

**ANNEX 1**

**ANNUAL REPORT ON THE REMUNERATION PAID TO DIRECTORS OF LISTED STOCK COMPANIES**

**IDENTIFICATION DETAILS OF THE ISSUER**

<b>DATE OF END OF REFERENCE FINANCIAL YEAR</b>	12/31/2015
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<b>TAX IDENTIFICATION CODE (CIF)</b>	A28164754
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**COMPANY NAME**

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

**REGISTERED OFFICE**

C/ JACINTO BENAVENTE, 2ªA (EDIFICIO TRIPARK), (LAS ROZAS) MADRID

**STANDARD FORM OF THE ANNUAL REPORT ON THE REMUNERATION  
PAID TO DIRECTORS OF LISTED STOCK COMPANIES**

**A THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT YEAR**

A.1 Explain the company's remuneration policy. In this section include information related to the following:

- The general principles and basis for the company's remuneration policy.
- The most significant changes made to the remuneration policy compared with one applied in the previous financial year and the changes made in the year to the terms and conditions for exercising options already granted.
- The criteria and composition of comparable company groups whose remuneration policy has been examined to determine the company's remuneration policy.
- The relative importance of the variable remuneration items compared with the fixed ones and the criteria applied to determine the different components of the directors' remuneration package (remuneration mix).

**Explain the remuneration policy**

DIA's remuneration policy is based on the following principles and grounds:

- Prudence: DIA's Board of Directors endeavours to ensure that the remuneration is moderate and in accordance with the trends and references of remuneration applied in the market by companies of a similar size and that perform a similar business, so that it is in line with the best market practices.
- Commitment: the remuneration policy endeavours to reward quality, dedication, responsibility, knowledge of the business and commitment to the company of the people who hold key positions and lead the organisation.
- Linked to profits: the policy is based on the necessary link between remuneration and the company's profits, so that the variable remuneration has sufficient weight to effectively reward the targets achieved and the contribution made to the company's value and
- Internal and external equality: the remuneration takes the external competitive environment and internal equality into consideration.

The general principles and grounds of the remuneration system established for directors endeavour to ensure that their remuneration has a reasonable proportional relationship with the importance of the company, its financial situation and market standards for comparable companies. The remuneration system established, especially in the case of executive

directors, is oriented towards promoting long-term profitability and sustainability and includes the necessary precautions to avoid the excessive assumption of risks and rewarding unfavourable results.

The criteria used to determine the remuneration policy for the members of the Board of Directors are included in Articles 39bis of the company's Bi-laws and Article 33 of DIA's Board of Directors Regulations, and they are different depending on whether the directors are executive or non-executive.

In accordance with the aforementioned principles, the remuneration system for DIA Directors for holding that position has the following characteristics:

- Transparent information regarding director's remuneration.
- It provides incentives for remunerating rating their dedication, qualification and responsibility, without being an obstacle to their loyalty.
- It consists primarily of an amount for pertaining to the Board of Directors and, if appropriate, Board Committees.
- The fixed amount will depend on the duties performed or the positions held within the Board of Directors or on its Committees.
- Part of the remuneration is share-based, which they must continue to own until time they cease to be directors.
- Per diems are received for attending Board or Committee meetings.
- Directors are compensated for travel, trips and other expenses incurred to attend company meetings or to perform their duties.

The criteria for determining the various components of the remuneration package for external directors relate to compensating them for their professional value, dedication to the position and the responsibility assumed without their objectivity when defending the business' interest being affected by the remuneration received.

Specifically, the remuneration mix in the case of non-executive directors is as follows:

- Fixed remuneration consists of a cash amount established based on their position and responsibility, placing a higher weight on the duties of the Chairperson of the Board and its Committees.
- Per diems are received in cash for Board and Committee meetings.
- 50% of the directors' remuneration is paid in cash and 50% by granting them company shares. These shares are awarded net of the corresponding PIT withholdings, for which the director is responsible.
- The number of shares granted as remuneration to the directors is calculated by reference to the result of dividing 50% of the remuneration payable to each director by a reference market price that was the Volume Weighted Average Price ( "VWAP") for the market prices for the DIA shares in the 15 stock exchange business days prior to the date on which the Board approves the Annual Remuneration Report.
- The directors (including executive directors) must continue holding the shares they receive for this remuneration until the time they step down from office as director.

In any event, the sum of the fixed remuneration and per diems may not exceed the maximum amount approved on an annual basis by the General Shareholders' Meeting and the Board of Directors may establish a lower amount. In 2016 the maximum amount of directors' remuneration will amount to 1,500,000 euros, approved by the General Shareholders' Meeting in the past and which remains in force.

The remuneration system for the director that performs executive duties at the company is based on the remuneration policy applied to DIA senior executives. The general principles and grounds for that system are as follows:

The rest of the contents of this section are set out in the appendix to this Report.

**A.2 Information about the preparatory work and decision-making process used to determine the remuneration policy and the role played, if any, by the Remuneration Committee and other control bodies in structuring the remuneration policy. This information must include, if any, the mandate and composition of the Remuneration Committee and the identifying details of the external advisors whose services have been used to define the remuneration policy. Similarly, the position of the directors must be expressed that, if any, have taken part in defining the remuneration policy.**

<b>Explain the process for determining the remuneration policy</b>
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The control bodies that take part in defining the company's remuneration policy are the Board of Directors and the Nomination and Remuneration Committee (hereinafter NRC).

The company's Board of Directors.

Pursuant to Article 31 of the company's By-laws and Article 5 of the Board of Directors' Regulations, the Board of Directors is responsible for the following duties:

- Make decisions relating to the remuneration of directors, pursuant to the bylaws and, as the case may be, the remuneration policy approved by the General Shareholders' Meeting; and
- In the case of the executive directors, determine any additional remuneration for their executive duties and other terms and conditions that their contracts must observe.

In addition, according to the provisions in Article 31.4(j) of the company's By-laws and Article 5.b) (ix) of the Board of Directors' Regulations, the Board of Directors of DIA is the competent body to prepare the annual corporate governance report and the annual report on directors' remuneration, and to submit it to the General Shareholders' Meeting.

The Nomination and Remuneration Committee.

Pursuant to Article 39.4 of the company's Board of Directors' Regulations, the Nomination and Remuneration Committee is responsible for the following duties:

- Evaluate the skills, knowledge and experience needed to be a member of the Board of Directors. For this purpose, the NRC defines the functions and abilities needed by the candidates in order to be Board members and evaluates the time and dedication required for them to be able to efficiently perform their duties;
- Propose to the Board of Directors the appointment of independent directors for their designation by co-option, in order to be submitted to the decision of the Shareholders' Meeting, and proposals for reappointment or removal of those directors by the Shareholders' Meeting;

- Inform on the proposed appointments of the rest of directors for their designation by co-option, in order to be submitted to the decision of the Shareholders' Meeting, and the proposals for reappointment or removal of those directors by the Shareholders' Meeting;
- Inform the Board of Directors of the appointment, reappointment and removal of members from the internal posts of the Board (chairman and deputy chairman, coordinating director, secretary and deputy secretary, as the case may be);
- Inform on the proposed appointments and removal of senior executives and the basic conditions of their contracts;
- Inform the Board of a variety of issues and, in particular, ensure that the procedure for selection of directors and senior executives does not entail implicit biases which hinder the selection of female members. In this regard, the committee will establish a representation objective for the less-represented gender on the Board of Directors and will prepare guidelines on how to reach that objective;
- Propose the following to the Board of Directors: (a) the remuneration policy for the directors and senior managers or for those who perform senior management functions under the direct supervision of the Board, committees or of managing directors, and (b) the individual remuneration of executive directors, and the other terms and conditions in the contracts, ensuring that they are observed, and (c) the basic terms and conditions of senior executives' contracts;
- Analyze, draw up and regularly review the applicable remuneration policy for executive directors and the management team, including the stock remuneration systems and their application, and guarantee that they are in proportion to the amounts paid to other directors and members of the management team and other members of the company's staff;
- Supervise that the remuneration policy determined by the company is observed;
- Evaluate and organize the succession of the chairman of the Board of Directors and of the company's top executive and, as the case may be, make proposals to the Board in order for that succession to take place in an orderly and planned manner;
- In general, supervise the compliance with the rules of corporate governance applicable to the company, including periodically evaluating its corporate governance system in order for it to fulfil its aim of promoting social interest and taking into account, as appropriate, the legitimate interests of the other interest groups;
- Inform the shareholders of the performance of its functions, attending for that purpose the General Shareholders' Meeting; and
- Assist the Board of Directors in drawing up the directors' remuneration report and submit any other reports to the Board of Directors in relation to the remuneration stipulated herein, verifying the information on the remuneration of the directors and senior executives contained in the different corporate documents, including the annual report on directors' remuneration.

In addition, the company's Nomination and Remuneration Committee plays an important role in drawing up the directors' annual remuneration report, carrying out an internal preparation and assistance process in order to ensure it is in line with the best corporate governance practices and with the regulations in force.

The By-laws and the Board of Directors' Regulations state that the Nomination and Remuneration Committee must be composed by external or nonexecutive directors, mostly

independent, with a number that must be determined by the Board of Directors of a minimum of three and a maximum of five.

At the time this report was prepared, the composition of the Nomination and Remuneration Committee was as follows: Mr. Mariano Martín Mampaso, independent external director, as Chairman, Mr. Pierre Cuilleret, independent external director, as member, and Mr. Antonio Urcelay Alonso, independent external director, as member.

Mr. Ramiro Rivera Romero acted as Nondirector Secretary of the Nomination and Remuneration Committee, who performed the duties of Nondirector Secretary of the company's Board of Directors; and Mr. Miguel Ángel Iglesias Peinado acted as Nondirector Deputy Secretary of the Committee, who is Nondirector Deputy Secretary of the Board of Directors.

The Board of Directors' Regulations state that such Committee must hold a meeting as often as may be deemed necessary, in the opinion of its Chairperson, who must summon a meeting whenever a report must be issued or proposals must be adopted and, in all cases, whenever it may be necessary for the correct performance of its duties.

In 2015, the Nomination and Remuneration Committee held seven meetings, one of which was held in writing and without a meeting.

When performing its duties, the Nomination and Remuneration Committee uses external advisors to evaluate the Board and to configure the remuneration policy for directors, in particular the long-term incentive plan and the preparation of this report. The company was assisted by Russell Reynolds and Garrigues as external advisors for matters related to remuneration.

**A.3 Specify the amount and the nature of the fixed components, with a breakdown, if needed, of the remuneration for performing senior management duties by the executive directors, the additional remuneration for the chairperson or members of the Board of Directors or any of its committees, the expenses incurred for attending the board and its committees' meetings or any other fixed remuneration paid to the directors, along with an estimate of the annual fixed remuneration resulting therefrom. Identify other benefits that are not paid in cash and the main parameters applied in order to grant them.**

<b>Explain the fixed components of the remuneration</b>
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As mentioned in section A.1 above, the company has a remuneration package that is different depending on whether the directors are executive or non-executive.

In the case of non-executive directors:

- In the year 2016, the maximum amount of directors' remuneration will amount to 1,500,000 euros.
- Of said amount, the fixed remuneration paid to the members of DIA's Board of Directors for their collective supervision and decision-making duties, has the following break-down by posts and duties:
  - Chairperson of the Board of Directors: 165,000 euros.
  - Member of the Board of Directors: 80,000 euros.

- Chairperson of the Nomination and Remuneration Committee: 35,000 euros (additional).
  - Member of the Nomination and Remuneration Committee: 25,000 euros (additional).
  - Chairperson of the Audit and Compliance Committee: 35,000 euros (additional).
  - Member of the Audit and Compliance Committee: 25,000 euros (additional).
- For 2016, the Board of Directors has approved maintaining the same distribution of remuneration among the various members of the Board of Directors and both Committees. This amount will be adapted when directors are appointed or step down from office during the year and it will be awarded in proportion to the time they hold their posts.
  - Included in the maximum amount approved by the Board, the directors will receive 2,000 euros for attendance at each meeting of the Board of Directors, and 1,000 euros for attending Committees.

In the case of the Chief Executive Officer:

The Chief Executive Officer, Mr. Ricardo Currás, is entitled to payment of fixed remuneration for performing executive duties that, in 2016, the Board of Directors has maintained at 600,000 euros.

Additionally, as remuneration in kind, he is also granted a life insurance policy, health care insurance coverage and the use of a company car, as explained in section A.10 below.

In addition, the company includes the Chief Executive Officer in the supplementary remuneration called pension assistance, established by the company for its directives and based on which the company pays a cash amount, according to the policy on Directors' remuneration.

As a result of the legislative amendment relating to pension plans in Spain, the Board of Directors has the intention of analysing the possibility of structuring these payments through another procedure or vehicle, without it representing any increase in the amounts currently paid to its employees.

**A.4 Explain the amount, the nature and main variable components included in the remuneration systems.**

In particular:

- Identify each of the remuneration plans in which the directors are beneficiaries, their scope, date of approval, date of implementation, valid term and their main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information about the terms and conditions for exercising such options or financial instruments for each plan.
- Specify any remuneration paid for profit sharing or bonuses and the reasons for which they are granted.
- Explain the main parameters and basis for any annual bonus system.

- The kinds of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of the remuneration systems or plans that include variable remuneration.

- The basis for such variable remuneration systems or plans, the assessment criteria chosen for being benefiting from them, along with the components and assessment methods to determine whether or not such assessment criteria have been met and an estimate of the absolute amount of the variable remuneration resulting from the remuneration plan in force, depending on the hypothesis or targets used as reference being achieved.

- If any, information must be provided about the terms for deferral or delays in payment that have been determined and or the periods for withholding stock or other financial instruments, if any.

<b>Explain the variable components of the remuneration systems.</b>
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Based on the report and proposal from the NRC, on 7 December 2011 the company's Board of Directors approved the Long-Term Incentive Plan 2011-2014 (hereinafter the Incentive Plan 2011-2014), which covers the company's Chief Executive Officer.

Incentive Plan 2011-2014.

The Incentive Plan 2011-2014 allows its beneficiaries to receive an incentive (hereinafter referred to as the "Incentive") payable by DIA shares, linked to meeting a condition that they remain in the company until 31 December 2014 and dates after delivering shares, and subject to certain conditions precedent and business targets being met.

The business targets are linked to the DIA Group's profits or another geographic perimeter and allows, on the one hand, the contribution to the Group's corporate profits and, on the other hand, the contribution to the results of the responsibility parameter to be measured.

If the conditions precedent are met, the Incentive payable is calculated according to an incentive base (hereinafter referred to as the "Incentive Base"), on which the following is applied: (i) an initial objective, compliance with which will depend on whether or not the plan incentive will be received (ii) a ratio of presence that reflects the permanence condition has been met and, lastly, (iii) a multiplier depending on the evolution of the TSR indicator ("Total Shareholder Return"), measured during the term of the Plan, taking as a reference for the measurement of the TSR the 15 sessions subsequent to February 23, 2015. The Incentive Base is calculated according to the beneficiary's fixed remuneration in the financial year 2011.

Presuming the conditions precedents are met and the business targets are achieved, the multiplier linked to the TSR indicator is what determines the Incentive to be received, up to the limit of 30%, above which the number of shares to be awarded to the beneficiaries whose degree of achievement of the targets so permits, will remain fixed. The Incentive calculated in this way will be paid in shares, according to the average market prices per DIA share in the 15 stock market sessions after the announcement of the annual accounts for 2014.

The maximum number of shares to be granted to the Chief Executive Officer is determined as 432,514 shares.



Similarly, the Incentive Plan 2011-2014 includes a deferred delivery schedule for the shares. In the case of the Chief Executive Officer, the expected payment dates are those initially foreseen, i.e. before April 30 2015 (60% of the number of shares he is entitled to), December 2015 (20% of the number of shares he is entitled to) and September 2016 (20% of the remaining number of shares he is entitled to receive).

The Board of Directors, in its meeting held on 20 February 2015, has determined the following levels of achievement of the objectives of the Plan 2011-2014:

Business targets	%	in €thousands
Adjusted EBITDA (DIA Group)	103,7%	2,493.1
Adjusted EBIT (DIA Group)	110,0%	1,479.2

Conditions precedent	%	in €thousands
Non-recurring costs (DIA Group)	109,0%	-154.7
CAPEX (DIA Group)	118,7%	-1,259.0

TSR multiplier	%
Annual TSR (on a maximum level of 30%)	30,38%

According to the above, the Chief Executive Officer received in 2015 shares relating to the Incentive Plan 2011-2014 which, annualized, amounted to 50.292 shares.

Additionally, and as a result also of his participation in the Incentive Plan 2011-2014, the Chief Executive Officer received in 2015 an additional number of shares, in connection with the obligation established in that Plan to use for the purchase of the company's shares at least 50% of his variable pay for 2011. The Chief Executive Officer used the full amount of his annual variable pay to fulfill that obligation. The number of shares settled in 2015 as a result of this investment has been made into an incentive by the company with an additional award of shares. The total number of shares received in these respects amounted to 14,412, computed on an annualized basis.

#### Incentive Plan 2014-2016.

After the experience acquired with the Incentive Plan 2011-2014, in 2014 the company decided to implement a new incentive plan in order to continue with its long-term remuneration policy.

Accordingly, on 19 March 2014 the company's Board of Directors approved the proposal received from the NCR regarding a new Long-Term Incentive Plan 2014 -2016 (hereinafter the Incentive Plan 2014-2016 or LTIP 2014-2016), which includes the company's Chief Executive Officer, and was presented and approved by the General Shareholders' Meeting on 25 April 2014.

DIA's Long-Term Incentive Plan 2014 - 2016 pursues the following objectives:

- Attract and retain those that make the largest contribution to the company's profits.
- Motivate participants to obtain solid long-term operating profits.
- A line directors' remuneration with the company and shareholder's interests with respect to the duration (pluri-annual) and measurement of results.
- Increase the participation of the executive team in the company's share capital.
- Align the measurement period with the business cycle and the company's strategy.

In order to do so, the Plan:

- Establishes transparent, demanding and long-term targets (at least three years).
- Includes accrual metrics and conditions that are clearly linked to the attainment of certain demanding financial and operating targets that increase shareholder value.
- Uses a single operating and shareholder return metric to offer a more complete view of the company's performance.
- Establishes share-based remuneration for the executive team, as part of total remuneration, which is in line with long-term shareholder interests and objectives.
- Defers over time the delivery of part of the shares to ensure that no remuneration is paid based on incorrect results (*malus* and *clawback* rules).
- Complies with reporting requirements regarding the metrics used with respect to institutional shareholders.

The Plan consists of the allocation of Restricted Stock Units ("RSUs") that will allow participants to receive DIA shares in the future (the "Shares"), subject to certain metrics and shareholder returns. The number of RSUs allotted will depend on the level of the participant's responsibility within the organization. Each RSU entitles the participant to receive one share in DIA if certain conditions are met.

The rest of the contents of this section are set out in the appendix to this Report.

**A.5 Explain the main features of the long-term savings systems, including retirement and any other pension benefits partially or fully financed by the company, whether provided internally or externally, with an estimate of their amount or equivalent annual cost, specifying the kind of plan, whether it is defined contribution or benefits, the conditions for consolidation of the economic rights in favour of the directors and their compatibility with any kind of severance pay for early dismissal or termination of the contractual relationship between the company and the director.**

Moreover, specify the contributions in favour of the director to defined contribution pension plans; or the increase in the director's consolidated rights, when they involve contributions to plans with defined benefits.

<b>Explain long-term saving systems</b>
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The company has no long-term savings schemes for any of its directors

**A.6 Specify any remuneration agreed or paid in the case of dismissal of a director from his/her post.**

<b>Explain the remuneration</b>
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On the date of this Report, there are no golden parachute or severance pay clauses agreed by DIA in the case of dismissal of the company's directors from their posts as such.

- A.7 Specify the conditions that must be observed in the contracts of those performing senior management duties, such as executive directors. Among others, information must be provided about the terms, the limits in the amounts of severance pay, permanence clauses, prior notice terms, and payment as replacement of the aforementioned prior notice, and any other clauses related to recruitment bonuses and severance pay or golden parachute clauses due to early dismissal or termination of the contractual relationship between the company and executive director. Include, inter alia, any non-competition, exclusivity, permanence or post-contractual loyalty and non-competition clauses or agreements.

<b>Explain the terms and conditions of the executive directors' contracts</b>
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The essential terms and conditions that must be observed in the contracts of those performing senior management duties, such as the Chief Executive Officer.

As a consequence of the process for adaptation to the requirements of Law 31/2014 amending the Corporate Enterprises Law, the Company has signed a new contract with the Chief Executive Officer.

The essential terms and conditions of the Chief Executive Officer's new contract are the following, among others:

- Term: Indefinite
- *Clawback* clause: according to which the company can claim from the Chief Executive Officer the repayment of the amounts received by him as annual and multiyear variable remuneration if, in the three years following its calculation and payment, the company becomes aware that the calculation and payment of that remuneration has been based in full or in part on information manifestly proven to be false or inaccurate afterwards, or that risks or other unexpected circumstances arise that have not been assumed or foreseen by the company which have a material adverse effect on the income statement of the company.
- Exclusivity: The Chief Executive Officer's contract includes a condition that he must fully and exclusively render his services to the company and may not render his services or perform professional activities, by means of any kind of contractual relationship, for other persons or companies without the company's express prior consent.
- Prior notice term: If the Chief Executive Officer decides to terminate his contract, he must send written notice to the company specifying this fact at least six months in advance.
- On the other hand, in the case the company dismisses the director, it must provide at least six months' prior notice.
- Severance pay: The Chief Executive Officer's contract specifies that he is entitled to severance pay equal to two (2) annual payments of his remuneration if the Board of Directors decides to terminate the contract for reasons not based on his failure to fulfill his duties or due to a case of disciplinary dismissal declared to be justified.
- Permanence: The Chief Executive Officer's contract does not include any permanence or loyalty clauses.

- Post-contractual non-competition: The Chief Executive Officer's new contract includes a post-contractual non-competition clause obliging the Chief Executive Officer for a period of twelve (12) months: (i) not to provide services or perform activities that compete with those of the company or of the DIA Group, and (ii) not to contract or try to contract or solicit, in his own benefit or that of third parties, employees, professionals, directors or members of the company or of the DIA Group. The Chief Executive Officer would receive, as a consideration for those obligations, a compensation equal to one annual payment of the fixed annual remuneration that he is receiving at the time of termination of the contract.

**A.8 Explain any supplementary remuneration earned by the directors as consideration for the services they render other than those related to their posts.**

**Explain supplementary remuneration**

The directors earn no supplementary remuneration as consideration for the services they render other than those related to their posts.

**A.9 Specify any remuneration paid as advances, credits and guarantees granted, stating the interest rate, their essential features and the amounts possibly reimbursed, as well as the commitments undertaken on behalf of each one as a guarantee.**

**Explain the advances, credits and guarantees granted**

There are no advances, credits or guarantees of any kind granted by the companies in the DIA Group to their directors.

**A.10 Explain the main features of the remuneration in kind.**

**Explain the remuneration in kind**

The company has taken out a third party liability insurance policy in favour of its directors and executives for a maximum coverage amount of 25,000,000 euros.

In addition, DIA has undertaken the following commitments for the Chief Executive Officer:

- The cost of a life insurance policy, covering his death for any reasons (distinguishing the events of "any reasons", accident and traffic accident) and full permanent disability with an annual premium of 1,158.60 euros.
- The cost of a health care coverage insurance policy with a premium of 699 euros.
- He is allowed to use a company car, according to the company's policy with a cost of 4,901 euros.

A.11 Specify the remuneration received by the director by virtue of the payments made by the listed company to a third company where the director renders his services, when the purpose of such payments is to remunerate the services rendered thereby in such company.

**Explain the remuneration received by the director by virtue of the payments made by the listed company to a third company where the director renders his services**

The Chief Executive Officer is not paid any remuneration as a director at other companies of the DIA Group.

A.12 Any other remuneration item different to the previous ones, whatever its nature may be or the company in the group that pays it, in particular when it is considered a related transaction or the granting thereof distorts the true image of all the remuneration payable to the director.

**Explain the other remuneration items**

There are no other different or additional remunerations to those described in this report remuneration.

A.13 Explain the measures the company has adopted related to the remuneration system to reduce excessive risks of exposure and to adapt it to the company's long-term values and interests, which must include, if any, a reference to the following: the measures planned to guarantee that the remuneration policy takes into account the company's long-term profits, measures that determine a suitable balance between the fixed and variable components included in the remuneration, measures adopted related to the jobs of staff whose work has a significant impact on the company's risk profile, reimbursement formulae or clauses to be able to claim the refund of the variable components included in the remuneration based on the profits and losses, when such components have been paid taking into account data that have been clearly proven inaccurate afterwards and the measures applied to avoid conflicts of interests, if any.

**Explain the actions adopted to reduce risks**

Through its Board of Directors and the NRC, DIA Group performs ongoing supervisory and review duties for its directors' remuneration policy.

Therefore, pursuant to Article 39.4 of the company's Board of Directors' Regulations, the NRC is responsible for the following duties:

- Propose the following to the Board of Directors: (a) the remuneration policy for the directors and general managers or for those who perform senior management functions under the direct supervision of the Board, of committees or of managing directors, and

(b) the individual remuneration of executive directors and the other terms and conditions in the contracts, ensuring that they are observed, and (c) the basic terms and conditions of senior executives' contracts;

- Analyze, draw up and regularly review the applicable remuneration policy for executive directors and the management team, including the stock remuneration systems and their application, and guarantee that they are in proportion to the amounts paid to other directors and members of the management team and other members of the company's staff;
- Supervise that the remuneration policy determined by the company is observed; and
- Assist the Board of Directors in drawing up the report on the directors' remuneration and submit any other reports to the Board of Directors in relation to the remuneration stipulated herein, verifying the information on remuneration of the directors and senior executives contained in the different corporate documents, including the annual report on directors' remuneration.

Pursuant to Article 31 of the company's By-laws and Article 5 of the Board of Director's Regulations, the Board is responsible for the approval of the company's policies and strategies and certain operating decisions, including the following:

- Approve the remuneration policy and assess the performance of the management team;
- Determine the control and risk management policy, including tax risks, and supervise the information and control systems, identifying the company's main risks and organising the suitable internal control and IT systems;
- Make decisions relating to the remuneration of the directors, pursuant to the bylaws and, as the case may be, the remuneration policy approved by the General Shareholders' Meeting; and determine, in the case of executive directors, any additional remuneration for their executive duties and other terms and conditions that their contracts must stipulate.

By virtue of the foregoing, the remuneration systems for the directors in the DIA Group implicitly include measures to control excessive risks in their design, as follows:

- The remuneration of the directors for their duties as such is limited to a fixed amount, and to the receipt of per diems in cash, within the limits determined by the General Shareholders' Meeting and the Board of Directors, which, among other measures, may determine a total amount lower than that stipulated by the General Shareholders' Meeting or eliminate per diems.
- 50% of such remuneration must be paid by granting DIA shares.
- All the directors (including the remuneration paid to the executive for such item) must keep such shares until they step down from office as directors.
- The additional fixed remuneration, along with the variable remuneration, is only applicable to the Chief Executive Officer, and he receives this for his executive duties, apart from those related to his position as director and regardless of his remuneration as a member thereof.
- The variable remuneration is linked to the corporate business targets and special quality and quality targets being achieved.

The company deems that the fixed remuneration of the directors who perform executive duties is sufficiently high so as to permit the company to withhold the variable remuneration if they do not fulfill the performance criteria established.

The Chief Executive Officer also takes part in the Incentive Plan 2011-2014 and in the Incentive Plan 2014-2016 (the “Incentive Plans”), also associated with compliance with a set of certain target business objectives and key indicators evaluated on a multiyear basis. These Incentive Plans contribute to aligning the interests with the shareholders of DIA Group because the amount of the Incentives is linked to the creation of value for the shareholders through payment in the form of shares in the company.

According to the provisions in Article 33 of the Board of Directors’ Regulations, where variable components of remuneration are paid, the payment of a large part thereof is deferred for a sufficient period of time to verify the performance criteria established. In this regard, the Incentive Plans include a deferred payment schedule for the Chief Executive Officer.

Due to the foregoing, the schedule for the award of shares under those Plans is as follows: (i) in the case of the Incentive Plan 2011-2014, the shares were awarded to the Chief Executive Officer in the month of March 2015 (60% of the number of shares he is entitled to receive plus the whole number of shares resulting from the investment of his annual variable pay for 2011, as described above in A.4) and December 2015 (20% of the number of shares he is entitled to receive), and the last award is planned for the month of September 2016 (20% of the number of shares he is entitled to receive) and (ii) in the case of the Incentive Plan 2014-2016, no later than April 30, 2017 (50% of the number of shares he is entitled to receive) and January 2018 (50% of the number of shares he is entitled to receive).

If the Chief Executive Officer does not remain at the company until each of the award dates for certain reasons (i.e. resignation, justified disciplinary dismissal), it is possible that he will not receive any further shares within the scope of the Plan.

It should be remembered that the Board of Directors’ Regulation stipulates, with respect to variable remuneration, the following rules regarding “*malus*” and “*clawback*”:

- Of the variable remuneration components, a significant amount will be deferred for a sufficient period in order to verify whether or not the established performance conditions are met.
- The portion of the remuneration subject to deferred payment will be determined based on the relative weight that the variable component has compared with the fixed component of the remuneration; and
- a clause will be included that will allow the company to claim reimbursement for any variable remuneration components when the payment has not been in line with the performance conditions or when it was paid based on information whose inaccuracy is manifestly demonstrated later.

## **B THE COMPANY'S REMUNERATION POLICY REMUNERATION POLICY FORSEEN FOR FUTURE YEARS**

**Derogated**

## **C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED IN THE FINANCIAL YEAR JUST ENDED**

C.1 Explain, in a nutshell, the main characteristics of the structure and remuneration items of the remuneration policy applied during the financial year just ended, giving rise to the individual remuneration earned by each of the directors as itemised in Section D of this report, along with a summary of the decisions taken by the board for the application of such items.

**Explain the structure and remuneration items of the remuneration policy applied during the year**

The characteristics of the remuneration policy applied during 2015 are as follows:

The amount received by the directors as members of the Board is 1,089,025.83 euros. The remuneration corresponding to 2015 in this connection has been the following:

- Ms. Ana María Llopis Rivas: 123,567.08 euros of payment in cash and 46,079.25 euros paid in financial instruments.
- Mr. Ricardo Currás de Don Pablos: 67,121.98 euros of payment in cash and 22,342.10 euros paid in financial instruments.
- Mr. Julián Díaz González: 80,850.41 euros of payment in cash and 36,581.18 euros paid in financial instruments.
- Mr. Richard Golding: 92,999.08 euros of payment in cash and 31,118.59 euros paid in financial instruments.
- Mr. Nadra Moussalem: 34,344.17 euros of payment in cash and 17,242.97 euros paid in financial instruments. Mr. Nadra Moussalem resigned as director on June 17, 2015.
- Mr. Juan María Nin Génova: 22,901.89 euros of payment in cash and 6,264.34 euros paid in financial instruments. Mr. Juan María Nin Génova was appointed director on October 15, 2015.
- Mr. Pierre Cuilleret: 85,850.41 euros of payment in cash and 36,581.18 euros paid in financial instruments.
- Mr. Mariano Martín Mampaso: 85,579.74 euros of payment in cash and 37,537.94 euros paid in financial instruments.
- Mr. Nicolas Brunel: 34,344.17 euros of payment in cash and 17,242.97 euros paid in financial instruments. Mr. Nicolas Brunel resigned as director on June 17, 2015.
- Ms. Rosalía Portela de Pablo: 78,766.83 euros of payment in cash and 25,971.36 euros paid in financial instruments.
- Mr. Antonio Urcelay Alonso: 79,766.83 euros of payment in cash and 25,971.36 euros paid in financial instruments.



According to the above, total fixed remuneration paid to directors during the year 2015 amounts to 1,089,025.83 euros. The aforementioned financial instruments are shares in DIA.

- The directors have received per diems in the amount of 2,000 euros for attending each meeting of the Board of Directors and 1,000 euros for attending Committee meetings. These amounts have been included in the amounts specified above for each director.
- Remuneration for directors' positions was paid half in cash and half by delivery of company shares.
- The number of shares granted as remuneration to the directors was calculated by reference to the result of dividing 50% of the remuneration payable to each director by a reference market price that, for the financial year 2014, was the Volume Weighted Average Price ("VWAP") for the market prices for the DIA shares in the 15 stock exchange business days prior to 20 February 2015 (inclusive).
- Directors (including the Chief Executive Officer) are required to hold the shares until they cease to be directors.
- In relation to the Chief Executive Officer, during year 2015, in addition to the director remuneration in his capacity as such, the Board of Directors has decided the perception of the following fixed and variable amounts:
  - A fixed component of 600,000 euros.
  - An amount of the annual variable remuneration corresponding to year 2015, registered by the Company at the closing of the annual accounts in 462,800 euros.
  - An additional sum relating to the payment on account of personal income tax in respect of the shares awarded in 2015 under the Incentive Plan 2011-2014, which is for a term of 4 years. This item amounts to 1,368,177.47 euros.
  - A sum of 6,758.60 euros in respect of compensation in kind, according to the breakdown included in A.10 above.
  - A pay supplement called pension assistance of 6,400 euros.

Furthermore, in 2015, the Chief Executive Officer continued his participation in the Incentive Plan described in Section A.4 above.

- The difference in remuneration of directors between the year 2015 and the year 2014 (detailed in the tables included in D.1 below) is due to the following aspects: (i) the different value of the share at the time of the allotment (that is, the time when the number of shares to which each director would be entitled is set) and the date on which the financial instruments are claimable and awarded; (ii) the increase in the fixed remuneration of the Chairman of the Board 5,000 euros per year; (iii) the introduction of per diems for attending meetings of the board and its committees; and (iv) to the changes that have occurred in the responsibilities of the directors in the various committees.

**D ITEMISATION OF INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR.**

Name	Type	2014 accrual period
ANA MARIA LLOPIS RIVAS	Other external	From 01/01/2015 to 12/31/2015.
RICARDO CURRÁS DE DON PABLOS	Executive	From 01/01/2015 to 12/31/2015.
JULIÁN DÍAZ GONZÁLEZ	Independent	From 01/01/2015 to 12/31/2015.
RICHARD GOLDING	Independent	From 01/01/2015 to 12/31/2015.
NADRA MOUSALEM	Proprietary	From 01/01/2015 to 06/17/2015.
JUAN MARIA NIN GENOVA	Independent	From 10/15/2015 to 12/31/2015.
PIERRE CUILLERET	Independent	From 01/01/2015 to 12/31/2015
MARIANO MARTÍN MAMPASO	Independent	From 01/01/2015 to 12/31/2015
NICOLAS BRUNEL	Proprietary	From 01/01/2015 to 06/17/2015
ROSALÍA PORTELA DE PABLO	Independent	From 01/01/2015 to 12/31/2015
ANTONIO URCELAY ALONSO	Independent	From 01/01/2015 to 12/31/2015

D.1 Complete the following tables on each director's individual remuneration (including remuneration for the performance of executive functions) earned during the financial year.

a) **Remuneration earned at the company that is the subject of this report:**

i) **Remuneration in cash (in €thousands)**

Nombre	Salaries	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board Committees	Severance	Other items	Total 2015	Total 2014
ANA MARIA LLOPIS RIVAS	0	110	14	0	0	0	0	0	124	109

RICARDO CURRÁS DE DON PABLOS	600	53	14	463	0	0	0	1,381 <sup>1</sup>	2,511	951
JULIÁN DÍAZ GONZÁLEZ	0	66	15	0	0	0	0	0	81	70
RICHARD GOLDING	0	74	19	0	0	0	0	0	93	71
NADRA MOUSALEM	0	28	6	0	0	0	0	0	34	64
JUAN MARÍA NIN GÉNOVA	0	15	8	0	0	0	0	0	23	0
PIERRE CUILLERET	0	66	20	0	0	0	0	0	86	70
MARIANO MARTÍN MAMPASO	0	68	18	0	0	0	0	0	86	64
NICOLAS BRUNEL	0	28	6	0	0	0	0	0	34	64
ROSALÍA PORTELA DE PABLO	0	62	17	0	0	0	0	0	79	54
ANTONIO URCELAY ALONSO	0	62	18	0	0	0	0	0	80	54

## ii) Share-based remuneration systems

<b>ANA MARIA LLOPIS RIVAS</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015					Options allotted during the year 2015						
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period			
01/01/2015	0		0,00	Not applicable		0	0	0,00	Not applicable			
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2014				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
8,621	5.345	46	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<sup>1</sup> This amount includes the cost of the life insurance, the cost of the health care coverage insurance, the valuation of the use of a company car, the cash sum relating to the payment on account of personal income tax in respect of the shares delivered under the Incentive Plan 2011-2014 and the cash sum corresponding to the pay supplement called pension assistance.

**RICARDO CURRÁS DE DON PABLOS**  
**2015 Fixed share-based remuneration**

Date implemented	Options held at the start of 2015				Options allotted during the year 2015			
	No. of Options	Shares affected	Strike price (€)	Exercise period	No. Of options	Shares affected	Strike Price (€)	Exercise period
01/01/2015	0		0,00	Not applicable	0	0	0,00	Not applicable

Conditions: not applicable

Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015			
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares allotted	Strike price (€)	Exercise period
4,180	5.345	22	0,00	0	0	0	0	0	0	0,00	Not applicable
147,791	6.911	1,021									Not applicable
53,380	5.412	289									Not applicable
57,651	6.911	398									Not applicable

Other conditions for exercise: Not applicable

**JULIÁN DÍAZ GONZÁLEZ**  
**2015 Fixed share-based remuneration**

Date implemented	Options held at the start of 2015				Options allotted during the year 2015			
	No. of Options	Shares affected	Strike price (€)	Exercise period	No. of Options	Shares affected	Strike price (€)	Exercise period
01/01/2015	0		0,00	Not applicable	0	0	0,00	Not applicable

Conditions: not applicable

Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015			
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period
6,844	5.345	37	0,00	0	0	0	0	0	0	0,00	Not applicable

Other conditions for exercise: Not applicable

<b>RICHARD GOLDING</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
5,822	5.345	31	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>NADRA MOUSALEM</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
3,226	5.345	17	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>JUAN MARÍA NIN GÉNOVA</b>
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**2015 Fixed share-based remuneration**

Date implemented	Options held at the start of 2015					Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable		0	0	0,00	Not applicable		
Conditions: not applicable											
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015			
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period
1,172	5.345	6	0,00	0	0	0	0	0	0	0,00	Not applicable
Other conditions for exercise: Not applicable											

**PIERRE CULLERET**

**2015 Fixed share-based remuneration**

Date implemented	Options held at the start of 2015					Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable		0	0	0,00	Not applicable		
Conditions: not applicable											
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015			
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period
6,844	5.345	37	0,00	0	0	0	0	0	0	0,00	Not applicable
Other conditions for exercise: Not applicable											

<b>MARIANO MARTÍN MAMPASO</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
7,023	5.345	38	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>NICOLAS BRUNEL</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
3,226	5.345	17	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ROSALÍA PORTELA DE PABLO</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
4,859	5.345	26	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ANTONIO URCELAY ALONSO</b>												
<b>2015 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2015	0		0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
4,859	5.345	26	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												



iii) Other benefits (€thousands)

RICARDO CURRÁS DE DON PABLO					
Remuneration in the form of advances and loans granted					
Interest rate for the transaction		Basic characteristics of the transaction		Any amounts reimbursed	
0.00		Not applicable		Not applicable	
Life insurance premiums		Company guarantees in favour of directors			
2015	2014	2015		2014	
1	1	Not applicable		Not applicable	

b) Remuneration earned by directors due to membership on the boards of other group companies:

i) Remuneration in cash (in €thousands)

Name	Salaries	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board Committees	Severance payments	Other items	Total for 2015	Total for 2014
ANA MARIA LLOPIS RIVAS	0	0	0	0	0	0	0	0	0	0
RICARDO CURRÁS DE DON PABLOS	0	0	0	0	0	0	0	0	0	0
JULIÁN DÍAZ GONZÁLEZ	0	0	0	0	0	0	0	0	0	0
RICHARD GOLDING	0	0	0	0	0	0	0	0	0	0
NADRA MOUSALEM	0	0	0	0	0	0	0	0	0	0
JUAN MARÍA NIN GÉNOVA	0	0	0	0	0	0	0	0	0	0
PIERRE CULLERET	0	0	0	0	0	0	0	0	0	0
MARIANO MARTÍN MAMPASO	0	0	0	0	0	0	0	0	0	0
NICOLAS BRUNEL	0	0	0	0	0	0	0	0	0	0
ROSALÍA PORTELA DE PABLO	0	0	0	0	0	0	0	0	0	0
ANTONIO URCELAY ALONSO	0	0	0	0	0	0	0	0	0	0

## ii) Share-based remuneration systems

ANA MARÍA LLOPIS RIVAS												
Not applicable												
Date implemented	Options held at the start of 2014					Options allotted during the year 2015						
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period			
1/1/2015	0	0	0,00	Not applicable		0	0	0,00	Not applicable			
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

RICARDO CURRÁS DE DON PABLOS												
Date implemented	Options held at the start of 2015					Options allotted during the year 2015						
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period			
1/1/2015	0	0	0,00	Not applicable		0	0	0,00	Not applicable			
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares allotted	Gross profit (€k)	No. of Options	No. of Options	Shares allotted	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>JULIÁN DÍAZ GONZÁLEZ</b>												
<b>Not applicable</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
1/1/2015	0	0	0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>RICHARD GOLDING</b>												
<b>Not applicable</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares allotted	Strike price (€)	Exercise period			No. of Options	Shares allotted	Strike price (€)	Exercise period		
1/1/2015	0	0	0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares allotted	Gross profit (€k)	No. of Options	No. of Options	Shares allotted	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

**NADRA MOUSSALEM****Not applicable**

Date implemented	Options held at the start of 2015				Options allotted during the year 2015						
	No. of Options	Shares affected	Strike price (€)	Exercise period	No. of Options	Shares affected	Strike price (€)	Exercise period			
1/1/2015	0	0	0,00	Not applicable	0	0	0,00	Not applicable			
Conditions: not applicable											
Shares delivered in 2015			Options exercised in 2015			Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable
Other conditions for exercise: Not applicable											

**JUAN MARÍA NIN GÉNOVA****Not applicable**

Date implemented	Options held at the start of 2015				Options allotted during the year 2015						
	No. of Options	Shares affected	Strike price (€)	Exercise period	No. of Options	Shares affected	Strike price (€)	Exercise period			
01/01/2015	0	0	0,00	Not applicable	0	0	0,00	Not applicable			
Conditions: not applicable											
Shares delivered in 2015			Options exercised in 2015			Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable
Other conditions for exercise: Not applicable											

<b>PIERRE CULLERET</b>												
<b>Not applicable</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
1/1/2015	0	0	0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>MARIANO MARTIN MAMPASO</b>												
<b>Not applicable</b>												
Date implemented	Options held at the start of 2015						Options allotted during the year 2015					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
1/1/2015	0	0	0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>NICOLÁS BRUNEL</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2015</b>						<b>Options allotted during the year 2015</b>					
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		
1/1/2015	0	0	0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
<b>Shares delivered in 2015</b>			<b>Options exercised in 2015</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2015</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares allotted</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ROSALÍA PORTELA DE PABLO</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2015</b>						<b>Options allotted during the year 2015</b>					
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		
1/1/2015	0	0	0,00	Not applicable			0	0	0,00	Not applicable		
Conditions: not applicable												
<b>Shares delivered in 2015</b>			<b>Options exercised in 2015</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2015</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

ANTONIO URCELAY ALONSO												
Not applicable												
Date implemented	Options held at the start of 2015					Options allotted during the year 2015						
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period			
1/1/2015	0	0	0,00	Not applicable		0	0	0,00	Not applicable			
Conditions: not applicable												
Shares delivered in 2015			Options exercised in 2015				Unexercised expired options	Options at the end of 2015				
No. of shares	Price	Amount	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0,00	0	0,00	0	0	0	0	0	0	0,00	Not applicable	
Other conditions for exercise: Not applicable												

### iii) Long-term saving systems

Name	Company's contribution during the year (€thousands)		Amount of accumulated funds (€thousands)	
	Fiscal year 2015	Fiscal year 2014	Fiscal year 2015	Fiscal year 2014
ANA MARIA LLOPIS RIVAS	0	0	0	0
RICARDO CURRÁS DE DON PABLOS	0	0	0	0
JULIÁN DÍAZ GONZÁLEZ	0	0	0	0
RICHARD GOLDING	0	0	0	0
NADRA MOUSALEM	0	0	0	0
JUAN MARÍA NIN GÉNOVA	0	0	0	0
PIERRE CUILLERET	0	0	0	0
MARIANO MARTÍN MAMPASO	0	0	0	0
NICOLAS BRUNEL	0	0	0	0

ROSALÍA PORTELA DE PABLO	0	0	0	0
ANTONIO URCELAY ALONSO	0	0	0	0

**c) Summary of remuneration (in €thousands):**

The summary must include the amounts relating to all remuneration items included in this report that have accrued to the Director, in thousand euro.

In the case of long-term saving systems, the contributions or allocations made to this type of system will be included.

Nombre	Remuneration earned at the Company				Remuneration earned at Group companies			Totales			
	Total cash remuneration	Amount of shares granted	Gross profit from options exercised	Company total fiscal year 2015	Total cash remuneration	Amount of shares awarded	Gross profit from options exercised	Total fiscal year 2015	Total fiscal year 2015	Total fiscal year 2014	Contribution to savings systems during the year
ANA MARIA LLOPIS RIVAS	124	46	0	170	0	0	0	0	170	149	0
RICARDO CURRÁS DE DON PABLOS	2,511	1,730	0	4,241	0	0	0	0	4,241	971	1
JULIÁN DÍAZ GONZÁLEZ	81	37	0	118	0	0	0	0	118	107	0
RICHARD GOLDING	93	31	0	124	0	0	0	0	124	97	0
NADRA MOUSALEM	34	17	0	51	0	0	0	0	51	98	0
JUAN MARÍA NIN GÉNOVA	23	6	0	29	0	0	0	0	29	0	0
PIERRE CUILLERET	86	37	0	123	0	0	0	0	123	107	0
MARIANO MARTÍN MAMPASO	86	38	0	124	0	0	0	0	124	98	0
NICOLAS BRUNEL	34	17	0	51	0	0	0	0	51	98	0
ROSALÍA PORTELA DE PABLO	79	26	0	105	0	0	0	0	105	74	0
ANTONIO URCELAY ALONSO	80	26	0	106	0	0	0	0	106	74	0
<b>TOTAL</b>	<b>3,231</b>	<b>2,011</b>	<b>0</b>	<b>5,242</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,242</b>	<b>1,873</b>	<b>1</b>



D.2 State the relationship between the remuneration obtained by the directors and the entity's results or other performance measurements, explaining, as pertinent, how changes in company performance may have influenced the change in the directors' remuneration.

The annual variable remuneration applied to the Chief Executive Officer takes into account the achievement of certain business targets with a direct impact on the company earnings.

The variable remuneration for 2015 registered by the Company at the closing of annual accounts amounted to 462,800 euros (to be received in 2016), which represents 77.13% of fixed remuneration.

D.3 Report the result of the consultative vote by the general shareholders' meeting on the annual report on prior-year remuneration, indicating the number of votes against, if any:.

	Number	% of total
Votes cast	415.583.553	63,83%

	Number	% of total
Votes against	17.500.933	4,21%
Votes in favour	376.178.660	90,52%
Abstentions	21.903.960	5,27%

## **E OTHER INFORMATION OF INTEREST**

**If there is any relevant aspect of director remuneration that it has not been possible to set out in the other sections of this report, but which it is necessary to include for more complete and reasoned information on the remuneration structure and practices of the company with its directors, describe it briefly.**

This report has been prepared in accordance with the provisions of Article 541 of the Spanish Corporate Enterprises Law, which establishes the obligation of listed companies to prepare an annual report on director remuneration, in accordance with the content, format and structure stipulated by Order ECC/461/2013 (20 March) and the Spanish National Securities Market Commission's Circular 4/2013 (12 June), amended by that Commission's Circular 7/2015, of 22 December.

Article 529 novodecies of the Spanish Companies Act stipulates that the directors' remuneration policy must be approved by the General Shareholders' Meeting at least every three years as a separate point in the agenda. However, in accordance with the content of the Transitional Provision of Law 31/2014, in the event that the first ordinary General Shareholders' Meeting that is held after 1 January 2015 approves, on a consultation basis, the directors' remuneration report, it will be understood that the company's remuneration policy set out there in has also been approved

for the purposes of Article 529 novodecies, and that Article is applicable to that company as from that time.

In application of the content of the aforementioned Transitional Provision, the annual report on the remuneration of the company's directors for fiscal year 2014, which contained the company's remuneration policy, was approved on a consultation basis by the General Shareholders' Meeting held on 25 April 2015 as a separate point in the agenda, thereby complying with the provisions of the aforementioned Article 529 novodecies of the Spanish Corporate Enterprises Law.

Nonetheless, for informative purposes, this annual remuneration report includes the company's remuneration policy.

This annual remuneration report was approved by the company's Board of Directors at its meeting held on 23 February 2016.

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

Yes  No

## **Annex I**

## **APPENDIX TO THE ANNUAL REPORT ON THE REMUNERATION PAID TO DIA'S DIRECTORS**

### **Section A.1 cont.**

- The remuneration is assigned for the performance of executive duties in accordance with the policy established for senior executive remuneration and in accordance with that established in their respective contracts.
- It represents a balanced and efficient relationship between fixed and variable components.
- The variable remuneration paid to the executive director is configured with a medium and long-term outlook, which encourages action in strategic terms, in addition to attaining short-term results.
- The remuneration system is compatible with the adequate and effective management of risk and the business strategy, DIA's long-term values and interests, without the variable remuneration threatening the company's capacity to maintain adequate solvency and financial situation.
- It takes into account market trends and positions itself in that respect in accordance with DIA's strategic outlook, and it is effective in attracting and retaining the best professionals.

The remuneration policy is therefore oriented towards generating value for the company, seeking to align shareholder interests with the prudent management of risk and strict compliance with current legislation regarding the remuneration paid to the directors of listed companies.

In this regard, besides the remuneration received as director, the remuneration package in 2016 of Mr. Ricardo Currás de Don Pablos, who holds the position of Chief Executive Officer, is composed of the following:

- A fixed salary in 2016 of 600 € thousands, which is intended to provide remuneration for the performance of his executive duties.
- A variable annual remuneration (“RVA”) which (in 2016) is equivalent to 100% of his fixed remuneration in the case that 100% of the targets are achieved. Since the annual variable remuneration system may vary from between 0% and 200%, the executive director’s annual variable remuneration could theoretically be from 0% to 200% of his fixed remuneration.
- Some additional remuneration in kind that is detailed in section A.10 of the Annual Remuneration Report.
- A pay supplement called pension assistance according to the Policy on Directors’ Remuneration.
- Participation in the Long-Term Incentive Plan 2011 - 2014 linked to conditions and strategic targets in the period 2011 - 2014 and which may be settled in shares. The pending settlement in shares will be made in year 2016.
- Participation in the Long-Term Incentive Plan 2014-2016, consisting of the assignment of Restricted Stock Units (RSUs), which will permit him to receive shares in DIA in 2017 and 2018, subject to certain conditions and strategic targets for the period 2014 - 2016.
- Participation in the new long-term incentive plan for the period 2016 to 2018 (the “Incentive Plan 2016-2018”) that the Board of Directors is considering to implement.

**Section A.4 cont.**

After the experience in relation to the incentive plans mentioned above, the Board of Directors of DIA is considering approving, as a result of the favourable report by the NRC, the implementation of the Incentive Plan 2016-2018 addressed to the executive director and the management team of the Company, in order for it to be approved by the General Shareholders’ Meeting.

The metrics of the Incentive Plan 2016-2018 will be approved by the Board of Directors of DIA, which will give an account of them and of the Plan in general in the proposed resolution to be submitted, as appropriate, for approval by the next General Shareholders' Meeting.

The annual bonus system:

Among the members on the Board of Directors, the variable remuneration is only applicable to the Chief Executive Officer. The variable remuneration is based on objective criteria that are intended to assess the contribution by the executive director, while performing his executive duties, to achieving the business targets of the company and the DIA Group.

The objective criteria to be used to calculate the annual variable remuneration can include, among others:

- (i) quantitative (targets relating to sales performance, globally or segmented; targets relating to the performance of indicators of the income statement, e.g. distribution costs, sales margins, EBITDA, EBIT, net income, etc.; targets relating to the performance of balance sheet indicators, e.g., working capital or its components, CAPEX, debt; quantitative targets which measure any of the foregoing variables against competitors (e.g., market share), with the weight of these targets over the total annual variable remuneration being 70%;

Specifically, the Board of Directors has approved the following quantitative targets for the year 2015:

<b>Quantitative targets</b>	<b>Weight</b>
LFL sales growth under brand	15%
Adjusted EBIT	60%
Sales growth under brand	15%
Treasury goods	10%

- (ii) individual targets which, in turn, may include quantitative targets which may be priority targets from time to time in the board's opinion for the success of the business in the short term, and qualitative or relating to short or long-term business development (such as, for example, consumer involvement, development and integration of new businesses and acquisitions, reinforcement of the internal organization, quality of stakeholder relations), the weight of these targets over the total annual variable remuneration being 30%.

In the case of the executive director, the Board of Directors at the proposal of the NRC is in charge of determining the amounts for the RVA, the targets and the assessment of performance. For the financial year 2016, the Board of Directors has determined an RVA of 100% of his fixed remuneration in the case that 100% of the targets are achieved. Since the annual variable remuneration system may vary from between 0% and 200%, the executive director's annual variable remuneration could theoretically be from 0% to 200% of his fixed remuneration.

The main parameters for the annual variable remuneration system were reviewed on an annual basis by the NRC, concluding that they were suitable for assessing the contribution made by the executive team, including the executive directors, to the profits made by the DIA Group.

## **Annex 2**



**Consolidated Policy on Directors' Remuneration of Distribuidora  
Internacional de Alimentación, S.A.**

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**Version consolidated to February 23, 2016, after the amendment  
of the Company's Bylaws and Board of Directors' Regulations  
dated April 24, 2015**

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## **1. Introduction: Legislative framework**

On December 6, 2014 Law 31/2014, of December, 2014, amending the Spanish Companies Act to enhance corporate governance (“**SCA**”) was published in the Official State Gazette. The amended SCA stipulates, inter alia, the need for listed corporate enterprises to have a remuneration policy for their directors and to submit such policy to their approval by way of a binding vote of the shareholders’ meeting of the enterprise, at least every three years.

With a view to complying with the provisions of the SCA, the board of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“**DIA**” or the “**Company**”), at the proposal of the Nomination and Remuneration Committee (“**NRC**”), approved the current remuneration policy on February 20, 2015, having regard to the statutory changes included in the aforesaid SCA, thus complying with the provisions on directors’ remuneration stipulated in the SCA. The current policy was also approved having regard to the Company’s internal rules and regulations (bylaws and board regulations) in force on the date of its approval. If the Company’s internal rules and regulations were amended, the current policy would be modified accordingly. After the amendments of the bylaws and board of directors’ Regulations in 2015, this policy has been consolidated with some modifications and other minor technical adjustments, and approved by the board of directors at its meeting on February 23, 2016.

The following is an analysis of the main aspects included by the SCA in connection with the obligations to approve the remuneration policy mentioned above.

## **1.1 Obligation to approve the directors' remuneration policy**

Article 529 *septdecies* of the SCA stipulates the obligation for listed companies to have a remuneration policy for their directors detailing not only the various remuneration items that directors are entitled to receive, as directors, but also the characteristics and cornerstones of the remuneration of directors who discharge executive functions at the company.

This policy should be approved at listed companies by the shareholders' meeting. Article 529 *novodecies*, subarticle 1, of the SCA introduces the obligation for listed companies to have the shareholders' meeting adopt a binding resolution on their directors' remuneration policy at least once every three years, as a separate item on the agenda:

*"1. The directors' remuneration policy shall be brought into line, as necessary, with the remuneration policy provided for in the bylaws and shall be approved by the shareholders' meeting at least once every three years as a separate item on the agenda."*

Article 529 *novodecies*, subarticle 3, provides that:

*"3. The directors' remuneration policy thus approved shall remain in force for three years after the year in which it was approved by the shareholders' meeting. Any amendment or replacement of the policy during that time shall require prior approval by the shareholders' meeting in accordance with the procedure established for its approval."*

In connection with the procedure for approving the policy, Article 529 *novodecies*, subarticle 2, provides that the proposal for a remuneration policy must be reasoned and must be accompanied by a report from the NRC:

*"2. The proposal for the board's remuneration policy shall be reasoned and must be accompanied by a specific report from the nominations and remuneration committee. Both documents shall be made available to shareholders on the company's website as soon as the shareholders' meeting has been called, and shareholders may also ask to have it delivered or sent to them free of charge. The call notice of the shareholders' meeting shall mention this right."*

## 1.2 Transitional regime

In connection with the approval of the directors' remuneration policy, the SCA introduced a transitional provision with the following wording:

*“2. Article 529 novodecies of the Revised Corporate Enterprises Law shall come into force on January 1, 2015 and shall apply to listed Spanish corporations in the following manner:*

- a) Where the first annual shareholders' meeting held after January 1, 2015 approves, on a consultative basis, the report on directors' remuneration, the company's remuneration policy set forth therein shall also be deemed to have been approved for the purposes of article 529 novodecies, and such article shall apply to the company thereafter.*
- b) Where the aforesaid annual shareholders' meeting does not approve, on a consultative basis, the report on directors' remuneration, the director's remuneration policy must be submitted to the binding approval of the shareholders' meeting by the end of the following year, at the latest, pursuant to article 529 novodecies and with effects from the following year.”*

According to this transitional regime, the directors' remuneration policy can be deemed to have been approved in 2015 if the shareholders' meeting of DIA to be held in 2015 approves the annual directors' remuneration report (“**ADRR**”) with a consultative vote.

Thus, if the shareholders vote in favor of the ADRR in the consultative vote at the 2015 shareholders' meeting, article 529 *novodecies* will be applied and the consequences thereof will be as follows:

- The directors' remuneration policy described in the ADRR approved in a consultative vote at the 2015 shareholders' meeting will remain in force for three years after the year in which it was approved by the shareholders' meeting (i.e., through 2018).

- Three years after the approval of the ADRR by the 2015 shareholders' meeting (i.e., in 2018), the remuneration policy must again be submitted to a binding vote at the shareholders' meeting following a specific report from the NRC. This remuneration policy will remain in force for three years after its approval (i.e., 2019, 2020 and 2021).
- If any amendment not reflected in the ADRR approved by the 2015 shareholders' meeting is made to the remuneration policy, a new approval by the shareholders' meeting will be required.

Pursuant to the transitional provision in the SCA, the board of DIA resolved on February 20, 2015:

- (i) to approve the Company's current directors' remuneration policy;
- (ii) to avail itself of the aforesaid transitional provision in the SCA, and submit the 2014 ADRR to a consultative vote at the shareholders' meeting of April 25, 2015. The 2014 ADRR contained the principles and cornerstones of the current remuneration policy and, accordingly, its approval by the Company's shareholders' meeting also entailed the approval of the directors' remuneration policy for 2015 and for the following three years.

## **2. DIA's internal rules and regulations**

The remuneration of the directors of DIA is determined pursuant to the legislation governing corporate enterprises, to the Company's bylaws and board regulations and to the resolutions adopted by the shareholders' meeting.

The SCA stipulates that, among other non-delegable powers, the board of a listed company has the power to make decisions relating to directors' remuneration, in line with the bylaws and the remuneration policy approved by the shareholders' meeting.

## 2.1 Functions of the board and of DIA's NRC

Pursuant to article 31 of the bylaws ("Authority of the Board"):

- "(...)
4. *In any case, the board shall hold, on a non-delegable basis, all powers reserved to it directly, by law, as well as all others necessary for the diligent discharge of the general function of supervision. In particular, without limitation, the following powers are non-delegable powers of the board:*
- (...)
- (r) *the decisions relating to the remuneration of directors, within the framework of the bylaws and, as the case may be, of the remuneration policy approved by the shareholders' meeting (...).*"

In connection with the powers of the NRC, pursuant to article 42 of the bylaws of DIA ("The Nominations and Remuneration Committee"):

- "(...)
3. *The following powers shall fall to the nominations and remuneration committee in all cases, notwithstanding any other tasks that may be assigned to it by the board at any given time:*
- (...)
- (g) *to propose to the board (i) the policy on the remuneration of directors and general managers or of those performing senior management functions under the direct supervision of the board, of committees or of managing directors, (ii) the individual remuneration of executive directors, as well as the other terms of the contracts, ensuring that they are observed; and (iii) the basic terms of the contracts of senior managers;*
- (h) *to ensure compliance with the remuneration policy established by the Company;*
- (...)"

Article 5 of the board regulations of DIA stipulates that the board shall have the non-delegable power to establish the remuneration policy of the leadership team and to set the remuneration of directors for their executive functions. Pursuant to article 39 of the Regulations of the board of directors of DIA, on the NRC:

**“Article 39. THE NOMINATION AND REMUNERATION COMMITTEE**

(...)

4. *The following powers shall fall to the nominations and remuneration committee in all cases, notwithstanding any other tasks that may be assigned to it by the board at any given time:*

(...)

- (vii) proposing to the board (i) the policy on the remuneration of directors and general managers or of those performing senior management functions under the direct supervision of the board, of committees or of managing directors (ii) the individual remuneration of executive directors, as well as the other terms of the contracts; and (iii) the basic terms of the contracts of senior managers;*
- (viii) analyzing, formulating and periodically reviewing the remuneration policy for executive directors and for the management team, including share-based remuneration schemes and their application, and to ensure that such remuneration is proportional to that paid to other directors and members of the management team and to other members of the Company’s personnel;*
- (ix) overseeing compliance with the remuneration policy established by the Company;*
- (x) examining and organizing the succession plan for the president of the board and for the chief executive officer of the Company and, if applicable, suggesting proposals to the board of directors to ensure a smooth and organised transition.*
- (xi) generally supervising compliance with the corporate governance rules applicable to the Company, including periodically evaluating its corporate governance system in order for it to fulfill its aim of promoting social interest and taking into account, as appropriate, the legitimate interests of the other interest groups;*
- (xii) reporting to the shareholders of the discharge of their functions, assisting the shareholders’ meeting in this connection; and*
- (xiii) assisting the board of directors in its preparation of the report on the directors’ remuneration policy and to forward to the board any other reports on remuneration stipulated in these regulations, verifying the information on the remuneration of directors and senior managers*



*contained in the different corporate documents, including the annual report on directors' remuneration.*

*(...).*”

Accordingly, DIA's bylaws and board regulations regulate the specific functions of the Company's board and the NRC in connection with directors' remuneration.

With respect to the principles for such remuneration, the following is stipulated in the bylaws and in the board regulations.

## **2.2 DIA's internal rules and regulations**

Both the bylaws and the board regulations of DIA stipulate the principles and cornerstones on which the directors' remuneration policy of the Company is based. In connection with directors' remuneration, article 39 of the bylaws of DIA provides as follows:

### ***“Article 39.- Directors' Remuneration***

- 1. The members of the board of directors shall receive, for their status as such, the remuneration established in the bylaws, the maximum annual amount of which for the board members as a whole will be determined by the shareholders' meeting. This remuneration shall consist of a fixed monthly emolument and of attendance fees for meetings of the board and of its committees. The maximum amount of remuneration payable by the Company to its directors for such items shall be stipulated by the shareholders' meeting and shall remain in force until a resolution is adopted to change it.*
- 2. Each year the board, within the limits set by the shareholders' meeting, shall stipulate the specific amount receivable by each director, and may scale the amount receivable by each one taking into account the functions and responsibilities attributed to each director, the membership on board committees and other objective circumstances which the board of directors deems relevant.*
- 3. The executive directors shall receive, for the performance of their executive functions delegated or entrusted to them on any other basis, the remuneration which the board itself so determines. This remuneration shall be adapted to the directors' remuneration policy approved by the*

*shareholders' meeting and shall be reflected in a contract to be signed between the director and the Company.*

*For illustration purposes and without limitations, the remuneration established in this section and subject to the remuneration policy mentioned previously, may consist of fixed salaries, variable remuneration (according to the achievement of business and corporate objectives, and/or personal performance objectives), severance for termination of the director for reasons other than the breach of his duties, pensions, insurance, welfare systems, deferred remuneration items and remuneration formulae consisting of the award of shares, stock option rights and which are referenced to the value of the shares, established for the members of the board of directors that fulfil executive functions.*

4. *In the context of the remuneration policy, executive directors may be compensated with the award of shares in the Company or in another company in the group to which the former belongs, of stock options or of instruments or other remuneration items referenced to the market price of the shares.*

*Other directors may be compensated with the award of shares, provided that they are obliged to keep the shares until they cease to be directors, although this rule will not apply to the shares which the director needs to transfer, as the case may be, in order to pay the costs related to their acquisition.*

*Where such remuneration refers to Company shares or to instruments linked to the market price of the shares, it must be approved in a resolution by the shareholders' meeting. The resolution shall state, as the case may be, the number of shares to be awarded, the exercise price or the system for calculating the exercise price of the stock options the share value taken as a reference and the duration of the plan.*

5. *Directors' remuneration shall be reported in the notes to financial statements for each director individually."*

The DIA's board Regulations stipulate the following additional provisions on directors' remuneration:

*"Article 33.- Directors' Remuneration*

*"(...)*

7. *Directors' remuneration may also comprise variable remuneration linked to the performance of the Company or to personal performance.*

*The fixed remuneration must be sufficient for the Company to retain the variable remuneration if the director fails to comply with the stipulated performance criteria.*

*Any variable remuneration must be consistent with the professional performance of its beneficiaries and cannot simply derive from the general performance of the markets or of the industry in which the Company operates or of other similar circumstances. In particular, variable remuneration items must:*

- (a) be linked to predetermined and measurable performance criteria and those criteria must take into account the risk assumed to obtain income;*
- (b) promote the sustainability of the Company and include non-financial criteria, , which are suitable to the creation of long-term value, such as compliance with rules and procedures at the Company and with its policies for risk control and management;*
- (c) be designed on the basis of a balance between the achievement of short, medium and long-term objectives which permit remunerating the continued performance during a sufficient period of time to assess the director's contribution to the sustainable creation of value, so that the elements for measuring this performance do not center solely on isolated, occasional or extraordinary circumstances;*
- (d) a relevant percentage of the variable remuneration will be linked to the award of shares in the Company, of options on them or of instruments referenced to their market price.*
- (e) when paid, a significant portion must be deferred for a sufficient time period in order to ensure that the stipulated performance criteria have been complied with;*
- (f) the portion of remuneration subject to deferred payment shall be determined having regard to the relative weight of the variable remuneration when compared with the fixed remuneration; and*
- (g) contractual agreements executed with directors shall include a clause that enables the Company to demand the return of the variable remuneration items where their payment was not in line with performance criteria or where they were paid having regard to data clearly proven to be inaccurate thereafter.*

8. *Payments for contract termination shall not exceed a stipulated amount equal to two (2) years of the total annual remuneration and shall not be paid if the contract is terminated due to unsuitable performance or until the Company has been able to verify that the director has met the performance criteria established previously.*
9. *With respect to nonexecutive directors, the board shall take all measures within its power to ensure that their remuneration, including any received as committee members, is consistent with the following criteria:*
  - (a) *the nonexecutive director must be compensated according to his actual dedication, skills and responsibilities;*
  - (b) *the amount of the nonexecutive director's remuneration must be calculated so as to offer incentives for dedication, but without constituting an obstacle to his independence of opinion; and*
  - (c) *the nonexecutive director cannot be compensated with share-based remuneration, stock options or instruments linked to the share price, or with employee welfare systems financed by the Company for cases of resignation, death or any other. The foregoing limitation shall not apply to share-based remuneration where the award is conditional on the external directors keeping the shares until they are removed from office as directors.*
10. *Directors shall be entitled to the payment of duly supported travel expenses incurred to attend meetings of the board or of its committees.*
11. *The Company may take out civil liability insurance for its directors.*  
*(...)"*.

According to all of the foregoing, the following is a description of the principles and cornerstones of DIA's directors' remuneration policy.

### **3. General principles governing the remuneration policy for the directors of DIA**

#### **3.1 Principles and cornerstones**

When defining the directors' remuneration policy, DIA's board decided that the policy must be governed by the following principles:

- Prudence: the board will endeavor to ensure that remuneration will be moderate and consistent with the trends and references concerning remuneration implemented in the market at companies with a similar size and activity, to align remuneration with the best market practices.
- Commitment: the aim of the remuneration policy will be to reward quality, dedication, responsibility, knowledge of the business and commitment to the Company and to the people who are in key positions and lead the organization.
- Alignment with earnings: the policy is based on the need for remuneration to be linked to the Company's earnings, such that the relative proportion of variable remuneration will be suitable to reward efficiently the achievement of targets and the contribution of value to the Company.
- External and internal equity. The external competitive environment and internal equity will be taken into account to set remuneration.

The aim behind the general principles and cornerstones of the remuneration system established for the directors is for their remuneration to continue to be reasonably proportionate to the Company's importance, its economic position and the market standards of comparable companies. The established remuneration system, especially in the case of the executive directors, is geared towards encouraging long-term profitability and sustainability for the Company and the necessary safeguards have been built in to prevent the taking of excessive risks and the rewarding of unfavorable results.

The remuneration system establishes a distinction between the directors in their positions and those carrying on executive functions at the Company.

### **3.2 Characteristics of the directors' remuneration policy for their services as such**

The principles described in point 3.1 above governing the remuneration policy for DIA's directors for their services are implemented with the following characteristics:

- It is transparent in the information on directors' remuneration.
- It provides an incentive by rewarding their dedication, skills and responsibility, without constituting an obstacle to their duty of loyalty.
- Its principal component is an emolument for belonging to the board and, if applicable, to the committees and subcommittees, supplemented by some per diems for attending board and committee meetings, which will be paid fully in cash.
- The fixed emolument will depend on the functions or positions held on the board and on its subcommittees.
- A portion of the remuneration is awarded in shares, which must be held until they are removed from office as directors.
- Directors will be paid for their expenses in relation to trips, travel and others incurred to attend the Company's meetings or to discharge their duties.

The objective of the parameters used to determine the various components of the directors' remuneration package, in the case of external directors is to compensate the directors according to their professional worth and dedication to office and the responsibility they take on, while not allowing the remuneration they receive to affect their objectivity in acting in the company's interests.

### **3.3 Characteristics of the executive directors' remuneration policy**

The remuneration system for directors performing executive duties at the Company is based on the remuneration policy for DIA's senior executives. The general principles and cornerstones of that system are as follows:

- Remuneration must be granted for the performance of executive duties according to the policy established for the remuneration of senior executives and according to the terms set out in their respective contracts.
- It must present a balanced and efficient relationship between the fixed and variable components.
- The variable remuneration of executive directors must be designed as a medium- and long-term vision driving the director's actions in strategic terms, as well as a means of achieving results in the short term.
- The remuneration system must be compatible with proper and efficient risk management, and with the Company's long-term business strategy, and interests, and it must be ensured that their variable remuneration cannot jeopardize the Company's ability to maintain its solvency and financial position.
- It must draw on market practices, and be positioned on the market in line with the Company's strategic plans, so as to result in providing an efficient tool to attract and retain the best professionals.

The remuneration policy is therefore geared towards creating value for the Company, seeking alignment with the shareholders' interests, with prudent risk management and with strict compliance with the legislation in force on directors' remuneration at listed companies.

Below is a description of the directors' remuneration, based on the principles and cornerstones explained above.

#### **4. Directors' remuneration system for their services as such**

The directors' remuneration for their services as such consists of a cash sum established according to their position and responsibility, and greater weight will be given to the duties of board Chairman and of President and members of board Committees, and per diems for effectively attending board and committee meetings

The maximum remuneration of directors for their position as such cannot, under any circumstances, exceed the upper limit approved each year by the shareholders' meeting, and the board may establish a lower amount.

For fiscal year 2016, the upper limit on fixed remuneration of directors for their position as such amounts to 1.500.000 euros. For the valid term of this policy, the maximum remuneration will be maintained on the same terms.

As per diems, the directors will receive 2.000 euros for attending each meeting of the board, and 1.000 euros for attending committee meetings. Those per diems will be maintained on the same terms during the validity period of this policy.

The directors' remuneration for their services as such is paid in a 50 percent portion in cash and the remaining 50 percent by awarding shares in the Company, which shares are awarded towards the end of the fiscal year, net of personal income tax withholdings, which are borne by the directors.

The number of shares to be awarded as remuneration for their services as directors is calculated by reference to a figure calculated by dividing 50 percent of each director's remuneration by a reference share price that the board uses, and matches the volume weighted average price (VWAP) from the closing prices for DIA shares in the 15 trading days on the stock market before the date of the board meeting that prepares the financial statements.

- The directors (including the executive directors) must hold the shares they receive for this remuneration until they are removed from office as directors.



- The detail of the remuneration is broken down by year in the relevant ADRR.

## **5. Remuneration system for executive directors**

The components of the remuneration system for executive directors are:

### **5.1 Fixed remuneration**

- Its aim is to reward performance of their executive duties. For the Company's only executive director, his fixed remuneration amounts to 600.000 euros in 2016. This remuneration is not expected to be modified during the validity period of the policy.
- He will also receive certain additional items of remuneration in kind, including a life insurance policy with coverage for death by any cause and total permanent disability, a medical insurance policy and the use of a Company vehicle, pursuant to DIA's policy in this respect.

The fixed remuneration and remuneration reviews for the positions of executive directors and members of DIA's Management Committee are based principally on market factors determined having regard to pay surveys and specific ad hoc studies prepared by external advisors in remuneration policies. The fixed remuneration of the executive director has been established by the board of directors with the advisory of external consultants (Russel Reynolds) on the basis of the work actually performed and the high level of responsibility assumed by the executive director. In addition, the board considers that in the current conditions and barring extraordinary circumstances, this fixed remuneration is in keeping with the remuneration established at comparable companies in the industry both nationally and internationally, and adequately remunerates the knowledge of the business, dedication and high level of commitment shown by the executive director as leader of the DIA Group organization.

## **5.2 Variable remuneration**

### **5.2.1 Annual variable remuneration**

Within the board, the variable remuneration only applies to the executive director as a percentage of his fixed remuneration. Variable remuneration is based on objective parameters aimed at assessing the director's contribution, in performing his executive duties, to the business targets of the Company and of the DIA Group.

The targets for the variable remuneration are:

- (i) quantitative, (targets relating to sales performance, globally or segmented; targets relating to the performance of indicators of the income statement, e.g. distribution costs, sales margins, EBITDA, EBIT, net income, etc.; targets relating to the performance of balance sheet indicators, e.g., working capital or its components, CAPEX, debt; quantitative targets which measure any of the foregoing variables against competitors (e.g., market share), with the weight of these targets over the total annual variable remuneration being 70%; and
- (ii) individual targets which, in turn, may include such quantitative targets as the board may consider a priority from time to time for the success of the business in the short term, and qualitative or relating to short- or long-term business development (such as, for example, consumer involvement, development and integration of new businesses and acquisitions, reinforcement of the internal organization, quality of stakeholder relations), the weight of each one of these being 30%.

In the executive director's case, the setting of the percentage that it represents of the fixed remuneration, the targets and the performance appraisal will lie with the board of directors, which will subsequently determine the degree of

achievement of the business targets used as reference and the assessment of the individual targets.

The executive's annual variable remuneration may range between 0% and 200% of the annual fixed remuneration.

The annual variable remuneration system of directors, including the Chief Executive officer, was analyzed in 2011 by the NRC and reviewed annually since then, concluding that it is suitable to measure the contribution of the leadership team, including the executive directors, to the results of the DIA Group. Each year, the board establishes, at the NRC's proposal, the quantitative and qualitative targets of the variable remuneration system, evaluating their degree of achievement.

#### 5.2.2 Long term variable remuneration

The executive directors may take part in long-term incentive plans linked to strategic conditions and targets, and payable in cash or in shares, established by the Company for its senior executives. These plans shall recur over time, their successive approvals being proposed by the board of directors to the shareholders' meeting.

At the time of approval of this remuneration policy, the following long-term incentive plans were in force: (i) Incentive Plan 2011-2014 and (ii) Incentive Plan 2014-2016.

### 5.3 Welfare benefits

DIA will bear the cost of a life insurance policy for its executive director, with cover for death by any cause (with distinction between the cases of any cause, by accident and by traffic accident) and total permanent disability.

Additionally, the Company has included the executive director for the remuneration supplement called pension assistance, established by the Company

for its executives, whereby, the Company pays a cash sum equal to two thirds of the upper limit on the individual contribution set by the legislation on individual pension plans, in force at December 31, 2014, with an obligation for the employee to support the contribution made by him to his pension plan.

As a result of the amendment to the law on pension plans in Spain which has reduced the limit on annual contributions, the board intends to analyze the option of using another procedure or vehicle to fund those payments, without giving rise to an increase in the amounts with respect to those currently contributed for the employees' benefit.

Except as far as the executive director is concerned, no pension, life insurance or other obligations have been entered into with the Company's directors.

#### **5.4 Principal terms and conditions of executive directors' contracts**

The main terms and conditions of the executive director's contract are as follows:

- Term: indefinite.

- Clawback clause, according to which the Company can claim from the Chief Executive Officer the repayment of the amounts received by him as annual and multiyear variable remuneration if, in the three years following its calculation and payment, the company becomes aware that the calculation and payment of that remuneration has been based in full or in part on information manifestly proven to be false or inaccurate afterwards, or that risks or other unexpected circumstances arise that have not been assumed or foreseen by the company which have a material adverse effect on the income statement of the company.
- Exclusivity: The Chief Executive Officer's contract includes a condition that he must fully and exclusively render his services to the company and may not render his services or perform professional activities, by means of any kind of contractual relationship, for other persons or entities without the company's express prior consent.
- Advance notice period: If the Chief Executive Officer decides to terminate his contract, he must send written notice to the company specifying this fact at least six months in advance.

For its part, the Company, in the event of unilateral withdrawal by the employer, must give six months' advance notice.

- Severance pay: The Chief Executive Officer's contract specifies that he is entitled to severance pay equal to two (2) annual payments of his remuneration if the Board of Directors decides to terminate the contract for reasons not based on his failure to fulfill his duties or due to a case of disciplinary dismissal declared to be justified.
- Permanence: the executive director's contract does not contain any permanence or loyalty clauses.

- Post-contractual non-competition: The Chief Executive Officer's contract includes a post-contractual non-competition clause obliging the Chief Executive Officer for a period of twelve (12) months: (i) not to provide services or perform activities that compete with those of the company or the DIA Group, and (ii) not to contract or try to contract or solicit, in his own benefit or that of third parties, employees, professionals, directors or members of the Company or of the DIA Group. The Chief Executive Officer would receive, as a consideration for those obligations, a compensation equal to one annual payment of the annual fixed remuneration that he is receiving at the time of termination of the contract.

In any case, the board of directors will periodically review the conditions of the Chief Executive Officer's contract and include any changes necessary, within the framework of the Company's remuneration policy and its internal regulations.

## **5.5 Addition of new executive directors**

In principle, the remuneration system and the basic contractual terms and conditions described above will also be applicable to any new executive directors joining the board while this policy is in force, by reference, in particular, to the duties assigned to them, the responsibilities they take on and their professional experience. In this respect, an amount of fixed remuneration commensurate with those characteristics will be established by a board resolution, in line with the fixed remuneration of the current executive director and by reference to the competitive environment, and also, the variable remuneration system set out in this policy will be implemented.

**6. Implementation of the policy**

Subject to the provisions in the SCA on the directors' remuneration policy, DIA's board, following the relevant reports of the NRC, will adopt and review periodically the general principles of the directors' remuneration policy, and will be responsible for supervising its implementation. To that end, DIA's board will carry out an annual review of the principles and procedures contained in this document, to include, or where applicable, propose the required amendments, adaptations, implementation rules or governing principles.

**7. Term of the remuneration policy**

Subject to the provisions in the SCA on the directors' remuneration policy, the policies and procedures contained in this document will be valid in the year in which they are approved by the shareholders' meeting and in the following three years, except for any amendments, adaptations, updates or replacements that may be decided from time to time, which will be submitted to DIA's shareholders' meeting.