Policy on Directors' Remuneration of Distribuidora Internacional de Alimentación, S.A.
2019-2021

TABLE OF CONTENTS

1. Introduction

Article 529 *novodecies* of the Capital Companies Law ("**LSC**") 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.

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 specific report from the Nomination and Remuneration Committee.

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. ("**DIA**" or the "**Company**") applied the transitional regime provided for in the LSC according to which, since the 2015 Shareholders' Meeting approved the directors' remuneration report on a consultative basis, the director's remuneration policy contained therein was also deemed to have been approved for the purposes of the provisions of Article 529 novodecies.

In light of the above, and since the annual directors' remuneration report was approved on a consultative basis by the 2015 Shareholders' Meeting of DIA, the directors' remuneration policy described in that report has remained in force for the three years following the year of its approval by the Shareholders' Meeting (that is, up to and including 2018).

As three years have elapsed since the approval of the annual directors' remuneration report by the 2015 Shareholders' Meeting, a new directors' remuneration policy must be submitted to a binding vote by the Shareholders' Meeting, following a specific report by the Nomination and Remuneration Committee ("**NRC**"). This remuneration policy will remain in force for the three years following its approval (that is, 2019, 2020 and 2021).

In this regard, the Board of Directors of DIA, at the proposal of the NRC and having regard to the fact that the current remuneration policy will expire on December 31, 2018, has resolved to submit to the Shareholders' Meeting the new policy on directors' remuneration for the years 2019, 2020 and 2021 with the contents stipulated in the LSC.

The proposed new remuneration policy for 2019, 2020 and 2021 (the "**Remuneration Policy**") is accompanied by a reasoned report by the NRC. Both documents will be available to the shareholders on the Company's website as from the call notice for the Shareholders' Meeting to be held on April 19 and 20, 2018, on first and second call respectively, in accordance with article 529.2 *novodecies* of the LSC.

2. Term of the remuneration policy

Subject to the provisions in the LSC on the directors' remuneration policy, the policies and procedures contained in this document will be valid for the three fiscal years following their approval by the Shareholders' Meeting (that is, 2019, 2020 and 2021), 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 for approval.

3. Principles, cornerstones and characteristics of the directors' remuneration policy of the Company

The remuneration of the directors of DIA is determined pursuant to the legislation governing corporate enterprises, to DIA's bylaws, to the Board regulations and to the resolutions adopted by the Shareholders' Meeting.

Both articles 39 and 39bis of DIA's bylaws and article 33 of the DIA Board regulations stipulate the principles and cornerstones on which the directors' remuneration policy of the Company is based.

The following is a description of the principles and cornerstones of DIA's directors' remuneration policy.

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: with respect to directors' remuneration for the performance of executive functions, 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 efficiently reward 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 as such, 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 a fixed allowance for membership of the Board and, if applicable, the Board committees, supplemented by some per diems for attending Board and committee meetings, to be paid entirely in cash.
- The fixed allowance will depend on the functions or positions held on the Board and on its committees.
- A portion of the remuneration may be 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. This compensation is not considered remuneration.

The objective of the parameters used to determine the various components of the directors' remuneration package, in the case of non-executive 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 components must be linked to pre-determined and measurable performance criteria and such criteria must take into consideration the risk assumed in order to obtain a result; equally, they must promote the sustainability of the Company and include non-financial criteria that are adequate for long-term value creation, such as compliance with rules, procedures and policies for the control and management of risks.
- A significant percentage of the variable remuneration must be linked to the delivery of Company shares, share options or instruments linked to the share price.

- The variable remuneration of executive directors must be designed on the basis of balanced achievement of short-, medium- and long-term objectives, to allow remuneration of continued performance over a period of time sufficient to appreciate its contribution to sustainable value creation, such that the elements used to measure this performance do not solely revolve around one-off, occasional or extraordinary events.

- A major percentage of the total variable remuneration must be deferred over time and linked to medium- and long-term objectives.

- 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 fixed 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 overall 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.

The maximum limit on the overall annual remuneration of directors for their position as such will be that approved by the Shareholders' Meeting from time to time. The new maximum limit of the annual remuneration of directors for their position as such has been submitted for approval to the Shareholders' Meeting at which this Remuneration Policy has been submitted for approval, and the maximum limit has been set at 2,000,000 euros.

In the Board's opinion, the increase of 500,000 euros in the aforementioned maximum limit (the previous limit was 1,500,000 euros, set in 2012) is justified, in addition to the time elapsed since the limit was last set, by the following reasons: (a) the potential increase in the number of Board members (set at ten since the listing of DIA in 2011, but able to be increased to fifteen according to the Bylaws in force), since at the time of drawing up this proposal, proposals are also made to the Shareholders' Meeting to increase the number of Board members to twelve and to appoint two new directors; (b) the announced increase in the number of Board committees, due to the creation of a new Strategy Committee, which has raised the number of Board committees to three; (c) the increase in the average number of members of those committees, due to their growing activity and the progressive assumption of more complex functions; and (d) the increase in the average number of annual meetings of the Board and the different committees throughout the fiscal year.

In any event, it should be noted that, as recorded in the 2017 Annual Remuneration Report, the Board of Directors of DIA resolved that this increase in the maximum amount of remuneration payable to the directors as a whole, for the office of director, will not give rise to any increase in 2018 in the individual remuneration by office and responsibilities of the members of the Board of Directors of DIA, the items and distribution of which will remain unchanged in 2018, except as regards the recently created Strategy Committee.

The distribution of the remuneration is the responsibility of the Board and that distribution has not varied since fiscal year 2013 (with the sole exception of the 5,000 euros per year increase in the fixed remuneration payable to the Chairman of the Board of Directors since fiscal year 2015).

The aforementioned maximum aggregate amount of 2,000,000 euros will be the maximum limit applicable to fiscal year 2019 and thereafter, until the shareholder's meeting approves, if applicable, a new amount. If the shareholder's meeting does not approve the aforementioned limit, the maximum limit of the annual remuneration of directors for their position as such will continue to be the limit approved by the shareholder's meeting in 2012, which was set at 1,500,000 euros.

The Board of Directors is authorized to provide, in the distribution of directors' remuneration for the office of director, that such remuneration may be paid in cash, or 50 percent in cash and the remaining 50 percent (or any other applicable percentage) by awarding shares in the Company (or different percentage the Board decides to set), which shares would be awarded at the end of the fiscal year, net of personal income tax withholdings, which would be borne by the directors.

In such case, the number of shares to be awarded as remuneration for their services as directors will be calculated by reference to dividing 50 percent of each director's remuneration by a reference share price that the Board will use, and which will match the volume weighted average price 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. Said reference shall be the one used for calculating the amount of the remuneration received by the Directors and for the purposes of the above-mentioned maximum limit.

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 will be broken down by year in the relevant Annual Directors' Remuneration Report ("**ADRR**").

5. Remuneration system for executive directors

The remuneration system for executive directors of DIA includes, in addition to the remuneration components applicable to the directors for their services as such, the following elements:

5.1 Fixed remuneration

- Its aim is to reward performance of executive duties. For the Company's only executive director at the date of approval of this Remuneration Policy, his fixed annual remuneration has been set at 600,000 euros. At the Shareholders' Meeting to which this Remuneration Policy has been submitted for approval, a proposal has been made for approval of a system for the review of this fixed annual remuneration for year 2018, which shall also apply for the years of validity of this Policy, based on the year-on-year positive variation in the CPI (the general national consumer price index published by the National Statistics Institute) in the period December 2016 – December 2017, and successively in the following fiscal years, applying the CPI of the preceding period.

- 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.

5.2 Variable remuneration

5.2.1 Annual variable remuneration

Within the Board, the variable remuneration only applies to the executive director, and it is determined 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 for executive directors of the Company can be the following:

(i) Quantitative targets: 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). The weighting of these targets as a percentage of the annual variable remuneration will be decided annually by the Board of Directors and will be duly disclosed in the corresponding ADRR, being a minimum of 50 percent in all cases.

(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, franchisee satisfaction indexes, equity story, market share, etc.). The weighting of these targets as a percentage of the annual variable remuneration will be decided annually by the Board of Directors and will be duly disclosed in the corresponding ADRR, being a minimum of 30 per cent in all cases.

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 director's annual variable remuneration may range between 0 per cent and 200 per cent of the annual fixed remuneration.

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, plans which may contain annual award cycles, with a minimum goal measurement period of three years.

These plans will be linked to strategic metrics of the Company and to the creation of value for its shareholders. They may include metrics related to total shareholder return, the group's EBITDA, sales or any other metric established by the Board of Directors upon a proposal from the NRC. Their approval will require the corresponding shareholder's meeting resolution, in which the characteristics of the plans will be detailed. Each metric will have an associated scale with a threshold below which no incentive will be paid, and an associated maximum limit above which no additional incentive will be paid.

If peer groups are used to determine the targets to be achieved, the Board of Directors, following a report from the NRC, will establish the peer companies or indices, determining the weighting of each metric for each plan and its corresponding cycles.

The payment of the incentive derived from these plans will include a deferral in time of part of the incentive, if any, that is paid, amounting to 50 percent.

These plans will recur over time and their successive approvals will be proposed by the Board of Directors to the Shareholders' Meeting.

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, 2017, with an obligation for the employee to support the contribution made by him to his pension plan. The Company may implement the pension assistance by contracting an insurance policy.

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.
- Exclusivity: The Chief Executive Officer's contract includes a condition that he must fully and exclusively render his services to the Company and the DIA Group 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.
- The Company, in the event of unilateral withdrawal by the employer, must give six months' advance notice.
- Permanence: The Chief Executive Officer's contract does not contain any permanence or loyalty clauses.
- During 2015 and with a view to adapting to the requirements of Law 31/2014 amending the Capital Companies Law in the area of directors' remuneration, the Company proceeded to agree with the Chief Executive Officer on the renegotiation of the working conditions in force at that time. The provisions introduced into the contract thus signed notably included, among others, the inclusion of a clawback clause, the provision of a severance regime (entitlement 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 his justified dismissal

on disciplinary grounds) and the inclusion of a post-contractual, non-competition clause. The conditions previously in force were described in detail in the annual directors' remuneration reports from previous years.

- The relationship between the Chief Executive Officer and the Company dates back to 1986, and has been maintained, without interruption, under different formats and conditions up to the date hereof. In entering into the new contract, the Chief Executive Officer accepted a reduction in the contractual severance rights in the event of termination of the employment contract (resulting from the recognition of severance equal to a certain number of days per year worked and with no contractual limit, rights which, at that time, resulted in severance of around three (3) annual payments of his remuneration), which severance was subsequently reduced to two (2) annual payments of his remuneration, in line with the provisions of the Board regulations and with Recommendation no. 64 of the CNMV Code of Good Governance for listed companies relating to payments for contractual termination.

- In addition, the Chief Executive Officer assumed a post-contractual non-competition, not previously provided for, extending for a period of twelve (12) months following the termination of the relationship, whereby he undertook: (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, for his own benefit or that of third parties, any employees, professionals, directors or members of the Company or of the DIA Group, receiving in return, as consideration for those obligations, economic compensation equal to one annual payment of the annual fixed remuneration he was receiving at the time of termination of the contract, pro-rated and paid monthly.

- Clawback clause. The Chief Executive Officer’s contract includes a clause according to which the Company can seek the repayment by the Chief Executive Officer 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 was based in full or in part on information manifestly proven to be false or inaccurate afterwards, or that risks or other unexpected circumstances have arisen that were not assumed or foreseen by the Company and which have a material adverse effect on the income statement of the Company.

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 of the LSC on directors' remuneration policies, DIA's Board, following the relevant reports by the NRC, will adopt and periodically review 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 order to include, or where applicable, propose the required amendments, adaptations, implementation rules or governing principles.