Madrid Complutense University, a Master's Degree in Legal Practice from Centro de Estudios Financieros and a Diploma in Employment Law from Madrid</p>



		<p>Complutense University's Legal Practice School.</p> <p>He joined DIA in 1990 and, after discharging duties in the Expansion area, he became the Legal Advice and Employment Relations Officer of DIA in Spain. In 2005, he was designated as the Legal Services Officer for the DIA Group and, in 2011, he became the Vice-Secretary for DIA's Board of Directors and the Board Secretary for its subsidiaries in Spain, while also being responsible for the Group's Compliance and Insurance areas.</p> <p>In October 2018, he was appointed as the Corporate Secretary, being responsible for the following areas: Legal, Corporate Governance and Compliance, Insurance, Asset Security, Information Security and Internal Control over Financial Reporting (ICFR).</p> <p>Mr Iglesias has been the person of reference, as advisor and coordinator, for all the strategic transactions carried out by the DIA Group, including the listing in 2011. He has also fostered the approval of the DIA Group's first Code of Ethics.</p> <p>Mr Iglesias was the Chairman of DIA Argentina, S.A. in 2015 and 2016 and a member of its Board until January 2019.</p>
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Total number of executive directors	2
% of the total board	25,00

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name of significant shareholder represented or proposing appointment	Profile
No data		



Total number of proprietary directors	
% of the total board	

INDEPENDENT EXTERNAL DIRECTORS	
Name or company name of director	Profile
MR MARIANO MARTÍN MAMPASO	Mr Martín is a graduate in Economics from Madrid Complutense University. In 1976, he joined Procter & Gamble, where he spent 33 years, holding different responsibilities in Spain and elsewhere. In June 2009, he resigned from his last position as the company's world sales president. He has been a member of the Board of Directors of Asociación Española de Codificación Comercial (AECOC), of the Governing Board of GS1 US, of the Executive Board of Global Commerce Initiative and of the Board of Directors of Zinkia Entertainment S.A.
MR JULIÁN DÍAZ GONZÁLEZ	Mr Díaz Gonzalez is a graduate in Business Administration and Management from Universidad Pontificia de Comillas - ICADE. After working as General Manager of TNT Leisure, S.A., General Manager of the Airports Division of Aldeasa, General Manager of Aeroboutiques de Mexico, S.A. de C.V. and General Manager of Deor, S.A. de C.V., he joined Latinoamericana Duty-Free, S.A. de C.V. Since 2004 he has been Chief Executive Officer (CEO) at Dufry AG.  He is currently the Chief Executive Officer and Director of Dufry International AG, Deputy Chairman of Dufry South America and Duty Free Caribbean Holdings, and Director and Deputy Chairman of Hudson Ltd.
MS MARÍA LUISA GARAÑA CORCES	Ms Garaña is a graduate in Law and Business Administration from San Pablo CEU University. She also has two Master's degrees in Business Administration, one from San Pablo CEU University and the other from Harvard University. She has worked at several companies such as

	<p>Bain &amp; Company, Inc., Grupo Televisión Azteca, S.A. and Zoom Media (USA). She later joined Microsoft México S. de R.L. de C.V. as the Marketing and Business Manager; she has also been the Chairwoman and CEO of Microsoft - South Cone, the Chairwoman and CEO of Microsoft Ibérica, S.R.L. and the Vice President EMEA for Microsoft Business Solutions. Since January 2018, she has been the Managing Director EMEA for Google Professional Services at Google L.L.C.</p> <p>She has also been a member of the Board of the not-for-profit European Institute of Innovation &amp; Technology. She is currently an independent director and member of the Audit and Compliance Committee of Alantra Parters, S.A., an independent director, Chairperson of the Remuneration Committee and member of the Risk Committee of Liberbank, S.A., and member of the Advisory Board of Euler Hermés (Allianz Group).</p>
<p>MR RICHARD GOLDING</p>	<p>Mr Golding is a graduate in Business Administration from London Thames University.</p> <p>He has held a number of positions during his career, including Marketing Manager at Cadbury Schweppes, and Chairman, Director and Regional Chief Executive Officer at RJR Nabisco. He has also been CEO at Dorna Promoción del Deporte; Chairman, CEO and member of the Board of Directors of Parques Reunidos; and Chairman of the Memora Group.</p> <p>He is currently an operating partner consultant at Hill Path Capital, an industry advisor at Advent International and a non-executive Chairman at Parques Reunidos.</p>
<p>MS ANGELA LESLEY SPINDLER</p>	<p>Ms Spindler is a graduate in Psychology from Manchester University. In 1983, Ms Spindler began her career by working in the sales and marketing area at different companies such as Cadbury Plc., Coca Cola Schweppes Beverages Ltd. and Pedigree Masterfoods. She later became an executive manager and carried out business transactions at Asda Stores Ltd.,</p>

	between 1997 and 2007, and at Debenhams Plc in 2008. Likewise, between 2009 and 2013, Ms Spindler was the CEO of The Original Factory Shop Ltd. Between 2013 and October 2018, she was the CEO of N Brown Group Plc and, therefore, the person responsible for its operating company.
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<b>Total number of independent directors</b>	5
<b>% of the total board</b>	62.50

Indicate whether any director classified as independent receives any sum or benefit from the company or from its group, for an item other than the remuneration of directors; or has or has had in the last year a business relationship with the company or with any company in its group, whether in his or her own name or as a significant shareholder, director, or senior manager of a company that has or may have had such a relationship.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

<b>Name or company name of director</b>	<b>Description of relationship</b>	<b>Reasoned statement</b>
No data		

<b>OTHER EXTERNAL DIRECTORS</b>			
Please name any other external directors and describe the reasons why they are not proprietary or independent directors, and any links held with the company, its executives or shareholders:			
<b>Name or company name of director</b>	<b>Reasons</b>	<b>Company, executive or shareholder with whom the relationship is maintained</b>	<b>Profile</b>
MR ANTONIO URCELAY ALONSO	Mr Antonio Urcelay is a director at Corporación Empresarial Pascual, S.L. and Calidad Pascual, S.A., both of which belong to the	PASCUAL GROUP	Mr Urcelay is a graduate in Law from Madrid Complutense University. During his career, he has held the

	<p>Pascual Group.</p> <p>The Pascual Group maintained business relations with DIA in 2018 as supplier of different brands of dairy products and beverages for the DIA stores and franchises.</p> <p>As a result, Mr Urcelay is classified under "other external directors", based on his independent director status at Corporación Empresarial Pascual, S.L. and Calidad Pascual, S.A., both of which belong to the Pascual Group, which maintains the business relations with DIA referred to above.</p> <p>In any case, Mr Urcelay has never participated in the Pascual Group's selection process to hire the provision of services to DIA and has always refrained from participating in any discussions and decision-making that simultaneously affected both groups.</p>	<p>following posts, amongst others: Marketing Department of Procter &amp; Gamble, General Manager of Ahold España, a practising lawyer at J. y B. Cremades, General Manager of the Digma, S.A. supermarket chain and, subsequently, of Leche Pascual, S.A. In 1996, he joined Toys R Us, where he has held various positions in Spain and abroad. Between 2013 and June 2015, he chaired the Board of Directors of Toys R Us Inc. and was appointed CEO, with responsibility for the company's entire business worldwide.</p> <p>In 2016, he was a member of the Board of Directors of Tuc Tuc, S.L. and, since 2016, he is a member of the Board of Directors of the following companies: Calidad Pascual ,S.A., Corporación Empresarial Pascual, S.L. and Kipenzi, S.L.</p>
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Total number of other external directors	1
% of the total board	12.50

Since 2016, Mr Urcelay has been a director at Calidad Pascual, S.A. at Corporación Empresarial Pascual, S.L., both of which belong to the Pascual Group with which DIA maintains business relations since it is the supplier of DIA. His status as an "other external" director was ratified on 6

February 2018.

Indicate any changes that may have arisen during the reporting period, in each director's category:

Name or company name of director	Date of change	Previous category	Current category
MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	28/12/2018	INDEPENDENT	EXECUTIVE

C.1.4 Complete the following table with information on the number and category of female directors at the closing date of the last 4 financial years:

	Number of female directors				% of total directors of each type			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	2	2	2	1	40.00	33.33	25.00	14.28
Other external		1	1	1	0.00	33.33	100.00	100.00
<b>Total:</b>	2	3	3	2	25.00	30.00	30.00	22.22

C.1.5 Indicate if the company has diversity policies in relation to the company's board of directors regarding matters such as age, gender, disability or professional training and experience. Pursuant to the definition stated in the Audit Act, small and medium enterprises must at least indicate the policy established in relation to gender diversity.

Yes

No

Partial policies

If yes, describe the diversity policies, their objectives, the measures and the way in which they were applied and their results during the year. Also indicate the specific measures adopted by the board of directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain why.

**Description of the policies, their objectives, the measures and the way in which they were applied and their results**

In accordance with article 540.4.c.6 of the Corporate Enterprises Act, in the wording introduced by Act 11/2018 of 28 November, which amends the Spanish Code of Commerce, the

consolidated text of the Corporate Enterprises Act approved by Legislative Royal Decree 1/2010 of 2 July, and Audit Act 22/2015 of 20 July regarding non-financial information and diversity, the Annual Corporate Governance Report of listed companies must include, among others:

(a) a description of the diversity policy applied in relation to the Board of Directors, the management and the specialist board committees created, regarding matters such as age, gender, disability and professional training and experience of the members; including its objectives, the measures adopted, the way in which they have been applied, in particular, the procedures to include a number of women on the board to achieve a balanced presence of women and men, and the results in the report presentation period, as well as the measures which, where applicable, have been resolved to that end by the nomination committee; and

(b) information about whether or not information was provided to the shareholders about the diversity criteria and objectives on the occasion of the election or renewal of the members of the board or its specialist committees.

According to article 19 of the Regulation of DIA's Board of Directors, the Board will ensure that all director selection procedures promote gender diversity, as well as diverse experience and knowledge, with no implicit biases that may hinder the selection of female directors, ensuring that the Company deliberately looks for, and includes amongst potential candidates, any women who meet the professional profile sought.

The Director Selection Policy (approved in December 2015 and inspired by article 19 of the Board Regulation) establishes, among others, the following principles which inspire the director selection procedures:

- It must not have an implicit bias nor discriminate on grounds of race, gender or any other type.
- It must favour diversity of knowledge, experience and gender among the Board.
- It must enable the Board of Directors to have diversity and plurality regarding the members' training, culture and internationalisation.
- To avoid hampering the selection of female directors, the Company must deliberately seek and include, among the potential candidates, women who meet the professional profile requirements with the target that in 2020 the number of female directors should represent at least 30% of all the members of the Board of Directors.

Likewise, the Selection Policy requires that all the candidates must have the necessary training, qualifications and professional experience, thus favouring the Board's cultural diversity and internationalisation.

The recent experience in applying such rules shows that age, disability or gender are not an obstacle to join the Company's Board and, where applicable, retain the talent in the last few years.

On occasion of the announcement of each General Meeting which considers the shareholders proposed for appointment, ratification and re-election of the board members, the corresponding reports from the Nomination and Remuneration Committee and from the Board of Directors are made available to them. Those reports include the Board's assessment of the competence, experience and merits of the various candidates and whether they will be able to fulfil their

duties as directors.

In line with the above, and as stated in the reports made available to the shareholders, the director selections (apart from those proposed by the significant shareholders) have followed the guidelines envisaged in the Director Selection Policy approved by the Company on 11 December 2015 and, as stated above, the aforementioned inspiring principles were respected, as well as their diversity objectives.

Those objectives were met in 2018 since, during most of the year, 30% of the Board was female, as in 2016 and 2017. Ms Llopis's resignation on 31 December reduced that percentage to 25% at that date. The Board aims to ensure that the successive searches for candidates to cover the existing vacancies will enable it to meet or exceed that 30% target.

- C.1.6 Explain the measures that may have been agreed by the appointments committee so that the selection procedures do not include any implicit bias that prevent the selection of female directors, and so that the company deliberately searches for and includes women with the appropriate profile among the potential candidates, enabling it to reach a balanced presence of women and men:

Explanation of measures
<p>Further to the provisions derived from amendments made to the Corporate Enterprises Act in corporate governance matters, the Nomination and Remuneration Committee has been entrusted with establishing a representation target for the least represented gender on the Board, and has drawn up guidelines on how to achieve this target.</p> <p>Moreover, further to the provisions derived from amendments made to the Corporate Enterprises Act in corporate governance matters, the Nomination and Remuneration Committee was entrusted with establishing a representation target for the least represented gender on the Board and has engaged itself in achieving this target. As a result of such efforts, the Company now meets the target set out in Recommendation 14 of the Code of Good Governance.</p>

When, despite the measures that may have been adopted, the number of female directors is zero or limited, explain the reasons justifying this:

Explanation of the reasons
Not applicable.

- C.1.7 Explain the conclusions reached by the Nomination Committee on verified compliance with the director selection policy, to particularly include how this policy is working towards the target that by 2020 the

number of female directors represents at least 30% of all the Board members.

The Company's Board had two female directors (25% of the total) at 31 December and at the issue date of this report. In 2018, the Board had three female directors. On 31 December, Ms Llopis resigned as a director for the reasons set out above.

The Nomination and Remuneration Committee and the Board of Directors will ensure that all director selection procedures promote gender diversity, as well as diverse experience and knowledge, with no implicit biases that may hinder the selection of female directors, ensuring that the Company deliberately looks for, and includes amongst potential candidates, any women who meet the professional profile sought.

C.1.8 Explain, where applicable, the reasons for the appointment of proprietary directors at the suggestion of shareholders whose holding is below 3% of the share capital:

Name or company name of shareholder	Justification
No data	

Indicate whether formal petitions have been met for the presence of shareholders on the board whose holding is equal to or greater than that of others at whose request proprietary directors may have been appointed. In this case, explain the reasons why they have not been granted:

Yes

No

C.1.9 Indicate, where applicable, the powers and the rights delegated by the board of directors to the directors or to the board committees:

Name or company name of director or committee	Brief description
MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	Mr. Borja de la Cierva Álvarez de Sotomayor, the Company's CEO, has been delegated all the powers and rights which can be delegated in accordance with the law, the bylaws and the Board Regulations, by virtue of a resolution adopted by the Board of Directors on 27 December 2018.

C.1.10 Identify, where applicable, the members of the board who occupy positions as directors, representatives of directors or executives in other companies that form part of the group of the listed company:

Name or company name of director	Corporate name of the group company	Position	Does he/she have executive tasks?
MR MIGUEL ÁNGEL IGLESIAS PEINADO	DIA Argentina, S.A.	Member of the Board of Directors	YES



Mr Iglesias resigned as a director at DIA Argentina, S.A. on 14 January 2019. Therefore, at the issue date of this report, no Board member occupied a position as director, representative of directors or executive in other group companies.

- C.1.11 Identify, where applicable, the directors or representatives of directors which are legal persons of the company who are members of the board of directors or representatives of directors which are legal persons of companies not in your group that are traded on official stock exchanges, and that have been reported to the company:

Name or company name of director	Corporate name of the listed company	Position
MR RICHARD GOLDING	PARQUES REUNIDOS SERVICIOS CENTRALES, S.A.	CHAIRMAN
MR JULIÁN DÍAZ GONZÁLEZ	DUFREY INTERNATIONAL AG	CHIEF EXECUTIVE OFFICER
MS MARÍA LUISA GARAÑA CORCES	ALANTRA PARTNERS, S.A.	DIRECTOR
MS MARÍA LUISA GARAÑA CORCES	LIBERBANK, S.A.	DIRECTOR
MR JULIÁN DÍAZ GONZÁLEZ	HUDSON LTD	DIRECTOR

- C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the maximum number of boards on which its directors may sit, identifying, where applicable, where this is regulated:

Yes  No

**Explanation of the rules and identification of the document where they are regulated**

Article 19.6 of the Board of Directors Regulation establishes that directors who, in addition to the Company Board, belong to more than six boards of directors in other companies may not be appointed. To this effect, any boards to which a director belongs as a proprietary director, proposed by the Company or by any group company, will not be taken into account; nor will other appointments be taken into account if the director is not actually and truly dedicated to a commercial activity.

C.1.13 Indicate the amounts for the items regarding the overall remuneration for the board of directors:

Remuneration accrued by the board of directors during the year (thousands of euros)	3,972
Total remuneration corresponding to the pension rights accumulated by current directors (thousands of euros)	
Total remuneration corresponding to the pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify the members of senior management who are not executive directors, and indicate the total remuneration paid to them during the year:

Name or company name	Position(s)
MR ENRIQUE WEICKERT MOLINA	CHIEF FINANCIAL OFFICER
MR ALEJANDRO GRANDE	CHIEF HUMAN RESOURCES OFFICER
MR FAUSTINO DOMÍNGUEZ DE LA TORRE UNCETA	CHIEF OFFICER FOR SPAIN
MR JAVIER GARCÍA DE LA VEGA	CORPORATE COMMUNICATIONS MANAGER OF THE DIA GROUP
MS ISABEL FERNÁNDEZ DE CÓRDOBA MONCADA	INTERNAL AUDIT MANAGER
MR IGNACIO GOSALBEZ QUINTANA	HEAD OF ORGANISATION AND SYSTEMS OF THE DIA GROUP
MR MIGUEL ÁNGEL IGLESIAS PEINADO	CORPORATE SECRETARY

Total remuneration received by senior management (thousands of euros)	4,581
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This section shows the people who form part of the Company's senior management at 31 December 2018.

Notwithstanding the foregoing, the amount stated in these sections indicates the total amount received by the senior managers during the year and, therefore, includes the amounts received by Diego Cavestany, Antonio Coto, Juan Cubillo, Javier La Calle Villalón and Amando Sánchez

Falcón.

Likewise, at the issue date of this report, Damian Dircie, Pedro Barsanti, José Antonio Lombardía, María Miralles (who provides her services as an external service provider to the company), Marin Dokozić and Miguel Guinea were senior managers; while Ignacio Gosálbez had left.

The total remuneration amount for the senior managers at consolidated level included in this section includes the value of the shares delivered to them within the Incentive Plan for managers (2014-2016).

C.1.15 Indicate if any changes have taken place to the regulation of the board of directors during the year:

Yes

No

Description of amendments
<p>The amendment to the DIA Board Regulations made at the meeting on 21 February 2018 was aimed at adding a new article (38 bis) on the Strategy Committee.</p> <p>The information about the Strategy Committee is detailed in section C.2 of this report.</p>

C.1.16 Indicate the selection, appointment, re-election and removal procedures for board members. Specify the competent bodies, the procedures to follow and the criteria to use in each of the above procedures.

I. Selection, appointment and re-election

The selection, appointment and re-election of directors is regulated in articles 5, 19, 20, 35 and 39 of the Board of Directors Regulations, as well as in the Director Selection Policy, approved by the Board at its meeting on 11 December 2015.

The bodies in charge of selecting and appointing the directors will ensure that they are honourable, suitable, of reputed solvency, competence and experience, and will be particularly strict in relation to any persons appointed to cover independent director positions or to belong to the committees.

As regards the selection process, the Board of Directors, as part of its non-delegable powers, will resolve whether it is adequate to (i) appoint a new director by co-option to cover any vacancy; (ii) propose to the AGM the appointment or ratification of a director and/or increase the number of Board members; (iii) fulfil a shareholder's request to uphold its right of proportional representation; or (iv) appraise the possible re-election of a director whose term is nearing expiration.

In any of the foregoing cases the Board, or its Chairperson, on its behalf, will formally entrust the Nomination and Remuneration Committee with an examination and selection of directors amongst the candidates.

The Nomination and Remuneration Committee, further to express instructions from the Board of Directors, will convene as soon as possible in order to begin the selection process, and may be assisted by independent professionals specialising in selection processes and head hunting, in order to find the most suitable candidates.

Once the Nomination and Remuneration Committee has selected the directors, it will individually interview each candidate separately. The opinions gathered on the various candidates will be jointly examined and the relevant conclusions drawn, which will be recorded in an explanatory report from the Nomination and Remuneration Committee, to be presented to the Board.

Any proposal to the AGM will in any case include an explanatory report from the Board of Directors, evaluating the competence, experience and merits of the candidate proposed; this will be attached to the minutes of the AGM or of the Board of Directors' meeting.

The candidates chosen must contribute with their profile to make sure that they have (i) ample knowledge and experience in the sectors (especially large consumption and retail) and in the Spanish and foreign markets where DIA operates, as well as the economic and financial factors (with special competences, experience and knowledge on accounting and risk management); (ii) a strong strategic international vision for businesses and extensive experience in business management, leadership and strategy; (iii) maximum level of ethics, representation and respect for the business community in general; and (iv) maximum level of loyalty, commitment and sufficient dedication to the Company's project.

The diversity in the group of directors and the various origins and profiles of each Board member are expected to meet the Company's current and future strategic needs.

If the Board of Directors does not follow the proposals and reports provided by the Nomination and Remuneration Committee, it must explain the reasons for its actions and duly record this in the minutes.

All directors will be appointed by the General Meeting or Board of Directors, as the case may be, following the provisions of the Companies Act, the Articles of Association and Board of Directors Regulation, as well as the Director Selection Policy.

An appointment will be announced to the market and, after a General Meeting is called, the résumé of the candidate will be made available to the shareholders, as well as an explanatory report from the Board of Directors and from the Nomination and Remuneration Committee, as the case may be, on the Company website.

## II. Assessment

Article 6 of the Board Regulation envisages that the quality and efficiency of the Board will be evaluated once a year, as well as performance by the Board Chairperson and Company CEO, the operation and composition of its Committees, diversity in Board composition and competences, and the performance and contribution made by each director, particularly examining the managers of the various Committees.

In order to assess the various Committees, the reports presented by the latter to the Board will be examined. When assessing the Board, the report presented by the Nomination and Remuneration Committee will be taken into account.

This task is covered by the policy to fulfil corporate governance rules applicable to the Company, thereby fulfilling Recommendation 36 of the Good Governance Code.

Continued in section H.

C.1.17 Explain to what extent the Board's annual assessment has entailed relevant changes in its internal organisation and procedures applicable to its activities:

Description of amendments
<p>In view of the conclusions from the annual assessment for 2017, in February 2018 the Board resolved to create a Strategy Committee, whose content, objectives and composition were reported to the markets. That Strategy Committee managed the process which has approved the Group's new strategic and business plan for the coming years.</p> <p>Likewise, the inclusion of directors in 2018 has enabled it to reinforce the experience areas in food retail and accounting and financial supervision which, together with the wish of the significant shareholder Letterone to propose the designation of proprietary directors, has increased the Board size to twelve.</p>

Describe the assessment process and the areas assessed by the Board of Directors, with the assistance of an external consultant, as the case may be, with respect to the operation and composition of the board and its committees and any other areas or features assessed.

Description of the assessment process and the areas assessed
<p>The Board members' profile is periodically analysed with the aim of assessing their individual or group contribution to the Board. Also, within the Board's annual assessment, the specific needs are assessed in view of the characteristics of the DIA Group's business itself, its present and future geographical deployment, the requirements defined for its strategic plans and new challenges resulting from the market's changing circumstances, the digital revolution, the new technologies in the distribution sector, the consumers' profile, demand in general, etc. That analysis is fundamental for identifying the skills that the Board must have and helps to identify the Board's improvement areas.</p> <p>Based on this, in the fourth quarter of 2018 the Nomination and Remuneration Committee implemented a process to think about the Board's composition and the skills and competences required to deal with the challenges it faces. That process has redrafted the Board's map of skills and competences, with the help of Heidrick &amp; Struggles within the context of the annual assessment process.</p> <p>Article 6 of the Board Regulation envisages that the quality and efficiency of the Board will be evaluated once a year, as well as performance by the Board Chairperson and Company CEO, the operation and composition of its Committees, diversity in Board composition and competences, and the performance and contribution made by each director, particularly examining the managers of the various Committees.</p> <p>In 2018, the Board was assisted by a prestigious international external consultant (Heidrick &amp; Struggles), which followed an assessment methodology with proven experience with the aim of understanding the performance and actual contribution of the Board, its committees and each individual director, and identifying the room for improvement.</p> <p>To elect that external consultant, the Nomination and Remuneration Committee followed a competitive selection process involving the leading Spanish and international consultancy firms,</p>

ensuring that the selected consultant would be sufficiently independent from the Company.

The areas assessed include the following: (i) the directors' expectations; (ii) the governing ability; (iii) the efficacy of the Board and its Committees; (iv) the experience areas and the work processes; (v) the chairmanship; and (vi) the interaction with senior managers, shareholders and other stakeholders. The work was also aimed at identifying the critical skills required for the Board in the future and, consequently, the current Board was also assessed in terms of skills, experience and leadership ability.

This process was based on questionnaires and individual interviews with each Board member. The data obtained were consolidated and assessed. The consultant drafted a full report aimed at all the Board, including individual information about each Committee, and identified the key skills and experience which can be capitalised by the Board.

Subsequently the Board, in a plenary meeting and with the prior involvement of the Nomination and Remuneration Committee (in relation to the assessment of this Committee and of the Board) and the Audit and Control Committee (regarding the assessment of the Audit and Control Committee), assessed the aforementioned presentation with the conclusions, and resolved to implement a number of initiatives aimed at delving into the improvement areas that were identified.

- C.1.18 Provide a breakdown, in the years during which the assessment was assisted by an external consultant, of the business relations that the consultant or any group company holds with the Company or any group company.

During the year, the consultant Heidrick & Struggles searched for candidates to cover the various senior management positions at the Company three times.

- C.1.19 Indicate the cases in which directors must resign.

The Regulation of the Board of Directors regulates this aspect in article 22, which stipulates that directors must tender their resignation to the Board of Directors and complete the corresponding resignation if the Board deems it appropriate, in the following cases:

(a) when they are involved in one of the cases of conflict of interest or prohibition specified in the provisions of a general nature and in the Articles of Association;

(b) when, due to events imputable to the directors acting as such, serious damage is caused to the Company's credit and social reputation, or there is a loss of the business and professional honour needed to be a director of the Company;

(c) when those who were associated with the person's appointment as director resign from their executive positions;

(d) when they are indicted for an alleged criminal act or are subject to disciplinary proceedings for a serious or very serious misdemeanour conducted by the supervisory authorities; and

(e) when their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist; in particular, in the case of the

representative external directors, when the shareholder they represent sells or transfers all or part of the stake, with the result that it is no longer significant or sufficient to justify the appointment.

In any of the cases specified above, the Board of Directors, given the specific circumstances, may require the board member to resign from his or her position, and propose the director's removal to the General Meeting, where applicable. Without prejudice of the communication of the removal as a significant event, the Board shall explain the reason for the removal in the annual corporate governance report.

Any directors affected by proposed dismissals will refrain from participating in any related discussion and vote.

The Board of Directors may only propose the severance of an independent director before expiration of the bylaw term, and only if there is just cause, ascertained by the Board of Directors after receiving an opinion from the Nomination and Remuneration Committee. In particular, if the director is appointed to new posts or undertakes new obligations preventing him/her from dedicating the necessary time to his/her director duties, this will constitute just cause, as well as a breach of the duties inherent to director status, or if the director has subsequently incurred any of the circumstances depriving him/her of independence. A dismissal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that significantly change the Company's capital structure, if such changes in the Board's structure are a result of the proportionality principle foreseen in article 10.2 of the Board of Directors Regulation.

If a director is removed from office before the end of his/her term, due to a dismissal or for any other reason, he/she will duly explain the reasons for this in a letter sent to all the Board members. The reasons described therein will be referred to in the Annual Corporate Governance Report.

C.1.20 Are reinforced majorities other than those under law required for any type of decision?

Yes

No

If applicable, describe the differences.

Description of differences
Any amendment to the Board Regulation must be approved in a resolution adopted by an absolute majority of the Board members in attendance at the meeting, provided that the favourable vote is also obtained of the majority independent directors.

C.1.21 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairperson.

Yes

No

C.1.22 Indicate whether the articles of association or the board regulations set any age limit for directors.

Yes

No

C.1.23 Indicate whether the articles of association or the board regulations set a limited term of office or additional stricter requirements other than those legally envisaged for independent directors, others than those established in the regulations:

Yes

No

C.1.24 Indicate whether the articles of association or regulation of the board of directors establishes specific rules for delegation of votes in the board of directors in favour of other directors, the method of casting such votes, and in particular the maximum number of delegated votes that a director may hold; and whether the delegated vote must be delegated to a director of the same type, beyond the limits imposed by the legislation. If so, give a brief outline of these rules.

Article 18 of the Regulation of the Board of Directors establishes that the directors must attend the Board meetings, so non-attendance is limited to unavoidable cases. When members cannot attend in person, they must try to delegate their vote in writing and in particular for each session to another member of the Board to the extent possible with instructions. Independent directors may only delegate their vote to another independent director and outside directors may only delegate their vote to another outside director. There is no limit on the number of director proxies.

The vote may be delegated by any postal, electronic or fax means, provided that the identity of the director and the meaning of any instructions included is safeguarded.

C.1.25 Indicate the number of board meetings held during the year and how many times the board has met without the Chairperson's attendance. Attendance will also include proxies appointed with specific instructions.

<b>Number of board meetings</b>	18
<b>Number of board meetings held without the Chairperson's attendance</b>	

Indicate the number of meetings held by the coordinating director with the other directors, without the attendance or representation of any executive directors.

<b>Number of meetings</b>	
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Indicate the number of meetings of the various board committees held during the year.

<b>Number of audit and compliance committee meetings</b>	7
<b>Number of strategic committee meetings</b>	7
<b>Number of nomination and remuneration committee meetings</b>	11



As a result of the resignation by Ms Ana María Llopis as Chairperson of the Board of Directors, notified through a Significant Event on 15 October 2018, the position of a new First Vice-Chairman was created, and Mr Stephan DuCharme became acting Chairperson of the Board of Directors.

After the resignation by Mr Stephan DuCharme, notified through a Significant Event on 4 December 2018, Mr Richard Golding, in his capacity as the Vice-Chairman, became acting Chairperson of DIA's Board of Directors.

For clarification purposes, the Board of Directors held 18 meetings in 2018 and, on 4 other occasions, the resolutions were adopted in writing and without a meeting. Moreover, on other occasions, the Board met to debate the strategic aspects without recording formal minutes at the end of the meeting.

On the other hand, after the resignation by the Chairperson of the Board of Directors, Ms Ana María Llopis, notified through a Significant Event on 15 October 2018, the Board of Directors did not have a Chairperson. As a result of that resignation, Mr Stephan DuCharme acted as the Board Chairperson at 5 of the meetings held by the Board of Directors by virtue of his appointment as the First Vice-Chairperson. After the resignation by Mr Stephan DuCharme as the First Vice-Chairperson of the Board of Directors, Mr Richard Golding acted as the Board Chairperson at 6 of the meetings held by the Board of Directors of DIA by virtue of his capacity as the First Vice-Chairperson.

C.1.26 Indicate the number of board meetings held during the year and the attendance details of its members:

Number of meetings attended by at least 80% of the directors in person	17
% of attendance in person of the total votes cast during the year	90.23
Number of meetings attended by all the directors in person or through proxies with specific instructions	13
% of votes cast in person or through proxies with specific instructions out of the total of votes during the year	96.93

C.1.27 Indicate whether the consolidated and individual financial statements submitted for authorisation by the board are certified previously.

Yes

No

Identify, where applicable, the person(s) who certified the Company's individual and consolidated financial statements prior to their authorisation for issue by the board.

Name	Position
MR ENRIQUE WEICKERT MOLINA	CHIEF FINANCIAL OFFICER
MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	CHIEF EXECUTIVE OFFICER (APPROVED IN THE CERTIFICATION)

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

Article 36 of the Board Regulation provides that the Board of Directors shall make a final draft of the annual accounts so that there are no auditor's qualifications. Nevertheless, when the Board believes that it should maintain its criterion, it shall publicly explain the content and the scope of the discrepancy.

At the same time, with the aim of preventing individual and consolidated accounts prepared by the Board of Directors from being presented at the General Meeting with auditor's qualifications, before they are prepared, article 38 of the Regulation of the Board of Directors and articles 6 and subsequent of the Audit and Compliance Committee's Regulations establish that the Audit and Compliance Committee must, among other points:

(a) supervise and review the process of preparation and presentation of the regulated financial report, which in accordance with the Securities Market Act and the regulations developing it, must be submitted by the Board to the markets and its supervisory bodies; and in general, supervise compliance with the legal requirements in this matter, the adequate outline of the scope of consolidation and the correct application of the generally accepted accounting principles, as well as inform of the proposals to modify the accounting principles and criteria suggested by management, and submit recommendations or proposals to the Board of Directors aimed at safeguarding their integrity.

That supervisory task by the Committee must be carried out continually as well as promptly, at the request of the Board of Directors.

(b) regarding the periodic and/or mandatory financial and non-financial information that the Company must submit to the markets and the control bodies, assess compliance with the legal requirements and the correct application of the generally accepted accounting principles, as well as inform the Board of Directors of any significant changes in the accounting principles and, in particular, significant adjustments identified by the accounts auditor or resulting from the reviews made by the internal audit.

(c) analyse the reasons why the company breaks down certain alternative performance measures in its public information, instead of the measures defined directly by the applicable regulations, how much useful information is provided to investors and the degree of compliance with that envisaged in the international best practices and recommendations in this area.

(d) propose the selection, appointment, re-election and removal of the internal audit officers; propose the budget for those services, approve the guidance and work plans, making sure that

its activity focuses mainly on the Company's relevant risks.

(e) establish an internal control system for the financial information through which potentially important irregularities, especially financial and accounting ones at the Company, can be notified in a confidential and anonymous way.

(f) oversee the risk control and management policy regarding the risks which affect the attainment of corporate targets, including, in general, supervision of the agenda of the Committee meetings so that all the significant risks can be analysed throughout the year.

(g) periodically review the efficacy of the risk control and management policy overall, covering both the financial and non-financial risks, including the tax ones, receiving the pertinent reports from the officers, from internal audit and from any person hired for such purpose, with the aim of appropriately identifying, analysing and notifying the main risks, and analyse, together with the accounts auditors, the significant weaknesses in the internal control system detected during the audit, all of this without affecting its independence.

(h) make sure that the members of the management team take into account the conclusions and recommendations of its reports, as well as discuss with the company's auditors any significant weaknesses in the internal control systems that they may have detected during the audit, all of this without undermining its independence. For such purposes and, where applicable, it can submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.

(i) approve the work plan for the internal audit every year, making sure that both the management and the staff have the necessary human, financial and technological resources to carry it out and that its activity focuses mainly on the Company's relevant financial and non-financial risks.

(j) assess the operations of the internal audit and the performance of its officer, including an assessment of the degree of compliance with the established targets and criteria, as well as with the opinion of the Company's executive department, with the aim of determining the officer's annual variable remuneration, which must also involve the Committee; periodically receive information about the activities performed by the Internal Audit Department and, specifically, regarding the implementation of the annual work plan, the incidents found and the recommendations for such purpose.

(k) establish appropriate relations with the auditors or audit firms to receive information on those questions that may endanger their independence, for examination by the Committee, and any others relating to the process of development of the accounts auditing process, as well as other communications included in the legislation governing auditing and audit regulations.

(l) make sure that the auditor's remuneration for the work does not compromise its quality or independence and analyse the significant changes that may take place in its total remuneration.

(m) oversee the performance of the audit engagement, endeavouring to ensure that the opinion on the financial statements and the key content of the audit report are drafted clearly and accurately, and assess the results of each audit.

In the event of a waiver from the external auditor, it will examine the circumstances leading to this decision and will ensure that the Company announces the new auditor, as a relevant event to the CNMV, in addition to a statement on the potential existence of disagreements with the outgoing auditor and the content thereof, if any.

(n) serve as a communication channel between the Board of Directors and the auditors, evaluate the results of each audit and the responses of the management team to their recommendations and mediate in cases of discrepancies between the auditors and the management team with respect to the principles and criteria applicable in preparing the financial statements.

(ñ) ensure that the external auditor holds a meeting each year with the plenary session of the Board of Directors in order to inform it about its work and progress in the Company's accounting position and risks.

C.1.29 Is the secretary of the board also a director?

Yes

No

If the secretary is not a director, complete the following table:

Name or company name of secretary	Representative
MR RAMIRO RIVERA ROMERO	

C.1.30 Indicate, where applicable, the mechanisms established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies, including how they have been implemented regarding the legal provisions.

DIA has various mechanisms in place to preserve the independence of the auditor. Among them is that one of the main roles of the Audit and Compliance Committee consists in supervising the independence of the auditor, with duties including the following:

(a) Propose to the Board of Directors the proposed selection, appointment, re-election and replacement of external auditors, as well as their conditions of hiring, and to regularly gather information on the auditing plan and its execution, as well as preserving their independence in the exercise of their tasks.

(b) Establish appropriate relations with the auditors or audit firms to receive information on those questions that may endanger their independence, for examination by the Committee, and any others relating to the process of development of the accounts auditing process and, where applicable the authorisation of the various services legally forbidden by the applicable regulations as well as other communications included in the legislation governing auditing and audit standards.

In particular, it must make sure that the external auditor respects the regulations in place on provision of services other than auditing, the limits to the auditor's business concentration, and in general other regulations on the independence of auditors. For such purpose, the Committee can review and approve additional policies and guidelines which set out the principles contained herein regarding the approval and/or prohibition of providing certain non-audit services and, in general, in relation to the legal regulations on auditing.

In that sense, the Committee is responsible for previously approving the provision of non-audit services, assessing: (i) their nature, the circumstances and context in which they take place, and

their effects and if those services jeopardise the auditor's independence; (ii) if the audit firm, based on its knowledge and experience, is the best one to provide such services; (iii) the remuneration for the non-audit services, individually or as a whole, in relation to that for the audit and the parameters used by the audit firm to determine its own remuneration policy; and (iv) where applicable, the establishment of a guiding limit for the fees to be received by the auditor for non-audit services in accordance with the law and the EU regulations.

(c) receive from the external auditors annually a confirmation of their independence in regards to the entity or entities linked to it directly or indirectly, as well as detailed and individual information of the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned external auditors, or by the persons or entities linked to them, in accordance with the provisions of the audit legislation.

For such purposes, the Committee can request, in the annual independence letter sent by the auditor, the inclusion of a statement informing that it complies with this. Likewise, it can request the auditor, when deemed necessary, to provide an explanation about the internal quality control system that it must have established regarding independence, as well as information about the internal rotation practices of the audit partner and its staff and how it conforms to the audit standards.

Sources of internal information must also be established at the company which provide relevant information about the auditor's independence which come from the financial department, other management functions, internal audit or other assurance functions such as the regulatory compliance, risk or external unit as well as the information that can be provided by the auditor itself.

In view of the content of that independence letter, the Committee must issue annually, prior to the issue of the audit report, a report giving an opinion on whether the independence of the auditors or audit firms has been compromised. This report must in all cases include an assessment of the additional services provided by the auditors, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the audit standards.

(d) make sure that the auditor's remuneration for the work does not compromise its quality or independence and analyse the significant changes that may take place in its total remuneration.

(e) in the event of a waiver from the external auditor, it will examine the circumstances leading to this decision and will ensure that the Company announces the new auditor, as a relevant event to the CNMV, in addition to a statement on the potential existence of disagreements with the outgoing auditor and the content thereof, if any.

In addition, article 36 of the Regulation of the Board of Directors and article 6 of the Audit and Compliance Committee's Regulations regulate the relations of the Board of Directors with the external auditor, establishing that: (1) the Board of Directors shall establish a relationship that is objective, professional and ongoing with the Company's external auditors, respecting their independence as far as possible; (2) the relationship referred to in the above point will normally be channelled through the Audit and Compliance Committee; and (3) the Board of Directors shall publicly inform of the total fees paid by the Company to the audit firm, both for auditing services and services other than auditing.

The Investor Relations Department coordinates relations with financial analysts, investment banks and rating agencies as required, handling their requests for information and those of the institutional or private investors, based on the principles of transparency, non-discrimination, veracity and reliability of the information provided. To do this, DIA has the Corporate Policy on Investor Relations, which is available on the company website.

To put these principles into practice, and always within the strictest compliance with the regulations relating to Securities Markets, DIA has available various channels of communication such as (a) publication of information relative to the quarterly results and other one-off events, such as those relating to the presentation of the results or to corporate operations; (b) presentations to investors; and (c) submission of statements and press releases.

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming and outgoing auditor:

Yes

No

Explain any disagreements with the outgoing auditor and the reasons for this:

Yes

No

C.1.32 Indicate whether the audit firm carries out other tasks for the company and/or its group other than those of auditing. If so, specify the amount of fees received for this work and the percentage this amount represents of the total fees invoiced to the company and/or its group:

Yes

No

	Company	Group companies	Total
<b>Amount of non-audit work (thousands of euros)</b>	81	109	190
<b>Amount of non-audit work as a % of the total amount billed by the audit firm</b>	10.93	7.06	12.31

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given to the shareholders at the General Meeting by the Chairperson of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Individual	Consolidated
<b>Number of consecutive years</b>	27	27

	Individual	Consolidated
<b>Number of years audited by current audit firm / Number of years the company's or group's financial statements have been audited (%)</b>	100.00	100.00

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

Yes

No

Procedural details
<p>Under Article 23 of the Regulation of the Board of Directors, directors have the duty to inform themselves properly of the Company's business. Therefore, the directors may request information on any aspect of the Company and examine its books, registers, documents and other documentation.</p> <p>Furthermore, this article foresees that all duties of information will be previously channelled through the Board Chairperson, who will forward the request to the relevant liaison officer within the Company.</p> <p>In addition, article 16 of the Board Regulation requires that all meetings be called at least five days in advance, except for emergency situations. Likewise, article 11 of the Regulation of the Board of Directors establishes that the Chairperson, in charge of the Board's effective operation, will ensure that all directors previously receive sufficient information, stimulating discussions and the active participation of directors during Board meetings.</p>

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be.

Yes

No

Procedural details
<p>Article 22 of the Regulation of the Board of Directors establishes in this respect that directors will have to resign immediately (i) when, for reasons attributable to them as such, they may have caused serious damage to the credit and company reputation, or they lose their commercial and professional honourability to be a director, or (ii) when they are indicted for an alleged criminal act or are subject to disciplinary proceedings for a serious or very serious misdemeanour conducted by the supervisory authorities.</p>

C.1.37 Indicate whether any director has notified the Company that they have been indicted or tried for any of the offences stated in article 213 of the Corporate Enterprises Act:

Yes

No

C.1.38 List the significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

The Company has entered into finance agreements that include modifications to or terminations of this finance if there is a change in the control of the Company, although it is not specified that this is so in case of a takeover bid.

Apart from the above, it is worth mentioning that the Company has entered into certain lease agreements for shop premises (not considered individually significant agreements) that include clauses with modifications or the repudiation or termination of these agreements in case of company operations that represent changes of control in the Company or its partners, though they do not refer expressly to changes in control derived from takeover bids.

C.1.39 Identify, in an individual way regarding directors and in aggregate form in other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities, guarantee or golden parachute clauses in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

<b>Number of beneficiaries</b>	5
<b>Type of beneficiary</b>	<b>Description of the agreement</b>
CEO	<p>The CEO's contract acknowledges the right to receive an indemnity equivalent to two years of his annual remuneration should the Board of Directors decide to terminate his contract, if this is not a consequence of a breach of the CEO's duties, or a disciplinary dismissal declared as fair.</p> <p>To that end, the annual remuneration is understood to be the sum of the annual fixed remuneration for the year in which the contract is terminated plus the annual variable remuneration for the</p>



	immediately preceding year.
Corporate Secretary	<p>At the date of this report, in addition to the right to receive an indemnity analogous to that envisaged for the CEO, Mr Iglesias has the right to receive an indemnity arising from his employment relationship as a senior manager of DIA, which has been suspended as a result of his appointment as an Executive Director; that indemnity has been calculated based on Mr Iglesias's remuneration as a company manager. The employment indemnity envisaged in his senior management contract subject to Royal Decree 1382/1985, which includes changes of control, amounts to 33 days per year of work as a senior manager and cannot exceed the legal indemnity for unfair dismissal to which he would have been entitled if he had kept his ordinary employment relationship until the date of his contract as an executive director. If the employment indemnity arising from his senior management contract is lower than that resulting from applying that established in DIA's director remuneration policy (two years of his annual remuneration using the same calculation basis as for the CEO), the indemnity amount to be paid would be the latter. No type of indemnity will be paid if the dismissal is due to a breach of his director's duties or the disciplinary dismissal is declared to be fair.</p>
Other management positions	<p>If the contract is terminated due to an unfair disciplinary dismissal, the contracts of the other management positions addressed by this section envisage one of the following indemnities:</p> <p>(a) 33 days' salary per year of work, where the minimum can, depending on each case, be up to two years of their remuneration; or</p> <p>(b) (i) 13 months; and (ii) 1 month per year of work, with a maximum of 2 years' remuneration for their time as a senior management at the company; or</p> <p>(c) (i) 33 days' salary per year of work as a senior manager, with a maximum of 2 years' remuneration for their time as a senior management; and (ii) an indemnity equivalent to 33 days' salary per year of service, where the periods less than one year are calculated on a pro rata basis, with a maximum of 2 years' remuneration for time that they worked in an ordinary employment relationship with the company.</p> <p>Moreover, the contracts envisage an indemnity of one or more years, depending on each case, of their remuneration if the contract is terminated for objective reasons.</p> <p>Finally, one of the managers can terminate the contract with the right to receive a gross indemnity of: (i) in the event of unfair dismissal, 33 days' salary per year of work, with a minimum of one</p>

	year and a maximum of two years of the remuneration; and (ii) 1.7 times the fixed remuneration in the event of a change of control as envisaged in article 42 of the Spanish Code of Commerce or of certain cases related to the Group's capital structure.
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Indicate whether, apart from the cases envisaged by the regulations, these contracts need to be reported to and/or approved by the bodies of the company or its group. If yes, specify the procedures, cases envisaged and nature of the bodies responsible for the approval or making the notification:

	<b>Board of Directors</b>	<b>Annual General Meeting</b>
<b>Body authorising the clauses</b>	✓	

	<b>Yes</b>	<b>No</b>
<b>Is the General Meeting informed of the clauses?</b>	✓	

## C.2 Board committees

C.2.1 Specify all the committees of the board of directors, their members and the proportion of representative and independent directors who are members of them:

<b>AUDIT AND COMPLIANCE COMMITTEE</b>		
<b>Name</b>	<b>Position</b>	<b>Category</b>
MS MARÍA LUISA GARAÑA CORCES	DIRECTOR	INDEPENDENT
MR JULIÁN DÍAZ GONZÁLEZ	DIRECTOR	INDEPENDENT

<b>% of executive directors</b>	0.00
<b>% of proprietary directors</b>	0.00
<b>% of independent directors</b>	100.00
<b>% of other external directors</b>	0.00

<b>Comments</b>
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On 10 May 2017, Mr de la Cierva was elected as Chairperson of the Audit and Compliance Committee for a three-year period, a position which he held until his resignation after accepting his appointment as the Chief Executive Officer and, consequently, his classification as an executive director on 28 December 2018.

Until 28 December 2018, the composition of the Audit and Compliance Committee met the requirements of the Articles of Association, the Regulation of the Board of Directors, its own regulations and Recommendation 39 of the Code of Good Governance. On 28 December 2018 and as a result of the appointment of the Chief Executive Officer and, therefore, based on his position as the executive director, Mr Borja de la Cierva, who had been the Committee's Chairperson, resigned from this position as member of the Committee. As a result, Mr Jaime García-Legaz, who had been appointed as an independent director, was appointed as a member of DIA's Audit and Compliance Committee.

At the issue date of this report, the appointment of Mr García-Legaz has rendered effects and, consequently, the composition of the Committee conforms to that stated in the aforementioned regulations. Consequently, the Committee's three members are independent directors, thus guaranteeing the Audit Committee's impartial and objective criteria.

As long as the the appointment of the Audit and Compliance Committee's Chairperson is pending, article 16.3 of the Audit and Compliance Committee Regulations shall apply. According to said article, the independent director who has been a member of the Committee the longest (Ms. Garaña) shall act as the Chairperson of the Committee in its place.

Lastly, the Committee complies with article 529 quaterdecies of the Corporate Enterprises Act since, overall, the members of the Audit and Control Committee of DIA have the pertinent technical knowledge in relation to carry out the Committee's functions.

Explain the functions, including, where applicable, the additional ones to those legally envisaged, attributed to this committee and describe its procedures and organisational and operation rules. For each function, state its main actions during the year and how each one attributed to it by law or the bylaws or other corporate agreements was carried out.

## Comments

In accordance with Article 41 of the Articles of Association, Article 38 of the Regulation of the Board of Directors, and Article 12 of the Committee's Regulations, the Audit and Compliance Committee will consist of at least three and a maximum of five directors, designated by the Board itself from among its external or non-executive directors, designated by the Board itself from among its directors, where the majority of the members and, in any case, the Committee's Chairperson must be independent.

Likewise, the members of the Audit and Compliance Committee, particularly its Chairperson, will be designated according to their knowledge and experience in accounting, auditing or risk management matters. His/her knowledge and experience in financial matters, internal control and business management will be taken into account, as well as his/her knowledge, ability and

knowledge in consideration with the Committee's other tasks.

In particular, to consider that a director has knowledge and experience in accounting, auditing or both, the Committee member must have: (a) knowledge in accounting or audit standards or both; (b) the ability to assess and interpret the accounting standards; (c) experience in drafting, auditing, analysing or assessing financial statements with a certain complex nature, similar to those of the Company itself, or experience in supervising one or more persons involved in such tasks; and (d) understanding of the internal control mechanisms related to the process of drafting financial statements.

For these purposes, the following will be taken into account: the knowledge and professional experience acquired as a result of the performance of responsibilities related to these matters, as well as the knowledge and experience due to the performance of management and executive roles and responsibilities which could be related to these issues in a significant way (such as chief executive officers or senior managers with supervisory and management responsibilities in accounting, financial or risk management areas, etc.). Likewise, the aim is to ensure diversity, especially regarding gender, professional experience, competence, sector knowledge and geographical origin.

In accordance with section 2 of article 529 quaterdecies of the Corporate Enterprises Act and DIA's internal regulations, the chairperson of the Audit and Compliance Committee shall be appointed from among independent directors. The chairperson shall be replaced every four years and may be re-elected one year after leaving office. He/she must have sufficient ability and availability to devote more time to the Committee than the other members.

The executive directors, members of the management team or Company staff will be obliged to attend all meetings of the Audit and Compliance Committee, collaborating and providing access to any information they may have, at the Committee's request. The Committee may also request that the Company's auditors attend its meetings. If it deems this necessary for the adequate performance of its tasks, the Audit and Compliance Committee may be advised by external experts, duly informing the secretary or deputy secretary of the Board, who will be in charge of hiring the necessary services, making sure that any potential conflicts of interest do not compromise the independence of the external advice provided.

Pursuant to functions under article 529 quaterdecies of the Corporate Enterprises Act, article 41 of the Articles of Association, article 38 of the Regulation of the Board of Directors of the Company and articles 5 and subsequent of the Committee's Regulations, the Audit and Compliance Committee focused its meetings in 2018 on the following main activities: (i) review any periodic economic and financial data; (ii) review the individual and consolidated annual accounts; (iii) supervise the internal audit; (iv) supervise independence matters and other provisions related to the external audit, in particular, the non-audit services; (v) periodically supervise, review and assess the Company's internal control procedures, including the risk management system and internal control systems related to the financial data reporting process (IFRS); (vi) supervise and control the corporate and financial risk management; (vii) report the related-party transactions and the transactions regarding structural or corporate changes; (viii) ensure that the Internal Code of Conduct is fulfilled, as well as the Board's Regulation and, in general, all other corporate governance rules of the Company; (ix) supervise any dissemination and information on the Code of Ethics and Whistle-Blowing Channels during the 2018 financial year; (x) supervise and control the corporate social responsibility practices; (xi) approve the annual report on the Committee's

activities and assessment; and (xii) respond to the public supervisor's requirements.

Continued in section H.

Name any directors belonging to the audit and compliance committee who was designated based on their knowledge and experience in accounting or auditing matters, or both, and include the appointment date of the committee's Chairperson.

<b>Name of the experienced director</b>	DIRECTORS MR JULIAN DÍAZ GONZALEZ AND MS MARÍA LUISA GARAÑA CORCES
<b>Chairperson appointment date</b>	28/12/2018

STRATEGY COMMITTEE		
Name	Position	Category
MR MARIANO MARTÍN MAMPASO	DIRECTOR	INDEPENDENT
MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	DIRECTOR	EXECUTIVE
MR ANTONIO URCELAY ALONSO	DIRECTOR	OTHER EXTERNAL
MR RICHARD GOLDING	CHAIRMAN	INDEPENDENT

<b>% of executive directors</b>	25.00
<b>% of proprietary directors</b>	0.00
<b>% of independent directors</b>	50.00
<b>% of other external directors</b>	25.00

Explain the functions attributed to this committee and describe its procedures and organisational and operation rules. For each function, state its main actions during the year and how each one attributed to it by law or the bylaws or other corporate agreements was carried out.

In accordance with article 38 bis of the DIA's Board Regulation, the Strategy Committee must comprise at least three and at most five members, designated by the Board of Directors from among its independent or other external directors.

The Board of Directors must appoint the Committee's members and designate its Chairperson from among its members, who must be an independent director. It will be ensured that the



Strategy Committee members have the necessary knowledge, skills and experience for the duties assigned.

Further to the foregoing and as the Committee consists of four directors- two of whom are independent, one of whom is an executive director and the other one is "other external"- the composition of the Strategy Committee conforms to the Board Regulation.

The Committee must meet periodically as determined by its members or when necessary, in its Chairperson's opinion. The Chairperson can convene any of the management team members or staff of the Company or its group, and they are obligated to attend the Committee's meetings and provide collaboration. Furthermore, if the Committee's members deem this necessary for the adequate performance of their tasks, the Committee can gather and hire advice from external experts.

In accordance with section four of the aforementioned article 38 bis, the Strategy Committee is responsible, in any case, without prejudice to the other tasks assigned to it at any given time by the Board of Directors or its Chairperson, for: (i) assessing and proposing to the Board of Directors the medium- and long-term strategic lines for the Company and its group; (ii) advising, informing and providing support to the Board of Directors within the framework of the periodic monitoring of the strategy implementation by the Company and its group, continually assessing and, among other factors, its appropriateness to the activity sector, the conditions and the challenges in the markets where it must operate, the applicable regulatory framework and the Group's resources, abilities and potential for development and growth; (iii) assessing the appropriateness and, where applicable, proposing new investments and divestments and development plans or restructuring processes considered to be strategic; and (iv) providing collaboration and coordination with the Group's management in all those matters.

In particular, in 2018 the Committee carried out the functions allocated to it which, among others, were as follows: (i) it acknowledged the Company's strategic plan; (ii) it carried out the selection process for an external strategic consultant; (iii) it drafted the strategic plan for Spain and abroad, to be submitted to the Board of Directors; (iv) it provided advice to the Board within the framework of the periodic monitoring of the strategy implementation of the DIA Group; (v) it proposed the investments and divestments, development plans or restructuring processes considered to be strategic; (vi) it provided DIA's market projections and competitive position; (vii) it provided the future view of the business; (viii) it diagnoses the supplier chain; and (ix) it drafted an external communication plan focusing on meeting objectives.

The Strategy Committee met the times required for the good performance of its functions; specifically, in 2018 it met 7 times and all its members were present or duly represented. To draft the Company's strategic plan, for subsequent approval by the Board of Directors, the Committee used an external consultant. Other members of the Board of Directors and some management members also attended some of the meetings held in 2018.

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MR MARIANO MARTÍN MAMPASO	CHAIRMAN	INDEPENDENT
MR ANTONIO URCELAY ALONSO	DIRECTOR	OTHER EXTERNAL
MR RICHARD GOLDING	DIRECTOR	INDEPENDENT
MS ANGELA LESLEY SPINDLER	DIRECTOR	INDEPENDENT

% of executive director	0.00
% of proprietary directors	0.00
% of independent directors	75.00
% of other external directors	25.00

Explain the functions, including, where applicable, the additional ones to those legally envisaged, attributed to this committee and describe its procedures and organisational and operation rules. For each function, state its main actions during the year and how each one attributed to it by law or the bylaws or other corporate agreements was carried out

According to article 42 of the Bylaws and article 39 of the Regulation of the Board of Directors, the Nomination and Remuneration Committee will solely consist of external directors, mostly independent, in the number determined by the Board of Directors, with a minimum of three and a maximum of five. The members of this Committee will be appointed by the Company's Board of Directors.

It will be ensured that all committee members have the necessary knowledge, skills and experience for the duties assigned. To this effect, both their professional knowledge and experience, gathered when performing tasks directly related to these matters, will be taken into account, as well as any knowledge and experience resulting from management and executive tasks and responsibilities that have a relevant impact on said matters, amongst others (e.g. CEOs, top executives or senior managers supervising and controlling human resources, corporate governance, remuneration policies, etc.).

The Nomination and Remuneration Committee will appoint a chairperson from amongst its members, who must be an independent director. The chairperson will be replaced every four years and may be re-elected one year after leaving office.

The members of the Board of Directors, management team or Company staff will be obliged to

attend all meetings of the Committee, collaborating and providing access to any information they may have, at the Committee's request. Furthermore, if it deems this necessary for the adequate performance of its tasks, it may be advised by external experts.

Further to the foregoing and as the Committee consists of four directors- three of whom are independent- the composition of the Nomination and Remuneration Committee conforms to the Articles of Association and Board Regulation. Furthermore, the Nomination and Remuneration Committee fulfils article 529 quidecies of the Corporate Enterprises Act as well as the good corporate governance recommendations of the Good Governance Code, particularly number 47, recommending that the chairperson of the Nomination and Remuneration Committee be an independent director and that the majority of its directors be independent, in order to guarantee impartiality and objectiveness.

The Nomination and Remuneration Committee, further to the duties foreseen in article 39 of the Regulation of the Board of Directors, has executed the tasks assigned over the 2018 financial year, to include the following: (i) assess the competences, knowledge, experience and level of dedication offered by the members of the Board of Directors; (ii) report and propose to the Board the appointment of a new first deputy chairperson; (iii) report and propose to the Board the number of directors and the appointment of proprietary directors for approval by the Board of Directors; (iv) inform on the proposed promotions of senior management and amendments to the basic terms and conditions of their contracts; (v) analyse, draw up and periodically update the remuneration policy applied to executive directors and the management team, including any stock option plans and their application, and to guarantee that this is proportionate to what is paid to other directors and members of the management team and to other members of the Company's staff; (vi) propose to the Board of Directors a system and amount of annual remuneration paid to directors, the individual remuneration of executive directors and senior managers and the basic terms of their contracts; (vii) draw up the Annual Remuneration Report and Policy for DIA directors; (viii) foster succession plans; (ix) analyse the CEO selection process and, among others, the corporate function of the Human Resources, Finance, Communication, Operations and Sales Departments; (x) review each director's qualification; (xi) establish the criteria and objectives for the variable remuneration; and (xii) draft the remuneration proposal for the Strategic Committee and its new members.

The Company's Nomination and Remuneration Committee held eleven formal meetings in 2018 and, on three other occasions, the resolutions were adopted in writing and without a meeting. Of those eleven meetings, one member excused himself for not attending one of them and not granting a proxy. Apart from that case, all the members attended in person or were duly represented at all the meetings. In addition, the Committee members hold periodic work meetings by remote means (conference calls and video conference calls), both between themselves and the managers of the Human Resources Department of the DIA Group. In particular, in 2018 the Committee held numerous additional encounters within the framework of the necessary work for designing and drafting the new Long-Term Incentive Plan (LTIP), the Succession Plan for the Chairperson and First Executive, the variable remuneration systems for the CEO and the senior management, and the appointment of new senior managers, and it drafted reports for appointing directors and members of the management team.



C.2.2 Complete the following table with information related to the number of female directors making up the Board of Directors' committees during the last four years:

	Number of female directors							
	Year 2018		Year 2017		Year 2016		Year 2015	
	Number	%	Number	%	Number	%	Number	%
<b>Audit and Compliance Committee</b>	1	50.00	1	20.00	1	20.00	1	25.00
<b>Strategy Committee</b>		0.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Nomination and Remuneration Committee</b>	1	25.00	1	33.33	1	33.33		00.00

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The organisational and operating rules of the Audit and Compliance, the Nomination and Remuneration Committee, and the Strategy Committee are included in the Board Regulation and in the Audit and Compliance Committee Regulation, which are available for consultation on DIA's website ([www.diacorporate.com](http://www.diacorporate.com)).

Moreover, at the meeting on 21 February 2018, the Company's Board of Directors approved the creation of the Strategy Committee, whose essential function is, among others, to provide advice and support to the Board in its tasks to define and monitor the Group's medium- and long-term strategy and propose investments and divestments. The amendment to the Board Regulation was also approved with the aim of adding a new article referring to this new Committee.

The Nomination and Remuneration Committee and the Audit and Compliance Committee prepare an annual report on their activities, with the aim of assessing their operation and organisation in 2018, highlighting any significant events that have taken place related to their duties. These reports are made available to the shareholders on the Company's corporate website.

## D RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Where appropriate, explain the procedure and competent bodies for approving related-party and intra-group transactions.

In accordance with article 38.3.(xi) of the Board Regulation and article 5.1.(v) of the Audit and Compliance Committee Regulation, the Committee will have the authority to supervise compliance with the rules regarding related-party transactions with directors or significant shareholders or shareholders represented on the Board. In particular, the Committee will report to the Board regarding such related-party transactions and, in general, regarding transactions that imply or may imply conflicts of interest so that they can be approved, and will see to it that information in respect thereof is communicated to the market as required by law.

Pursuant to article 10.1(b) of the Audit and Compliance Committee Regulation, the Committee must gather and analyse all the necessary information and documentation, and can request reports from experts when it believes that this is needed regarding factors such as the effects of the proposed transaction on the corporate interests or if the transaction is made under market terms.

In relation with the approval, article 5.4.(c) of the Board Regulation provides that the Board will have the authority to approve the transactions entered into by the Company or companies in its group with directors, under the legally envisaged terms, or with shareholders who own, individually or jointly, a significant stake, including shareholders represented on the Board of the Company or companies in its group or individuals related to them. Any directors affected or who represent or are related to the affected shareholders must refrain from participating in any related discussion and vote.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or company name of significant shareholder	Name or company name of the company or its group company	Relationship	Type of transaction	Amount (thousands of euros)
No data				NA

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's directors or managers:

Name or company name of the directors or managers	Name or company name of the related party	Relationship	Nature of transaction	Amount (thousands of euros)
No data				NA

- D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intra-group transactions carried out with entities in countries or territories considered to be tax havens.

Company name of the group company	Brief description of transaction	Amount (thousands of euros)
No data		NA

- D.5 Detail the significant transactions made between the company or companies in its group and other related parties not stated in previous sections.

Company name of the related party	Brief description of transaction	Amount (thousands of euros)
Finandia E.F.C., S.A.	Commercial transactions made with this company, which is 50% owned by DIA and is equity accounted in the DIA Group's consolidated financial statements	(406)
Red Libra Trading Services S.L.	Commercial transactions made with this company, which is 50% owned by DIA and is equity accounted in the DIA Group's consolidated financial statements	(731)
ICDC Services Sàrl	Commercial transactions made with this company, which is 50% owned by DIA and is equity accounted in the DIA Group's consolidated financial statements	24,724

The related-party transactions amounted to 23,587,000 euros.

Merely for information purposes, we hereby state that the Company also paid the following amounts:

- 3,972,000 euros for the remuneration accrued by the Group directors in 2018.

- 4,581,000 euros for the remuneration accrued by the Group senior management in 2018.
- 650,000 euros regarding the amounts paid by the Group as civil liability premiums for the directors and senior management.

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

In accordance with article 28.3 of the Company's Board Regulation, without prejudice to the legal provisions on the duty to avoid situations of conflicts of interest, situations of conflict of interest are governed by the following rules:

- a) Directors must try to avoid situations that may represent a conflict of interest between the Company and the director or parties related to the director.
- b) In any event, directors must notify the existence of conflicts of interest to the Board of Directors when they have knowledge of them.
- c) In any event, directors must refrain from attending and participating in the deliberations and voting affecting matters in which they are personally involved. The votes of directors affected by the conflict of interest who have to abstain are deducted for the purpose of calculating the majority of votes needed.
- d) In any event, the situations of conflict of interest for directors must be reported in the annual corporate governance report and the notes to the financial statements.

Resolutions or decisions that affect the directors as board members, such as their appointment or removal from positions on the governing body or others of similar purpose, must be excluded from the above obligation to abstain.

Directors cannot carry out directly or indirectly any professional or business transactions with the Company, unless they report the situation of conflict of interest in advance and the Board of Directors approves the transaction, following a report by the Audit and Compliance Committee.

D.7 Is more than one group company listed in Spain?

Yes

No

## E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk control and management system, including for tax risks.

The risk management policy is applicable for the Company and all its subsidiaries. Its correct application requires the involvement of all the personnel in the organisation. The update of this policy in line with the new recommendations of the new Code of Good Governance was approved by the Board of Directors of the DIA Group on 11 December 2015.

In applying the corporate risk management (CRM) model, DIA must consider all its activities in the different levels of the organisation, from those at corporate level to those of the business units and processes. The CRM model must therefore be applicable at the following levels: (i) execution of the DIA strategy; (ii) achievement of the business objectives; and (iii) correct execution of operations.

The whole organisation plays an important role in the achievement of the CRM objectives. Its focus is therefore integrated and systematic, and applicable for the whole Company and its subsidiaries.

The DIA Group has a risk management system in place based on the COSO II methodology and on the risk management methodology generally accepted by the market which has been adapted to DIA's needs (Enterprise Risk Management). It is a systematic and detailed approach that can identify events, assess and respond to the risks related to the achievement of its business objectives.

DIA's CRM ensures the identification of the various types of risks which can be grouped into the following categories:

- i) Environmental risks,
- ii) Operational risks,
- iii) Corporate governance and ethics risks, and
- iv) Financial risks.

The CRM has a tool called the GRC Suite which monitors and follows up risks.

E.2 Identify the company's bodies responsible for preparing and executing the risk control and management system, including tax risks.

### Company bodies

In accordance with article 5 of the Regulation of the Board of Directors, the Board is responsible for approving the policy of risk control and management, identifying the main risks to the Company and its subsidiaries, including tax risks, and organising appropriate internal control and information systems. On the basis of this, the Board of Directors has approved the risk management policy for the DIA Group.

### Responsibilities

The Board of Directors, the Audit and Compliance Committee and the DIA Group Executive Committee are responsible for ensuring good CRM management.

The Internal Audit Department, within the organisational structure, answers directly to the Audit and Compliance Committee. This guarantees the due autonomy and independence of its functions, and the responsible exercise of supervising the risk control and management system.

The Board of Directors is responsible for approving and determining the policy of risk control and management. At the same time, the Board of Directors, through the Audit and Compliance Committee, carried out specific monitoring of the financial risks of the DIA Group in 2018 based on the information provided by the Finance Department, the Internal Audit Department and the other responsible departments, which were monitored by this Committee, as analysis of liquidity, credit, solvency and market risks is a recurring point on the agenda of all the meetings. The monitoring of these risks, together with supervision of the internal control systems of financial information, was the subject of timely reporting by the Chairperson of the Committee at the Board meetings.

The Company's Audit and Compliance Committee is responsible for supervising and reviewing regularly the effectiveness of the internal control procedures of DIA, the internal audit and the risk management systems, checking their appropriateness and integrity.

The Executive Committee of the DIA Group is responsible for its internal implementation, as well as for establishing the strategy, culture, persons, processes and technology making up the Company's CRM system.

#### Corporate Risk Committee

DIA has set up a Risk Committee at corporate level, and within this Committee it has identified a Corporate Risks Coordinator whose duties include communication and coordination of meetings, as well as the collection and dissemination of information. The coordinator also acts as a contact in risk management matters with the different jurisdictions in which DIA operates.

The Corporate Risk Coordinator has the due independence within the organisation. The Corporate Risk Coordinator reports directly and regularly to the Audit and Compliance Committee. This body may, at any time, request extraordinary meetings to consult any incident or relevant event for risk management in the Group.

In turn, in each jurisdiction, a Country Risk Committee has been set up and within each Committee a Country Risk Coordinator has been appointed.

The basic responsibilities of the Risk Committee are as follows:

- Analysis of the environment and new projects that may directly or indirectly influence the risks for DIA, and determination of inclusion of new risks and/or removal of some existing ones.
- Continuous monitoring of the key risks identified in the risk map, and particularly those closely related to the main DIA stakeholders, such as its customers, franchises and suppliers, by monitoring the indicators and following them up and the alerts generated by them.
- Recommendation for developing specific action plans, planning their monitoring and continuity of existing action plans.

In addition, the Risk Committee periodically carries out an assessment and detailed analysis of DIA's risks. The conclusions and information extracted from the CRM analysis of DIA are notified to the DIA Group Management Committee and the Audit and Compliance Committee on a regular basis. In addition, the Risk Committee informs the DIA Group Management Committee when relevant issues are detected in its analysis. The DIA Group's Management Committee may request information on the results of the Risk Committee if it considers it opportune.

In the responsible and independent exercise of its functions, the Audit and Compliance Committee and the Internal Audit function are responsible for supervising the risk control and management system.

As part of its supervisory function, the Internal Audit Department reviews the complete operation of the risk control and management system, and the effectiveness of the control activities implemented.

The results of this supervision are reported to the Audit and Compliance Committee.

The minutes of the meetings of the Board of Directors and the Committees are stored in a documentary management system, to which all the directors have confidential access.

E.3 Indicate the main risks, including the tax ones and insofar as those arising from corruption (understood as those subject to Royal Decree Law 18/2017) are significant, which may affect meeting the business objectives.

The DIA Group defines risk as any internal or external contingency that, should it materialise, may impede or make difficult the achievement of the objectives set by the organisation. It therefore considers that a risk arises as a result of the lack of opportunities and/or strengths, as well as the materialisation of a threat and/or increase in a weakness.

The main risks may be grouped into the following categories:

- Business environment risks: these include risks related to the market and competition, regulatory risks and the political and social environment of the countries in which it operates, as well as the reputational risks.

- Operating risks: risks related to: inappropriate adaptation to the economic and operational model of the supply chain, compliance with the safety standards related to the business operations, compliance with the environmental regulations, and management of the human resources and risks related to the information systems.

- Corporate governance and ethics risks: including the risks related to integrity, anti-corruption and bribery, social issues and the securities market.

- Financial risks: market risks, credit risks, liquidity risks and tax risks.

The Group has a system for monitoring and updating risks. It allows it to identify and incorporate any risk newly identified over the year to the company's risk map. This system also ensures that all the risks are reviewed at least once a year. In 2018, as a result of that review and analysis process, new risks were included in the corporate risk map.

The process of monitoring the risks consists of constant monitoring of the internal and external variables that may help anticipate or prevent the materialisation of all the relevant risks for the Group. Therefore, the key corporate risk indicators and alerts were reported to the Audit and Compliance Committee each quarter.

E.4 Identify whether the company has a risk tolerance level, including for tax risks.

DIA's Executive Committee reviews the level of DIA's risk tolerance, and presents it to the Board of Directors for its annual review and approval.

The scales for risk evaluating (probability and impact) are updated at least annually to adapt them to the strategy and circumstances of the business. These evaluation scales consider the different areas of risk impact and probability of occurrence and allow a uniform evaluation of risks to be made in each country and at corporate level. These scales are the basis for defining the Group's tolerance level.

The DIA Group's Risk Management Model defines tolerance as "the acceptable level of change that DIA is

prepared to accept in order to achieve its objectives." It is therefore the maximum specific risk that the Organisation is prepared to assume.

This tolerance level is used to prioritise and specify the management and monitoring needed for each type of risk, with the aim of maintaining the risks within the approved level of tolerance.

E.5 Indicate what risks, including tax risks, have materialised during the year.

In 2018, risks inseparable from the business model, the Group's activity and the market environment materialised arising from the own and extraordinary circumstances related to the business development and the economic situation.

The main risks which materialised related to the following:

(i) High competition in the food retail sector, boosted above all by the price reduction policy among the sector companies to achieve a higher market share.

(ii) The delay in adapting the business model to the market needs since the market needs are changing and the adaptation must be made quickly.

(iii) The political and social situation of the companies where the Group operates since this type of instability has affected the supply chain at specific times.

(iv) The exchange rate. This is due to the Group's presence in countries with high currency fluctuations. Argentina, where the Group operates, became hyperinflationary in 2018.

(v) The loss of credibility and confidence after the significant events disclosed on 15 and 22 October 2018.

(vi) The need to increase disclosure to the stakeholders since the Group was repeatedly exposed to the media in 2018.

E.6 Explain the response and supervision plans for the main risks to the company, including tax risks, and the procedures followed by the company to ensure that the board of directors can face the new challenges.

The supervision model of the risk management system is based on the definition of risk indicators, whose information is reported to the Risk Committees, where the response plans proposed by the risk managers are presented and assessed, and based on which the Risk Committees will subsequently monitor.

The risk managers of each of the risk units follow up and monitor the defined risks continuously through the previously defined risk indicators. Depending on the tolerance level established, the indicators provide information on whether the risk has materialised or the risk levels have increased.

At the same time, significant events are reported at the Risk Committee that occurred during the reference period, together with the corresponding defined action plans to mitigate the company's risks. Action plans which are followed to confirm their implementation and effect.

The implementation of the Legal Compliance and Corporate Social Responsibility systems must be highlighted.

DIA has set policies and procedures designed to inform and train employees on certain principles of behaviour and to prevent and detect inappropriate behaviour. It is important to note in this respect:





(i) the Ethical Code and Ethical Channel for Consultation and Information

On 27 July 2015, the Board of Directors of DIA approved the II Ethical Code, which entered into force on 1 January 2016 (available at [www.diacorporate.com](http://www.diacorporate.com)).

The Company considers that the Ethical Code is the best instrument for putting into practice a compliance policy applied to all the company levels, guiding employees by example with guidelines for conduct and behaviour. This Code, as is the case with the rest of the rules defined by the Company, is mandatory for all employees.

The main focus of the DIA Group's Ethical Code is as follows: (i) good tax practices; (ii) asset protection and information; (iii) commitment to clients and society; and (iv) action based on the ethical code.

The main new points in the II Code of Ethics is distribution of the Code to franchisers and suppliers of services and goods so that they can check and report unethical practices carried out by DIA employees and directors.

Another of the main new points is that it allows anonymous consultation and reporting, although whoever identifies himself will continue to have the maximum guarantees of confidentiality and no reprisals.

There is also an Ethics Consultation and Information Channel (via email or ordinary post) at group level and in each jurisdiction in which DIA operates, with the aim of clarifying any doubts on interpretation and analysing and resolving possible breaches of the Code, in accordance with the internal and external regulation applicable. A Corporate Ethics Committee and an Ethics Committee in each country or jurisdiction have also been set up. They are responsible for managing the Ethics Consultation and Information Channel in each jurisdiction, making its existence known and supervising its correct operation.

(ii) Crime Prevention Model ("CPM")

DIA has implemented a CPM, with the aim of establishing the most appropriate procedures and internal control policies to prevent the commission of illegal actions, and where necessary to mitigate or avoid liability for the Company following the reform of Constitutional Act 1/2015 of 30 March, amending Constitutional Act 10/1995 of 23 March, approving the Criminal Code.

A person responsible for crime prevention has also been appointed within the organisation, who informs and assists the Corporate Compliance Manager and the Ethics Committee at corporate level and is responsible for the maintenance and appropriate operation of the prevention model. In 2016, the CPM was the object of analysis and examination by a consulting firm with experience in the forensic area; a new analysis will be made in 2019.

The model implemented by DIA has adequate control measures that are effective for attempting to prevent and detect the commission of crimes for which DIA could be criminally liable.

(iii) Anti-Fraud and Anti-Corruption Programme

In May 2016, the Board of Directors approved the Crime Prevention and Anti-Corruption Policy, which is available on the company website [www.diacorporate.com](http://www.diacorporate.com).

DIA has implemented an Anti-Fraud and Anti-Corruption Programme in all the jurisdictions where it operates. As a part of this programme, in each country the DIA Group has a matrix of fraud risks analysed in terms of frequency and impact, which includes the controls that are in place to avoid this conduct. A person has been put in charge of anti-fraud prevention, who in turn is responsible for crime prevention.

Continued in section H.

## F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company.

### F.1 The company's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Board of Directors is responsible for the supervision of the Internal Control over Financial Reporting (hereinafter, "ICFR"). To this effect, article 5 of the Regulations of DIA's Board of Directors provides that one of the competences that may not be delegated by this body is the approval of "a policy to control and manage risks, including tax risks, identifying the Company's main risks and organising adequate internal control and reporting systems".

The Group has an Internal Control over Financial Reporting Policy, which was approved on 5 September 2018 by the DIA Group's Finance Manager and by the Executive Manager for Portugal and Corporate Manager of Services, which establishes that the function of the Group's Internal Control over Financial Reporting (Group ICFR), together with the corresponding departments and CEO, are in charge of the design, implementation, operation and monitoring of the ICFR, encouraging control awareness in the Group's countries, beginning with information on control requirements at all organizational levels, carried out through continuous support in their tasks, when defining ICFR-associated documentation, validating the effectiveness of the controls and starting up the action plans entrusted. The DIA Group also has a Financial Information Manual which completes the preceding policy and its purpose is to define the framework for the ICFR's function. That document was formally approved by the Corporate Secretary Manager on 18 December 2018. Both documents were published on the DIA Group's corporate rules website.

To continue reinforcing the ICFR, in 2018 a self-assessment system was developed to evidence the existence and assessment of the ICFR within the Group.

The Country ICFR provides support to the Group ICFR to develop the annual work plan, functionally reporting to the ICFR officer. Since 17 October 2018, the Group ICFR officer depends hierarchically on the Corporate Secretary, who depends on the CEO and reports directly to the General Management Committee and the Audit and Compliance Committee and the country ICFR of the country's finance department. That organisational change was appropriately notified internally by the CEO through an email to all the Company employees and formally published in the organisational chart shown on DIA's website.

ICFR supervision is entrusted to the Audit and Compliance Committee. Article 38 of the Board of Directors Regulations provides that the Audit and Compliance Committee has the following competences, amongst others: "to supervise and review the process used to issue and present mandatory financial data" and "to supervise and periodically review the effectiveness of any internal control", receiving support from the Internal Audit Management; the latter's rules foresee that it will be in charge of supervising the efficacy and efficiency of the internal control system's operation.

To comply with the recommendations set out in CNMV Technical Guide 3/2017, on 14 December 2017 the Company's Board of Directors approved the Audit and Compliance Committee's Regulations, which are aimed at setting out the Committee's competences and principles of action

as well as its basic organisational and operating rules and foster the Committee's independence.

In accordance with article 5 of the Committee's Regulations, the Committee's main responsibilities are to supervise the process of drafting and presenting the mandatory financial information and supervise the efficacy of the Company's internal control and risk management systems.

The duty to monitor the process of drafting and presenting the financial information regarding the company and its group, as stated in article 8 of the Regulations, must be performed continually, supervising the process of drafting and presentation as well as the clarity and integrity of the Company's economic and financial information, reviewing compliance with the regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria with the aim of safeguarding their integrity. It must also ensure compliance with the legal requirements and the correct application of the generally accepted accounting principles. The main duties regarding internal control and risks management systems, as stated in article 9 of the Regulations, are to: a) periodically review the efficacy of the risk control and management policy overall; b) oversee the risk control and management policy regarding the risks which affect the attainment of corporate targets; and c) foster a control culture in which the risk is a factor to be considered when the Company makes decisions.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and / or mechanisms in charge of: (i) designing and reviewing the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate breakdown of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.

The senior manager of the design and review of the Group's organisational structure, the responsibilities undertaken by each member and the status held by such members according to their responsibilities is the CEO, followed by the Country Promotion Committees and/or Group Promotion Committee. In order to establish the relationship between the structure, functions/work posts and status of the persons holding these posts, a methodology defined by the DIA Group based on the HAY method is used for job appraisals, based on their description.

The DIA Group has the following tools:

(i) A flowchart indicating, through positions and the persons assigned thereto, the hierarchical relations existing within the Company.

(ii) A position map for panels and executives, indicating the title of the post and associated status according with its description.

(iii) Descriptions of each post, gathered in a software tool; these descriptions are mandatory for all executive and management positions. To draft the job descriptions, the DIA Group has the Job Description Policy and Assessment approved by the Group's Human Resources Department in 2014. Such descriptions envisage the inclusion of explicit references if the post is related to the ICFR. Additionally, the changes are notified internally through an email to the departments and published on DIA's website.

The ICFR documentation includes a risk and check matrix, which includes the organisational

structures that hold each check in relation to the financial reporting process. These structures have been validated by the Managers through formal approval channels and have been notified to the Country Management Committees and Group Management Committee. All this information is collected in the SAP Governance, Risk and Compliance tool (hereinafter, "SAP GRC"), individually identifying the holder of each check, his/her immediate superior and the competent Managers.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The DIA Group has a Code of Ethics approved by the Board of Directors. The Board of Directors considers that the Code of Ethics (hereinafter, "the Code") is the best instrument to put into practice a "trickle-down" compliance policy, guiding its employees in an exemplary fashion with certain lines of conduct or behaviour.

The Code establishes and develops five conduct principles: the first refers to "compliance with all external (e.g. laws and regulations) and internal rules, consolidated in policies, procedures and checks", and reinforces certain principles in tax, employment and environmental matters; in turn, it highlights the autonomous and independent role played by the Corporate and Country Ethical Committees.

As regards financial reporting, the third principle- "protection of assets and information"- explains DIA's commitment to "providing accurate and complete information, ensuring the reliability and accuracy of all financial data, whether internal or that provided to the market. The Organisation, as well as each one of its employees, have undertaken transparency and diligence as principles of conduct".

The Code, like other DIA Group Rules, is mandatory for all employees.

All of the Group's Managers have formalised their adhesion to the Code in writing, which is centralized by the Group's Human Resources Management, with a commitment to uphold all ethical principles, to ensure that their teams uphold the same and put them into practice. Furthermore, all new employees, when signing their employment contract, will receive a copy of the Code and need to sign their adherence thereto.

Further to the premise that what is important is not whether or not a Code exists, but its knowledge and compliance, the DIA Group has a Corporate Ethical Committee and another Ethical Committee (hereinafter, the "Committee") in each country or jurisdiction.

The Corporate and Country Committees, amongst their main tasks, will enable the Code to be disseminated and implemented, ensuring that it is observed, understood and upheld.

- 'Whistle-blowing' channel for reporting to the Audit Committee any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The DIA Group has a Whistle-Blowing Channel (via e-mail and ordinary post), within the corporation and in each jurisdiction where the Group is present, in order to clarify any interpretation doubts and analyse and resolve any potential infringements of the Code. To

foster its use, the following measures are applied:

- (i) Accept anonymous reports.
- (ii) Invite third parties, i.e. franchisees, suppliers of merchandise and services, to use the Channel and report any unethical conduct on the part of employees, executives and directors in any company belonging to the DIA Group.
- (iii) Publish, on a yearly basis, the statistics of the Whistle-Blowing Channel, meeting in any case the principles of confidentiality and personal data protection.

The Corporate Ethical Committee, in conjunction with each country's Committee, is in charge of managing the Whistle-Blowing Channel, circulating its existence and supervising its adequate operation.

Any infringement of the Code is analysed and processed by the Corporate and/or Country Ethical Committee, in accordance with its operating protocol, and is settled in accordance with applicable internal and external regulations.

Formalisation of the Corporate Ethical Committee's activities is included in the DIA Group Rules, which gather the qualifications and functions of the Corporate Ethical Committee and the Ethical Committee in each country, including the responsibilities of the Group's Human Resources Manager in order to guarantee implementation of the necessary actions to ensure that all workers are aware of the Code of Ethics.

Any communications and/or reports received, whether or not anonymous, will be evaluated and treated whilst upholding three general basic principles: (i) confidentiality; (ii) no retaliation; and (iii) personal data protection. Thus, the details of the reporting parties and of any person involved in the investigation will be treated confidentially in accordance with personal data protection regulations applicable in each jurisdiction; no retaliation will be tolerated against any good faith employees who have used the Whistle-Blowing Channel in order to inform the Committee of any possible irregularities.

As regards the way in which communications and/or reports will be managed, the Ethical Committee will issue an official record and establish whether the communication is related to:

- a) Infringements of the Code of Ethics.
- b) Irregularities that may have criminal consequences.

These circumstances will entail the filing of proceedings. If the content of the communication is not covered by a) or b) above, the proceedings will be shelved.

The proceedings will be supervised by the Investigation Manager, designated by the Ethical Committee from amongst its members. If the information is related to any Committee members, the Investigation Manager will be the Head of the Legal Department.

The Investigation Manager will confirm receipt of the report to the reporting party and will inform him/her if any additional information is necessary.

The information contained in the communication or report and, as the case may be, the credibility of the reporting party, will be assessed by the Investigation Manager from a two-fold perspective: i) reliability of the reporting party; and ii) accuracy of the information contained in the report.

i) To determine the reporting party's level of reliability, the guarantee offered by the reporting party will be classified, according to his/her capacity to obtain the data provided and based on certain objective criteria.

ii) The accuracy of the information provided will result in the classification granted, based on content, determining whether it is consistent with the procedures and data known of the department or area where the reported facts have taken place, including any circumstances occurring in the sequence of events reported along with other situations that may exist in the Company, which could affect its veracity.

Each quarter in 2018, the Ethical Committees in each country provided the Corporate Ethical Committee with a breakdown of all consultations and/or communications received during the immediately preceding quarter, indicating the reference number or registration, the date of receipt, the reporting group (employee, franchisee, service or merchandise supplier or others), the ethical principle breached, an assessment on the reliability/accuracy of the facts reported, the current status of the proceedings and the settlement, if applicable. Furthermore, on an annual basis, a report will be presented to the Audit and Compliance Committee, providing detailed and consolidated statistics for the Group based on the information received from each jurisdiction.

In 2018, a total of 130 communications were received, of which 93 were reports and 37 consultations.

Of the 93 reports, 73 were made by employees (78%), 9 by franchisees (10%), 3 by suppliers (3%) and the other 8 (9%) were anonymous. At 31 December 2018, 66 reports were resolved and 27 are still under investigation.

Of the reports settled, 50 were shelved due to insufficient evidence (75%); 12 were resolved with training actions for the reported parties (18%); 3 resulted in disciplinary dismissals, including one manager (5%); and the last one (2%) was resolved by deregistering a supplier.

Regarding the consultations, 32 were made by employees (86%) and 5 by suppliers (14%). At 31 December 2018, 30 consultations were resolved and 7 are still under investigation.

Of the consultations settled, 24 were submitted to the Human Resources department to resolve the employees' doubts (80%); 5 were resolved directly by the Ethical Committee (17%); and 1 was submitted to the management department and was clarified or solved (3%).

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

DIA's training plan is aimed at becoming a cornerstone in the achievement of the Company's strategic objectives and the professional and personal development of its collaborators. To do this, it is divided into two separate chapters:

- Technical training plan: to endow its collaborators, through official training, with the necessary technical knowledge to perform their tasks. All areas are assigned a training budget, depending on the number of members and their status, which are managed according to their needs.
- Training plan to develop skills: through official training, it is aimed at providing the necessary

skills to hold positions of greater responsibility. This includes special programmes such as Master's degrees, languages, competence development, cross-awareness, etc.

As regards technical training, both external and in-house training actions have been completed.

In 2018, training actions were completed, with a total of 192 hours' training. These training actions consist of training and periodic refreshment courses for the staff involved in preparing and reviewing financial information, ICFR assessment included, and cover accounting rules, auditing, internal control and risk management, amongst other areas of knowledge.

As regards in-house training related to risk management and the ICFR, in 2018 training was provided at technical workshops, with a total of 89 hours' training on ICFR (included in the total 192 hours), its various key issues (control activities, risk associated to financial information and its management through the SAP GRC tool) and risk management.

## F.2 Risk assessment in financial reporting

Report, at least:

F.2.1 The main characteristics of the risk identification process, including risks of fraud or error, stating whether:

- The process exists and is documented.

DIA's process to identify risks of fraud or error in the financial information is based on the COSO (Committee of Sponsoring Organizations for the Commission of the Treadway Commission) methodology, implementing practices aimed at designing and maintaining an internal control system that provides reasonable certainty about the reliability of the regulated financial information.

DIA has a risk management system which is applicable to all the Group's countries in accordance with the Risk Management Policy. Said policy describes the key principles to achieve adequate operation of the risk management system, the methodology applicable for effective management that enables the achievement of business objectives established by the Management.

The risk management information is detailed in section E (Risk Control and Management Systems) of this annual corporate governance report.

DIA has an ICFR Policy, which is available on the corporate intranet, updated in 2018, and was formally approved by the Group's Financial Manager and Executive Manager for Portugal and Corporate Manager of Services on 5 September 2018. That ICFR Policy envisages the general description of the system and its objectives, roles and responsibilities.

In 2018, the ICFR Manual was formally approved by the Corporate Secretary Manager on 18 December 2018 and published in the corporate rules section of the DIA Group's website.

Its objective is to specify and set out the functions attributed to the various responsibilities identified in the previous Policy, defining the activities which form part of the ICFR cycle and ensure appropriate compliance by the persons involved. It also includes the methodology to develop the internal control function for financial reporting and risk management. Based on that work methodology, the matrix of the ICFR scope is determined with the aim of



establishing the processes to review regarding its design and effectiveness.

DIA's internal control features operate jointly with the responsibility to prevent, detect, compensate, mitigate or correct errors, with a material impact, or fraud in the financial information.

- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Each ICFR process at the DIA Group has the following related documentation: flowcharts, descriptions, control and risk matrices, as well as rules, policies, procedures and reporting systems backing up the same.

For each one of these relevant accounts and breakdowns, key processes and sub-processes and key activities associated with each one have been defined, identifying any risks that may generate errors and/or fraud in the financial information, covering all financial information objectives (existence and occurrence; integrity valuation; presentation, breakdown and comparability; and rights and obligations).

Furthermore, the DIA Group's risk identification process considers:

- The understanding of the control surroundings of each Group country.
- The identification of the particularities of the business process flows of the Company in each country, and their impact on financial information, in order to identify the main control risks inherent thereto.
- The effects of other risk typologies (operational, financial, strategic, regulatory compliance and others) that may have an adverse effect on the reliability of financial information.
- The foregoing results in an integrated framework of control risks within the Group that are applicable in all countries, except the specific checks for each one.
- DIA's internal control system was reinforced by defining the Group's "Process Map", which provides a unique reference framework for the control and risk systems.

To continually review and monitor the Internal ICFR Control system, an annual work plan is monitored which is drafted based on the audit work methodology and follows the International Standard on Auditing "Materiality in planning and performing an audit" (ISA 320).

That ICFR scope matrix is used to identify any accounts and breakdowns entailing a significant associated risk, whose potential impact on financial information may be material. Therefore, the approach on how to determine the scope of the ICFR work is based on risk management and on an analysis system of changes (qualitative and quantitative criteria).

For 2017, the methodology for determining the scope matrix and the corresponding work plan was reviewed. That new approach increased the validation scope for the design and the effectiveness of the controls in the Group's main and emerging countries for a larger number of ICFR processes. In 2018, in addition to the aforementioned method, this was extended by including other features that reinforce internal control (considering ICFR reviews made in previous years, conclusions from work carried out on the ICFR by the internal and external auditors and the Group's financial risk map, among others).



The scope for the ICFR matrix for 2018, based on the audited consolidated annual accounts at 31 December 2017, was approved by the Audit and Compliance Committee on 15 March 2018.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, shell companies or special purpose vehicles.

Each quarter, the Legal Management of the Group verifies the data on companies included within the consolidated group to the Group's Accounting and Administration Management (organisationally dependent on the Group's Financial Management).

The Audit and Compliance Committee's competences include the supervision and review of an adequate definition of the consolidation perimeter, as envisaged in article 38 of the Board of Directors' Regulations.

DIA Group Rules regulate the responsibility of each country's legal department in keeping the corporate and control structure updated in the country, and the duty to duly report to the Financial Management in the country and the Legal Management of the Group, on a quarterly basis and/or in the event of change. In turn, the Financial Management in each country and the Legal Management of the Group will inform the Financial Management of the Group of the country's consolidation perimeter and corporate and control structure in the Group, respectively, in order for the Group's Financial Management to determine the Group's consolidation perimeter.

The supervision and updating of each country's corporate structure, as well as the reporting and/or communication process to the Group's Legal Management and Financial Management are mandatory, as it constitutes a Corporate Governance rule included in the DIA Group Rules.

- The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.

DIA's Risk Management Model ensures the identification of the various types of risks, both financial and non-financial, faced by DIA Group.

As stated in section E above, DIA has implemented a Risk Management Model, which identifies the environmental, operational, corporate governance, ethical and financial risks. All the risks identified were included and classified in the Risk Management Model.

In coherence with this Model, the Internal Control over Financial Reporting is applied not only to the processes drafting the aforementioned information but also to the operational or technical ones which may have a relevant impact on the accounting or management figures.

The Board of Directors, the Audit and Compliance Committee and DIA Group's Management Committee is in charge of ensuring good performance of the Risk Management Model and, as stated in section E above, DIA has created a Corporate Risk Committee for this and, in turn, a Country Risk Committee in each jurisdiction.

In addition, as part of the Group's general compliance strategy, in accordance with the provisions of article 31 bis of the Criminal Code and in order to be able to credit to third parties the establishment by the Company of control measures necessary to prevent the commission

of crimes by its directors or employees under its supervision, DIA Group has a Crime Prevention Model in Spain, which has adequate and effective control measures to try to prevent and detect the commission of crimes.

The Corporate Policy for the Prevention of Crime and Anti-Corruption applicable throughout the Group and the DIA Model for the Prevention of Crime in Spain, approved by the Board of Directors, designate the Ethics Committee as the body responsible for the supervision and control of the aforementioned Policy and Model.

DIA Group has, in turn, implemented an anti-fraud and anti-corruption programme so that each country has a matrix of fraud risks analysed in terms of frequency and impact that incorporates existing controls to prevent such behaviour, including the risks and controls affecting financial information.

- Which governing body within the company is in charge of supervising the process.

As stated above, the Group ICFR, together with the Managers and CEOs of each country, is responsible for identifying the error or fraud risks in its financial information, through the annual scope matrix. On 15 March 2018, the Audit and Compliance Committee approved the ICFR scope matrix for 2018, which is used to identify any accounts and breakdowns entailing a significant associated risk, whose potential impact on financial information is material. In this process to identify relevant accounts and breakdowns, both quantitative and qualitative factors have been taken into account (transaction complexity, risk of fraud, inherent risk, level of process standardisation, etc.).

### F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

- F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, measurements and projections.

The financial information is reviewed periodically to ensure its quality and reliability. The Country Financial Managers and Manager of the Group's Administration, Accounting and Consolidation periodically validate the financial information drafted and reported to the Consolidation department through a consolidation tool (HFM).

The procedure to review and authorise financial information is formalised each year through internal certifications, issued by the Country Financial Manager and the Group Executive Finance Manager, with approval from the Country Executive Manager and CEO, respectively. This process culminates with its presentation at the Audit and Compliance Committee by the Group Executive Finance Manager, before the Board of Directors draws up the annual accounts.

The Group ICFR manager, is entrusted, amongst other tasks, with providing a description of the ICFR, in conjunction with the departments involved. This description is formally validated by these Managers, the Group Financial Manager and Group Executive Finance Manager. This process

culminates with approval of the overall Annual Corporate Governance Report by the Board of Directors.

The Group ICFR has documented any risks of error or fraud in the financial information and checks to mitigate these risks, affecting all the processes/sub-processes:

- Creditor management and general expenses.
- Cash and banks.
- Closing, consolidation and reporting.
- Purchases.
- Inventories.
- Goodwill valuation.
- Management of franchisee receivables.
- Management of income tax.
- Management of property, plant and equipment.
- Contingent liabilities.
- Staff.
- Sales.

Of particular relevance is the closing, consolidation and reporting, as well as any issues affected by relevant opinions, estimates, valuations and forecasts.

The documentation of each one of these processes includes:

- Details of relevant accounts and breakdowns.
- Details of information systems affecting the sub-processes.
- Details of any procedures and internal rules approved by the Management, regulating said sub-processes.
- Details of organisational structures.
- Descriptions of each sub-process associated to each process.
- Flowcharts for each sub-process.
- Details of significant risks in financial information (including those related to fraud) and other operational and/or compliance risks associated to the various sub-processes and control objectives.
- Detailed description of essential and non-essential checks to mitigate each identified risk.
- Outcome of assessing the internal control design provided by the Group ICFR, identifying any room for improvement and defining action plans, the persons in charge and implementation deadlines.

The following has been identified for each check:

- Back-up evidence for the checks.
  - Organisational structures and/or functions inherent to the posts assigned to each identified check.
- In addition, the SAP GRC tool has individually identified each owner and the validation managers.

- Frequency of the checks.
- Degree of check automation.
- Type of control: preventive or detective.
- Whether it covers the risk of fraud.

The Control Owners are responsible for maintaining that information updated, i.e. the owners of each check and the persons in charge of their supervision. For each check, the owner and validation managers have been individually identified in order to ensure the maximum traceability.

Through the SAP GRC Process Control tool, the Group ICFR carries out a process of continuous update, self-assessment and supervision of adequate operation of the Internal Control System for Financial Reporting, guaranteeing its reasonable quality and reliability in a single centralised environment.

This SAP GRC helps strengthen control surroundings at all organisational levels, enabling an evaluation of the design and effectiveness of the checks and the monitoring of action plans.

### F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and separation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The DIA Group Rules include Group Information Security Rules and a Security Policy for Corporate Information, describing the strategy followed to protect information in relation to access control, user responsibilities, safe communications and operations, management of change, security in development, incident management, business continuity and compliance. The policy and associated regulatory framework are based on ISO 27000 international rules.

The policy defines criteria to mitigate any risks affecting confidentiality, integrity and availability of all information, including financial reporting.

The management of technological risk is a process whereby the Group identifies any threats and establishes action plans to guarantee business objectives derived from the dependence of information systems.

In general, the following information enables the Group to have reasonable guarantees over its internal control of information systems:

- Specific regulations in access control matters and information classification.
- Security (cybersecurity) incident management rules.
- A periodic review of data user access, and a review of privileged application users.
- Software development methodology is in place, as well as differentiated surroundings, in order to guarantee that any changes in information systems are adequately authorised and tested.
- Software and project follow-up plan.
- Information systems are classified and segmented in the network by relevance and are hosted in specialized locations, guaranteeing both their continuity and physical security.
- Any operation and monitoring of information systems is carried out by authorised staff, according to exploitation procedures.

- Back-up copies are periodically made of all information, stored in a safe place, and recovery tests are completed.
- Daily verification and monthly back-up reports.
- An incident management system aimed at resolving any difficulty that may arise in business processes.
- The security service under management has been extended, both in internal and external networks, protecting and alerting the Group of any security threats. In addition to this service, measures to fight cybercrime have been implemented.

In 2018, the Antispam, Antimalware and Endpoint protection systems have evolved with the aim of protecting the Group from further threats. Additionally, an information anti-leak system (email) was implemented.

The Group's critical business processes have different organisational and technological solutions to guarantee the continuity of information systems.

Also in 2018, the Group formalised a Contingency Plan for Stores and Warehouses to ensure the recovery of normal operations in view of critical contingencies. That plan forms part of DIA Spain's Business Continuity Plan, together with the IT Contingency Plans, the Disaster Recovery Plans for the corporate data centres, Security Incident Response Plan, the Evacuation Plans and the Corporate Crisis Manual.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned to independent experts, when these may materially affect the financial statements.

The Group does not usually outsource any activities to third parties, which could materially affect its financial statements. In any case, when the Group outsources certain work to third parties, it ensures that adequate technical qualifications, independence, competence and solvency are guaranteed.

DIA has a "Rule for optimising negotiations / hirings with the Big Four", which forms part of the Group's financial rules. That rule is published on the corporate website and its aim is to have an overall view of the group regarding all the agreements which the company arranges with the Big Four consultancy firms with the purpose of establishing the bases which provide the possibility of contributing improvements to the negotiations under way and optimising the future negotiations with those consultancy firms.

In 2018, the main significant activity outsourced to third parties with an effect on the financial statements was the use of independent experts to determine the impact of the incentive plans in force, the pension plans, the tax advice and forensic reports. The activity was executed by firms of renowned prestige, and validated by duly qualified Group staff with the Management's supervision, checking the fundamental assumptions used by the external providers, as well as the reasonableness of their conclusions.

At present, other activities have been outsourced to third parties regarding the debt refinancing and the impairment test.

## F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

- F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) up to date and settling doubts or conflicts over their interpretation, maintaining regular communication with the persons responsible for the organisation's transactions, as well as an updated accounting policy manual that is provided to all the company's operating units.

Every year, the Group's Accounting, Administration and Consolidation Management, which organisationally depends on the Group's Financial management, updates the Group's Accounting Policies drafted based on the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

Those are distributed to all the staff involved in the various countries by e-mail. The latest update was in November 2018. In the event of significant changes affecting any of the Accounting Policies, an e-mail will be sent to the managers involved.

The tasks entrusted to the Group's Accounting, Administration and Consolidation Management include the settlement of any doubts derived from the interpretation of accounting policies, which will be included into DIA's Accounting Policies in the next update.

- F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and attached notes as well as disclosures concerning ICFR.

The Group has an HFM consolidation computer tool in all its countries which, after downloading SAP data in each country, is able to prepare financial information in a standard format to facilitate the consolidation process.

The data are uploaded manually by extracting the SAP data. Preventive checks are defined in the tool itself to ensure an adequate data loading. In this way, all information on individual financial statements of all Group entities are centralised in a single tool, with the same accounting plan. This same tool has formalised the financial reporting validation process by the Financial Managers in each country, as described in F.3.1 above.

All the information backing up the breakdowns and notes of the annual report is included in the HFM tool.

The collection and preparation of detailed ICFR information is centralised by the Group ICFR manager, who holds interviews with the various Managers of the departments involved in order to gather information that backs up and justifies the ICFR description.

## F.5 Supervision of system operation

Indicate the existence of at least the following components, describing their main characteristics:

- F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the Company has an action plan

specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information

As indicated in section F.1.1 above, the Audit and Compliance Committee is entrusted with “supervising and periodically reviewing the efficacy of internal control”, with support from the Internal Audit Department.

The Group has an Internal Audit Department that hierarchically depends on the CEO and is functionally dependent on the Audit and Compliance Committee.

Amongst its tasks, the Internal Audit Department will support the Audit and Compliance Committee when supervising adequate operation of the Internal Control System for Financial Reporting, reporting the outcome of any audits both to the Group’s Management Committee and Audit and Compliance Committee. The key ICFR controls are assessed by Internal Audit in terms of their effectiveness and design.

Among the main activities carried out by the Internal Audit Department is the supervision of the risk control and management system as described in section E.2 of the annual corporate governance report.

The Internal Audit Department is in charge of executing an internal auditing plan for the 2018 financial year, which was approved in December 2017 by the Audit and Compliance Committee.

The internal annual audit plan includes an audit of key processes in the Group ICFR.

The plan will be executed through annual schedules determining the scope of the annual ICFR reviews. The plan’s adaptation will be assessed based on the reviews already made and on the needs detected each year at the company.

The audits made on the ICFR will assess the design of the controls and verify their correct performance, identifying weaknesses and proposing recommendations with the aim of reinforcing internal control. As a result, the Internal Audit Department permanently monitors the action plans agreed with the various areas to make sure that they have been implemented correctly and the weaknesses have been resolved.

In each case, the relevant report was issued and reported to the Audit and Compliance Committee, describing the work executed, the recommendations based on the risk level, and the action plans.

During the 2019 financial year, supervision audits will continue on adequate operation of the ICFR in key processes, both in Spain and in other countries covered by the Group.

In accordance with its own duties, the Audit and Compliance Committee included in its annual report the tasks performed in its role as the supervisor of the Internal Control System in 2018, namely:

- Supervision of the process to issue and present the quarterly and six-monthly economic and financial information, both individual and consolidated, submitted to the markets and to its control bodies.
- An adequate definition of the consolidation perimeter, an accurate application of the generally accepted accounting standards and the safeguard of the integrity of the financial information.
- The supervision and review of the individual and consolidated annual accounts of the Company for the previous year approved by the Board of Directors and the respective management reports.
- Supervision of the relations with the external auditor of the Company and DIA Group, i.e. KPMG

Audidores, S.L., as well as its compliance with the audit contract.

- Assessment and approval of the Internal Audit Plan for 2019.
- Supervision and monitoring of the Internal Audit activities.
- Supervision of the monitoring of the ICFR assessment results with respect to key and material processes in Spain and in the other countries where the DIA Group operates.
- Systematic monitoring and supervision of the Risk Management carried out by the Company, as well as the monitoring of the performance of the main risk indicators.
- Review of the related-party transactions.
- Review of the information about the transactions regarding structural or corporate changes, in particular their financial terms and accounting impact.
- Monitoring of the compliance with the Internal Rules of Conduct, the Regulation of the Board of Directors and, in general, the Company's rules on corporate governance, where no relevant breaches were detected.
- Supervision of the actions to disseminate and inform about DIA's Ethics Code and Whistle-Blowing Channel and of the functioning of the Ethics Committees at both corporate and country level.
- Review and approval of the annual corporate governance report for 2017, specifically the matters concerning the Committee itself, which are set out in sections C, E, F and H of that annual report.
- Monitoring of the corporate social responsibility policy so that it focuses on creating value, monitoring the corporate social responsibility strategy and practices and assessing its degree of compliance.
- Supervision of the strategy of communications and relations with shareholders, investors (including small and medium ones) and other stakeholders; this task was regularly carried out during the year.
- Prompt response to the requirements and requests for information from the CNMV during its review of the Group's financial information.

It should be noted that during 2018, the Audit and Compliance Committee has taken an active part in the accounting review project undertaken by the Group as a result of the Significant Events reported to the National Securities Market Commission, disclosed by the Company in October and December 2018, which have required making accounting adjustments.

The investigations performed revealed the existence of irregular practices carried out by certain employees and management (including senior executives of the Company) aimed to override the internal controls established in the Group. As a consequence, the Company, under the advice of its attorneys, has adopted and will continue to adopt the disciplinary and legal measures that are appropriate against irregular conducts or behaviours, in accordance with the Group's compliance policies and the applicable legislation. Likewise, although the Company has adequate and diligent internal control systems, it will proceed to review and, where appropriate, implement some additional internal policies and procedures with the aim of further strengthening its internal control.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board



of Directors. State also whether the company has an action plan to correct or mitigate the weaknesses found.

Article 38 of the Board of Directors Regulations and article 38 of the Audit and Control Committee's Regulations state that the Audit and Compliance Committee has the power to "serve as a communications channels between the Board of Directors and the auditors, to assess the outcome of each audit and the response given by the management team to its recommendation, intermediating in any differences between the former and the latter in relation to the principles and criteria applicable when drawing up the financial statements".

In 2018, seven meetings were held by the Audit and Compliance Committee.

Each year, the auditor formally informs the Audit and Compliance Committee of any future relevant weaknesses in the internal control system, detected during its work.

The Audit and Compliance Committee ensures that the external auditor holds a meeting with the Board of Directors to report on the work carried out and on the evolution of the Company's accounting and risks situation.

The Internal Audit Department periodically informs the DIA Group's Executive Committee and Audit and Compliance Committee of the outcome of a ICFR review and of the other internal audits completed during the financial year, as well as the current state of any action plan implementation, arising as a consequence.

As stated in section F.2.1, the ICFR officer also informs the DIA Group's Executive Committee and the Audit and Compliance Committee of the ICFR review results and of the state of implementation of the remedy plans arising from them.

## F.6 Other relevant information

## F.7 External audit report

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

DIA submitted the 2018 ICFR information reported to the market for review by the external auditor. The scope of the auditor's review procedures was made in accordance with the action guideline and audit Report form referred to in the information about the internal control over financial reporting of the Listed Companies in July 2013 issued by the corporations representing the auditors.

## **G** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Code of Good Governance for listed companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Compliant  Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant  Partially compliant  Explain  Not applicable

3. During the Annual General Meeting, as a supplement to the distribution in writing of the annual corporate governance report, the chairperson of the Board of Directors informs the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company, and in particular:

- a) Of the changes that have occurred since the previous Annual General Meeting.

- b) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and of any alternative rules that may be applicable in this matter.

Compliant  Partially compliant  Explain

4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisers that is fully respectful of the rules against market abuse and gives a similar treatment to shareholders that are in the same position.

The company makes public this policy through its website, including information relating to the way in which it has been implemented and identifying the contacts or those responsible for carrying it out.

Compliant  Partially compliant  Explain

5. The Board of Directors does not submit to the Annual General Meeting a proposal for delegating powers to issue shares or convertible securities, except for the right to preferential subscription, for an amount greater than 20% of the share capital at the time of delegation.

And when the Board of Directors approves any issue of shares or convertible securities, not including the right to preferential subscription, the company immediately publishes on its website the reports on this exclusion referred to be company law.

Compliant  Partially compliant  Explain

6. Listed companies preparing the reports mentioned below, whether as an obligation or voluntarily, publish them on their websites in sufficient time before the Annual General Meeting, even if their publication is not mandatory:

a) Report on the independence of the auditor.

b) Reports on the operation of the Audit Committee and the Nomination and Remuneration Committee.

c) The Audit Committee report on related-party transactions.

d) Report on the corporate social responsibility policy.

Compliant  Partially compliant  Explain

7. The company broadcasts the Annual General Meeting live via its website.

Compliant  Explain

8. The Audit Committee oversees the Board of Directors to ensure that if possible it presents the accounts to the Annual General Meeting without any limitations or qualifications in the auditor's report; and that in the exceptional cases when there are qualifications, both the chairman of the Audit Committee and the auditors explain clearly to the shareholders the content and scope of these limitations or qualifications.

Compliant  Partially compliant  Explain

9. The company posts publicly and permanently on its website, the requirements and procedures that it will accept to accredit the ownership of the shares, the right of attendance to the Annual General Meeting and the exercise of delegation of this voting right.

These requirements and procedures favour attendance and the exercise of voting rights by the shareholders and are applied in a non-discriminatory way.

Compliant  Partially compliant  Explain

10. When a duly registered shareholder has exercised the right to add to the agenda or submit new proposed resolutions before the Annual General Meeting, the company:

a) Immediately makes public these supplementary points and new proposed resolutions.

b) Makes public the model of attendance card or form of delegating the vote or distance vote, together with the precise modifications, so that the new points on the agenda and the alternative proposed resolutions can be voted on in the same terms as those proposed by the Board of Directors.

c) Submits all these points or alternative proposals to the vote and applies to them the same voting rules as those issued by the Board of Directors, including in particular any assumptions or deductions regarding voting intention.

d) Following the Annual General Meeting, reports the breakdown of the vote on these supplementary points or alternative proposals.

Compliant  Partially compliant  Explain  Not applicable

11. If the company plans to pay attendance bonuses to the Annual General Meeting, it should establish in advance a general policy on such bonuses and this policy should be stable.

Compliant  Partially compliant  Explain  Not applicable

12. The Board of Directors performs its duties with a single purpose and with independent criteria, treats all shareholders who are in the same position in the same way and is guided by the corporate interest, meaning the achievement of a profitable and sustainable business in the long term that promotes its continuity and the maximisation of the company's economic value.

In aiming for the corporate interest, as well as respecting the laws and regulations and a good behaviour based on good faith, ethics and respect for commonly accepted customers and good practices, it aims to reconcile the corporate interest with the legitimate interests of its employees, suppliers, customers, and the other stakeholders that may be affected, as appropriate, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliant  Partially compliant  Explain

13. The Board of Directors is of the right size to ensure effective and participative operation, which means that it is advisable for it to have between five and fifteen members.

Compliant  Explain

14. The Board of Directors approves a policy on appointing directors that:

- a) Is specific and verifiable.
- b) Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors.
- c) Favours the diversity of knowledge, experiences and gender.

The result of the prior analysis of the needs of the Board of Directors is included in the justificatory report from the Nomination Committee published when calling the Annual General Meeting to which the ratification, appointment or re-election of each director is subject.

The policy for selecting directors fosters the target that in 2020 the number of female directors should represent at least 30% of all the members of the Board of Directors.

The Nomination Committee shall check compliance with the policy for selecting directors every year and report on this in the annual Corporate Governance Report.

Compliant  Partially compliant  Explain

15. Proprietary and independent directors should constitute a large majority of the Board and the number of executive directors should be the smallest possible, taking into account the complex nature of the corporate group and the stakes held by executive directors in the company's capital stock.

Compliant  Partially compliant  Explain

16. The percentage of proprietary directors out of the total number of non-executive directors is not greater than the proportion between the company's capital stock represented by these directors and the rest of the capital.

This criterion may be eased:

- a) In companies with a high market value, when there are few shareholdings that are legally considered to be significant.
- b) When it is a case of companies where there are a number of shareholders represented on the Board and there is no relation between them.

Compliant  Explain

17. The number of independent directors is at least half of all the directors.

However, when the company does not have a high market value, or when it does but has one shareholder or a number acting together who control more than 30% of the capital stock, the number of independent directors is at least one-third of the total number of directors.

Compliant  Explain

18. The companies publish and keep updated the following information on their directors on their website:

- a) Professional and personal background.
- b) Other boards of directors to which they belong, whether or not of listed companies, as well as information on other remunerated activities they engage in, whatever their nature.
- c) Indication of the type of director, specifying in the case of proprietary directors, the shareholder they represent or to which they are related.
- d) Date of the initial appointment as director of the company, as well as the subsequent re-elections.
- e) Shares in the company, and options on such shares, that they own.

Compliant  Partially compliant  Explain

19. The annual Corporate Governance Report, following verification by the Nomination Committee, explains the reasons for the appointment of the proprietary directors at the request of shareholders whose stake is under 3% of the capital; and, where appropriate, explains the reasons for not approving formal requests for representation on the Board from shareholders whose holding is at least equal to that of the others at whose request proprietary directors have been appointed.

Compliant  Partially compliant  Explain  Not applicable

20. Any proprietary directors should resign if the shareholder they represent fully transfers its stake. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant  Partially compliant  Explain  Not applicable

21. The Board of Directors does not propose the removal of any independent director before expiration of the term of appointment foreseen in the Articles of Association, unless there is just cause, ascertained by the Board subject to a prior report from the Appointment Committee. In particular, just cause will be deemed to exist if the director takes on a new position or undertakes new duties that prevent him or her from dedicating the time needed to perform the duties of director, infringes the duties inherent to his post or is involved in any of the circumstances entailing loss of independence under applicable law.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations, entailing a change in the company's capital structure, if such changes in the Board's structure are triggered by the proportionality principle indicated in Recommendation 16.

Compliant  Explain

22. The companies establish rules obliging their directors to report and resign, if necessary, in any situations that may damage the company's creditworthiness and reputation. In particular, they should be obliged to inform the Board of any criminal proceedings in which they are charged, including any subsequent procedural vicissitudes.



If a director is prosecuted or an order initiating a public trial is delivered against him, for any of the offences envisaged in company law, the Board should examine the case as soon as possible and, in light of specific circumstances, decide whether or not the director should remain in his post. The Board should report all of the foregoing, in a reasoned manner, in the Annual Corporate Governance Report.

Compliant  Partially compliant  Explain

23. All directors are able to clearly expressly their disagreement if they consider that any proposed resolution submitted to the Board may be contrary to the corporate interest. The foregoing will also apply, in particular, in the case of independent directors and others not affected by a potential conflict of interests, for decisions that may be detrimental to shareholders not represented on the Board.

If the Board adopts significant or reiterated decisions on which a director has made serious reservations, the latter is able to reach the necessary conclusions and, if he decides to resign, should explain his reasons in the letter referred to in the recommendation below.

This Recommendation also covers the Secretary of the Board of Directors, director or otherwise.

Compliant  Partially compliant  Explain  Not applicable

24. If, further to a resignation or for other reasons, directors abandon their post before the end of their term, the reasons for this should be explained in a letter forwarded to all of the Board members. Without prejudice to such abandonment being notified as a significant event, the Annual Corporate Governance Report should explain the reasons for this abandonment.

Compliant  Partially compliant  Explain  Not applicable

25. The Nomination Committee should ensure that non-executive directors have sufficient time available for the correct performance of their duties.

And the Regulation of the Board of Directors must establish the maximum number of boards of directors of which its directors may form part.

Compliant  Partially compliant  Explain

26. The Board of Directors meets as frequently as necessary to perform its duties effectively, and at least eight times a year, following the schedule of dates and issues it establishes at the start of the year. Each director can individually propose agenda items that are not initially included.

Compliant  Partially compliant  Explain

27. Non-attendance by directors is limited to unavoidable cases that are listed in the Annual Corporate Governance Report. When non-attendance has to occur, a proxy is granted with instructions.

Compliant  Partially compliant  Explain

On four occasions, some directors were absent from or did not attend the meeting without delegating their representation to another.

28. When the directors or the Secretary express concern regarding a proposal, or in the case of directors, on the performance of the company, and these concerns are not resolved by the Board of Directors, this is noted in the minutes at the request of the person who has raised the concerns.

Compliant  Partially compliant  Explain  Not applicable



29. The company establishes appropriate channels allowing directors to obtain precise advice on the performance of their duties, including, if circumstances require, external advice at the company's expense.

Compliant  Partially compliant  Explain

30. Apart from the knowledge required from the directors to perform their duties, the companies also offer their directors refresher courses to update knowledge where required by the circumstances.

Compliant  Explain  Not applicable

31. The agenda of the meetings indicates clearly those points on which the Board of Directors have to adopt a decision or resolution so that the directors can study or gather in advance the information required for adoption.

Exceptionally, when for reasons of an emergency, the chairperson wishes to submit decisions or resolutions to the Board of Directors for approval that are not included on the agenda, the prior consent of the majority of directors present will be required, and due note of this will be included in the minutes.

Compliant  Partially compliant  Explain

32. The directors are regularly informed of changes in the shareholder structure and of the opinions of significant shareholders, investors and ratings agencies on the company and its group.

Compliant  Partially compliant  Explain

33. The chairperson, as responsible for the efficient operation of the Board of Directors, not only performs the duties established by law and the Bylaws, but prepares and submits to the Board of Directors a schedule of dates and issues to be considered; organises and coordinates the regular evaluation of the Board, and where appropriate, of the company's chief executive; is responsible for the management of the Board and for its effective operation; ensures that it dedicates sufficient time to discussion of strategic questions, and agrees and reviews the programmes for updating each director's knowledge, where advisable.

Compliant  Partially compliant  Explain

34. When there is a coordinating director, the Bylaws or the Regulation of the Board of Directors, as well as the corresponding duties under law, the Bylaws or Regulation of the Board of Directors establish for him the following duties: chair the Board of Directors in the absence of the Chairperson and of the Deputy Chairpersons, where there are such; respond to the concerns raised by the non-executive directors; maintain contacts with investors and shareholders to discover their points of view in order to form an opinion on their concerns, in particular in relation to the company's corporate governance; and coordinate the succession plan for the Chairperson.

Compliant  Partially compliant  Explain  Not applicable

35. The Secretary of the Board of Directors pays particular attention to ensuring that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in the Code of Good Governance and applicable to the company.

Compliant  Explain

36. The full Board of Directors assesses once a year and adopts, where appropriate, an action plan to correct any deficiencies identified with respect to:

- a) The quality and efficiency of the operation of the Board of Directors.
- b) The operation and composition of its committees.

- c) The diversity in composition and competences of the Board of Directors.
- d) The performance of the Chairperson of the Board of Directors and the company's chief executive.
- e) The performance and contribution of each director, with particular attention to those responsible for the different Board committees.

The assessment of the different committees is based on the report that they submit to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Nomination Committee.

Every three years, the Board of Directors will be assisted in carrying out the assessment by an external consultant, whose independence will be verified by the Nomination Committee.

The business relations that the consultant and any company in his group have with the company or any company in its group must be disclosed in the Annual Corporate Governance Report.

The process and the areas assessed will be described in the Annual Corporate Governance Report.

Compliant  Partially compliant  Explain

37. When there is an Executive Committee meeting, the structure of participation by the different categories of directors is similar to that of the Board of Directors, and its Secretary is that of the Board.

Compliant  Partially compliant  Explain  Not applicable

38. The Board is always informed of the matters discussed and decisions adopted by the Executive Committee, and all the Board members receive a copy of the minutes of all Executive Committee meetings.

Compliant  Partially compliant  Explain  Not applicable

39. The members of the Audit Committee and in particular its chairperson, shall be appointed taking into account their knowledge and experience in matters of accounting, auditing and risk management, and most of these members should be independent directors.

Compliant  Partially compliant  Explain

40. Under supervision of the Audit Committee, a unit is in place that assumes the internal audit function and ensures the correct operation of the information and internal control systems. It answers to the non-executive chairperson of the Board of Directors or the Audit Committee.

Compliant  Partially compliant  Explain

41. The person in charge of the unit that assumes the function of internal auditing should submit his annual work plan to the Audit Committee, directly informing it of any incidents that may arise and presenting an activity report at the end of each financial year.

Compliant  Partially compliant  Explain  Not applicable

42. In addition to those provided for by law, the Audit Committee has the following duties:

1. With respect to internal control and reporting systems:

- a) Supervise the drafting process and the integrity of the financial information relating to the company, and where appropriate to the group, reviewing compliance with regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria.
- b) Ensure the independence of the unit that assumes the function of internal auditing; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to



propose the budget for this department; to approve the approach and the work plans, ensuring that their activity is focused mainly on relevant risks for the company; to receive periodic information on its activity; and to check that senior management takes into account the conclusions and recommendations made in its reports.

- c) Establish and supervise a device that enables employees to communicate any irregularities of potential importance, in a confidential and even anonymous manner, if deemed appropriate and possible, to particularly include financial and accounting irregularities, noticed within the company.

2. With respect to the external auditor:

- a) If the external auditor resigns, examine the circumstances that may have caused this.
- b) Ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
- c) Supervise that the company informs the CNMV of a change of auditor, as a relevant event, including a statement about the future existence of disagreements with the outgoing auditor and the content thereof, if any.
- d) Ensure that the external auditor holds a meeting every year with the full Board of Directors to inform it about the work being done and changes in the accounting situation and risks in the company.
- e) Ensure that the company and the external auditor respect the regulations in place on provision of services other than auditing, the limits to the auditor's business concentration, and in general other regulations on the independence of auditors.

Compliant  Partially compliant  Explain

43. The Audit Committee may summon any company employee or executive, and even order their appearance without the presence of any other executive.

Compliant  Partially compliant  Explain

44. The Audit Committee should be informed of structural and corporate modifications that the company plans in order to review them and inform the Board of Directors in advance of the financial conditions and their accounting impact, in particular of the proposed exchange ratio, where applicable.

Compliant  Partially compliant  Explain  Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of risk, financial and non-financial (among others, operational, technological, social, environmental, political and reputational) faced by the Company. The financial or economic risks include tax risk, contingent liabilities and other off-balance-sheet risks.
- b) A specific risk threshold that the Company considers acceptable.
- c) The measures planned to mitigate the impact of risks identified, if they should materialise.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant  Partially compliant  Explain

46. Under the direct supervision of the Audit Committee or, where appropriate, a specialised committee of the Board of Directors, an internal risk control and management function is exercised by an internal unit or department in the Company that has the following functions expressly attributed to it:

- a) Ensure the proper operation of the systems of risk control and management; in particular they should appropriately identify, manage and quantify all the important risks affecting the company.
- b) Participate actively in preparing the risk strategy and the important decisions with respect to its management.
- c) Ensure that the risk control and management functions mitigate the risks sufficiently within the framework of the policy defined by the Board of Directors.

Compliant  Partially compliant  Explain

47. The members of the Nomination and Remuneration Committee, or of the Nomination Committee and the Remuneration Committee, if they are separate, are appointed with the idea that they should have the knowledge, attitudes and experience that are appropriate to the functions they are to perform and that most of these members should be independent directors.

Compliant  Partially compliant  Explain

48. Companies with a high market value should have a separate Nomination Committee and Remuneration Committee.

Compliant  Explain  Not applicable

The Board of Directors has carefully assessed this possibility and has preferred to maintain the current structure of a single committee for the present time, without this ruling out any future decisions in this respect. The reasons justifying this decision are: (a) the high level of know-how and experience of the current members of the Committee, whose combined experience in the specific matters relating to the Committee suggest that action should be joint and interactive, leading to more effective and productive work; (b) the limited number of executive directors, which facilitates the handling of these issues; (c) the accumulated experience in these seven years since the Company went public, which means we can state that the tasks have been undertaken competently, opportunely and with good results; and (d) the composition and size of the Board of Directors and the Group's relatively simple corporate structure.

49. The Committee should consult the Chairperson of the Board of Directors and the Company's chief executive, particularly in the case of matters related to executive directors.

The possibility of any director being able to request that the Nomination Committee take potential candidates into account, if deemed suitable in its opinion, in order to fill director vacancies.

Compliant  Partially compliant  Explain

50. The Remuneration Committee should exercise its functions independently and as well as the tasks attributed to it by law, it has the following duties:

- a) Propose to the Board of Directors the basic conditions of the contracts of senior managers.
- b) Check that the remuneration policy established by the company is being adhered to.
- c) Review periodically the remunerations policy applied to directors and senior management, including the share-based remuneration systems and their application; and guarantee that individual remuneration is proportional to what is paid to other directors and senior managers in the Company.
- d) Ensure that possible conflicts of interest do not harm the independence of the external advice provided to the committee.

e) Check the information on the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliant  Partially compliant  Explain

51. The Remuneration Committee should consult the Company's Chairperson and chief executive, particularly in the case of matters related to executive directors and senior managers.

Compliant  Partially compliant  Explain

52. The rules on the composition and operation of the supervision and control committees appear in the Regulation of the Board of Directors and are consistent with those applicable to the legally obligatory committees in accordance with the above recommendations, including:

a) They are composed exclusively of non-executive directors, with a majority of independent directors.

b) Their chairpersons are independent directors.

c) The Board of Directors appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the duties of each committee, and deliberates on their proposals and reports; and the Board reports on their activity at the first full Board of Directors meeting following its meetings, where they answer for the work done.

d) The committees may have recourse to external advice when they consider it necessary to perform their duties.

e) Minutes are drafted of the meetings, and made available to all the directors.

Compliant  Partially compliant  Explain  Not applicable

53. Supervision of compliance with the rules on corporate governance, the internal codes of conduct and the policy on corporate social responsibility is attributed to one committee or is divided between a number of committees of the Board of Directors. They may be the Auditing Committee, the Nomination Committee, the Corporate Social Responsibility Committee (if there is one), or a specialised committee that the Board of Directors, in the exercise of its faculty of self-organisation, decides to create for this purpose, to which the following minimum tasks are specifically attributed:

a) Supervision of compliance with the internal codes of conduct and the rules of the company's corporate governance.

b) Supervision of the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodic assessment of the appropriateness of the company's system of corporate governance, with the aim of complying with its mission to promote the corporate interest and take into account the legitimate interests of the other stakeholders, as appropriate.

d) Review of the company's corporate social responsibility policy, ensuring that it is geared to creating value.

e) Monitoring of the strategy and practice of corporate social responsibility and evaluation of the level of compliance.

f) Supervision and assessment of the processes of engagement with the different stakeholders.

g) Assessment of everything related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational.

- h) Coordination of the process of reporting non-financial information and information on diversity, in accordance with the regulations applicable and international standards in the area.

Compliant  Partially compliant  Explain

54. The corporate social responsibility policy includes the principles or commitments assumed by the company voluntarily in its relations with different stakeholders, and should identify at least:

- a) The goals of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to the sustainability, environment, and social matters.
- c) The specific practices on questions related to: shareholders, employees, customers, suppliers, social questions, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal conduct.
- d) Methods or systems of monitoring the results of the application of specific practices specified in the above point, associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for communication, participation and dialogue with stakeholders.
- g) Responsible communication practice that prevents formation manipulation and protects integrity and honour.

Compliant  Partially compliant  Explain

55. The company should report in a separate document or management report on the issues related to corporate social responsibility, using some of the internationally accepted methodologies for this purpose.

Compliant  Partially compliant  Explain

56. The remuneration of directors should be sufficient to attract and retain the directors with the required profiles and to remunerate the dedication, qualification and responsibility required by the position, but not so high that it compromises the independent judgement of non-executive directors.

Compliant  Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Should be linked to predetermined and measurable performance criteria, and these criteria should consider the risk assumed to obtain a result.

- b) Should promote the company's sustainability and include non-financial criteria that are appropriate for the creation of value in the long-term, such as compliance with the company's rules and internal procedures and its policies for risk control and management.
- c) Should be organised on the basis of a balance between compliance with short-term, medium-term and long-term objectives, which allow remuneration of performance for continued work during a period of time that is sufficient for its contribution to the sustainable creation of value to be appreciated, so that the elements for measuring this performance do not solely involve one-off, occasional or extraordinary events.

Compliant  Partially compliant  Explain  Not applicable

59. The payment of a significant part of the variable components of remuneration is deferred for a minimum period of time that is sufficient to check that the previously established conditions for performance have been complied with.

Compliant  Partially compliant  Explain  Not applicable

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant  Partially compliant  Explain  Not applicable

61. A significant percentage of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments linked to their value.

Compliant  Partially compliant  Explain  Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain  Not applicable

63. The contractual agreements include a clause that allows the company to claim the repayment of the variable components of the remuneration when the payment has not met the performance conditions, or when payment has been based on data that is subsequently proved to be erroneous.

Compliant  Partially compliant  Explain  Not applicable

64. Severance payments should not be greater than the equivalent to two years of total annual remuneration and should not be paid until the company has checked that the director has complied with the previously established criteria for remuneration.

Compliant  Partially compliant  Explain  Not applicable

## H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the Company or Group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sector or other ethical principles or standard practices. If applicable, identify the Code and date of adoption. In particular, indicate whether it has adhered to the Code of Good Tax Practices of 20 July 2010.

Comments
<p>SECTION A.2</p> <p>At the issue date of this report, THE GOLDMAN SACHS GROUP, INC. was a "significant shareholder" since it owned over 5% of the Company's capital in January 2019. In particular, on 15 January 2019 it acquired 5.362% of the voting rights, of which 0.180% correspond to indirect voting rights attributed to shares, 1.652% to indirect voting rights attributed to financial instruments in accordance with article 13(1)(a) of Directive 2004/109/EC and article 28.1.a) of Royal Decree 1362/2007, and 3.530% to indirect voting rights attributed to financial instruments in accordance with article 13(1)(b) of Directive 2004/109/EC and article 28.1.b) of Royal Decree 1362/2007. The Goldman Sachs Group, Inc. owns all those voting rights through Goldman Sachs International, a company where it is the control shareholder.</p> <p>In addition, at the issue date of this report, CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD. (with corporate domicile in the Cayman Islands) was a "significant shareholder" since it owned over 1% of the Company's capital in February 2019. In particular, on 5 February 2019 it acquired 1,232% indirect voting rights attributed to financial instruments. CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD. owns all those voting rights through its indirect subsidiary CITADEL MULTI-STRATEGY EQUITIES (IRELAND) DAC.</p> <p>On 6 February 2019 and in compliance with articles 530 and 531 of the Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Law, Naturinvest, S.A.R.L., Pablo Gómez-Pablos Calvo and Altocapital Inversiones, S.L., all of them minority shareholders of the Company, have informed the Company of the existence of a shareholders agreement in the form of a Share Syndication Agreement by means of which they own a significant shareholding in the Company. The number of shares affected by this agreement amounts to 20.277.500, which represent a 3,2496% of the social capital.</p> <p>SECTION A.3</p> <p>At the issue date of this report, since Company shares were delivered to the directors in January as part of their remuneration, the resulting voting rights of each director, at an individual and overall level, were as follows:</p> <ul style="list-style-type: none"> <li>• Mr Borja de la Cierva Álvarez de Sotomayor: 0.005% of voting rights attributed to shares</li> </ul>

- Mr Julián Díaz González: 0.011% of voting rights attributed to shares
- Ms María Luisa Garaña Corces: 0.002% of voting rights attributed to shares
- Mr Richard Golding: 0.152% of voting rights attributed to shares
- Ms Angela Lesley Spindler: 0.004% of voting rights attributed to shares
- Mr Mariano Martín Mampaso: 0.012% of voting rights attributed to shares
- Mr Antonio Urcelay Alonso: 0.008% of voting rights attributed to shares
- Mr Miguel Ángel Iglesias Peinado: 0.010% of voting rights which could be acquired by virtue of the remuneration system (LTIP).
- Mr Jaime García-Legaz Ponce: 0.00% of voting rights.
- Total percentage of voting rights held by the Board of Directors: 0.204%

## SECTION B.4

The criterion to calculate the floating capital percentage exercising the attendance right, the delegation of power and the vote at the General Meetings in the last few years is as follows: the voting rights corresponding to the following, where applicable, have been deducted from the total voting rights corresponding to the shareholders present or represented at the Meetings:

- (i) the treasury stock;
- (ii) the shares owned by the directors; and
- (iii) the voting rights corresponding to the significant shareholders directly or indirectly exercising their rights with specific voting instructions.

To that end, it is understood that the voting rights exercised by custodians or other securities depositories without specific voting instructions which have not identified the ultimate owner of those shareholdings are calculated as floating capital.

Consequently, the floating capital figures stated in this section may include the voting rights corresponding to the shares owned by significant shareholders attending the General Meeting anonymously through those custodians.

## SECTION C.1.2

On 28 December 2018, Mr Jaime García-Legaz Ponce was appointed as a director, subject to compliance with a number of administrative requirements as a result of his previous senior management position in the Administration.

At the issue date of this report, once those requirements were met, the appointment of Mr Jaime García-Legaz Ponce became effective and was approved on 10 January 2019.

Mr Juan María Nin Génova tendered his resignation as a director of DIA on 22 June 2018. As stated in his letter, the resignation was due to his need to attend to personal and professional commitments (both in Spain and abroad) which were difficult to combine with the dedication required by his positions at the Company.

Mr Ricardo Currás de Don Pablo tendered his resignation as a director of DIA on 24 August 2018 to comply with article 22.2.c) of DIA's Board Regulation once he knew of his removal as the CEO.



Mr Stephan DuCharme tendered his resignation as a director and 1st Vice-Chairman of DIA's Board and, consequently, as a member of its Nomination and Remuneration Committee on 4 December 2018. He resigned so that he could focus his efforts on working at LetterOne in the process to design and development a long-term sustainability plan for the Company which, in his opinion, could enable the Company to meet its commercial, financial and strategic objectives for the benefit of its shareholders and interested third parties.

Mr Karl-Heinz Holland tendered his resignation as a director of DIA and, consequently, as a member of its Strategy Committee on 18 December 2018. He resigned so that he could focus his efforts on working at LetterOne in the process to design and development a long-term sustainability plan for the Company.

Mr Sergio Ferreira Dias tendered his resignation as a director of DIA and, consequently, as a member of its Audit and Compliance Committee on 18 December 2018. He resigned so that he could focus his efforts on working at LetterOne in the process to design and development a long-term sustainability plan for the Company.

Mr Antonio Coto Gutiérrez tendered his resignation as a director of DIA, effective 30 December 2018, to comply with article 22.2.c) of DIA's Board Regulation once he knew of his removal as the CEO.

Mr Antonio Coto resigned as the CEO on 28 December and tendered his resignation as a director on 30 December.

Ms Ana María Llopis tendered her resignation as a director of DIA, effective 31 December 2018, during the Board meeting on 27 December 2018. She resigned because she was convinced that she should not stay on DIA's Board for more than three mandates and that she should be replaced in the Presidency at the same time; she announced such circumstances during the Annual General Meeting held on 20 April 2018 and this was notified to the market through Significant Events published on 15 October 2018 and 28 December 2018.

### SECTION C.1.3

The percentages for the director categories were calculated based on 8 members. On 10 January 2019 and after Mr Jaime García-Legaz became an independent director, that base increased to 9, so the percentages are as follows:

- Executive directors:  $2/9 = 22.22\%$
- Independent directors:  $6/9 = 66.66\%$
- "Other external " directors:  $1/9 = 11.11\%$

### SECTION C.1.16

Continuation of section C.1.16.

### III. Removal

Article 22 of the Board Regulation envisages that directors will no longer hold office upon the expiration of their term, if this is agreed by the AGM further to its powers, or when a director resigns or is dismissed.

Any directors affected by proposed dismissals will refrain from participating in any related discussion and vote.

The Board of Directors may only propose the severance of an independent director before expiration of the bylaw term, and only if there is just cause, ascertained by the Board of Directors after receiving an opinion from the Nomination and Remuneration Committee. To this effect, a breach of the duties inherent to director status will constitute just cause, or if the director has subsequently incurred any of the circumstances



envisaged in article 22.2. A dismissal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that significantly change the Company's capital structure.

## SECTION C.1.32

The professional fees incurred by the auditors for auditing services and non-auditing services, provided to the DIA Group during the year to which this report refers totalled 1,543,790 euros.

The fees incurred by the auditors for non-auditing services provided to the DIA Group in 2018 totalled 189,657 euros, of which services amounting to 127,364 euros, which represent 8.25% of the overall fees, are services related to the audit and the other 62,293 euros, which represent 4.04% of the overall fees, correspond to the fees accrued to the Company for non-audit services and those not related to audits.

## SECTION C.1.34

To calculate the years during which the current audit firm has audited the Company's accounts in an uninterrupted manner, the first registration date of the firm as DIA's auditor has been taken into account, i.e. 1992.

## SECTION C.2.1

Continuation of section C.2.1.

The Company's Audit and Compliance Committee met seven times in 2018. Out of those seven Committee meetings, one member excused himself for not attending two of them. Without prejudice to the foregoing, all the Committee members attended all the meetings in person or by telephone in person or by proxy.

This Committee met with the necessary frequency for the correct operation of its functions, in all cases complying with Article 38.5 of the Regulation of the Board of Directors and Article 201. of the Committee's Regulations, which set out that it must meet, at least, every quarter, with the aim of reviewing the periodic financial information which, in accordance with Articles 118, 119 and 120 of the Securities Market Act, the Board has to submit to the market supervisory authorities as well as the information that the Board has to approve and include in its own annual public documentation.

## SECTION E.6

Continuation of section E.6.

### (iv) Corporate Social Responsibility

On 11 December 2015, the Board of Directors of DIA approved the Corporate Social Responsibility Policy, which is a framework of reference at corporate level that responds to DIA's commitment in the following areas:

1. Responsible management. Compliance with best practices of Good Governance and the establishment of a framework of action based on ethics, transparency and efficient risk management.
2. Commitment to the people and groups with which it interacts. Job creation, the development of the franchise, agreements with suppliers, collaboration on the socio-humanitarian aid programmes and the creation of value for shareholders and the company.
3. The franchises. Offer franchisees the appropriate knowledge and tools to manage their business efficiently.
4. Quality and price. Offer consumers solutions to their food and mass market product needs based on a commitment to quality and price that is unique on the market.

## 5. Caring for the environment.

### (v) Tax policy

In 2015, DIA's Board of Directors approved its Tax Strategy Policy.

The DIA Group has defined a tax policy aimed at ensuring responsible compliance with the tax regulations based on the corporate interest and supporting the Group's business strategies.

The tax purposes, principles and good practices which make up DIA's tax strategy must guide its decision-making, making sure that they provide information about the actions of the various companies that form the DIA Group. DIA guides its activity towards monitoring and controlling good practices.

### (vi) Compliance procedures for various regulations affecting the Company

The Company should identify, measure and minimise any legal risks, continuously observing the regulatory framework applicable and informing about compliance with legal obligations to the internal persons in charge of operations.

In order to execute and adequately fulfil this task, the Company has an organizational structure that consists of a Human Resources Department, a Financial & Tax Department and a Legal Department, in all jurisdictions where it operates; the foregoing are in charge of identifying applicable regulations and ensuring their compliance.

In order to adequately identify the regulatory framework and supervise its compliance, DIA has undertaken the following steps:

#### 1. Establish an identification and regulatory monitoring procedure.

The Legal Department has a "regulation map" in all the countries where it operates, identifying and describing all regulations applicable to DIA, to specifically include key legislation in the main supply chain processes. It is classified into six sections:

- legislation applicable to the product negotiation process, i.e. DIA's relationship with its services and merchandise suppliers, competitors, regulating boards, trademarks, etc.;
- legislation applicable to logistics, i.e. merchandise storage, distribution and transport;
- legislation applicable to the wholesale and retail trade;
- legislation applicable to commercial premises, urban leases, horizontal property, local taxes, opening hours, etc.;
- legislation applicable to DIA's relationship with its clients, personal data protection, supplies consumed, method of payment, advertising and promotion of sales, etc.;
- legislation applicable to DIA, as a listed company, securities market matters and internal conduct regulations.

In turn, the Legal Department is in charge of informing the rest of the Company about the content and scope of any novelties and/or regulatory changes, arranging and holding formative meetings, either in person or as e-learning, if the legislative novelty has a relevant effect on DIA's activity.

In order to carry out this task, the Legal Department has established a procedure to supervise and update regulations and communications, whereby it defines the resources, responsibilities and internal/external tools required to perform this task and achieve a double objective: providing an updated regulatory map and an organisation that is aware of its legal obligations.

## 2. Creation of a Regulatory Compliance Unit and designation of a Regulatory Compliance Manager

DIA has a Regulatory Compliance Unit (hereinafter, "RCU"), entrusted with duties in regulatory compliance and Company corporate governance matters. The RCU is in charge of ensuring that obligations are effectively fulfilled, foreseen in the Internal Regulations on Conduct in Securities Market Matters (hereinafter, "IRC"). Its main tasks are the following, amongst others:

- encourage awareness of the IRC and rules of conduct in securities market matters, and ensure their compliance.
- determine who is affected by the IRC and any restricted activity periods, dispensation or required authorisations to carry out operations with securities.
- file disciplinary proceedings for a breach of the IRC.
- periodically inform the Audit and Compliance Committee of the Board of Directors about any measures adopted to promote IRC awareness and ensure its compliance.

The RCU is an appointed independent body, consisting of three members, who are in charge of the human resources, financial and legal departments. Furthermore, it is backed up by an external advisor in securities market matters.

Likewise, the company has a Regulatory Compliance Manager (hereinafter, the RCM). The RCM belongs to the RCU and, in turn, acts as the Corporate Secretary and Deputy Secretary and, since 28 December 2018, as the executive director of the Board of Directors. The RCM is in charge of adequate operation of the RCU, acts as the liaison officer with the CNMV, and ensures compliance with the IRC, controlling and registering any operations with securities.

As regards the task of control and registration of operations with securities, the Company has established a procedure to communicate any operations with securities, which is mandatory for anybody subject to the IRC.

This annual corporate governance report was adopted by the Board of Directors at its meeting held on 7 February 2018.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No