



**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

IDENTIFYING PARTICULARS OF ISSUER

END DATE OF FISCAL YEAR OF REFERENCE

12/31/2019

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

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

<b>ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES</b>
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**A OWNERSHIP STRUCTURE**

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

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
November 25, 2019	66,779,789.79	6,677,978,979	6,677,978,979

Remarks
<p>On October 22, 2019, the Shareholders' Meeting of the Company approved the execution of a capital reduction (i) by offsetting losses with a charge to reserves; and (ii) by reducing the par value of the Company's shares. Consequently, the Company's share capital became 6,224,565.13 euros split into 622,456,513 shares with a par value of 0.10 each.</p> <p>On November 20, 2019, the Company reported the full subscription of the capital increase approved by the Company's Shareholders' Meeting on October 22, 2019, which entailed issuing 6,055,522,466 new shares for a total effective amount of 605,552,246.60 euros, and consequently, the Company's share capital became 66,779,789.79 euros split into 6,677,978,979 shares with a par value of 0.10 each. This capital increase was declared executed by way of a deed dated November 25, 2019.</p>

Indicate whether different classes of shares exist with different associated rights:

Yes       No

A.2 List the direct and indirect holders of significant holdings at year-end, excluding directors:

Name or corporate name of shareholder	% of voting rights attributed to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
LETTERONE INVESTMENT HOLDINGS, S.A.	0.000%	74.819%	0.000%	0.000%	74.819%



Detail of the indirect holding:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights
LETTERONE INVESTMENT HOLDINGS, S.A.	L1R INVEST1 HOLDINGS S.À R.L.	74.819%	0.000%	74.819%

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

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
GRÉGORIE AUGUSTIN BONTOUX HALLEY	4/2/2019	Exceeded the threshold of 3% of the voting rights
LETTERONE INVESTMENT HOLDINGS, S.A.	5/20/2019	Exceeded the threshold of 60% of the voting rights
GRÉGORIE AUGUSTIN BONTOUX HALLEY	11/25/2019	Fell below the threshold of 3% of the voting rights
LETTERONE INVESTMENT HOLDINGS, S.A.	11/27/2019	Exceeded the threshold of 70% of the voting rights

Most significant movements
On May 17, 2019, the CNMV reported that the tender offer for the shares of Distribuidora Internacional de Alimentación, S.A. made on February 5, 2019 by L1R Invest1 Holding, S.à r.l., authorized on March 28, 2019 and the amendment thereof authorized on May 6, 2019, was accepted by 253,701,782 shares representing 57.41% of the shares to which the offer was addressed and 40.76% of the share capital of the entity at such date. As a result of the positive outcome of the tender offer, Letterone Investment Holdings, S.A. became the indirect owner of 434,220,476 shares representing 69.759% of the share capital of the Company.

A.3 Complete the following tables on members of the board of directors that hold voting rights over company shares:

Name or corporate name of director	% of voting rights attributed to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect

# DIA

COUVREUX , CHRISTIAN PIERRE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
DUCHARME, STEPHAN	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
FERREIRA DIAS, SERGIO ANTONIO	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
GARCÍA-LEGAZ PONCE, JAIME	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
HOLLAND, KARL- HEINZ	0.001%	0.000%	0.000%	0.000%	0.001%	0.000%	0.000%
WAHNON LEVY, JOSE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
CASEY, MICHAEL JOSEPH	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

<b>% total of voting rights held by the Board of Directors</b>	0.001%
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<b>Remarks</b>
<p>On January 14, 2020, the Board of Directors of the Company approved the appointment by co-option of Ms. Basola Vallés Cerezuela as an independent director of the Company, to fill the vacancy of Mr. Borja de la Cierva Álvarez de Sotomayor, who tendered his resignation as a member of the Board of Directors of the Company on May 21, 2019.</p> <p>In addition, Mr. Michael Casey notified the Board of Directors of his resignation from the position of director, effective January 14, 2020. This vacancy has yet to be filled.</p> <p>On January 2, 2020, the Company delivered to Mr. Jaime García-Legaz Ponce and Mr. José Wahnon Levy 40,717 and 17,804 shares respectively in implementation of the incentive program of which both are beneficiaries in accordance with the Company's remuneration policy. Mr. Christian Pierre Couvreur also received 21,748 shares from Company on January 21, 2020 in implementation of the incentive program.</p>

Detail of the indirect holding:

Name or corporate name of director	Name or corporate name of the direct owner	% of voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights <u>that can be transferred</u> through financial instruments
-	-	-	-	-	-

Remarks

A.4 Indicate, where applicable, any family, commercial, contractual or corporate relationships between owners of significant holdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Name or corporate name of related-party	Type of relationship	Brief description
-	-	-

A.5 Indicate, where applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name or corporate name of related-party	Type of relationship	Brief description
L1 Retail UK LLP and L1 Retail Jersey LLP	Advisory service agreement	Provision of financial, strategic and commercial advisory and consulting services

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the board and directors, or their representatives in the case of legal-entity directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent the significant shareholders, those whose appointment was proposed by

the significant shareholders, or those related to significant shareholders and/or entities in its group, specifying the nature of such relationships. In particular, indicate, where applicable, the existence, identity and position of the board members, or the directors' representatives, of the listed company who are also members of the managing body, or their representatives, of companies with significant shareholdings in the listed company or in the companies in the group of those significant shareholders.

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Name of the company in the group of the significant shareholder	Description of relationship / position
DUCHARME, STEPHAN	L1R INVEST1 HOLDINGS S.À R.L.	L1 RETAIL (UK) LLP L1 RETAIL (JERSEY) LLP L1R HB Holdings Limited	Mr. DuCharme is managing partner of L1 RETAIL (UK) LLP and L1 RETAIL (JERSEY) LLP and director of L1 HB Holdings Limited
FERREIRA DIAS, SERGIO ANTONIO	L1R INVEST1 HOLDINGS S.À R.L.	L1 RETAIL (UK) LLP L1 RETAIL (JERSEY) LLP	Mr. Ferreira Dias is a partner of L1 Retail LLP
CASEY, MICHAEL JOSEPH	L1R INVEST1 HOLDINGS S.À R.L.	L1 RETAIL (UK) LLP L1 RETAIL (JERSEY) LLP L1R HB Holdings Limited	Mr. Casey is a senior partner of L1 RETAIL (UK) LLP and L1 RETAIL (JERSEY) LLP and director of L1 HB Holdings Limited

A.7 Indicate whether the company has been notified of any side agreements affecting it pursuant to articles 530 and 531 of the Capital Companies Law. If so, provide a brief description and list the shareholders bound by the agreement:

Yes

No

Parties to side agreement	% of share capital affected	Brief description of agreement	Expiration date of the agreement, if any
- Naturinvest S.à r.l., Pedro Gómez-Pablos Calvo and ALtocalpital Inversiones, S.L.	<b>3.090</b>	Syndicate of shareholders with respect to the Company formed by Naturinvest S.à r.l., Pedro Gómez-Pablos Calvo and ALtocalpital Inversiones, S.L., the existence and subsequent amendment of which were made public by the Significant Event dated 02/07 (Reg. No. 274571) and 02/21 (Reg. No. 274973).	April 2, 2019

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, provide a brief description:

Yes

No

Parties involved in concerted action	% of share capital affected	Brief description of concerted action	Expiration date of the concerted action, if any

Remarks

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

On April 2, 2019, the CNMV was informed of the dissolution of the syndicate of shareholders with respect to the Company formed by Naturinvest S.à r.l., Pedro Gómez-Pablos Calvo and ALtocalpital Inversiones, S.L., the existence and subsequent amendment of which were made public by the Significant Event dated 02/07 (Reg. No. 274571) and 02/21 (Reg. No. 274973).

A.8 Indicate whether there are any individuals or legal entities that exercise or may exercise control over the company in accordance with article 5 of the Securities Market Law. If so, identify:

Yes No 

Name or corporate name
LETTERONE INVESTMENT HOLDINGS, S.A.

Remarks

A.9 Complete the following table with details of the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
1,238,790	-	0.019%

Remarks

(\*) Through:

Name or corporate name of direct holder	Number of direct shares
<b>Total:</b>	

Remarks

Explain any significant changes during the year:

Explanation of significant changes



[The equity swap whereby the Company was the indirect owner of 6,000,000 shares through Banco Santander, S.A. expired on January 2, 2019, whereupon it became the direct holder of said 6,000,000 shares.

In fiscal year 2019, 365,590 shares were awarded as remuneration for incentive plan 2016-2018. Also, a total of 94,247 shares were awarded to directors as remuneration relating to fiscal year 2018.

Furthermore, a total of 7,843,729 shares have been sold as a result of the tender offer by LetterOne.

In January 2020, 226,833 shares have been awarded to the members of the Board as remuneration of fiscal year 2019.

On the date of issue of this Report, the Company was the indirect owner of 1,011,957 treasury shares, representing 0.015% of the share capital.

- A.10 Give details of the conditions and term of the current authority conferred by the shareholders' meeting on the board of directors to issue, buy back or transfer treasury stock.

On April 22, 2016, the Shareholders' Meeting delegated to the Board of Directors the power to increase share capital by granting it the power to exclude pre-emptive subscription rights up to a maximum overall nominal amount equal to 20% of the share capital on the authorization date, within the limits and with the requirements established in the Capital Companies Law, for a period of five years from the date of the resolution by the Meeting. This resolution rendered void the resolution adopted by the Meeting on June 13, 2012.

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

Moreover, on April 20, 2018, the Shareholders' Meeting also resolved, subject to the provisions of article 319 of the Commercial Registry Regulations and to the general regime for issuing debentures and to the Bylaws, the power to issue simple bonds and debentures, promissory notes and other fixed-income securities, subject to the following terms and conditions:

- (a) The issues which can be delegated can be made one or more times within 5 years of adopting the resolution.
- (b) The maximum net amount of the issue(s) will be 1,500,000 euros or its equivalent in another currency.
- (c) The outstanding balance of the issued promissory notes may not exceed 480,000 euros or its equivalent in another currency at any time. This limit is independent of that of the preceding section.
- (d) The total of the debt represented by securities issued subject to the previous two points or of



previous issues may not exceed 1,500,000 euros overall.

(e) These limits will be calculated by deducting, from the new issues agreed under this authorization, the amounts corresponding to the redemptions or buybacks made or taken place during its term and will be added to the outstanding balances of the issues agreed upon pursuant to the previous delegations to the Board of Directors.

This resolution rendered null and void the unused amount of the resolution adopted by the Shareholders' Meeting on April 22, 2016.

Lastly, the Shareholders' Meeting held on April 20, 2018 expressly resolved to authorize the Board of Directors, with express powers of delegation, in accordance with the terms of article 146 of the Capital Companies Law, to proceed with the derivative acquisition of the Company's shares under the following conditions:

(a) The Company can acquire shares directly or indirectly through its subsidiaries under the same terms as this resolution.

(b) The shares can be acquired through sale/purchase transactions, swaps or any other transaction permitted under law.

(c) The purchases may be made at any time up to the maximum amount permitted under law.

(d) The purchases may not be made at a price exceeding the share price or less than the par value of the share.

(e) This authorization is granted for a maximum term of five years from the time of this resolution.

(f) As a result of the purchase of shares, including those that the Company or the person acting in their own name but on behalf of the company had acquired previously and had in their portfolio, the resulting equity may not be reduced to an amount less than the sum of the share capital plus the restricted legal or bylaw reserves, all in accordance with article 146.1.b) of the Capital Companies Law.

It was expressly stated that shares purchased as a result of this authorization may be used both for transfer or redemption and for application of the remuneration systems considered in paragraph three a) of article 146.1 of the Capital Companies Law, in addition to carrying out the programs which will foster participation in the Company's capital such as, for example, dividend reinvestment plans, incentive plans and other analogous instruments.

This resolution rendered void and revoked the unused amount of the authorization for the derivative acquisition of own shares granted by the Shareholders' Meeting on April 24, 2015.

A.11 Estimated free float:

	%
<b>Estimated free float</b>	25.162%

Remarks

A.12 Indicate, where applicable, whether there is any restriction (bylaw, legislative or any other) to the transfer of securities and/or any other restriction on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorization or notification that may be applicable, under industry-specific regulations, to acquisitions or transfers of the company's financial instruments.

Yes       No

Description of restrictions

A.13 Indicate whether the shareholders' meeting has agreed to take breakthrough measures to prevent a tender offer by virtue of the provisions of Law 6/2007.

Yes       No

If so, explain the measures adopted and the terms on which the restrictions would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

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

Yes       No

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

Indicate the different classes of shares

## **B** SHAREHOLDERS' MEETING

B.1 Indicate and, where applicable, describe any differences with respect to the minimum rules established in the Capital Companies Law regarding the quorum required for the constitution of the shareholders' meeting.

Yes  No

B.2 Indicate and, where applicable, describe any differences with respect to the rules established in the Capital Companies Law for the adoption of corporate resolutions:

Yes  No

Describe how they differ from the rules established in the Capital Companies Law..

B.3 Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and any rules to protect shareholders' rights when amending the bylaws.

The rules applicable are in line with the regulations established in the Capital Companies Law. Therefore, in accordance with article 16 of the Bylaws, the Shareholders' Meeting is the body with jurisdiction to amend the Bylaws. With respect to the right to information in the case of amendment, article 19 of the Bylaws establishes that, in addition to the information required by law, the call notice must include the right corresponding to all the shareholders to examine at the registered office the complete text of the amendment proposed and the report on it, and to request the delivery or free shipment of these documents.

Likewise, under article 286 of the Capital Companies Law, where an amendment is proposed to the Bylaws, the directors must draft the full text of the proposed amendment and a report justifying it, which must be made available to the shareholders with the notice of call of the Shareholders' Meeting that is to deliberate on such amendment.

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

B.4 Indicate the attendance figures for the shareholders' meetings held during the year corresponding to this report and for the previous year (include the 2017 and 2018 shareholders' meetings):

Date Shareholders' meeting	Attendance data				Total
	% attending in person	% by proxy	Electronic vote	Other	
4/28/2017	1.94%	54.59%	0.00%	2.45%	58.98%
4/20/2018	1.81%	56.93%	0.00%	0.27%	59.01%
3/20/2019	31.24%	16.77%	4.41%	1.88%	54.30%
8/30/2019	2.13%	74.09%	0.00%	0.07%	76.29%
10/22/2019	0.21%	76.72%	0.00%	0.06%	76.99%
<b>Of which, free float</b>					
4/28/2017	0.02%	54.58 %	0.00%	2.45%	57.05%
4/20/2018	0.03%	56.93%	0.00%	0.27%	57.23%
3/20/2019	0.53%	16.64%	1.15%	1.88%	20.20%
8/30/2019	1.93%	0.93%	0.00%	0.07%	2.93%
10/22/2019	0.01%	3.55%	0.00%	0.06%	3.62%

B.5 Indicate whether any items on the agenda of the shareholders' meetings held during the year were not approved by the shareholders for any reason.

Yes  No

Provide details of each item that has not been approved, indicating the % of votes against it.

Examination and approval of the conduct of business by the Board of Directors during the year ended December 31, 2018.	75.5747%
Ratification and re-election of Mr. Miguel Ángel Iglesias Peinado as executive director.	64.5357%
Re-election of KPMG Auditores, S.L. as auditor of the separate and consolidated financial statements of the Company and its Group for fiscal year 2019.	65.3898%
Annual Report on Directors' Remuneration for fiscal year 2018.	68.8263%
Reduction in capital by 56,021,086.17 euros, due to the decrease in par value of the Company's shares by 0.09 euros to offset losses, and amendment of article 5 of the Bylaws.	66.1047%
Capital increase in order to increase the Company's equity by a maximum	66.9465%

effective amount (par plus premium) of 600,000,000.00 euros by issuing and releasing into circulation new common shares, which will be subscribed and paid in entirely through monetary contributions, recognizing the pre-emptive subscription right and providing for an incomplete subscription. It will fall to the Board of Directors to determine (i) the par value of the amount and the number of common shares to be issued and (ii) the issue price of the new common shares. Delegation to the Board of Directors, with powers of delegation, of the powers required to implement the resolution and to establish the conditions thereof in all matters not envisaged by the Shareholders' Meeting, pursuant to article 297.1(a) of the Capital Companies Law, and to give a new wording to article 5 of the Bylaws.	
Authorization to combine into a single one said capital increase with any other that may be approved by the Board of Directors in exercising the delegation.	71.0700%

B.6 Indicate whether the bylaws impose any minimum requirement on the number of shares required to attend the shareholders' meetings or to vote by remote means:

Yes  No

B.7 Indicate whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the shareholders' meeting.

Yes  No

B.8 Indicate the address and means of accessing corporate governance content on the company's website as well as other information on shareholders' meetings which must be made available to shareholders on the company's website.

The address of DIA's website is [www.diacorporate.com](http://www.diacorporate.com). To obtain corporate governance information (i.e. information on the Company's Board of Directors, Committees or internal regulations), select the "Corporate Governance" tab.

In order to access all information on the Shareholders' Meetings that must be available to the shareholders, select the "Shareholders" tab, then click the "Shareholders' Meeting" tab.

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

**DÍA**

**C COMPANY MANAGEMENT STRUCTURE**

**C.1 Board of directors**

C.1.1 Maximum and minimum number of directors envisaged in the bylaws and the number established by the shareholders' meeting:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5
<b>Number of directors established by the shareholders' meeting</b>	8

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

Name or corporate name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure	Date of birth
DUCHARME, STEPHAN		Non-executive nominee	CHAIRMAN	5/20/2019	8/30/2019	SHAREHOLDER S' MEETING RESOLUTION	4/24/1964
HOLLAND, KARL-HEINZ		Executive	CHIEF EXECUTIVE OFFICER	5/20/2019	8/30/2019	SHAREHOLDER S' MEETING RESOLUTION	5/5/1967
COUVREUX, CHRISTIAN		Independent	MEMBER	5/21/2019	8/30/2019	SHAREHOLDER S' MEETING RESOLUTION	11/24/1950
FERREIRA DIAS, SERGIO ANTONIO		Non-executive nominee	MEMBER	5/20/2019	8/30/2019	SHAREHOLDER S' MEETING RESOLUTION	8/2/1955
GARCÍA-LEGAZ PONCE, JAIME		Independent	MEMBER	1/10/2019	3/20/2019	SHAREHOLDER S' MEETING RESOLUTION	6/11/1968
WAHNON LEVY, JOSE		Independent	MEMBER	5/20/2019	8/30/2019	SHAREHOLDER S' MEETING RESOLUTION	12/23/1952
CASEY, MICHAEL JOSEPH		Non-executive nominee	MEMBER	5/20/2019	8/30/2019	SHAREHOLDER S' MEETING RESOLUTION	1/16/1976



# DIA

<b>Total number of directors</b>	7
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Indicate if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

<b>Name or corporate name of director</b>	<b>Category of director at the time of leaving</b>	<b>Date of last appointment</b>	<b>Leaving date</b>	<b>Specialized committees of which he/she was a member</b>	<b>Indicate whether the director left before the end of the term</b>
MR. RICHARD GOLDING	INDEPENDENT	4/28/2017	5/20/2019	NOMINATION AND REMUNERATION COMMITTEE	Yes
MR. MARIANO MARTÍN MAMPASO	INDEPENDENT	4/28/2017	5/20/2019	NOMINATION AND REMUNERATION COMMITTEE	Yes
MR. BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	EXECUTIVE	4/28/2017	5/21/2019		Yes
MR. JULIÁN DÍAZ GONZÁLEZ	INDEPENDENT	4/22/2016	5/20/2019	AUDIT AND COMPLIANCE COMMITTEE	Yes
MR. ANTONIO URCELAY ALONSO	NON-EXECUTIVE DIRECTOR	4/28/2017	5/20/2019	NOMINATION AND REMUNERATION COMMITTEE	Yes
MS. ANGELA SPINDLER	INDEPENDENT	4/22/2016	5/20/2019	NOMINATION AND REMUNERATION COMMITTEE	Yes
MS. MARÍA GARAÑA CORCES	INDEPENDENT	4/28/2017	5/20/2019	AUDIT AND COMPLIANCE COMMITTEE	Yes



Reasons for leaving and other remarks
The above directors tendered their letters of resignation as members of DIA's Board of Directors on May 20 and 21, 2019. The resignation was due to the change in the Company's shareholder structure deriving from the positive outcome of the tender offer for the Company's shares made by L1R Invest1 Holdings S.à r.l. and the subsequent change of control at the Company.

C.1.3 Complete the following tables on board members and their respective categories:

**EXECUTIVE DIRECTORS**

Name or corporate name of director	Position per the company's organizational chart	Profile
HOLLAND, KARL-HEINZ	Chief Executive Officer	Mr. Holland holds a degree in Business from Augsburg University of Applied Sciences. He is considered one of Western Europe's leading retail experts. From 1991 and for the next 23 years, his professional career was tied to Lidl Stiftung & Co., where he was appointed as CEO in 2008. He later led Lidl's expansion in Europe, which was a milestone in the retail industry. With over 30 years' experience in the sector, Holland is currently a member of the supervisory board of food retailer X5 Retail Group and the boards of directors of Takko Fashion, Zooplus AG and chairman of the supervisory board of Der Gruene Punkt.

<b>Total number of executive directors</b>	1
<b>% of total board</b>	14.285%

Remarks

## NON-EXECUTIVE NOMINEE DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or that proposed appointment	Profile
<p>DUCHARME, STEPHAN</p>	<p>L1R INVEST1 HOLDINGS S.À R.L.</p>	<p>Mr. DuCharme holds a degree in Political Science and Economics from the University of California at Berkeley and an MBA from INSEAD. He has over 30 years of experience leading cutting-edge organizations in the financial, industrial and retail sectors. He is currently the chairman of the Supervisory Board of food retailer X5 Retail Group, where he led the company's successful reconversion plan between 2012 and 2015 as CEO. Mr. DuCharme has sat on the boards of companies such as SUEK Siberian Coal &amp; Energy Company, First Ukraine International Bank, Iberia Refreshments and Lomisis JSC. Starting his professional career at Salomon Brothers in 1987, Mr. Ducharme has also held posts at the European Bank for Reconstruction and Development (EBRD) and Alfa Group.</p> <p>He is currently a member of the Board of Directors of Holland &amp; Barret and a managing partner of L1 Retail LLP's retail division.</p>
<p>FERREIRA DIAS, SERGIO ANTONIO</p>	<p>L1R INVEST1 HOLDINGS S.À R.L.</p>	<p>Mr. Ferreira Dias holds a Degree in Business Administration – Finance and</p>

# DIA

		<p>Marketing – from Fundação Armando Alvarez Penteado (Brazil). This investor, entrepreneur and start-up adviser has been key to the creation and strategic development of companies and brands around the world. An expert in retailing and the food industry, he joined Carrefour Group in 1988, where he rose to become deputy CFO and general manager of the non-food eCommerce sites. In 2002 he joined LVMH Moët Hennessy to leads its Wines and Spirits Division before being appointed CEO of Millennium (Belvedere Vodka), which also forms part of the group, in 2005. Mr. Ferreira Dias has also been executive chairman of SecretSales.com and CEO of Brands4friends.de, among other posts.</p> <p>He is a partner of L1 Retail LLP.</p>
CASEY, MICHAEL JOSEPH *	L1R INVEST1 HOLDINGS S.À R.L.	<p>Holds a Master in History and Political Science from Trinity College, Dublin and an MBA from University of Chicago. Between 2003 and 2017, he worked at Goldman Sachs, becoming Managing Director and Head of EMEA Retail Investment Banking. Prior to that, between 1997 and 2002, he was a manager at Andersen Consulting's M&amp;A and Corporate Strategy practice. He is currently Senior Partner of L1 Retail LLP and a member of the</p>

		board of directors of Holland & Barret.
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\* Mr. Michael Casey informed the Board of Directors of his resignation from the position of director, effective January 14, 2020, a vacancy that has yet to be filled.

<b>Total number of nominee directors</b>	3
<b>% of total board</b>	42.857%

## NON-EXECUTIVE INDEPENDENT DIRECTORS

<b>Name or corporate name of director</b>	<b>Profile</b>
COUVREUX, CHRISTIAN	Mr. Couvreur holds a Master's Degree in Economic Sciences from Paris University and completed an Advanced Management Program at INSEAD (France). He has held a number of positions during his career, including Commercial Deputy Attaché and Attaché of the French Ministry of Economy and Finance in Norway and Saudi Arabia, CEO of CFAO Congo and Senior Executive Vice President of Buying, Logistics and Affiliates (from 1990-1997), CEO and Chairman of the Management Board of Groupe Casino (from 1997-2003), and member of the Supervisory Board of X5 Retail Group.
GARCÍA-LEGAZ PONCE, JAIME	Mr. García-Legaz holds a Bachelor's Degree in Economics and Business Administration from CUNEF (Spain) and a PhD in Economics from Universidad Complutense de Madrid. He has been a State Trade Expert and Economist since 1994. Mr. García-Legaz has held important positions in Spanish Government bodies, rising to become Secretary of State for Commerce, International Trade and Foreign Investment from 2011 to 2015. Between 2015 and 2017, he was executive chairman of

	<p>CESCE, chairman of the International Consortium of Credit Insurers and chairman of Dun &amp; Bradstreet. Lastly, between 2017 and 2018 he was executive chairman and CEO of AENA. He is currently a member of the board of directors of AENA Desarrollo Internacional, SME, SA and of Ahorro Corporación Financiera, S.V., S.A.U.</p>
<p>WAHNON LEVY, JOSE</p>	<p>Mr. Wahnnon has a Degree in Economics from Universidad de Barcelona, a Law Degree from Universidad Complutense de Madrid and completed a PMD at Harvard Business School. He began his professional career at PwC, where he was made partner in 1987. He headed up the Financial Services area at PwC from 1987 to 2003 and the Audit Division between 2003 and 2007. Mr. Wahnnon has also held board-level positions at major companies of the likes of Ezentis, Dexia-Sabadell and Bankia. He is currently a member of the Board of Directors, and chairman of the Audit Committee, of Abengoa.</p>

<b>Total number of independent directors</b>	3
<b>% of total board</b>	42.857%

<b>Remarks</b>
<p>The total number of independent directors on the date of presentation of this report is four following the hiring of Ms. Basola Vallés Cerezuela as an independent director.</p>

Indicate whether any independent director receives from the company, or its group, any amount or payment other than standard director remuneration, or holds or has held, in the last year, a business relationship with the company or any group company, whether in their own name or as a significant shareholder, director or senior executive of an entity which holds or held said relationship.

If so, include a reasoned statement from the board detailing the reasons why the director may perform their functions as an independent director.



Name or corporate name of director	Description of the relationship	Reasoned statement
-	-	-

#### OTHER NON-EXECUTIVE DIRECTORS

List the other non-executive directors and state the reasons why they cannot be considered nominee or independent directors, detailing their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is held	Profile
-	-	-	-

<b>Total number of other non-executive directors</b>	0
<b>% of total board</b>	0.00%

Remarks

Indicate any changes in the period as regards the category of each director:

Name or corporate name of director	Date of change	Previous category	Current category
-	-	-	-

Remarks

C.1.4 Complete the following table indicating the number of female directors at the end of the last 4 years and their category:

	Number of female directors				% of total directors of each type			
	2019	2018	2017	2016	2019	2018	2017	2016
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Nominee</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	0	2	2	2	0.00%	40%	33.33%	25%
<b>Other non-executive</b>	0	0	1	1	0.00%	0.00%	33.33%	100%
<b>Total:</b>	0	2	3	3	0.00%	25%	30%	30%

<b>Remarks</b>

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

Yes       No       Partial policies

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

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

<b>Description of the policies, their objectives, the measures and the way in which they were applied and their results</b>
<p>In accordance with article 540.4.c.6 of the Capital Companies Law, in the wording introduced by Law 11/2018 of December 28, 2018, which amends the Commercial Code, the revised Capital Companies Law approved by Legislative Royal Decree 1/2010 of July 2, 2010, and Audit Law 22/2015 of July 20, 2015 regarding non-financial information and diversity, the Annual Corporate Governance Report of listed companies must include, among others:</p> <p>(a) a description of the diversity policy applied in relation to the board of directors, the management and the specialized committees set up within the board, in relation to aspects such as the age, gender, disability or professional training and experience of its members, including its objectives, the measures adopted, the way in which they have been applied, in</p>



particular, the procedures for ensuring that the board of directors includes a number of women that allows a balanced presence of women and men, and the results in the reporting period, as well as such measures as may have been approved in relation to these matters by the nomination committee; and

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

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

The Director Selection Policy (approved in December 2015 and based on article 19 of the Board Regulations) establishes, among others, the following principles which guide the director selection procedures:

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

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

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

Lastly, upon issuance of the call notice for each Shareholders' Meeting in which proposals for appointment, ratification and re-election of the Board members are submitted to the shareholders for consideration, the corresponding reports from the Nomination and Remuneration Committee and from the Board of Directors are made available to them. These reports include the Board's assessment of the competence, experience and merits of the various candidates as well as their suitability for fulfilling their duties as directors.

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

their diversity objectives, were respected.

These objectives were partially met in 2019 since, during half of the year, 30% of the Board was female, as in 2018, 2017 and 2016. However, the appointment of the new members of the Board of Directors, as a result of the change in shareholder structure, has meant that the number of female directors at the end of 2019 was reduced to 0.00%. The Board intends for the successive searches to select candidates to fill the existing vacancy to enable it to approach the target of 30% set in 2020, an intention that is ratified with the appointment of Ms. Basola Vallés.

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

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

When, despite the measures taken, there are few or no female directors, explain the reasons why:

<b>Explanation of the reasons</b>
<p>The circumstances that arose from the overhaul of the Board of Directors as a result of the change in the Company's shareholder structure due to the positive outcome of the tender offer for the Company's shares by L1R Invest1 Holdings S.à r.l. and the consequent change of control at the Company, resulted in the necessary appointments by co-option on May 20 and 21, 2019.</p>

- C.1.7 Explain the conclusions of the nomination committee with respect to compliance with the director selection policy. In particular, explain how this policy promotes the objective of having female directors represent at least 30% of the total members of the board of directors by 2020.

The Nomination and Remuneration Committee and the Board of Directors will ensure that all director selection procedures promote gender diversity, as well as diverse experience and knowledge, with no implicit biases that may hinder the selection of female directors, ensuring that the Company deliberately looks for, and includes among potential candidates, any women who meet the professional profile sought. This has been borne out in the search initiated in 2019 for the female director appointed in January 2020, Ms. Basola Vallés.

- C.1.8 Explain, where applicable, the reasons why nominee directors have been appointed at the request of shareholders holding less than 3% of the share capital:

Name or corporate name of shareholder	Reason
-	-

Give details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of nominee directors. As applicable, explain why these requests have not been entertained:

Yes  No

Name or corporate name of shareholder	Explanation

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

Name or company name of director or committee	Brief description
HOLLAND, KARL-HEINZ	Allow of the board's powers have been delegated, except for those which cannot be delegated in accordance with the law.

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

Name or corporate name of director	Corporate name of group entity	Position	Do they have executive



			functions?
HOLLAND,KARL-HEINZ	DIA Retail España, S.A.U.	Chairman of the board of directors	Yes

Remarks

C.1.11 List any directors or representatives of legal-entity directors of your company who are members of the board of directors or representatives of legal-entity directors of other companies listed on official securities markets other than group companies, and have communicated that status to the company:

Name or corporate name of director	Name of listed entity	Office
WAHNON LEVY, JOSE	ABENGOA	MEMBER

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

Yes  No

Explanation of the rules and identification of the document where they are regulated
Article 19.6 of the Board Regulations establishes that directors who, in addition to the Company Board, belong to more than six boards of directors of other companies may not be appointed. To this end, any boards to which a director belongs as a nominee director, proposed by the Company or by any group company, will not be taken into account; nor will other appointments be taken if account if the director is not actually and truly dedicated to a commercial activity.

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

Remuneration accrued by the board of directors during the year (thousands of euros)	3,246
Amount of pension rights accumulated by current directors (thousands of euros)	0
Amount of pension rights accumulated by former	0

directors (thousands of euros)	
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<b>Remarks</b>

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

Name or corporate name	Position(s)
ALEJANDRO GRANDE	CHIEF EXECUTIVE OFFICER OF HUMAN RESOURCES
ENRIQUE WEICKERT MOLINA	GROUP CHIEF FINANCIAL OFFICER
DAWID JASCHOK	GROIUP CHIEF COMMERCIAL OFFICER
PEDRO BARSANTI VIGO	GROUP CHIEF EXECUTIVE OFFICER OF ORGANIZATION AND SYSTEMS
MATTHIAS RAIMUND	GROUP CHIEF OPERATIONS OFFICER
LARA VADILLO	COMMUNICATION AND EXTERNAL RELATIONS OFFICER
SAGRARIO FERNÁNDEZ BARBÉ	GROUP GENERAL COUNSEL AND COMPLIANCE OFFICER
PAUL BERG	CHIEF EXECUTIVE OF CLAREL
MIGUEL GUINEA VALLE	CHIEF EXECUTIVE FOR PORTUGAL
MARIN DOKOZIC	CHIEF EXECUTIVE FOR BRAZIL

<b>Total remuneration received by senior management (thousands of euros)</b>	8,299
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<b>Remarks</b>
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This section shows the people who form part of the Company's senior management at December 31, 2019.

Notwithstanding the foregoing, the amount stated in these sections indicates the total amount received by the senior managers during the year and, therefore, includes the amounts received by Ignacio Gosálbez Quintana, Javier García de la Vega, Miguel Ángel Iglesias Peinado, José Antonio Lombardía de Saint-Germain, Faustino Domínguez de la Torre Unceta and Isabel Fernández de Córdoba Moncada. In addition, at the date of this report, Ricardo Álvarez Elena, Marcelo Maia and Muriel Uzan have joined as senior managers..

The total remuneration amount for the senior managers at consolidated level included in this section includes the value of the shares delivered to them under the Incentive Plan for managers (2016-2018).

C.1.15 Indicate whether any amendments have been made to the board regulations during the year:

Yes

No

Description of amendments
As a result of the creation of the Finance and Capital Structure Committee, an amendment was made to article 38 bis of the Board Regulations, which was approved by the Board of Directors at its meeting on September 3, 2019.

C.1.16 Indicate the selection, appointment, re-election and removal procedures for board members. List the competent bodies, procedures to be followed and criteria to be used for each of these procedures.

I. Selection, appointment and re-election

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

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

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

In any of the foregoing cases the Board, or its chairman, on its behalf, will formally entrust the



Nomination and Remuneration Committee with an examination and, where appropriate, selection of directors among the candidates.

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

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

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

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

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

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

All directors will be appointed by the Shareholders' Meeting or Board of Directors, as the case may be, following the provisions of the Capital Companies Law, the Bylaws and the Board Regulations, as well as the Director Selection Policy.

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

## II. Evaluation

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

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

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

### III. Removal

Article 22 of the Board Regulations envisages that directors will no longer hold office upon the expiration of their term, if so resolved by the Shareholders' Meeting in the exercise of its powers, or when a director resigns or is dismissed.

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

The Board of Directors may only propose the removal of an independent director before expiration of the bylaw term where there is just cause, ascertained by the Board of Directors after receiving a report from the Nomination and Remuneration Committee. To this end, a breach of the duties inherent to director status will constitute just cause, or if the director has subsequently become subject to any of the circumstances envisaged in article 22.2. The removal may also be proposed as a result of tender offers, mergers or other similar corporate transactions that significantly change the Company's capital structure.

- C.1.17 Explain to what extent the annual evaluation of the board has prompted significant changes in its internal organization and the procedures applicable to its activities:

<b>Description of amendments</b>
<p>The results of the latest annual evaluation were presented by the independent expert Heidrick &amp; Struggles at the board meeting held on January 18, 2019.</p> <p>In it, he highlighted certain areas for improvement in the area of governance, functioning of the board and composition and, in particular, the need to reinforce the board's skills in such areas as food retail and finance and accounting.</p> <p>With a view to following the expert's recommendations, it was decided to set up within the board a standing Finance and Capital Structure Committee, as an informative and consultative body, without executive functions, with the power to inform, advise and propose within its remit, and whose main function is to advise the Board on the Company's capital structure and financial strategy.</p> <p>Likewise, the hiring of directors in 2019 has made it possible to reinforce the Board's areas of experience in food retail matters as a result of the special attention paid in their election to their skills, experience and merits in the sector.</p>



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

<b>Description of the evaluation process and the areas evaluated</b>
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The Board members' profile is periodically analyzed with the aim of assessing their individual or group contribution to the Board. Also, within the Board's annual evaluation, the specific needs are evaluated in view of the characteristics of the DIA Group's business itself, its present and future geographical deployment, the requirements defined for its strategic plans and new challenges resulting from the market's changing circumstances, the digital revolution, the new technologies in the distribution sector, the consumers' profile, demand in general, etc. This analysis is fundamental for identifying the skills that the Board must have and helps to identify the Board's areas for improvement.

As established in article 6 of the Board Regulations, the Board, as the body responsible for the corporate governance policy, will evaluate the quality and efficiency of its operation once a year, as well as performance by the chairman of the Board and the CEO of the Company, the operation and composition of its Committees, diversity in board composition and competences, and the performance and contribution made by each director, paying special attention to the persons in charge of the various Committees.

In order to evaluate the various Committees, the reports submitted by the latter to the Board will be examined. When evaluating the Board, the report submitted by the Nomination and Remuneration Committee will be taken into account. Based on the outcome of the evaluations, the Board will adopt an action plan that corrects the deficiencies detected.

Specifically, at the board meeting held on November 5, 2019, the operating protocol for the Board was presented in connection with the preparation, review and distribution of the Board's information and documentation, which was reviewed and validated by all of the directors.

- C.1.18 Breakdown in those years in which the evaluation has been assisted by an external auditor, the business dealings that the consultant or any company in its group has with the company or any company in its group.

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

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

- (a) when they are involved in one of the cases of conflict of interest or prohibition specified in

the provisions of a general nature and in the Bylaws;

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

(c) when they cease to hold the executive positions to which their appointment as a director is linked;

(d) when they are prosecuted for an alleged offense or are subject to a disciplinary proceeding for a serious or very serious breach by supervisory authorities; and

(e) when their remaining on the board could jeopardize the interests of the Company or when the reasons for which they were appointed no longer exist. In particular, in the case of non-executive nominee directors, when the shareholder they represent sells or transfers all or part of its holding, with the result that it is no longer significant or sufficient to justify the appointment.

In any of the cases specified above, the Board of Directors, given the specific circumstances, may require the board member to resign from his or her position, and propose the director's removal to the Shareholders' Meeting, where applicable. Without prejudice of the notification of the removal as a significant event, the Board shall explain the reason for the removal in the Annual Corporate Governance Report.

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

The Board of Directors may only propose the removal of an independent director before expiration of the bylaw term where there is just cause, ascertained by the Board of Directors after receiving a report from the Nomination and Remuneration Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent. The removal may also be proposed as a result of tender offers, mergers or other similar corporate transactions that significantly change the Company's capital structure, if such changes in the Board's structure are a result of the proportionality principle set out in article 10.2 of the Board Regulations.

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

C.1.20 Are qualified majorities, other than statutory majorities, required for any type of decision?:

Yes

No

If yes, describe the differences.

**Description of differences**



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

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

Yes  No

C.1.22 Indicate whether the bylaws or board regulations set an age limit for directors:

Yes  No

C.1.23 Indicate whether the bylaws or the board regulations set a limited term of office or other stricter requirements additional to those envisaged for independent directors other than that established in the applicable law:

Yes  No

<b>Additional requirements and/or maximum number of years in office</b>	
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C.1.24 Indicate whether the bylaws or board regulations establish specific rules for the appointment of proxies on the board in favor of other board members, the procedure for doing so and, in particular, the maximum number of proxies a director may hold, as well as whether any restriction has been established as regards the categories of director that may be appointed as proxies, beyond the limits imposed by law. If so, provide a brief description.

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

Proxies may be conferred by any postal or electronic means or by fax, provided that the identity of the director and the direction of the voting instructions can be guaranteed, where applicable.

C.1.25 Indicate the number of board meetings held during the year. Also indicate, where applicable, how often the board met without the chairman's attendance. Proxies appointed with specific instructions should be taken into account when indicating attendance figures.

<b>Number of board meetings</b>	23
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<b>Number of board meetings held without the chairman's attendance</b>	0
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<b>Remarks</b>
Until the appointment of Mr. Stephan DuCharme as chairman of the Board of Directors reported by means of the Significant Event dated May 21, 2019, Mr. Richard Golding, in his capacity as deputy chairman, served as acting chairman of DIA's Board of Directors throughout 2019 until he resigned.  For clarification purposes, the Board of Directors held 23 meetings in 2019 and, on 8 other occasions, resolutions were adopted in writing and without a meeting.

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

<b>Number of meetings</b>	-
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<b>Remarks</b>

Indicate the number of meetings of the various board committees held during the year:

<b>Number of meetings held by the executive committee</b>	-
<b>Number of meetings held by the audit and compliance committee</b>	14
<b>Number of meetings held by the nomination and compensation committee</b>	11
<b>Number of meetings held by the nomination committee</b>	-
<b>Number of meetings held by the remuneration committee</b>	-
<b>Number of meetings held by the Finance and Capital Structure Committee</b>	2

<b>Remarks</b>
For clarification purposes, the Nomination and Remuneration Committee held 11 meetings in 2019 and, on 4 other occasions, resolutions were adopted in writing and without a meeting.

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

<b>Number of meetings attended by at least 80% of the directors in person</b>	22
<b>% of attendance in person of the total votes cast during the year</b>	96.3768%
<b>Number of meetings attended by all the directors in person or through proxies with specific instructions</b>	20
<b>% of votes cast in person or through proxies with specific instructions out of the total of votes during the year</b>	97.7653%

<b>Remarks</b>

C.1.27 Indicate whether the separate and consolidated financial statements submitted to the board for approval have been previously certified:

Yes                       No

Identify, where applicable, the person(s) who certified the company's separate and consolidated financial statements for their approval by the board:

Name	Position
WEICKERT MOLINA, ENRIQUE	CHIEF FINANCIAL OFFICER
HOLLAND, KARL-HEINZ	CHIEF EXECUTIVE OFFICER (APPROVAL IN THE CERTIFICATE)

<b>Remarks</b>

C.1.28 Explain any mechanisms established by the board of directors to prevent the separate and consolidated financial statements prepared by it from being presented to the shareholders' meeting with a qualified auditors' report:



Article 36 of the Board Regulations provides that the Board of Directors shall endeavor to definitively prepare the financial statements so that there is no room for qualifications by the auditor. However, where the Board considers that it should maintain its criterion, it shall publicly explain the contents and scope of the discrepancy.

In addition, with the aim of preventing separate and consolidated financial statements prepared by the Board of Directors from being submitted to the Shareholders' Meeting with auditor's qualifications, before they are prepared, article 38 of the Board Regulations and articles 6 et seq. of the Audit and Compliance Committee's Regulations establish that the Audit and Compliance Committee must, among other points:

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

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

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

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

(d) Propose the selection, appointment, re-election and removal of the internal audit officers; propose the budget for those services, approve the guidance and work plans, ensuring that its activity focuses mainly on the Company's material risks.

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

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

(g) Periodically review the efficacy of the risk control and management policy overall, covering both the financial and non-financial risks, including the tax ones, receiving the pertinent reports from the officers, from internal audit and from any person hired for such purpose, with the aim of

appropriately identifying, analyzing and notifying the main risks, and analyze, together with the auditors, the significant weaknesses in the internal control system detected during the audit, all without affecting its independence.

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

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

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

(k) Establish appropriate relationships with the external auditors to receive information on those questions that may jeopardize their independence, for examination by the Committee, and any other relationships relating to the process of development of the financial statements auditing process, as well as other notifications included in the legislation governing auditing and audit regulations.

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

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

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

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

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

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

Yes

No

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

Name or corporate name of the secretary	Representative
MR. ÁLVARO LÓPEZ-JORRÍN HERNÁNDEZ	

Remarks

C.1.30 Indicate the specific mechanisms, if any, established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

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

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

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

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

In this respect, the Committee is responsible for previously approving the provision of non-audit services, assessing: (i) their nature, the circumstances and context in which they take place, and their effects and if those services jeopardize the auditor's independence; (ii) if the audit firm, based on its knowledge and experience, is the best one to provide such services; (iii) the remuneration for the non-audit services, individually or as a whole, in relation to that for the



audit and the parameters used by the audit firm to determine its own remuneration policy; and (iv) where applicable, the establishment of a guiding limit for the fees to be received by the auditor for non-audit services in accordance with the law and the EU regulations.

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

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

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

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

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

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

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

The DIA Investor Relations Department coordinates relations with financial analysts, investment banks and rating agencies as required, handling their requests for information and those of the institutional or private investors, based on the principles of transparency, non-discrimination,

veracity and reliability of the information provided. To do this, DIA has the Corporate Policy on Investor Relations, which is available on the company website.

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

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

Yes

No

Remarks
Ernst & Young S.L. was appointed as external auditor for fiscal years 2019, 2020 and 2021, replacing KPMG Auditores, S.L.

In the event of any disagreements with the outgoing auditor, explain the substance thereof:

Yes

No

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group and, if so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes

No

	Company	Group companies	Total
<b>Amount of non-audit work (euros)</b>	743	983	1,726
<b>Amount invoiced for non-audit services / Amount for audit work (in %)</b>	66.99%	35.32%	62.01%

Remarks

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given to the shareholders at the shareholders' meeting by the chairman of the audit committee to explain the content and scope of such reservations or qualifications.

Yes       No

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the separate and/or consolidated financial statements of the company. Indicate the number of years the current audit firm has been auditing the financial statements as a percentage of the total number of years in which the financial statements have been audited:

	<b>Separate</b>	<b>Consolidated</b>
<b>Number of consecutive years</b>	1	1

	<b>Separate</b>	<b>Consolidated</b>
<b>Number of years audited by the current audit firm / Number of years the company or its group has been audited (in %)</b>	3.6%	3.6%

<b>Remarks</b>

C.1.35 Indicate and give details of any procedure to ensure directors receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance:

Yes       No

<b>Details of the procedure</b>
<p>Under Article 23 of the Board Regulations, directors have the duty to diligently inform themselves of the Company's business. For such purpose, any director may request information on any aspect of the Company and its subsidiaries and examine the books, registers, documents and other documentation thereof.</p> <p>Furthermore, this article provides that all duties of information will be previously channeled through the board chairman, who will forward the request to the relevant liaison officer within the Company.</p>

In addition, article 16 of the Board Regulations requires that all meetings be called at least five days in advance, except for emergency situations. Likewise, article 11 of the Board Regulations establishes that the chairman, as the person responsible for the Board's operation, will ensure that all directors previously receive sufficient information, stimulating discussions and the active participation of directors during board meetings.

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

Yes  No

<b>Explain the rules</b>
<p>Article 22 of the Board Regulations establishes in this respect that directors will have to resign immediately (i) when, for reasons attributable to them in their capacity as such, they may have caused serious damage to the company's standing and reputation, or they lose their commercial and professional good standing to be a director, or (ii) when they are indicted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct conducted by the supervisory authorities.</p>

C.1.37 Indicate whether any board member has notified the company that they have been indicted or tried for any of the offenses stated in article 213 of the Capital Companies Law:

Yes  No

Indicate whether the board has analyzed the matter. If so, provide a reasoned explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, explain the action taken by the board at the date of this report or that it plans to take.

Yes  No

<b>Decision / action taken</b>	<b>Reasoned explanation</b>

C.1.38 Give details of any significant agreements entered into by the company that will enter into force, be amended or terminated in the event of a change of control of the company due to a tender offer, and their effects.

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

The contract between the Company and the Chief Executive Officer Mr. Karl-Heinz Holland, in accordance with article 249.3 of the Capital Companies Law, contains a clause establishing

termination in case of change of control at the Company.

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

C.1.39 Identify, in individual form where directors are concerned and in aggregate form in all other cases, and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities, guarantee or “golden parachute” clauses for the event of resignation, unjustified dismissal or termination as a result of a tender offer or other type of transaction.

Number of beneficiaries	37
Type of beneficiary	Description of the agreement
Chief Executive Officer	Regarding the current Chief Executive Officer, the Remunerations Policy establishes that in case of termination of the contract for certain causes, which include the change of control of the Company before the end of the initial period of provision of services, established from May 21, 2019 to December 31, 2022, the Chief Executive Officer will be entitled to receive severance pay equal to the fixed annual remuneration that he would have received from the last day of the advance notice period until the end of that initial period of provision of services.
Other management positions	For senior management, advance notice periods are established in case of dismissal which range between 2 and 6 months. As regards severance pay in case of dismissal declared as without just cause by the competent courts, different formulae are established which go from 33 days of salary per year of service with a maximum of 24 months., guarantee of a minimum severance during the first two years; or guarantee of salary for a certain period of time which can reach 3 years of salary; all of the foregoing depends on the person's position and contract.,

Indicate whether, beyond the cases envisaged by the legislation, these contracts must be reported to and/or authorized by the governing bodies of the company or its group. If yes, specify the procedures, cases envisaged and nature of the bodies responsible for the approval or making the notification:

	<b>Board of directors</b>	<b>Shareholders' meeting</b>
<b>Body authorizing the clauses</b>	X	

	<b>Yes</b>	<b>No</b>
<b>Is the shareholders' meeting informed of such clauses?</b>	X	

<b>Remarks</b>

## C.2 Board committees

C.2.1 Give details of all board committees, their members and the proportion of executive, nominee, independent and other non-executive directors sitting on them:

### NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
MR. CHRISTIAN COUVREUX	CHAIRMAN	INDEPENDENT DIRECTOR
MR. JAIME GARCÍA-LEGAZ PONCE	MEMBER	INDEPENDENT DIRECTOR
MR. STEPHAN DUCHARME	MEMBER	NON-EXECUTIVE DIRECTOR NOMINEE

<b>% of nominee directors</b>	33.33%
<b>% of independent directors</b>	66.66%
<b>% of other non-executive directors</b>	0%

Explain the functions, including, where applicable, the additional ones to those legally envisaged, attributed to this committee and describe its procedures and organizational and operating rules. For each function, state its main actions during the year and how each one



attributed to it by law or the bylaws or other corporate resolutions was carried out.

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

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

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

The members of the Board of Directors, management team or Company staff will be obliged to attend all meetings of this Committee, collaborating and providing access to any information they may have, at the Committee's request. Furthermore, if it deems this necessary for the adequate performance of its tasks, it may be advised by external experts.

In light of the above, and as the Committee consists of three directors – two of whom are independent – the composition of the Nomination and Remuneration Committee conforms to the Bylaws and Board Regulations. In addition, the Nomination and Remuneration Committee complies with article 529 quidecies of the Capital Companies Law as well as with the good corporate governance recommendations of the Good Governance Code, particularly number 47, recommending that the chairman of the Nomination and Remuneration Committee be an independent director and that the majority of its directors be independent, in order to guarantee impartiality and objectivity of judgment.

The Nomination and Remuneration Committee, in fulfilling the duties set out in article 39 of the Board Regulations, has executed the tasks assigned over fiscal year 2019, to include the following: (i) assess the competences, knowledge, experience and level of dedication offered by the members of the Board of Directors; (ii) report and submit to the Board proposals relating to the deputy chairperson; (iii) report and submit to the Board proposals relating to the number of directors and the appointment of nominee directors for approval by the Board of Directors; (iv) inform on the proposed promotions of senior management and amendments to the basic terms and conditions of their contracts; (v) analyze, draw up and periodically update the policy on remuneration, both fixed and variable, applied to executive directors and the management team, including any stock option plans and their application, and to guarantee that this is proportionate to what is paid to other directors and members of the management team and to other members of the Company's staff; (vi) propose to the Board of Directors a system and amount of annual remuneration paid to directors, the individual remuneration of executive directors and senior managers and the basic terms of their contracts; (vii) draw up the Annual Remuneration Report and Policy for DIA directors; (viii) foster succession plans; (ix) analyze the



CEO selection process and, among others, the corporate function of the Human Resources, Finance, Communication, Operations and Sales Departments; (x) review each director's qualification; (xi) establish the criteria and objectives for the variable remuneration.

The Company's Nomination and Remuneration Committee held eleven formal meetings in 2019 and, on four other occasions, the resolutions were adopted in writing and without a meeting. All the members attended all the meetings in person or by proxy. In addition, the Committee members hold periodic work meetings by remote means (conference calls and video conference calls), both between themselves and the managers of the Human Resources Department of the DIA Group. In particular, in 2019 the Committee held numerous additional encounters within the framework of the necessary work for designing and preparing the new Board of Directors of the Company, a new Long-Term Incentive Plan III (LTIP III), the appointment of new positions, the remuneration systems for the CEO and the senior management and the appointment of new senior managers, and it drafted reports for appointing directors and members of the management team.

#### FINANCE AND CAPITAL STRUCTURE COMMITTEE

Name	Position	Category
MR. JAIME GARCÍA-LEGAZ PONCE	CHAIRMAN	INDEPENDENT DIRECTOR
MR. CHRISTIAN COUVREUX	MEMBER	INDEPENDENT DIRECTOR
MR. SERGIO DIAS	MEMBER	NOMINEE DIRECTOR
MR. MICHAEL CASEY	MEMBER	NOMINEE DIRECTOR

% of executive directors	0%
% of nominee directors	50%
% of independent directors	50%
% of other non-executive directors	0%

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

In accordance with article 38 bis of the DIA's Board Regulations, the Finance and Capital





Structure Committee must comprise at least three and at most five members, designated by the Board of Directors from among its non-executive directors.

The Board of Directors must appoint the Committee's members and designate its chairman from among its members, who must be an independent director. It will be ensured that the Finance and Capital Structure Committee members have the necessary knowledge, skills and experience for the duties they are called to fulfill.

In light of the above and as the Committee consists of four directors – of whom two are independent and two nominee – the composition of the Committee conforms to the Board Regulations.

The Finance and Capital Structure Committee will meet with the frequency determined by its members and as many times as necessary, in the judgment of its chairman. The meetings of the committee will be called by its chairman, either at his/her own initiative or at the request of the chairman of the board of directors or that of half of the members of the committee itself. The call will be made in the same manner as established for the call of meetings of the board of directors in these regulations.

In accordance with article 38.5 bis, the Finance and Capital Structure Committee will, in any event and without prejudice to any other tasks that may be entrusted to it from time to time by the Board of Directors or by its chairman, be responsible for: (i) Reviewing the capital structure and financial strategy of the Company and making recommendations to the board with respect to potential changes; (ii) Supervising the raising of capital, financing or the use of financial instruments by the Company; (iii) Supervising the selection process and proposals for the appointment, re-election or replacement of advisers in relation to financing and capital structure matters; (iv) Monitoring the obligations and commitments acquired by the Company with respect to syndicated loans and other types of financing; (v) Reviewing and, where appropriate, recommending to the Board of Directors the approval of any financing or use of financial instruments, to the extent that the approval thereof is reserved to the Board; (vi) Advising the Board on the projections of the business plan to be submitted to the Company's creditors and their impact on the Company's room for negotiation; (vii) Advising the Board on the impact of any possible acquisition or disposal on the financing and capital structure of the Company; (viii) Supervising the status of the relationships between the Company and its lenders at any given time, including, but not limited to, syndicated lenders, bilateral lenders and bondholders; (ix) Advising the Board on any other matter relating to financing and capital structure.

In particular, in 2019, the Board of Directors, at its meeting held on September 3, 2019, resolved to set up this committee as an internal body of an informative and consultative nature, without executive functions and whose main function is to advise the Board of Directors on the Company's capital structure and financial strategy.

In 2019, since its creation, the Finance and Capital Structure Committee met 2 times, with the presence in person and by proxy of all of its members, together with an initial informal meeting following its constitution by the members. Its tasks have been focused on updating the capital increase process and contacts with new finance providers, attempting as well to establish an action plan with a view to a potential finance arrangement for DIA Brazil.



#### AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR. JOSÉ WAHNON LEVY	CHAIRMAN	INDEPENDENT DIRECTOR
MR. JAIME GARCÍA-LEGAZ PONCE	MEMBER	INDEPENDENT DIRECTOR
MR. SERGIO DIAS	MEMBER	NOMINEE DIRECTOR

<b>% of nominee directors</b>	33.33%
<b>% of independent directors</b>	66.66%
<b>% of other non-executive directors</b>	0%

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

Remarks
<p>In accordance with article 41 of the Bylaws, article 38 of the Board Regulations, and article 12 of the Committee's Regulations, the Audit and Compliance Committee will consist of at least three and a maximum of five directors, designated by the Board itself from among its non-executive directors, designated by the Board itself from among its directors, where the majority of the members and, in any case, the Committee's chairman must be independent.</p> <p>Likewise, the members of the Audit and Compliance Committee, particularly its chairman, will be designated according to their knowledge and experience in accounting, auditing or risk management matters. His/her knowledge and experience in financial matters, internal control and business management will be taken into account, as well as his/her knowledge, ability and knowledge in consideration with the Committee's other tasks.</p> <p>In particular, to consider that a director has knowledge and experience in accounting, auditing or both, the Committee member must have: (a) knowledge in accounting or audit standards or both; (b) the ability to assess and interpret the accounting standards; (c) experience in drafting, auditing, analyzing or assessing financial statements with a certain complex nature, similar to those of the Company itself, or experience in supervising one or more persons involved in such tasks; and (d) understanding of the internal control mechanisms related to the process of drafting financial statements.</p>



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

In accordance with article 529.2 quaterdecies of the Capital Companies Law and DIA's internal regulations, the chairman of the Audit and Compliance Committee will be appointed from among independent directors. The chairman will be replaced every four years and may be re-elected one year after leaving office. He/she must have sufficient ability and availability to devote more time to the Committee than the other members.

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

The members of the Audit and Compliance Committee were Julián Díaz González and María Luisa Garaña Corces, together with Jaime García-Legaz Ponce, until May 20, 2019, the date on which the former two tendered their resignation as a result of the change in the Company's shareholder structure.

The composition of the Committee complies with the regulations described above. Two of the three members of the Committee are independent directors, which ensures the impartiality and objectivity of judgment of the Audit Committee.

Lastly, the Committee complies with article 529 quaterdecies of the Capital Companies Law since, overall, the members of the Audit and Control Committee of DIA have the pertinent technical knowledge in order to carry out the Committee's functions.

Pursuant to functions under article 529 quaterdecies of the Capital Companies Law, article 41 of the Bylaws, article 38 of the Board Regulations of the Company and articles 5 et seq. of the Committee's Regulations, the Audit and Compliance Committee focused its meetings in 2019 on the following main activities: (i) review any periodic economic and financial data; (ii) review the separate and consolidated financial statements; (iii) supervise the internal audit; (iv) supervise independence matters and other provisions related to the external audit, in particular, the non-audit services; (v) periodically supervise, review and assess the Company's internal control procedures, including the risk management system and internal control systems related to the financial data reporting process (ICFR); (vi) supervise and control the corporate and financial risk management; (vii) report the related-party transactions and the transactions regarding structural or corporate changes; (viii) ensure that the Internal Code of Conduct is fulfilled, as well as the Board Regulations and, in general, all other corporate governance rules

of the Company; (ix) supervise any dissemination and information on the Code of Ethics and Whistle-Blowing Channels during the 2019 fiscal year; (x) supervise and control the corporate social responsibility practices; (xi) approve the annual report on the Committee's activities and evaluation; and (xii) respond to the public supervisor's requirements.

The Audit and Compliance Committee met 14 times in 2019. Out of those 14 Committee meetings, one member excused himself for not attending one of them, although he was represented by proxy. Notwithstanding the foregoing, all of the Committee members attended all of the meetings in person or by telephone, in person or by proxy.

This Committee met with the necessary frequency for the proper performance of its functions, in all cases complying with article 38.5 of the Board Regulations and article 20.1 of the Committee's Regulations, which establish that it must meet, at least, every quarter, with the aim of reviewing the periodic financial information which, in accordance with articles 118, 119 and 120 of the Securities Market Law, the Board has to submit to the market supervisory authorities as well as the information that the Board has to approve and include in its own annual or interim public documentation.

Identify the directors who are members of the audit and compliance committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the chairman of this committee was appointed.

<b>Name of directors with experience</b>	MR. JOSÉ WAHON LEVY / MR. JAIME GARCÍA-LEGAZ PONCE / MR. SERGIO DIAS
<b>Date of appointment of the chairman</b>	May 20, 2019

C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the last four years:

	<b>Number of female directors</b>			
	<b>2019 Number (%)</b>	<b>2018 Number (%)</b>	<b>2017 Number (%)</b>	<b>2016 Number (%)</b>
<b>Nomination and Remuneration Committee</b>	0 (0.00%)	1 (25%)	1 (33.33%)	1 (33.33%)
<b>Finance and Capital Structure Committee</b>	0 (0.00%)	-	-	-
<b>Audit and Compliance Committee</b>	0 (0.00%)	1 (50%)	1 (20%)	1 (20%)

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

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

Moreover, at the meeting on September 3, 2019, the Company's Board of Directors approved the creation of the Finance and Capital Structure Committee as an internal body of an informative and consultative nature, without executive functions and whose main function is to advise the Board of Directors on the Company's capital structure and financial strategy. At the same time, an amendment to the Board Regulations was approved in order to amend article 38bis concerning this new Committee.

The Nomination and Remuneration Committee and the Audit and Compliance Committee prepare an annual report on their activities, with the aim of assessing their operation and organization in 2019, highlighting any significant events that have taken place related to their duties. These reports are made available to the shareholders on the Company's corporate website.

**D RELATED-PARTY AND INTRA-GROUP TRANSACTIONS**

D.1 Explain, as applicable, the procedure and competent bodies for approving related-party and intragroup transactions.

Pursuant to article 38.3.(xi) of the Board Regulations, article 41.2 (h) of the Bylaws and article 5.1.(v) of the Audit and Compliance Committee Regulations, this Committee has the authority to supervise compliance with the legislation on related-party transactions with directors or significant shareholders or shareholders represented on the Board. In particular, the Audit and Compliance Committee will report to the Board on such related-party transactions and, in general, on transactions that entail or may entail conflicts of interest, so that they can be approved, and will ensure that the related information is reported to the market as required by law.

In order to do so, pursuant to article 10.1.(b) of the Audit and Compliance Committee Regulations, this Committee must gather and analyze all necessary information and documentation, and will be able to request expert reports where it is deemed advisable to have experts give an opinion on aspects such as the effects of a proposed transaction on the corporate interest or whether the transaction is being carried out on market terms.

In connection with its approval, pursuant to article 5.4.(c) of the Board Regulations, the Board will have the authority to approve transactions carried out by the Company or companies in its group with directors, on the statutory terms, or with shareholders who own, individually or jointly with others, a significant holding, including shareholders represented on the Board of Directors of the Company or of other companies forming part of the same group or with persons related to them. The directors affected, or those who represent or are related to the affected shareholders, must refrain from participating in the deliberation of and voting on the resolution in question.

D.2 Give details of any significant transactions, by virtue of their amount or subject matter, between the company or entities in its group and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount
L1R Invest1 Holdings S.à r.l.	Distribuidora Internacional de Alimentación, S.A.	Related-party transaction	Participating loan	490,000,000

Remarks
In compliance with what was agreed in the participating loan executed between the Company's majority

shareholder, L1R Invest1 Holdings S.à r.l., and the Company on June 26, 2019, L1R Invest1 Holdings S.à r.l. injected 306 million euros into the Company, which, together with the 184 million euros previously injected by the majority shareholder, also as a participating loan, amount to total funds of 490 million euros injected into the Company.

- D.3 Give details of any significant transactions, by virtue of their amount or subject matter, between the company or entities in its group and the company's directors or executives:

<b>Name or corporate name of directors or executives</b>	<b>Name or corporate name of related party</b>	<b>Relationship</b>	<b>Nature of the transaction</b>	<b>Amount (thousands of euros)</b>
N/A	N/A	N/A	N/A	N/A

<b>Remarks</b>

- D.4 Give details of any significant transactions performed by the company with other entities belonging to the same group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms do not fall within the company's ordinary business.

In all cases, list any intragroup transaction performed with entities established in countries or territories considered to be tax havens:

<b>Corporate name of the group entity</b>	<b>Brief description of the transaction</b>	<b>Amount (thousands of euros)</b>
N/A	N/A	N/A

<b>Remarks</b>

D.5 Give details of any significant transactions performed between the company or companies in its group and other related parties, not reported in previous sections.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)
ICDC	Commercial transaction	15,470
HIS	Commercial transaction	2,021
Red Libra	Commercial transaction	(163)
LtterOne	Commercial transaction	(6,784)
Finandia	Commercial transaction	(200)

Remarks

D.6 Give details of the mechanisms established to detect, determine and resolve potential conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

<p>Pursuant to article 28.3 of the Company's Board Regulations, notwithstanding the statutory provisions on the duty to avoid situations of conflict of interest, situations of conflict of interest will be governed by the following rules:</p> <ol style="list-style-type: none"> <li>Directors must try to avoid situations that may represent a conflict of interest between the Company and the director or parties related to the director.</li> <li>In any event, directors must notify the Board of Directors of the existence of conflicts of interests, when they become aware of them.</li> <li>In any event, directors must refrain from attending and participating in the deliberation of and voting on matters in which they are personally involved. Votes of directors subject to the conflict of interest and who have to refrain from participating will be deducted for the purpose of calculating the necessary majority of votes.</li> <li>In any event, situations of conflict of interest involving directors must be reported in the Annual Corporate Governance Report and in the notes to financial statements.</li> </ol> <p>Resolutions or decisions that affect directors in their capacity as board members, such as their appointment to or removal from offices on the managing body or others of similar purpose, will be excluded from the aforesaid obligation to refrain from participating.</p> <p>Directors cannot carry out, directly or indirectly, any professional or business transactions with the Company unless they report the situation of conflict of interest in advance and the Board of Directors</p>
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approves the transaction, following a report by the Audit and Compliance Committee.

Furthermore, pursuant to article 41.2 (h) of the Bylaws and article 11.1 of the Audit and Compliance Committee Regulations, this Committee will have the authority to supervise compliance with the legislation on related-party transactions with directors or significant shareholders or shareholders represented on the Board; in particular, it will report to the Board on such related-party transactions and, in general, on transactions that entail or may entail conflicts of interest, so that they can be approved, and will ensure that the related information is reported to the market as required by law.

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

Yes

No

Identify the other companies listed in Spain and their relationship with the company:

<b>Identity and relationship with other listed companies of the group</b>

State whether the respective areas of activity and any business dealings between them, as well as those of the other listed company and other group companies, have been publicly and precisely defined.

Yes

No

<b>Define any business dealings between the parent company and the listed subsidiary, and between the latter and other group companies</b>

Identify the mechanisms that are to be used to resolve eventual conflicts of interest between the other listed company and the other group companies:

<b>Mechanisms to be used to resolve eventual conflicts of interest</b>

## **E RISK MANAGEMENT AND CONTROL SYSTEMS**

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

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

When applying the corporate risk management model ("CRM model"), DIA has considered all its activities at all levels of the organization, from those at corporate level to those of the business units and processes. The CRM model is therefore applicable at the following levels: (i) execution of the DIA strategy; (ii) achievement of business objectives; and (iii) correct performance of transactions.

The entire organization plays an important role in achieving the objectives of the CRM model. Its focus is therefore integral and systematic, and applies to the Company and all its subsidiaries.

The DIA Group has a risk management system in place based on the COSO II methodology, as well as a risk management methodology generally accepted on the market and brought into line with DIA's needs (Enterprise Risk Management). It is a comprehensive, systematic and detailed, comprehensive approach that enables it to identify, assess and respond to the risks related to the achievement of its business objectives.

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

- i) risks related to surroundings or environment,
- ii) operating risks,
- iii) corporate governance and ethical risks, and
- iv) financial risks.

The CRM model has a tool (GRC Suite) used to facilitate the follow-up and monitoring of risks.

E.2 Identify the company bodies responsible for preparing and enforcing the risk (including tax risk) management and control system.

### **Company bodies**

Pursuant to article 5 of the Board Regulations, the Board is responsible for approving the risk management and control policy, identifying the main risks (including tax risks) of the Company and its subsidiaries and organizing suitable internal control and reporting systems. On the basis of the foregoing, the Board of Directors has approved the risk management policy for the DIA Group.

### **Responsibilities**

The Board of Directors, the Audit and Compliance Committee and the Executive Committee of the DIA Group are responsible for ensuring the correct functioning of the CRM model.

The Internal Audit Department, within the organizational structure, answers directly to the Audit and Compliance Committee, which guarantees the suitable autonomy and independence of its functions, and



the responsible exercise of its supervision of the risk management and control system.

The Board of Directors is responsible for approving and determining the risk management and control policy. At the same time, the Board of Directors, through the Audit and Compliance Committee, specifically monitored the financial risks of the DIA Group in 2019 based on the information provided by the Finance Department, the Internal Audit Department and the other responsible departments, which were monitored by said Committee, given that the analysis of liquidity, credit, solvency and market risks is a recurring item on the agenda of all its meetings.

The Audit and Compliance Committee periodically supervises and reviews the efficiency of DIA's internal control and internal audit procedures and risk management systems, checking their appropriateness and integrity.

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

### **Corporate Risks Committee**

DIA has set up a Risks Committee at corporate level, within which it has identified a Corporate Risks Coordinator, whose duties include the communication and coordination of meetings, as well as the gathering and circulation of information. This coordinator also acts as the risk management contact person with the various jurisdictions in which DIA operates.

The Corporate Risks Coordinator has suitable independence within the organization. The Corporate Risks Coordinator reports directly and periodically to the Audit and Compliance Committee, which may, at any time, request special meetings in order to consult on any incident or relevant event related to the Group's risk management.

In turn, in each jurisdiction a Country Risks Committee has been set up, and within each Committee there is a Country Risks Coordinator.

The following are the basic responsibilities of the Risks Committee:

- analyzing the business environment and any new projects that could have a direct or indirect influence on the DIA's risks, as well as considering the inclusion of new risks and/or the disappearance of some of the existing risks;
- monitoring, on an ongoing basis, the key risks identified on the risk map (especially those closely related to DIA's main interest groups, such as its customers, franchisees and suppliers) by monitoring indicators and following up on them and on the alerts generated by them;
- recommending the development of specific action plans, planning their monitoring and the continuity of existing action plans.

Furthermore, the Risks Committee periodically performs a detailed assessment and analysis of DIA's risks. The DIA Group Management Committee and the Audit and Compliance Committee are periodically informed about the conclusions and information drawn from the analysis of DIA's CRM model. The Risks Committee also informs the DIA Group Management Committee whenever relevant issues are detected in its analysis. The DIA Group Management Committee may request information on the findings of the Risks Committee whenever it considers this to be appropriate.

In the responsible and independent exercise of its functions, the Audit and Compliance Committee and the

Internal Audit Department have the authority to supervise the risk management and control system.

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

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

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

As a result of the Company's change in organization and new strategy, the risk management system is in a process of ongoing review and improvement in order to adapt it to the Company's new risk control environment.

- E.3 State the main risks, including tax risks and, insofar as they are significant, risks resulting from corruption (the latter within the meaning of Royal Decree Law 18/2017), which could have an impact on meeting the business objectives.

The DIA Group defines risk as any internal or external contingency that, should it materialize, would prevent or make it difficult to meet the objectives set by the organization. It therefore considers that a risk arises as a result of missed opportunities and/or loss of strengths, as well as from the materialization of a threat and/or increase in a weakness.

The main risks may be grouped into the following categories:

- business environment risks: these include risks related to the market and competition, regulatory and statutory risks, risks related to the political and social environment of the countries in which it operates, as well as reputational risks;
- operating risks: risks related to: inappropriate adaptation to the economic and operating model, the supply chain, compliance with safety standards related to the operation of the business, compliance with environmental regulations, human resources management and risks related to IT systems;
- corporate governance and ethics risks: these include risks related to breaches of corporate policies, integrity, anti-corruption and bribery, social issues and the securities market;
- financial risks: market risks, credit risks, liquidity risks and in which we would also include tax risks.

The Group has a system for monitoring and updating risks, which makes it possible to identify any new risk detected during the year and incorporate it into the Company's risk map. The system also ensures that all risks are reviewed at least once a year. In 2019, as a result of this review and analysis process, new risks were included in the corporate risk map.

The risk monitoring process consists of the monitoring of the aforesaid internal and external variables that can help anticipate or prevent the materialization of all the relevant risks for the Group.

- E.4 Identify whether the company has risk (including tax risk) tolerance levels.

DIA's Executive Committee reviews DIA's risk tolerance level, which is presented at the ACC for annual

review and approval.

The risk assessment scales (probability and impact) are updated at least once a year in order to adapt them to the strategy and circumstances of the business. These assessment scales consider the various components of risk impact and probability of occurrence, and enable risks to be assessed in each country and at corporate level. These scales form the basis for defining the Group's tolerance level.

The DIA Group's Risk Management Model defines tolerance as "the acceptable level of variation that DIA is willing to accept with respect to the achievement of its objectives." It is therefore the maximum specific risk that the organization is willing to bear.

The tolerance level is used to prioritize and specify the management and monitoring that needs to be carried out for each type of risk, trying to maintain them within the approved tolerable level.

E.5 Identify any risks (including tax risks) that have arisen during the year.

Fiscal year 2019 saw the materialization of risks inherent in the business model, the Group's activity and the market environment stemming from specific and extraordinary circumstances related to business development and the economic cycle.

Mainly, the risks related to:

(i) The high competition in the food distribution sector, especially driven by the price reduction policy to gain more market share.

(ii) The delay in adapting the business model to the market's needs given that its needs are constantly changing and must be adapted to swiftly.

(iii) The social and political situation of the countries where the Group operates, as instability in this respect has occasionally led to the supply chain being affected.

(iv) Exchange rates. Due to the Group's presence in countries with high currency fluctuations. Argentina, a country where the Group operates, was deemed a hyper-inflationary economy in 2019.

(v) The need to increase communication with stakeholders, given that the Group received repeated media exposure in 2019.

E.6 Explain the response and supervision plans for the company's main risks, including tax risks, as well as the procedure followed by the company to ensure that the board of directors responds to the new challenges.

The supervision model of the risk management system is based on the definition of risk indicators, whose information is reported at Risks Committee meetings, at which the response plans proposed by the risk managers are presented and assessed, which plans will be monitored at subsequent Risks Committee meetings.

The risk managers, in each risk unit, follow up and monitor the defined risks on an on going basis, using previously defined risk indicators. Depending on the tolerance level established, the indicators enable



them to ascertain whether the risk has materialized or the risk levels have increased.

At the same time, significant events occurring during the reference period are reported at the Risks Committee meeting, together with the related actions plans defined in order to mitigate the Company's risks, which action plans are then monitored in order to confirm their implementation and effect.

It is also important to highlight the implementation of the Regulatory Compliance and Corporate Social Responsibility Systems.

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

(i) Code of Ethics and Ethics Channel for Consultation and Information

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

The Company believes that the Code of Ethics is the best instrument for putting a compliance policy into practice at all company levels, to serve as an example for employees, with guidelines on conduct or behavior. This Code, like all other rules defined by the Company, is of mandatory compliance for all employees.

The DIA Group's Code of Ethics focuses on the following main points: (i) good tax practices; (ii) protection of assets and information; (iii) commitment to customers and to the Company; and (iv) action based on the Code of Ethics.

The Code of Ethics includes procedures for distributing it to franchisees and to suppliers of services and merchandise, so that they can check and report unethical practices carried out by DIA employees and directors.

It also provides for anonymous consultation and reporting, although anyone identifying him or herself will continue to have the maximum guarantees of confidentiality and non-retaliation.

There is also an Ethics Consultation and Information Channel (via e-mail and ordinary mail and since the end of 2019 through the Ethics Line channel explained in section F.1.2) at group level and in each jurisdiction in which DIA operates, with a view to clarifying any doubts on interpretation and analyzing and resolving potential breaches of the Code, in accordance with applicable internal and external regulations. Furthermore, there is a Corporate Ethics Committee and an Ethics Committee in each country or jurisdiction, in charge of managing the communications received in the Ethics Consultation and Information Channel in each jurisdiction, making its existence known and supervising its correct functioning.

(ii) Crime Prevention Model ("CPM")

DIA has implemented a CPM with the aim of establishing the most appropriate procedures and internal control policies to prevent the commission of illegal actions and, where necessary, to achieve the Company's exemption from liability pursuant to the current Organic Law 1/2015 of March 30, 2015, amending Organic Law 10/1995, of March 23, 1995, approving the Criminal Code.

A Crime Prevention Officer has also been appointed within the organization, to inform and assist the Corporate Compliance Officer and the Ethics Committee on an ongoing basis, at corporate level, and to take charge of the maintenance and correct functioning of the prevention model.

Thus, the model implemented by DIA has suitable and efficient control measures aimed at preventing and



detecting the commission of crimes for which DIA could be held criminally liable.

(iii) Anti-Fraud and Anti-Corruption Program

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

DIA has implemented an Anti-Fraud and Anti-Corruption Program in all jurisdictions in which it operates. As a result of this Program, in each country the DIA Group has a matrix of risks of fraud, analyzed in terms of frequency and impact, which includes the controls that are in place to avoid this conduct. The person in charge of fraud prevention is also responsible for crime prevention.

(iv) Corporate Social Responsibility

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

1. responsible management: compliance with best practices of good governance and the establishment of a framework of action based on ethics, transparency and efficient risk management;
2. commitment to the people and groups with which it interacts: job creation, franchise development, agreements with suppliers, collaboration in socio-humanitarian aid programs and the creation of value for shareholders and the Company;
3. franchises: offering franchisees the know-how and tools they need to manage their business efficiently;
4. quality and price: offering solutions to consumers for their food and mass market product needs based on a commitment to quality and price that is unique on the market;
5. caring for the environment:

(v) Tax policy

In 2015 the Board of Directors of DIA approved its Tax Strategy Policy.

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

The tax purposes, principles and good practices that make up DIA's tax strategy should guide its decision-making at any level, and should also underlie the actions of the many companies forming part of the DIA Group. DIA directs its activity towards monitoring and controlling good practices.

Compliance with the regulations to which the Company is subject

The Company has the responsibility to identify, measure and minimize statutory risks by continuously observing the regulatory framework applicable to it and reporting on compliance with statutory obligations to the Company staff in charge of operations.

In order to execute and perform this function suitably, the Company has an organizational structure comprising a Human Resources Department, a Financial and Tax Department and a Legal Department, in all jurisdictions in which it operates, whose function is to identify the applicable legislation and supervise compliance therewith.

With a view to suitably identifying the regulatory framework and supervising compliance therewith, DIA has taken the following steps:



## 1. Establishment of a regulatory control and monitoring procedure

The Legal Department has a “regulation map” in each country in which DIA operates, identifying and describing all regulations applicable to DIA, with special attention to the key legislation in the main supply chain processes. It is classified into six sections:

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

The Legal Department is in charge of informing the Company's other areas or departments of the contents and scope of new regulatory features and/or changes, designing and holding training sessions, either in person or as e-learning, if the legislative change has a notable impact on DIA's activity.

In order to perform this function, the Legal Department has established a procedure for monitoring and keeping up-to-date on regulations and for communication, in which it defines the resources, responsibilities and internal/external tools required to perform this function and achieve the twofold objective of providing an updated regulatory map and having an organization that has been informed of its regulatory obligations.

## 2. Creation of the Regulatory Compliance Unit and designation of the Regulatory Compliance Officer

DIA has a Regulatory Compliance Unit (“RCU”) with functions in regulatory compliance and corporate governance at the Company. The RCU is in charge of ensuring effective compliance with the obligations under the Internal Code of Conduct for the Security Market (the “ICC”), its main tasks being, inter alia:

- to encourage awareness of the ICC and the rules of conduct concerning the securities market and market abuse and to ensure compliance therewith;
- to determine who is subject to the ICC and any periods of restricted activity, exemption from or need for authorization for carrying out transactions with securities;
- to bring disciplinary proceeding for breach of the ICC;
- to report periodically to the Audit and Compliance Committee of the Board of Directors on any measures taken to encourage ICC awareness and ensure compliance therewith.

The RCU is an independent body made up of three members, who are the heads of the human resources, financial and legal departments. It is also supported by an external advisor for the security market.

The Company also has a Regulatory Compliance Officer who is a member of the RCU and is responsible for the proper functioning of the RCU. The Office serves as a liaison with the CNMV and ensures compliance with the ICC, monitoring and recording transactions in securities.



# DIA

With respect to the function of monitoring and recording transactions in securities, the Company has established a procedure for reporting securities transactions that is compulsory for all persons subject to the ICC.

## **F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS (ICFR)**

Describe the mechanisms comprised in the control and risk management systems for the financial reporting process of your company.

### **F.1 Control environment of the company**

Report on at least the following, describing their main characteristics:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of suitable and effective ICFR; (ii) its implementation; and (iii) its supervision.

The Internal Control Over Financial Reporting (the “ICFR system”) forms part of the Internal Control System and is configured as a series of processes carried out by the Board of Directors, the Audit Committee, senior management and the entity personnel involved in order to provide reasonable certainty with respect to the reliability of the regulated, never absolute, financial information with respect to the objectives that it pursues, due to the limitations inherent in any internal control system.

The ICFR system was established at DIA in 2012 to comply with the legislation imposed on listed companies in accordance with the framework of the Committee of Sponsoring Organizations for the Commission of the Treadway (“COSO”).

The Board of Directors is responsible for the existence and maintenance of a suitable and effective ICFR system. For such purpose, article 5 of DIA’s Board Regulations provides that one of the Board’s non-delegable powers is to approve “a policy for the control and management of risks, including tax risks, identifying the Company’s main risks and organizing suitable internal control and reporting systems”. ICFR supervision is entrusted to the Audit and Compliance Committee (the “ACC”).

Under the Group’s ICFR policy, in addition to the ICFR function, senior management is responsible for designing, implementing and operating the ICFR system.

The ICFR function also promotes control awareness in the Group’s countries, fostering awareness with respect to control requirements at all organizational levels, and carries out monitoring activities with continual support in its tasks, including: (i) defining ICFR-related documentation; (ii) validating the effectiveness of the controls, and (iii) starting up the action plans entrusted to them, as the case may be. The DIA Group has an ICFR Manual that completes the aforesaid policy, the objectives of which are:

- To define the framework for ICFR actions in the DIA Group.
- To establish the basis for:
  - Identifying critical risks and control in order to ensure reliability of information.
  - Supervising and anticipating possible corrective measures.
  - Efficiently register, process and prepare the financial information and appropriately conduct controls.
- To determine the methodology for appropriate ICFR within the DIA Group.

In accordance with CNMV Circular 2/2018, of June 12, 2018, the Group has a self-assessment system, the purpose of which is to evidence, along with the persons responsible for each process, the existence and evaluation of ICFR within the Group.

The questions included in the self-assessment questionnaires are grouped into two sections: (i) questions on the application of general controls; (ii) questions on the application of specific controls by business cycle: relating to key controls in the different areas comprising the Finance Department.

These questionnaires, along with the certification, are signed by the Group Chief Financial Officer (or equivalent post) of the company in question, along with the standard form certification included prior to the questions.

During 2019, ICFR depended hierarchically on the Corporate Secretary Director, in turn dependent on the CEO and reporting directly to the ACC. At the date of this report, ICFR again depends on the Group Financial Executive Management.

The ICFR Department has a total of three people assigned to the area. The head of ICFR holds an official internationally-recognized certificate as an internal control specialist, issued by COSO along with the Spanish Institute of Internal Auditors.

The Board of Directors, through the ACC, is entrusted with supervision of ICFR. Pursuant to article 38 of the Board Regulations, the ACC has, inter alia, the authority to “supervise and review the drafting and reporting process for mandatory financial information” and to “supervise and review periodically the efficiency of internal control” receiving support from the Internal Audit Department. The latter’s bylaws regulate its mission to ensure that the internal control system functions effectively and efficiently.

In compliance with the recommendations set forth in CNMV Technical Guidelines 3/2017, on December 14, 2017 the Board of Directors approved the Audit and Compliance Committee Regulations, which are aimed at defining the Committee’s responsibilities and principles of action, as well as its basic organizational and operating rules, and fostering the Committee’s independent functioning.

The drafting and reporting process for financial data related to the Company and its Group, set forth in article 8 of the Committee Regulations, must be monitored on an ongoing basis, supervising the drafting and reporting process and the clarity and integrity of the Company’s economic and financial information, reviewing compliance with the regulatory requirements, the suitable definition of the scope of consolidation and the correct application of the accounting principles, with a view to safeguarding their integrity. It must also assess compliance with statutory requirements and the correct application of the generally accepted accounting principles. The main duties related to the internal control and risk management systems, set forth in article 9 of the Committee Regulations, include most notably: a) reviewing periodically the effectiveness of the internal control and risk management systems as a whole; b) supervising the risk management control policy for risks with an impact on the achievement of corporate objectives; and c) fostering a control culture in which risk is a factor to be considered in the Company’s decision-making.

In addition, since March 2019, the Corporate Internal Control Committee and the country-based internal control committees have been created in order to provide a shared space for joint analysis

and understanding of matters related to the functioning of DIA's internal control system, with the goal of channeling solutions to potential contingencies. These committees have been created in order to have a global and centralized view, based on the cornerstones of autonomy, transparency, efficiency and confidentiality.

F.1.2 Whether the following components exist, especially in connection with the financial reporting process:

- Departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures for their effective circulation within the company.

The maximum authority in charge of designing and reviewing the Group's organizational structure, the responsibilities undertaken by each of its members and the status of such members having regard to their responsibilities, is the CEO. In the case of senior management, these posts are proposed by the Appointments and Compensation Committee and approved by the Board of Directors.

The relationship between the structure, functions/jobs and the jobholder status is established using a methodology defined by the DIA Group, based on the HAY job evaluation method, having regard to the job descriptions.

The following tools are used by the DIA Group:

(i) a flowchart indicating the hierarchical relationships within the Company, showing each job and jobholder;

(ii) a "job map" for middle management and executives, with a description indicating job title and the associated status;

(iii) job descriptions gathered in a software tool; these descriptions are mandatory for all executive and management positions. To draft the job descriptions, the DIA Group has the Job Description and Assessment Policy. This policy is under review in order to adapt it to the Company's current needs. Additionally, changes are reported internally and the job position assignments with greatest responsibility are posted on the DIA website.

ICFR documentation includes a risk and control matrix that shows the organizational structures that are the owners of each control in connection with the financial reporting process. All this information is gathered in the SAP Governance, Risk and Compliance tool ("SAP GRC tool"), individually identifying the Control Owners, as well as their immediate superior and the related Department Heads.

- Code of conduct, approving body, degree of circulation and instruction, principles and values covered (stating whether there are specific references to record keeping and financial reporting), body in charge of analyzing cases of breach and proposing corrective or disciplinary action.

The DIA Group's Code of Ethics was approved by the Board of Directors. The Board of Directors considers that the Code of Ethics (the "Code") is the best instrument to put into



practice a “trickle-down” compliance policy, guiding its employees by example, with certain lines of conduct or behavior.

The Code establishes and develops five principles of conduct: the first refers to “compliance with all external (e.g., laws and regulations) and internal rules, imposed in policies, procedures and controls” and strengthens certain principles of conduct in tax, employment and environmental matters, highlighting, in turn, the autonomous and independent role played by the Corporate and Country Ethics Committees.

In connection with financial information, the third principle protects assets and information and explains DIA’s commitment to providing accurate and complete information, ensuring the reliability and accuracy of all financial information, whether used internally or reported to the market. The Organization, as well as each employee, has undertaken to uphold transparency and diligence as principles of conduct.

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

All Group Department Heads have agreed in writing to submit to the Code, which submission is centralized by the Group’s Human Resources Department, undertaking to uphold all ethical principles, to ensure that the teams under their responsibility do the same and put them into practice. Furthermore, all new employees, when signing their employment contract, will receive a copy of the Code and must sign an agreement to submit to it.

On the premise that what is important is not whether or not a Code exists, but rather that it is known and complied with, the DIA Group has an Ethics Committee at corporate level and an Ethics Committee (the “Committee”) in each country or jurisdiction.

Among the main tasks of the corporate and country Committees is that of facilitating the circulation and implementation of the Code, ensuring that it is complied with, understood and upheld.

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

Until November 2019, the DIA Group had a Whistle-Blowing Channel (via e-mail and ordinary mail) at corporate level and at the level of each jurisdiction in which the Group operates, the purpose of which was to answer questions regarding interpretation and to analyze and resolve potential breaches of the Code.

Since late November 2019, the Dia Group has a new whistle-blowing channel, called the Ethics Hotline (“**LineaEtica**”). This unified email and telephone channel for submitting questions and/or reports ensures that the DIA Group’s activities are carried out with safety, transparently and efficiently. Using the WhistleB platform, the DIA Group offers an open, transparent and secure space in which any third party and, in particular, employees, franchisees and suppliers, can resolve any questions they may have on the interpretation of the DIA Group Code of Ethics and report potential breaches thereof.

All questions and reports are received by the Group Compliance Department, which forwards the cases to the corporate and/or country Ethics Committee. Any breach of the



Code is analyzed and managed by the corporate and/or country Ethics Committee in accordance with its operating protocol, and is resolved pursuant to applicable internal and external regulations.

Communications and/or reports received, whether in someone's name or anonymously, will be assessed and processed in compliance with three general basic principles: (i) confidentiality (ii) non-retaliation and (iii) personal data protection. Thus, the data of whistle-blowers and of any person involved in the investigation will be treated confidentially in accordance with the personal data protection legislation applicable in each jurisdiction, with zero tolerance of retaliation against employees using the Ethics Hotline in good faith in order to inform the Ethics Committee of possible irregularities. The Ethics Hotline is managed in the Whistleblowing Centre, which ensures that all questions and reports made through the channel are encrypted and protected with security measures. Accordingly, the Ethics Committees can communicate confidentially with the reporting and/or requesting party, and proper records are kept of all elements of the case file.

In 2019, on a quarterly basis, the Ethics Committees of each country sent the corporate Ethics Committee an itemized report of the consultations and/or communications received during the immediately preceding quarter, stating the reference or registration number, date of receipt, type of whistle-blower (employee, franchisee, supplier of service or merchandise or others), the ethical principle breached, assessment of reliability/accuracy of the events reported, procedural status and, as the case may be, resolution. In addition, a report is regularly sent to the Audit and Compliance Committee, providing detailed and consolidated statistics at Group level.

In 2019, the Ethics Consultation and Information Channel received a total of 188 messages, of which 123 were reports and 65 were questions.

Of the 123 reports, 74 were made by employees (60%), two by franchisees (2%), three by suppliers (2%) and 44 (the remaining 36%) as anonymous tips. At December 31, 2019, 75 of these cases had been resolved, while 48 were still in the investigation phase.

Of the reports resolved, 40 were closed due to a lack of evidence (53%), 20 were resolved ordering training for the employee whose conduct was reported (27%), 10 involved disciplinary measures (13%) (six of which involved the dismissal of seven employees (8%)), two led to the discontinuation of a supplier (3%), and three involved the adoption of the pertinent measures for the area in question (4%).

In terms of the questions submitted, 48 were made by employees (74%), four by franchisees (6%), five by suppliers (8%), and eight (the remaining 12%) anonymously. At December 31, 2019, 61 of these cases had been resolved, while four were still in the investigation phase.

Of the questions resolved, 32 were forwarded to the Human Resources Department for it to answer an employee's question (52%), 17 were forwarded to the department in question (28%), nine were resolved directly by the Ethics Committee (15%), and the remaining three were closed due to lack of response from the consulting party (5%).

- Training and refresher courses for staff involved in financial reporting, as well as in assessing the ICFR, which address at least accounting standards, auditing, internal control and risk management.

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

- Technical training plan: aimed at endowing its collaborators, through official training, with the technical know-how needed for the performance of their job. All areas are assigned a training budget, depending on the number of members and their status, which they manage according to their needs.
- Training plan for the development of skills: aimed at providing, through official training, the necessary skills for holding positions of greater responsibility. This includes special training programs, such as master's degrees, languages, skill development, cross-awareness and others.

External and internal training actions have been carried out under the technical training plan.

Various training actions were carried out in 2019, with a total of 182 hours' training. These actions consisted of training and refresher courses for staff involved in financial reporting, as well as in assessing the ICFR, and covered accounting rules, auditing, internal control and risk management, among other areas of knowledge.

## F.2 Risk assessment in financial reporting

Report on at least the following:

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

- whether the process exists and is documented

DIA develops practices for the design and maintenance of an internal control system that makes it possible to provide reasonable certainty with respect to the reliability of official financial reporting, which includes the process aimed at identifying risks of error or fraud in financial reporting, based on the COSO framework.

DIA has a risk management system that applies to all the Group's countries in accordance with the Risk Management Policy. This Policy states the key principles for the correct functioning of the risk management system and the methodology to be used for effective management that contributes to meeting the business objectives set by the Management.

Information on risk management is detailed in section E (Risk Management and Control Systems) of this Annual Corporate Governance Report.

The DIA Group's ICFR Policy, available on the corporate intranet, sets out a general description of the system, and the roles, responsibilities and objectives of ICFR.

An ICFR Manual has been prepared, with the goal of specifying and developing the functions attributed to the various officers identified in the aforesaid Policy, defining the activities forming part of the ICFR cycle and ensuring suitable compliance by the persons involved. It also includes the methodology used to develop the internal control function related to financial reporting and risk management. This work methodology serves as a



basis for determining the scope matrix and its maintenance, which is in turn used to establish the processes whose design and effectiveness is to be reviewed.

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

- whether the process covers all financial reporting objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), is updated and how frequently

Each ICFR process at the DIA Group has the following related documentation: flowcharts, descriptions, control and risk matrices, as well as the rules, policies, procedures and IT systems that support it.

For each relevant account and breakdown, the key processes and sub-processes, as well as the key activities associated therewith, have been defined, identifying any risk that may give rise to errors and/or fraud in financial reporting, covering all financial reporting objectives (existence and occurrence; integrity, valuation, presentation, breakdown and comparability; and rights and obligations).

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

- the understanding of the control surroundings of each Group country;
- the identification of the particular features of the Company's business process flows in each country, and their impact on financial reporting, in order to identify the main control risks inherent therein;
- the effects of other types of risk (operating, financial, strategic, regulatory compliance and others) that may have an adverse effect on the reliability of financial reporting.

The foregoing results in an integrated risk control framework at Group level, applicable in all countries, with the exception of those specific to each country.

There is also a Group "Process Map", which provides a unique reference for the risk control systems..

The ICFR is subject to ongoing review and monitoring in accordance with an annual work plan prepared on the basis of audit work methodologies, pursuant to the International Standard on Auditing entitled "Materiality in Planning and Performing an Audit" (ISA 320).

The ICFR scope matrix is used to identify the accounts and breakdowns entailing a significant associated risk, whose potential impact on financial reporting could be material. Thus, the approach for determining the ICFR work scope is based on risk management and on a variation analysis system (qualitative and quantitative methods).

Worth noting is that in 2017, the methodology for determining the scope matrix and the related work plan was reviewed. This new approach made it possible to increase the scope for validation of the design and the effectiveness of the controls in the Group's main and emerging countries for a larger number of ICFR processes. In 2019, the aforesaid methodology was also extended by including other features that enhance internal control



(having regard to ICFR reviews from previous years, the findings of work carried out on the ICFR by internal and external auditors, and the Group's financial risk map, among others).

The 2019 ICFR scope matrix, based on the audited Consolidated Financial Statements as of December 31, 2018, was approved by the Audit and Compliance Committee on May 13, 2019.

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

Each quarter the Group's Legal Department confirms the data on the companies forming part of the group of companies to the Group's Accounting and Administration Department (organizationally dependent on the Group's Finance Department).

The DIA Group Rules regulate the responsibility of each country's legal department for keeping the country's corporate and control structure up to date, and the duty to report on it to the country Finance Department and to the Group Legal Department on a quarterly basis and/or whenever there has been a change. In turn, the country Finance Department and the Group Legal Department will report to the Group Finance Department on the country's scope of consolidation and on the Group's corporate and control structure, respectively, so that the Group Finance Department can determine the Group's scope of consolidation.

Monitoring and updating each country's corporate structure, as well as the process for reporting and/or communicating with the Group Legal Department and Finance Department, are of mandatory compliance, since this is a Corporate Governance rule included in the DIA Group Rules.

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

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

This system considers operating, technological, financial, legal, social, reputational and environmental risks, also including tax risks, contingent liabilities and other off-balance sheet risks among the financial risks.

As detailed in chapter E above, DIA has implemented a Risk Management Model that identifies environment, operating, corporate governance and ethical and financial risks. All risks identified were included and categorized in the Risk Management Model.

Consistent with the foregoing, the ICFR is applied not only to financial reporting processes, but also to all operating and technical processes that could have a significant impact on accounting or management figures.

The DIA Group Management Committee is in charge of ensuring the correct functioning of the Risk Management Model and, as described in chapter E above, DIA has created a Corporate Risks Committee and, in each jurisdiction, it has created a Country Risks Committee.

- which of the company's governing bodies is responsible for overseeing the process

The Management Teams and the Country Executive Director are in charge of identifying the risks of error or fraud in the financial information, in collaboration with the ICFR function. On May 13, 2019, the Audit and Compliance Committee approved the ICFR scope matrix for 2019, used to identify any accounts and breakdowns that have a significant associated risk with a material impact on financial reporting. In this process to identify significant accounts and breakdowns, both quantitative and qualitative factors were considered (transaction complexity, risk of fraud, inherent risk, degree of process standardization and others).

### F.3 Control activities

Report on the existence of at least the following, and specify their main characteristics:

- F.3.1 Procedures for reviewing and authorizing financial information and description of the ICFR to be disclosed to the securities markets, stating who is responsible in each case and the documentation describing the flow of activities and controls (including those addressing the risk of fraud) for each type of transaction that could materially affect the financial statements, including accounting close procedures and the specific review of critical judgements, estimates, evaluations and projections.

Financial information is reviewed periodically to ensure its quality and reliability. The Country Financial Officers and the Chief Administration, Accounting and Consolidation Officer validate, on a quarterly basis, the financial information prepared and reported to the Consolidation Department using the HFM consolidation tool.

The procedure for reviewing and authorizing financial information is formalized each year through internal certificates issued by the Country Financial Officer and the Chief Financial Officer with the approval of the Country Executive Director and CEO, respectively. This process culminates with its submission to the Audit and Compliance Committee by the Group's Chief Financial Officer prior to the preparation of the Financial Statements by the Board.

In addition, although there is not a legal obligation to have financial reviews carried out by independent third parties in Switzerland, as of 2019 and at the Company's request, the subsidiary DIA World Trade (DWT) has undergone financial audits by the statutory auditors.

The directors involved in the ICFR processes have the responsibility of formally validating this documentation which is then approved by the Group's Chief Financial Officer. This process culminates with the Board's approval of the overall Annual Corporate Governance Report.

The ICFR function has documented the risks of error or fraud in financial reporting and the controls that mitigate said risks, which are related to the following processes/sub-processes:

- management of creditors and general expenses;
- cash and banks;
- closing, consolidation and reporting;
- purchases;

- inventories;
- valuation of goodwill;
- management of receivables from franchisees;
- management of corporate income tax;
- management of property, plant and equipment;
- contingent liabilities;
- staff;
- sales.

Special significance is given to closing, consolidation and reporting, as well as any issues affected by relevant opinions, estimates, valuations and projections.

The documentation of each process comprises:

- details of significant accounts and breakdowns;
- details of IT systems affecting sub-processes;
- details of any procedures and internal rules approved by the Management, and which regulate said sub-processes;
- details of organizational structures;
- descriptions of each sub-process associated with each process;
- flowcharts for each sub-process;
- details of significant financial reporting risks (including those related to the risk of fraud), as well as other risks (operating and/or compliance) associated with the various sub-processes and control objectives;
- detailed description of key and non-key controls that mitigate each of the risks identified;
- outcome of the assessment of the internal control design provided by the ICFR, identifying any room for improvement and defining action plans, persons in charge and implementation deadlines.

For each control, the following has been identified:

- back-up evidence for the control;
- organizational structures and/or functions of responsible positions of each of the controls identified; additionally the SAP GRC tool has individually identified each owner, as well as those in charge of validation;
- frequency of controls;
- degree of control automation;
- type of control: to prevent or detect;
- whether it covers the risk of fraud.

The Control Owners, i.e., the owners of each control and those in charge of their supervision, are responsible for keeping the information up to date. Accordingly, the owner and those in charge of

validation have been identified for each control, in order to ensure maximum traceability.

Through the SAP GRC tool (Process Control), the ICFR performs an ongoing process of updating, self-assessment and supervision of the correct functioning of the internal control system for financial reporting, ensuring its reasonable quality and reliability in a single centralized environment.

The SAP GRC tool helps to enhance the control environment at all organizational levels, facilitating the process to assess the design and effectiveness of the controls, as well as the monitoring of action plans.

Most notably, its functions permit: (i) keeping an inventory of the identified controls by Organizational and Regulatory Unit, associated to processes, sub-processes, risks, etc.; (ii) having available controls and associated risks, and plans to remedy them; (iii) launching reviews to evaluate the design and operational efficiency of the Internal Control Model; and (iv) obtaining detailed data reports.

### F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company financial reporting processes

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

The policy defines the methods used to mitigate risks affecting confidentiality, integrity and availability of all information, including financial reporting.

Technological risk management is the process used by the Group to identify the threats resulting from dependence on IT systems and to establish action plans to guarantee business objectives.

In general, the following documentation on the internal control of IT systems exists:

- specific regulations on access control and information classification;
- security (cybersecurity) incident management rules;
- periodic review of user access to data, as well as a review of privileged application users;
- a methodology for software development and for differentiated surroundings is in place, with a view to ensuring that any changes in IT systems are suitably authorized and tested;
- software and project monitoring plan;
- IT systems are classified and segmented at network level according to importance and are hosted in specialized locations that guarantee not only their continuity but also their physical security;
- IT systems are operated and monitored by authorized staff in accordance with operating procedures;
- back-up copies are made periodically of all information and stored in safe locations, and recovery tests are carried out;

- daily checks and monthly back-up reports;
- an incident management system aimed at resolving any difficulty that could arise in business processes;
- extension of the managed security service, both in internal and external networks, which protects and alerts the Group of new threats; measures to combat cyber-threats have been added as a supplement.

In 2019 the Antispam, Antimalware and Endpoint protection systems have evolved with a view to protecting the Group from new threats. Additionally, a solution to prevent information leaks has been implemented (e-mail).

The Group's crucial business processes have various organizational and technological solutions that guarantee IT system continuity.

The Group formalized a Contingency Plan for Stores and Warehouses to ensure that they can resume normal operations in critical contingency scenarios. This plan forms part of DIA Spain's Business Continuity Plan, together with IT Contingency Plans, Disaster Recovery Plans (DRP) for corporate data centers, the Security Incident Response Plan, Evacuation Plans and the Corporate Crisis Manual.

Additionally, since 2019, changes are being made in the controls of the reporting systems, such as the review of the integrity of the systems or the segregation of functions in SAP and AS400 and of the main modules composing it in order to (i) determine the scope of the sensitive transactions and of conflicts that may exist in the Company's key business processes, and (ii) mitigate potential risk of fraud due to an excessive level of access.

The aim is to know; through the conflict matrices; what applications or manual processes support the execution of the sensitive transactions defined and how they are executed, and which users have access to each function with the data obtained in the business and technical definition phases, both in the Access Security rules and in the Segregation of Functions, from a traditional approach.

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

When the Group outsources certain tasks to third parties, it ensures the technical capacity, independence, competence and solvency of the subcontractor, which is a Big Four company or a prestigious company in the relevant country.

DIA, most notably, has a "Rule for optimizing negotiation / contracting with the Big Four", which forms part of the Group Rules of the financial area. This Rule is posted in the corporate rules section of the DIA Group's website, and seeks to provide an overall view at group level of all agreements reached by the Company with the Big Four consultancy firms, with a view to establishing the bases that make it possible to improve negotiations in progress and optimize future negotiations with said consultancy firms.

In 2019, significant activities outsourced to third parties with an impact on the financial statements were the use of independent experts to determine the impact of the pension plans, the discount

rate applied in the IFRS 16, and tax and legal advisory services. These activities were carried on by firms of recognized prestige and validated by duly qualified Group staff supervised by the Management, which checked the fundamental assumptions used by the experts, as well as the reasonableness of their conclusions.

Additionally, other activities outsourced to third parties included matters such as debt refinancing and the performance of the impairment test.

## F.4 Information and communication

Report on the existence of at least the following, and specify their main characteristics:

- F.4.1 A specific function in charge of defining and keeping accounting policies up-to-date (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations at the company, as well as an updated accounting policies manual provided to all company operating units.

Every year the Group Reporting and Consolidation Department, organizationally dependent on the Group Finance Department, updates the Group Accounting Policies Manual prepared on the basis of the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

They are distributed by e-mail to all the staff involved in the various countries. The Manual was most recently updated in November 2019. In the event of significant changes affecting any of the Accounting Policies, an e-mail is sent to the team in charge.

The tasks assumed by the Group Reporting and Consolidation Department include settling doubts regarding the interpretation of accounting policies, to be included in DIA's Accounting Policies Manual in the next update.

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

The Group has an HFM consolidation computer tool in all countries, which, after the SAP data has been uploaded by each country, makes it possible to prepare financial information in standard formats and facilitates the consolidation process.

Data is uploaded manually from the SAP data. Preventive checks have been defined in the tool itself to ensure that data is uploaded correctly. In this way, information from the individual financial statements of all Group units is centralized in a single tool, with the same accounting plan. This same tool formalizes the financial information validation process for the Financial Officers of each country, as detailed in section F.3.1.

All information supporting the breakdowns and notes to financial statements is included in the HFM tool.

The collection and preparation of detailed financial information is centralized by the ICFR Officer, who holds interviews with the various Department Heads involved in order to gather information supporting and justifying the ICFR description.

## F.5 Monitoring of the system operation

Report on at least the following, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the audit committee and whether the entity has an internal audit function whose tasks include that of supporting the audit committee in its role as supervisor of the internal control systems, including the ICFR. Report on the scope of the ICFR assessment performed during the year and the procedure used by those in charge of the assessment to report their findings, whether the entity has an action plan that details eventual corrective measures, and whether their impact on the financial information has been considered.

As indicated in section F.1.1, the Audit and Compliance Committee is in charge of “supervising and reviewing periodically the efficiency of internal control”, receiving support from the Internal Audit Department.

The Group has an Internal Audit Department that, in 2019, depended hierarchically on the CEO and functionally on the Audit and Compliance Committee. As a consequence of the organizational change and of the new strategy at the Company, this function is currently undergoing review of its role and the scope of work.

The Internal Audit Department’s tasks include supporting the Audit and Compliance Committee in its supervision of the correct functioning of the Internal Control System for Financial Reporting, and reports the findings of audits to the Group Management Committee and to the Audit and Compliance Committee. The key ICFR controls are assessed by Internal Audit in terms of their effectiveness and design.

The main activities carried on by the Internal Audit Department include the tasks specific to its function, as well as supervision of the risk management and control system, as described in section E.2 of the Annual Corporate Governance Report.

The Internal Audit Department is in charge of executing the internal audit plan for 2019. The plan is carried out through annual schedules that determine the scope of the annual ICFR reviews. The plan’s suitability will be assessed each year, having regard to the reviews already performed and the needs detected each year at the company.

The audits performed on the ICFR assess the design of the controls and verify their correct functioning, identifying weaknesses and proposing recommendations with a view to strengthening internal control. As a result, the Internal Audit Department monitors, on an ongoing basis, the action plans agreed with the various areas to make sure that they were implemented correctly and that weaknesses have been resolved.

In each case, the related report was issued and submitted to the Audit and Compliance Committee, detailing the work performed, recommendations based on risk level and action plans.

In accordance with its own functions, the Audit and Compliance Committee includes in its annual report the tasks carried out in its role as supervisor of the Internal Control System during 2019, including most notably:

- supervising the process to prepare and present the quarterly and six-monthly mandatory economic and financial information, both individual and consolidated, reported to the markets and



to their supervisory bodies;

- suitably defining the scope of consolidation, correct applying the generally accepted accounting principles, and safeguarding the integrity of financial information;
- supervising relations with the external auditor of the Company and the DIA Group, Ernst & Young, S.L., as well as its performance of the audit contract;
- reviewing the Company's internal audit system and approving the Internal Audit Plan for 2019.
- supervising and monitoring Internal Audit activities;
- supervising and monitoring the findings of the assessment of the ICFR for key and material processes in Spain and in the other countries in which the DIA Group operates;
- systematically monitoring and supervising Risk Management at the Company, as well as monitoring the performance of the main risk indicators;
- reviewing related-party transactions;
- reviewing information on transactions of structural or corporate change, in particular, their economic terms and accounting impact;
- monitoring compliance with the Internal Rules of Conduct, the Board Regulations and, in general, the Company's corporate governance rules, without having detected any significant breaches;
- supervising actions to circulate and provide information on DIA's Code of Ethics and whistle-blowing channel and on the functioning of the Ethics Committees at both corporate and country level;
- reviewing and approving the 2019 Annual Corporate Governance Report, in particular the matters specifically concerning the Committee itself, which are set forth in sections C, E, F and H of said Annual Report.
- overseeing the corporate social responsibility policy to ensure that it focuses on the creation of value, monitoring the corporate social responsibility strategy and practices and their degree of compliance;
- supervising the strategy for communications and relations with shareholders, investors (including small and medium-sized shareholders) and other interest groups, having carried out this activity regularly throughout the year;
- responding promptly to demands and requests for information received from the CNMV during its review of the Group's financial information.

F.5.2 Whether there is a discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses identified during their review of the financial statements or other assignments entrusted to them, to the company's senior management and to the audit committee or company directors. Also state whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 38 of the Board Regulations and article 6 of the Audit and Compliance Committee Regulations set forth the power of the Audit and Compliance Committee related to "serving as a



communication channel between the Board of Directors and the auditors, assessing the findings of each audit and the management team's response to their recommendations, and intermediating in cases of discrepancies between the former and the latter regarding the principles and methods to be used to prepare the financial statements".

In 2019 fourteen meetings of the Audit and Compliance Committee were held.

Each year the auditor formally informs the Audit and Compliance Committee of any significant internal control weaknesses detected in the performance of its work.

Each year the auditor meets with the Board members, in a plenary session, not attended by the CEO and without executive directors of the Company.

The Internal Audit Department periodically reports to the DIA Group Executive Committee and Audit and Compliance Committee on the findings of the ICFR review and of the other internal audits performed during the year, as well as on the degree of implementation of any action plan arising as a result thereof.

As described in section F.2.1., the Audit and Compliance Committee approves the scope determined in the annual matrix and receives reports on the findings of the ICFR reviews and on the degree of implementation by ICFR of any remediation plans arising as a result thereof.

## F.6 Other relevant information

N/A

## F.7 External auditor report:

Report on:

F.7.1 Whether the ICFR information reported to the market has been reviewed by the external auditor, in which case the corresponding report should be attached as a schedule. If not, explain the reasons why.

DIA had the external auditor review the ICFR information reported to the market for 2019. The scope of the auditor's review procedures was in line with the Action Guideline and model audit report referring to the information on the internal control system for financial reporting of listed companies of July 2013, issued by the corporations representing the auditors.

**G**

## DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

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



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

Complies  Explain

2. When a parent and subsidiary company are both listed, they should provide detailed disclosure on:
  - a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
  - b) The mechanisms in place to resolve potential conflicts of interest.

Complies  Complies partially  Explain  Not applicable

3. During the annual shareholders' meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:
  - a) Changes that have taken place since the previous annual shareholders' meeting.
  - b) The specific reasons why the company does not follow a particular Good Governance Code recommendation and the alternative rules applied in this area, if any.

Complies  Complies partially  Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that fully complies with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, including details of how it has been put into practice and stating the contact persons or persons responsible for its implementation.

Complies  Complies partially  Explain

5. The board of directors should not make a proposal to the shareholders' meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation. When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately publish a report on its website explaining the exclusion as envisaged in company legislation.

Complies  Complies partially  Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual shareholders' meeting, even if their disclosure is not obligatory:
  - a) Report on auditor independence.
  - b) Reports on the functioning of the audit committee and the nomination and remuneration committee.
  - c) Audit committee report on related-party transactions.
  - d) Report on corporate social responsibility policy.

Complies  Complies partially  Explain



**7. The company should broadcast its shareholders' meetings live on the corporate website.**

Complies  Explain

During fiscal year 2019, the Company held the Ordinary Shareholders' Meeting that was broadcast live on its webpage and two Special Shareholders' Meetings that were not broadcast live because the Company considered that the systems for dissemination and channels of information to shareholders in relation to the holding of these general meetings are sufficient without the need to broadcast them.

**8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the shareholders' meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

Complies  Complies partially  Explain

**9. The company should disclose its conditions and procedures for evidencing share ownership, the right to attend shareholders' meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

**Such conditions and procedures should facilitate shareholder attendance and the exercise of shareholder rights and be applied in a non-discriminatory manner.**

Complies  Complies partially  Explain

**10. When a verified shareholder exercises the right to supplement the agenda or submit new proposals prior to the shareholders' meeting, the company should:**

- a) Immediately circulate the supplementary items and new proposals.
- b) Publish the duly modified specimen attendance card or proxy appointment or remote voting form so that new agenda items and alternative proposals can be voted on in the same terms as proposals made by the board of directors.
- c) Put all these items or alternative proposals to a vote applying the same voting rules as for those submitted by the board of directors, with particular regard to assumptions concerning the direction of votes.
- d) After the shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies  Complies partially  Explain  Not applicable

**11. In the event that the company plans to pay fees for attendance at the shareholders' meeting, it should first establish a general, long-term policy in this respect.**

Complies  Complies partially  Explain  Not applicable

**12. The board of directors should perform its duties with unity of purpose and independent judgment, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.**



In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies  Complies partially  Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is therefore between five and fifteen members.

Complies  Explain

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-appointment are based on a prior analysis of the board's needs.

c) Favors a diversity of knowledge, experience and gender.

The outcome of the preliminary analysis of the board's needs should be set out in the explanatory report of the appointment committee, to be published when the shareholders' meeting is called that is to ratify the appointment or re-appointment of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies  Complies partially  Explain

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies  Complies partially  Explain

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the capital of the shareholder they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) At large cap companies where few shareholdings are legally considered significant shareholdings.

b) At companies with a plurality of shareholders represented on the board but not interrelated.

Complies  Explain

17. Independent directors should represent at least half of all board members.



However, when the company does not have a large market capitalization, or when a large cap company has a shareholder or several shareholders acting in concert that control(s) more than 30 percent of the share capital, independent directors should make up, at least, one-third of board members.

Complies  Explain

18. Companies should disclose the following director information on their websites and keep it regularly updated:
- a) Professional experience and background.
  - b) Directorships held at other companies, listed or otherwise, and other paid activities they engage in, of any nature.
  - c) Statement of the director category to which they belong, in the case of nominee directors, indicating the shareholder they represent or have links with.
  - d) Dates of their first appointment as a board member and subsequent re-appointments.
  - e) Shares held in the company, and any options on same.

Complies  Complies partially  Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the request of shareholders controlling less than 3% of capital; and explain any rejection of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of nominee directors.

Complies  Complies partially  Explain  Not applicable

20. Nominee directors should resign when the shareholders they represent dispose of their shareholding in its entirety. If such shareholders reduce their shareholdings to a level that requires a reduction in the number of their nominee directors, the number of nominee directors should be reduced accordingly.

Complies  Complies partially  Explain  Not applicable

21. The board of directors should not propose the removal of independent directors before the end of bylaw term for which they were appointed, except where it considers there is just cause, based on a report by the nomination committee. In particular, just cause will be deemed to exist when directors take on new offices or responsibilities that prevent them from dedicating the necessary time to the performance of their functions as director, breach the duties inherent in their office or become subject to any circumstances that strip them of their status as an independent director, in accordance with the provisions of the applicable legislation.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate transactions that entail a change to the company's capital structure, where such changes in board structure arise from the proportionality criterion set out in recommendation 16.

Complies  Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the company's name or reputation, tendering their resignation as the case may be, and, in particular, to

inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offenses stated in company legislation, the board of directors should investigate the matter as soon as possible and, in light of the specific circumstances, decide whether or not he or she should remain in office. The board should give a reasoned account of all such deliberations in the annual corporate governance report.

Complies  Complies partially  Explain

23. Directors should express their clear opposition when they consider a proposal submitted to the board could be contrary to the corporate interest. In particular, independent and other directors not affected by the potential conflict of interest should challenge any decision that could harm the interests of shareholders not represented on the board.

When the board makes significant or repeated decisions about which a director has expressed serious reservations, then such director must draw the pertinent conclusions and, should they choose to resign, explain their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the board secretary, even if they are not a director.

Complies  Comply partially  Explain  Not applicable

24. Directors who stand down before the end of their term of office, through resignation or otherwise, should explain their reasons in a letter to be sent to all board members. Irrespective of whether or not such resignation is disclosed as a significant event, the reasons should be explained in the annual corporate governance report.

Complies  Comply partially  Explain  Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to correctly perform their functions.

The board regulations should establish the maximum number of company boards on which directors may serve.

Complies  Complies partially  Explain

26. The board should meet with the frequency necessary to effectively perform its functions and at least eight times a year, in accordance with the schedule of dates and items established at the start of the year, and each director may propose the addition of items not initially included on the agenda.

Complies  Complies partially  Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should grant a proxy with instructions.

Complies  Complies partially  Explain

28. When directors or the secretary express concerns about any proposal or, in the case of directors, about the running of the company, and such concerns are not resolved at the board meeting, they should be recorded in the minutes book if the person expressing them so requests.

Complies  Complies partially  Explain  Not applicable



29. The company should provide suitable channels for directors to obtain the advice they need to perform their functions, including, if necessary, external advice at the company's expense.

Complies  Complies partially  Explain

30. Regardless of the knowledge directors must possess to perform their functions, the companies should also offer them refresher programs when circumstances so advise.

Complies  Explain  Not applicable

31. The agenda of board meetings should clearly indicate the items on which the board must adopt a decision or resolution so that directors can study the matter or gather together the material they need beforehand.

For reasons of urgency, the chairman may wish to submit decisions or resolutions for board approval that were not included on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded in the minutes, of the majority of directors present.

Complies  Complies partially  Explain

32. Directors should be regularly informed of movements in share ownership and of the views held by significant shareholders, investors and rating agencies on the company and its group.

Complies  Complies partially  Explain

33. The chairman, as the person responsible for the effective functioning of the board of directors, in addition to the functions attributed by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and items to be addressed; organize and coordinate the periodic evaluation of the board and, where appropriate, the company's chief executive officer; be responsible for the management of the board and for its effective functioning; ensure that sufficient time is given to the discussion of strategic matters, and approve and review refresher courses for each director, when circumstances so advise.

Complies  Complies partially  Explain

34. When a lead director has been appointed, the bylaws or board regulations should grant him or her the following powers, in addition to those conferred by law: to chair the board of directors in the absence of the chairman or deputy chairmen, if any; to voice the concerns of non-executive directors; to maintain contacts with investors and shareholders in order to ascertain their views and form an opinion about their concerns, especially those relating to the corporate governance of the company; and to coordinate the chairman's succession plan.

Complies  Complies partially  Explain  Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the applicable good governance recommendations contained in the Good Governance Code.

Complies  Explain

36. The plenary session of the board should conduct an annual evaluation, adopting, where necessary, an action plan to correct any weakness detected with respect to:

a) The quality and effective functioning of the board.

- b) The functioning and composition of its committees.
- c) The diversity of the composition and competencies of the board.
- d) The performance of the board chairman and the company's chief executive.
- e) The performance and contribution of each director, paying particular attention to the chairs of the various board committees.

The evaluation of the various committees should be based on the reports sent by them to the board of directors, while the board evaluation should be based on the report sent to it by the nomination committee.

Every three years, the board of directors should engage an external consultant to assist with the evaluation process whose independence should be verified by the nomination committee.

Any business dealings that the consultant or any company in its group has with the company or any company in its group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies  Complies partially  Explain

37. Where there is an executive committee, its composition in terms of the categories of directors should be similar to that of the board and the board secretary should also act as secretary to the executive committee.

Complies  Complies partially  Explain  Not applicable

38. The board should be kept fully informed of the business transacted and decisions adopted by the executive committee and all board members should receive a copy of the committee's minutes.

Complies  Complies partially  Explain  Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed having regard to their knowledge and experience in accounting, auditing or risk management matters and the majority of committee members should be independent directors.

Complies  Complies partially  Explain

40. Companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of the reporting and internal control systems and such unit should report to the board's non-executive chairman or the chairman of the audit committee.

Complies  Complies partially  Explain

41. The head of the unit handling the internal audit function should present an annual work program to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies  Complies partially  Explain  Not applicable

42. The audit committee should have the following functions in addition to those provided for in the law:

1. With respect to internal control and reporting systems:



- a) To monitor the preparation and integrity of the financial information relating to the company and, where appropriate, the group, checking its compliance with legislative requirements, the appropriate definition of the consolidated group, and the correct application of accounting principles.
- b) To monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-appointment and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programs, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular reports on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any potentially significant irregularities, particularly financial or accounting irregularities, that they detect at the company.

**2. With respect to the external auditor:**

- a) In the event of the resignation of the external auditor, to investigate the circumstances giving rise to such resignation.
- b) To ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) To ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements with the outgoing auditor and the substance of same.
- d) To ensure that the external auditor has an annual meeting with the plenary session of the board to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) To ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies  Complies partially  Explain

- 43. The audit committee should be empowered to meet with any company employee or executive, even ordering their appearance without the presence of another executive.**

Complies  Complies partially  Explain

- 44. The audit committee should be informed of any structural or corporate modifications planned by the company, so the committee can analyze them and report to the board beforehand on their economic conditions and accounting impact and, in particular, where applicable, the proposed exchange ratio.**

Complies  Complies partially  Explain  Not applicable

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

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks), with the

inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

- b) The risk level the company considers acceptable.
- c) The measures provided to mitigate the impact of identified risks, should they materialize.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies  Complies partially  Explain

46. Under the direct supervision of the audit committee or, as the case may be, a dedicated board committee, companies should establish an internal risk management and control function, exercised by one of the company's internal departments or units that expressly has the following functions:

- a) To ensure that risk management and control systems are functioning correctly and, in particular, that all major risks the company is exposed to are adequately identified, managed and quantified.
- b) To participate actively in the preparation of risk strategies and in key decisions about their management.
- c) To ensure that risk management and control systems are mitigating risks effectively within the framework of the policy drawn up by the board of directors.

Complies  Complies partially  Explain

47. When appointing members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee, if created separately –, companies should procure that they have the adequate knowledge, skills and experience for the functions they are called on to perform and that the majority of such members are independent directors.

Complies  Complies partially  Explain

48. Large cap companies should have separate nomination and remuneration committees.

Complies  Explain  Not applicable

49. The nomination committee should consult the board chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies  Complies partially  Explain

50. The compensation committee should operate independently and have the following functions in addition to those conferred by law:

- a) To propose to the board the standard terms of senior executive contracts.
- b) To monitor compliance with the remuneration policy set by the company.
- c) To periodically review the remuneration policy for directors and senior executives, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior executives of the company.

- d) To ensure that conflicts of interest do not jeopardize the independence of any external advice provided to the committee.
- e) To verify the information on director and senior executives' remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

Complies  Complies partially  Explain

51. The remuneration committee should consult the company's chairman and chief executive, especially on matters relating to executive directors and senior executives.

Complies  Complies partially  Explain

52. The rules on composition and functioning of the supervision and control committees should be set out in the board regulations and be consistent with those applicable to the board committees required by law, in line with the preceding recommendations, including:

- a) The committees should be made up exclusively of non-executive directors, with a majority of independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of the directors and each committee's mandate; discuss their proposals and reports; and the committees should report on their activities and the work performed at the first plenary session of the board following each committee meeting.
- d) The committees may seek external advice, when they feel it necessary for the performance of their functions.
- e) Minutes should be taken of the committee meetings and a copy made available to all board members.

Complies  Complies partially  Explain  Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy should be assigned to one board committee or split between several board committees, which may be the audit committee, the nomination committee, the corporate social responsibility committee, where there is one, or a dedicated committee established by the board under its powers of self-organization, with at the least the following functions:

- a) To monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) To oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) To periodically evaluate the effectiveness of the company's corporate governance system in order to ensure it fulfills its mission to promote the corporate interest and takes into account, as appropriate, the legitimate interests of the other stakeholders.
- d) To review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) To monitor the corporate social responsibility strategy and practices and assess the degree of compliance.

- f) To monitor and evaluate the company's interaction with its stakeholder groups.
- g) To evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) To coordinate non-financial and diversity reporting processes in accordance with the applicable legislation and international benchmarks.

Complies  Complies partially  Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Specific practices in matters relating to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the application of the specific practices referred to in the preceding letter, the associated risks and their management.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) The channels for stakeholder communication, participation and dialog.
- g) The responsible communication practices that prevent the manipulation of information and protect the company's honor and integrity.

Complies  Complies partially  Explain

55. The company should report on corporate social responsibility matters in its directors' report or in a separate document, using one of the internationally accepted methodologies.

Complies  Complies partially  Explain

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and remunerate the time commitment, competencies and responsibility that the office demands, but not so high as to compromise the independent judgment of non-executive directors.

Complies  Explain

57. Variable remuneration linked to company performance and the director's performance, as well as the award of shares, options or rights over shares or instruments linked to the share value and long-term savings schemes, such as pension plans, retirement systems or other employee welfare systems, should be confined to executive directors.

The company may consider the award of shares as remuneration for non-executive directors provided they retain such shares until the end of their term of office. This condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies  Complies partially  Explain

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

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

- a) Be linked to predetermined and measurable performance criteria that take into consideration the risk assumed to obtain a given outcome.
- b) Promote the sustainability of the company and include non-financial criteria that are appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk management and control policies.
- c) Be focused on achieving a balance between the fulfillment of short-, medium- and long-term objectives, such that performance-related remuneration rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation, in order to ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies  Complies partially  Explain  Not applicable

59. A major part of variable remuneration components should be deferred for a minimum period sufficient to ensure that predetermined performance criteria have effectively been met.

Complies  Complies partially  Explain  Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce the amount of such earnings.

Complies  Complies partially  Explain  Not applicable

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

Complies  Complies partially  Explain  Not applicable

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

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

Complies  Complies partially  Explain  Not applicable

63. Contractual arrangements should include provisions that allow the company to reclaim variable compensation components when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies  Complies partially  Explain  Not applicable

64. Payments for contractual termination should not exceed a fixed amount equal to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria.

# DIA

Complies  Complies partially  Explain  Not applicable

## **H** OTHER INFORMATION OF INTEREST

1. If there are any material aspects relating to corporate governance at the company or at group entities that have not been addressed elsewhere in this report and which are necessary to provide a more comprehensive and reasoned view of the corporate governance structure and practices at the company or group, provide a brief explanation.
2. You may include in this section any other information, clarification or qualification related to the previous sections of this report to the extent they are significant and not repetitive.

Specifically, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include any information it is obliged to provide if different to that required in this report.

3. Also state whether the company voluntarily adheres to other codes of ethics or standard practices, at international, sectoral or any other level. If so, give details of the code and the date of adhesion. In particular, state whether the company has adhered to the Code of Good Tax Practices of July 20, 2010.

This annual corporate governance report was adopted by the company's Board of Directors at the meeting held on March 25, 2020.

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

Yes

No

<b>Name or corporate name of board members that did not vote in favor of approving this report</b>	<b>Reasons (voted against, abstention, did not attend)</b>	<b>Explain the reasons</b>

<b>Remarks</b>
The Company adhered to the Code of Good Tax Practices on September 3, 2019.

Auditor's report on the "Disclosures Regarding the Internal Control Over Financial Reporting System" of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. for 2019





## AUDITOR'S REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM"

Translation of the originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Board of Directors of Distribuidora Internacional de Alimentación, S.A.

As per the request made by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (hereinafter, the Company) and our proposal letter of February 7, 2020, we have applied certain procedures in relation to the "ICFR disclosures" detailed in Section F of the Annual Corporate Governance Report (ACGR) of Distribuidora Internacional de Alimentación, S.A., for 2019, which summarize the Company's internal control procedures in respect to its annual financial information reporting.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the accompanying ICFR disclosures.

Against this backdrop, it is important to note that, regardless of the quality of design and effective functioning of the ICFR system adopted by the Company in respect to its annual financial information reporting effort, the later can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal control was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity's ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report, published by Spain's Securities Market Regulator (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the products resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design as effective functioning in respect of the Company's 2019 financial reporting disclosures, as described in the accompanying ICFR disclosures. Consequently, had we performed additional procedures to those stipulated in the above mentioned that the Company is required to present, other matter might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Spanish Auditing Standards, we do not express an opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Read and understand the information prepared by the Company in relation to the ICFR – which is provided in the Director’s Report disclosure – and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the ACGR model established by CNMV Circular n° 5/2013 dated June 12, 2013 amended by Circular n° 7/2015 dated December 22, 2015 and Circular 2/2018 dated June 12, 2018 (hereinafter, the Circulars of the Spanish National Securities Market Commission).
2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.
3. Reviewing the explanatory documents supporting the information detailed in item 1 above, including documents directly made available to those responsible for describing the ICFR system. The documentation to be reviewed may include reports prepared for the audit committee by internal audit function, senior management and other internal or external specialists.
4. Comparing the information detailed in item 1 above with the knowledge of the Company’s ICFR system obtained through the external audit procedures applied during the annual audit.
5. Reading the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.
6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company’s ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively within the framework of the requirements established by article 540 of the consolidated text of the Corporate Enterprises Act and by Circulars of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original Spanish version)

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José Luis Ruiz

April 8, 2020