



**ANNUAL REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE
OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.**

2014 FINANCIAL YEAR

I. Introduction

The Nomination and Remuneration Committee of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“**DIA**” or the “**Company**”) has prepared this annual report on its activities with the purpose of evaluating its operations and organisation in 2014, highlighting the main incidents that have arisen with respect to the specific functions it has been assigned.

This report has been prepared in compliance with Article 5.6 of the Regulation of the Board of Directors of DIA.

II. Composition

According to Article 42 of the Articles of Association and Article 38 of the Regulation of the Board of Directors, the Nomination and Remuneration Committee shall be composed of external directors, the majority of them independent, in a number to be determined by the Board of Directors, with a minimum of three and a maximum of five. The members of this Committee shall be appointed by the Board of Directors of the Company.

At least one of the members of the Nomination and Remuneration Committee must have knowledge and experience in remuneration matters.

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

When so requested by the Committee, the members of the Board of Directors, the management team or employees of the Company are required to attend the sessions of this Committee in order to assist and provide with any information available.

The composition of the Nomination and Remuneration Committee in 2014, which remains the same, is as follows:

Name of Director	Type of Director	Position on Committee
Mr Pierre Cuilleret	Independent	Chairman
Mr Nicolás Brunel	Proprietary	Member
Mr Mariano Martín Mampaso	Independent	Member

Mr Pierre Cuilleret was appointed independent outside director and chairperson of DIA’s Nomination and Remuneration Committee on 5 July 2011, when the Committee was created. He was re-elected as director on 26 April 2013 and as member of the Committee on 6 May 2013. Mr Cuilleret is a graduate of HEC in Paris. He studied at the University of Berkeley and at the Stockholm School of Economics. After working in the Bouygues group in the United Kingdom and in Gemini Consulting in France, he founded The Phone House in 1996. In 2000 he became the Chief Executive Officer of the insurance group The Carphone Warehouse Group Plc. From August 2005 to 2014, he was Chief Executive Officer of Micromanía and,

This document is a translation of an original text in Spanish and it is provided for information purposes only. In the event of any discrepancy between both texts, the original text in Spanish will prevail.



from 2011 to 2014, Senior Vice President of Gamestop. He is currently a member of the board of directors of Desigual and a mentor at Institut du Mentorat Entrepreneurial.

Mr Mariano Mampaso was appointed independent outside director and member of DIA's Nomination and Remuneration Committee of DIA on 5 July 2011. He was re-elected as member of the Committee on 19 March 2014 and as director of DIA on 25 April 2014. Mr Martín is a graduate in Economics. In 1976 he joined Procter & Gamble, where he remained for 33 years until his retirement as the company's Global Sales President in June 2009. He was a member of the Board of Directors of AECOC, of the Governing Board of GSI US and of the Executive Board of the Global Commerce Initiative.

Mr Nicolas Brunel was appointed proprietary external director (representing the significant shareholding in DIA held by Cervinia Europe) and member of DIA's Nomination and Remuneration Committee on 5 July 2011. He was re-elected director of DIA on 26 April 2013 and member of the Committee on 6 May 2013. Mr Brunel is a graduate of the Institute of Political Studies in Paris and took an MBA at the ESSEC business school. After working in the Corporate Development Department at Danone and in the Paris office of The Carlyle Group, he joined LVMH/Groupe Arnault in 2002, where he is responsible for supervising the operations of the public and private companies in which LVMH/Groupe Arnault is shareholder. Currently he is a member of the board of directors of several companies including Isodev, S.A., Devialet S.A. and Monaco Telecom S.A.

Mr Ramiro Rivera Romero, non-director Secretary of the Company's Board of Directors, acts as non-member Secretary of the Nomination and Remuneration Committee; and Mr Miguel Ángel Iglesias Peinado, non-director Vice Secretary of the Board of Directors and Director of the Company's Legal Services department, is non-member Vice Secretary of the Committee.

In the light of the above, and as there are three members, of whom two are independent, the composition of the Nomination and Remuneration Committee is in line with the Articles of Association and the Regulation of the Board of Directors. At the same time, the Nomination and Remuneration Committee complies with the stipulations of Article 529 quidecies of the Capital Stock Corporate Companies Act (*Ley de Sociedades de Capital*) (the "**Companies Act**"), which was introduced through Law 31/2014 of 3 December, amending the Companies Act to improve corporate governance; and with the recommendations on good corporate governance of the Unified Code of Good Governance for publicly traded companies, approved by the Spanish National Securities Market Commission (*CNMV*), dated 22 May 2006 and revised for the last time in June 2013 (the "**Unified Code of Good Governance**"), which recommends that the chairperson of the Nomination and Remuneration Committee should be an independent director and that the majority of its members should be independent directors, to guarantee their criteria are impartial and objective.

III. Functions

In compliance with its functions under Article 38 of the Regulation of the Board of Directors, in 2014, the Nomination and Remuneration Committee carried out the functions assigned, including the following:

- **Evaluation of the competences, knowledge, experience and level of dedication of the members of the Board of Directors**

The Nomination and Remuneration Committee has, in 2014, complied with its task of evaluating the competences, knowledge, experience and level of dedication of the members of the Board of Directors. To that aim, the Company has carried out its annual process of evaluating the performance, quality and efficiency of the Board of Directors as a body, and



the individual work carried out by the Chief Executive Officer, Mr Ricardo Currás de Don Pablos, and the Chairperson of the Board of Directors, Ms Ana María Llopis. This is part of the policy of compliance with the rules of corporate governance applicable to the Company. This process complies with the new Article 529 nonies of the Companies Act and Recommendation 21 of the Unified Code of Good Governance.

- **Submission to the Board of Directors of the proposals for re-election of directors for subsequent approval by the Annual General Meeting**

On 14 March 2014, the Nomination and Remuneration Committee submitted to the Board of Directors the proposals for re-election of the independent directors Mr Richard Golding, Mr Mariano Martín Mampaso and Mr Antonio Urcelay. On the same date, it informed favourably on the re-election of Mr Nadra Moussalem, as proprietary director, for the maximum term set out in the Articles of Association.

- **Supervision of compliance with the rules on corporate governance applicable to the Company**

On 19 February 2014, the Committee agreed unanimously to maintain the classification of all the directors, no reason being found for a change in their category.

The Committee has also reviewed the 2013 Annual Corporate Governance Report, and has already begun to review that corresponding to 2014, which, in accordance with Article 538 of the Companies Act, must be included in a separate section in the Management Report.

- **Analysis, formulation and periodically revision of the remuneration policy applied to executive directors and to the management team, including the systems of remuneration by shares and their application; and guarantee that such remuneration is proportional to what is paid to other directors and members of the senior management team and to other members of the Company's employees**

- Remuneration policy for Senior Management

On 19 February 2014, the Nomination and Remuneration Committee reviewed and agreed to submit to the Board of Directors, for its final approval, the remuneration policy for Senior Management and for the executive director corresponding to 2013 (in particular, with reference to the proposal to determine the 2013 Bonus and the special Schlecker bonus) and that corresponding to 2014 (in particular, with reference to the proposal to set the 2014 Salary Amount and the Bonus Targets for 2014).

- Long-term Incentive Plan for DIA Group 2014-2017

Similarly, on 14 March 2014, the Nomination and Remuneration Committee submitted to the Board of Directors the proposal for a new Long-Term Incentive Plan for the 2014-2017 period (LTIP 2), addressed to key managers (including executive directors). It was submitted and finally approved at the Shareholders General Meeting on 25 April 2014. The proposals for the new plan had been debated during the last sessions of the Committee, assisted by the resources and collaboration of an external advisor.

At successive meetings held in the second half of 2014, the Nomination and Remuneration Committee approved the drafting of the new Regulation for the Long-Term Incentive Plan 2014-2017, and proposed to the Board of Directors some adjustments to the targets and metrics applicable to the different remuneration plans in DIA Group (Long-Term Incentives Plan 2011-2014 and 2014-2017).



- Long-term Incentive Plan for DIA Group 2011-2014

Likewise, in 2014, the Nomination and Remuneration Committee monitored the Company's Long-Term Incentives Plan for the 2011-2014 period (LTIP 1), in order to propose to the Board of Directors adjustment of its targets and metrics to changes in the scope that had taken place during the year, as well as the incorporation of new beneficiaries.

- **Information on the process of evaluating the DIA management team**

The Nomination and Remuneration Committee has, during the second half of 2014, and with the assistance and advice of Russell Reynolds as external experts, developed a process for evaluating the capacities of the management team, analysing (i) the group and individual competences of the management team; (ii) an organisational plan and proposal for actions aimed at putting into practice the suggestions and indications received from external experts; and (iii) areas of relevance in which urgent actions must be taken.

- **Proposal to the Board of Directors of (i) the annual remuneration system for directors and its amount; (ii) the individual remuneration of executive directors and senior management; and (iii) the basic conditions of their contracts**

On 19 February 2014, the Nomination and Remuneration Committee reviewed and agreed to submit to the Board of Directors for its approval, the following items:

- (i) the remuneration policy for the Board of Directors, including, inter alia, the distribution of 2014 remuneration in cash and in Company shares in favour of the directors; and
- (ii) the remuneration policy of the Chief Executive Officer, Mr Ricardo Currás de Don Pablos, for the performance of his duties as a senior director, with respect to the bonus corresponding to 2013 and the rest of the components of his remuneration for 2014, as well as the proposal that part of his remuneration shall be linked to the achievement of targets based on earnings and other parameters of activity.

- **Annual Report on Remuneration**

On 14 March 2014, the Nomination and Remuneration Committee drafted the 2013 Annual Remuneration Report of the directors, in accordance with the former Article 16 ter of Act 24/1988, of 28 July governing the stock market, currently included in Article 541 of the Companies Act, and presented it to the Board of Directors for approval and for submission to a consultative vote by the Annual General Meeting.

- **Information to the Board of Directors on matters of gender diversity and, in particular, ensure that selection procedures for directors and senior management do not have any implicit bias making the selection of female directors difficult**

The Nomination and Remuneration Committee has revised and monitored the indicators of parity and equality in DIA Group and the Company's policy on matters of gender diversity and equal opportunities, as well as the measures already implemented and that will be implemented in 2015.

- **Succession plans**

The Committee has pushed through the preparation of various succession plans for senior executives in the management team, such plans being kept duly updated.



IV. Meetings held in 2014

The Company's Nomination and Remuneration Committee met four times in 2014, adopting resolutions in writing and without holding a meeting in another occasion. All the meetings have been attended by all the members of the Committee. In addition, the members of the Committee have carried out regular working session by means of phone or videoconference, between them and with the Human Resources management team of DIA Group.

In compliance with Article 38 of the Regulation of the Board of Directors, this Committee met as often as necessary to perform its functions.

V. Proposals for improvement

In 2014, the Nomination and Remuneration Committee has monitored the corporate governance reforms that have been materialised in Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance.

Pursuant to this Law, the Nomination and Remuneration Committee will assume some additional powers, such as determining a target for the least represented gender on the Board of Directors and reporting on the directors' remuneration policy. This proposal for amendments of DIA's internal regulations is currently being in process as of the date of this report.

* * *

Madrid, 20 February 2015