



**REPORT MADE BY THE NOMINATION AND REMUNERATION COMMITTEE OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. JUSTIFYING THE AMENDMENT OF THE BOARD OF DIRECTORS REGULATIONS REFERRED TO IN INFORMATIVE ITEM TWELVE ON THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING CALLED FOR 19 APRIL 2018 AND 20 APRIL 2018, ON FIRST AND SECOND CALL, RESPECTIVELY**

**I. Purpose of the report**

This Report is made by the Nomination and Remuneration Committee of Distribuidora Internacional de Alimentación, S.A. (hereinafter, “DIA” or the “Company”), in accordance with article 4.2 of the Board of Directors Regulations of the Company, in order to support the proposal regarding the amendment of the referred Regulations.

**II. Rationale for the proposal**

As it is known, it is a Board’s competence, without delegation, to approve the general policies and strategies of the Company and, among others, the strategic or business plan, as well as the management objectives and the annual budget (art. 5.4.(a) of the Board of Directors Regulations).

The Board of Directors is convinced of the need to continue to permanently delve into the Group’s overall strategy, reinforcing the resources devoted to this matter and the supports that may contribute to a more effective strategic valuation and to a better supervision of the implementation of the strategies adopted at any given time.

As a result, the Nomination and Remuneration Committee has been required for the purpose of submitting to the Board the necessary proposals to set up a new committee within the Board, with functions of consultation and proposal on the Group’s strategy and analysis, as well as the establishment of its rules of functioning, authorities and the appointment of its members.

For such purposes, the Committee has examined the best practices followed in the industry, in the Spanish market and in other markets (specially in France and England) when analyzing the manner in which this kind of committees are organized.

In light of the foregoing, the Nomination and Remuneration Committee has agreed to submit to the Board of Directors a proposal to set up a Strategy Committee, which will allow the Company to have a small, agile and specially dedicated working group to which, without prejudice to the total responsibilities that correspond to the Board concerning strategy, the main following functions, as well as such other tasks the Board or its President may agree from time to time, will be assigned:

- a) To assess and propose to the Board of Directors medium- and long-term strategic lines for DIA Group.
- b) To advise, inform and provide support to the Board of Directors within the periodic monitoring of the DIA Group’s strategy implementation, continuously assessing, among other aspects, whether it conforms to its business sector, the conditions and challenges faced by the markets in which it should operate, the



applicable regulatory framework and the Group's resources, abilities, and development and growth potential.

- c) To assess the appropriateness and, where applicable, propose new investments and divestments and development plans or restructuring processes which are of a strategic nature.
- d) To facilitate collaboration and coordination with the Group Management in all the above matters.
- e) Any other duties related to its authority and which are requested by the Board of Directors or its Chairperson.

In light of the foregoing, the Nomination and Remuneration Committee has unanimously agreed to submit to the Board of Directors, in accordance with the competences listed in article 529 *terdecies* section 1 of the Spanish Companies Act, section 3 and 4 of article 40 of the Articles of Association and articles 5.4.(b).iii and 15.3 of the Regulations of the Board of Directors, the proposal of amendment of the current Board of Directors Regulations by means of inclusion of a new article 38 bis in the form and with the content attached hereto:

**Article 38bis**                      **Strategy committee**

1. *The board of directors may establish a strategy committee which will be comprised of a minimum of three (3) directors and a maximum of five (5), from which the majority will be independent or "other external directors". The members of the strategy committee will be appointed by the board of directors.*
2. *The board of directors will appoint a chairperson from among the members of the strategy committee, who will be an "independent" director in any event, and the secretary will be the secretary to the board or, in his/her absence, the person appointed by the committee itself (the secretary is not required to be a member thereof).*
3. *The members of the strategy committee shall have appropriate knowledge, skills and experience to the tasks they are called upon to perform.*
4. *Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors or its chairperson, the strategy committee will have, in any event, the following authorities:*
  - (i) *Assessing and proposing to the board of directors medium- and long-term strategic lines for DIA Group.*
  - (ii) *Advising, informing and providing support to the board of directors within the periodic monitoring of the DIA Group's strategy implementation, continuously assessing, among other aspects, whether it conforms to its business sector, the conditions and challenges faced by the markets in which it should operate, the applicable regulatory framework and the Group's resources, abilities, and development and growth potential.*
  - (iii) *Assessing the appropriateness and, where applicable, proposing new investments and divestments and development plans or restructuring processes which are of a strategic nature.*



- (iv) *Facilitating collaboration and coordination with the group management in all the above matters.*
5. *The strategy committee will meet with the frequency determined by the members or as often as necessary, in the opinion of its chairperson. The committee will be called by the chairperson of the committee, on his own initiative, or on request of the chairperson of the board of directors or two members of the committee itself. The call will be sent in the manner established in the Regulations to call the board of directors.*
  6. *The strategy committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy. In the event of a tie, the chairperson will have a casting vote.*
  7. *When so requested by the committee, the members of the management team and the employees of the Company are required to attend meetings of the strategy committee and cooperate with it. Furthermore, when it deems it to be necessary for appropriate fulfilment of its duties, the committee may seek and contract the advice of outside experts.*
  8. *The board of directors will establish the eventual additional fees that, if appropriate, shall be paid to the members of the strategy committee as a result of the functions performed.*
  9. *Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board. The minutes will be available to all members of the board at the office of the secretary, but will not be subject to sending or delivery on a discretionary basis, unless the chairperson of the committee provides otherwise.*
  10. *In the absence of an additional specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the strategy committee.*

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Madrid, 15 March 2018