Report prepared by the Nomination and Remuneration Committee of Distribuidora Internacional de Alimentación, S.A. on the proposal for approval of the Directors' Remuneration Policy to be submitted under item Fifth of the Agenda for the Annual Shareholders' Meeting to be held in Madrid on April 19, 2018, on first call, or on April 20, 2018, on second call.

This document was prepared in compliance with article 529 *novodecies* of Law 31/2014, of December 3, 2014, amending the Capital Companies Law (*Ley de Sociedades de Capital* or "**LSC**") for the improvement of corporate governance. Pursuant to the aforesaid article, the Shareholders' Meeting has the obligation to approve the directors' remuneration policy, which must include rules on the remuneration of non-executive directors and on that of directors who discharge executive functions, given that, in accordance with article 529.5, any remuneration received by directors who discharge executive functions must be in line with the directors' remuneration policy in force at any given time.

The remuneration policy will be multi-year and must be submitted to the approval of the Shareholders' Meeting at least every three years, as a separate item on the agenda.

Pursuant to article 529 *novodecies*, the directors' remuneration policy must be reasoned and must be accompanied by a specific report by the Nomination and Remuneration Committee. Both documents must be posted on the corporate website as soon as the Shareholders' Meeting is called, and shareholders are expressly granted the right to request the delivery or sending of said documents free of charge, which right must be expressly stated in the Shareholders' Meeting call notice.

This document is the reasoned legal report justifying the proposed directors' remuneration policy for the years 2019, 2020 and 2021 detailed below, to be submitted to the Board of Directors for approval and thereafter to the Annual Shareholders' Meeting.

DIA

1. Background

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. ("**DIA**" or the "**Company**") applied the transitional regime of the LSC, pursuant to which the approval of the directors' remuneration policy by the 2015 Shareholders' Meeting on a consultative basis was deemed to entail the approval, for the purposes of article 529 *novodecies*, of the company's remuneration policy set forth therein.

Accordingly, because the annual director's remuneration report was approved on a consultative basis by the 2015 Annual Shareholders' Meeting of DIA, the directors' remuneration policy described in said report has remained in force for the three years following the year in which it was approved by the Shareholders' Meeting (that is, up to and including 2018).

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

Pursuant to article 42.3.(g) of the bylaws of DIA, the NRC is the body in charge of proposing to the Board *"(...) the remuneration policy for directors and for general managers or for those who discharge senior management functions and are directly dependent on the Board, on committees or on managing directors, (ii) the individual remuneration of executive directors and all other contract terms, ensuring that they are complied with, and (iii) the basic terms of the contracts of senior managers"*.

In compliance with the foregoing, the NRC has resolved to bring before the Board this report on the new directors' remuneration policy of DIA (the "**Policy**" or the "**Remuneration Policy**"), the approval of which is proposed to the Shareholders' Meeting under item Fifth on the Agenda.

2. The Nomination and Remuneration Committee

As stipulated in article 39 of the Board Regulations of DIA, the NRC is formed exclusively by the number of non-executive directors (most of which must also be independent) determined by the Board, with a minimum of three (3) and a maximum of (5).

At of the date of this report, the NRC is made up of three directors with experience in the matters specific to this committee and with the capacity to perform a suitable and independent appraisal of remuneration policies and practices.

Name	Office	Type
Mariano Martín Mampaso	Chairman	Independent
Antonio Urcelay Alonso	Member	Other non-executive
Angela Lesley Spindler	Member	Independent

Pursuant to article 39 of the Board Regulations, the NRC has the following powers:

- To propose to the Board (a) the remuneration policy for directors and for general managers or for those who discharge senior management functions and are directly dependent on the Board, on committees or on managing directors, (b) the individual remuneration of executive directors and all other contract terms, ensuring that they are complied with, and (c) the basic terms of the contracts of senior managers.
- To analyze, prepare and periodically review the remuneration policy applied to executive directors and to the management team (including share-based remuneration schemes and their application), and to ensure that their remuneration is proportional to that paid to the other directors and members of the management team and to other members of the Company's personnel.
- To ensure that the remuneration policy established by the Company is complied with.

- To assist the Board when preparing the report on the directors' remuneration policy, and to bring before to the Board any other remuneration reports provided for in the Board Regulations, checking the information on the remuneration of directors and senior managers set forth in the various corporate documents, including the annual directors' remuneration report.

The NRC will meet as often as is necessary, in the opinion of its chairman, who must call a meeting whenever the issue of a report or the adoption of proposals is required and, in any case, whenever advisable for the proper discharge of its functions.

3. Analysis, review and proposal regarding the Directors' Remuneration Policy of DIA to be presented for approval to the Shareholders' Meeting

Exercising its powers, the NRC has analyzed the Remuneration Policy (having regard to the evolution of the system of regulatory supervision and market practices) and brought specific proposals before the Board in this connection so that, as the case may be, they may be amended and such amendments may be reflected in the Remuneration Policy submitted to the Shareholders' Meeting.

This Policy will apply to the remuneration of the directors of DIA for the three years following its approval by the Shareholders' Meeting (i.e., for 2019, 2020 and 2021), unless the Shareholders' Meeting adopts a resolution that amends it during the years it is in force.

The analysis and review of the Directors' Remuneration Policy performed by the NRC was concluded with the submission of a new policy to the Shareholders' Meeting, for its approval, which new policy upholds the principles and grounds of the previous policy. In fact, the general principles and grounds of the remuneration scheme established for directors are aimed at ensuring that such remuneration is reasonably proportional to the importance of the Company, its financial position and the market standards for comparable enterprises. The established remuneration scheme, especially in the case of executive directors, is aimed at promoting the Company's long-term profitability and sustainability, and includes the precautions necessary to avoid excessive assumption of risk and the reward of unfavorable results.

Pursuant to article 39 of the bylaws and to article 33 of the Board Regulations, the Remuneration Policy distinguishes between (i) the remuneration received by directors, for the office of director, and (ii) the remuneration received by directors who discharge executive functions (“**Executive Directors**”).

3.1 Directors’ remuneration, for the office of director

Pursuant to article 39 of the bylaws, the maximum overall remuneration of directors for the office of director will be set by the Shareholders’ Meeting. This remuneration will consist of a monthly fixed amount (paid, as decided by the Board, totally in cash or partly in cash and partly in shares) and per diems for attending meetings. Within the upper limit established by the Shareholders’ Meeting, the Board of Directors will establish the specific amount to be received by each director each year, in accordance with the provisions of article 39.2 of the bylaws.

In accordance with the criteria approved by the Board, with the favorable report by the Nomination and Remuneration Committee, the maximum total amount of the remuneration set by the Shareholders’ Meeting will be distributed among the directors by means of payment of a fixed allowance and the payment of per diems for attending Board and Committee meetings.

These amounts will remain unchanged until the Board resolves to modify them, which will be reported in the Annual Directors’ Remuneration Report to be submitted to the consideration of the Shareholders’ Meeting each year.

If new members are included on the Board while this Policy is in force, they will be subject to the same remuneration scheme.

3.2 Remuneration of Executive Directors

The remuneration scheme applicable to Executive Directors complies with the corporate law provisions set forth in the LSC, as well as with those of article 39 of the bylaws and article 33 of the Board Regulations.

The remuneration scheme of Executive Directors can be broken down into the following items:

a) Annual fixed remuneration based on level of responsibility and professional career at DIA. This remuneration may in turn be made up of the following items:

- Fixed remuneration in cash, constituting a significant part of the total remuneration;

- certain types of remuneration in kind.

b) Variable remuneration which may be made up of the following items:

    - annual variable remuneration: related, inter alia, to the performance of specific, predetermined and quantifiable economic, financial, industrial and operational Company objectives. These objectives must be in line with the interests of DIA shareholders and with the Company's strategic plan. The individual performance of Executive Directors can also be appraised, all of the foregoing notwithstanding the possibility of weighting other objectives, in particular, objectives connected with corporate governance and corporate social responsibility, which may be quantitative or qualitative;

    - Long-term variable remuneration: Executive Directors can participate in long-term incentive plans related to strategic conditions and objectives, payable in cash or in shares, established by the Company for its senior managers, which plans may contain annual grant cycles. These plans will be linked to strategic Company metrics and to the creation of value for Company shareholders. They may include metrics related to total shareholder return, to the EBITDA of the group, to sales or to any other metric chosen in each case by the Board at the proposal of the NRC. Approval of the plans will require the related resolution of the Shareholders' Meeting, which must detail the general characteristics of the plans.

If comparable groups are used to determine the objectives to be performed, the Board, following a report by the NRC, will stipulate the companies or indices to be used for comparison, stating how each metric is to be weighted for each of the plans and their related cycles.

Payment of the incentive under these plans will include the deferral of 50% of any incentive eventually paid.

Plans will be recurring over time. If the scheme is related to Company shares, its terms and conditions will be submitted to the Shareholders' Meeting of DIA. In turn, the main characteristics of this remuneration will be included, if appropriate, in the related Annual Remuneration Report.

Lastly, the new Remuneration Policy upholds the principle and grounds of the former policy and contains the application of a clawback clause on the total variable remuneration received by the executive director.

4. Conclusion

Having regard to the foregoing, the Nomination and Remuneration Committee concludes that the Directors' Remuneration Policy submitted by the Board to the Shareholders' Meeting for approval complies with the legislation in force and is in line with the most recent recommendations and best practices regarding remuneration, and also complies with the following principles:

- The amount of the remuneration is in line with a principle of prudence and serves as an incentive to compensate directors' dedication, qualification and responsibility, without being an obstacle to their duty of loyalty.

- It complies with the principles and recommendations assumed by the Company in matters of good corporate governance, as well as those stipulated in its Code of Ethics.

- It takes into account to market trends, is positioned vis-à-vis the market in accordance with the Company's strategic plan, and effectively serves to attract, motivate and retain the best professionals.

- The directors' remuneration, for the office of director, is exclusively of a fixed nature, based on membership and attendance of Board and Committee meetings, and does not include variable components.

- The remuneration scheme is compatible with suitable and effective risk management, consistent with the risk management policy approved at the Company and is in line with the objectives of DIA shareholders.

- The remuneration of Executive Directors is based on a medium and long term vision, so as to encourage the directors’ performance in strategic terms.

All of the foregoing, in the opinion of the Nomination and Remuneration Committee, enables DIA to have a suitable remuneration policy for the coming years, in line with the interests of its shareholders.