



REPORT OF THE BOARD OF DIRECTORS OF “DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN S.A.” REGARDING THE RATIONALE FOR THE PROPOSED RE-ELECTION AND/OR RATIFICATION OF MR RICHARD GOLDING, MR MARIANO MARTÍN MAMPASO, MR ANTONIO URCELAY ALONSO, MR BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR AND MS MARIA LUISA GARAÑA CORCES AS DIRECTORS OF THE COMPANY

I. Purpose of the report

This report is prepared by the Board of Directors of “Distribuidora Internacional de Alimentación S.A.” (“**DIA**” or the “**Company**”) in compliance with the provisions of subsection 5 of section 529 *decies* of Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Companies Act (*Ley de Sociedades de Capital*) (the “**Spanish Companies Act**”), in order to provide a detailed rationale for the proposed re-election and/or ratification and, in particular, the proposed re-election of Mr Richard Golding, Mr Mariano Martín, and Mr Antonio Urcelay, as well as the ratification and re-election of Mr Borja de la Cierva and Ms María Luisa Garaña (collectively, the “**Candidates**”) as directors of the Company, with particular emphasis on their competence, experience and merits. The guidelines in the Company’s Directors Selection Policy, approved by the Company on 11 December 2015, have been followed when drafting this report and the subsequent proposals.

The Candidates will be classified as follows:

- Mr Richard Golding as “independent director”.
- Mr Mariano Martín Mampaso as “independent director”.
- Mr Antonio Urcelay Alonso as "other external director”.
- Mr Borja de la Cierva Álvarez de Sotomayor as “independent director”.
- Ms María Luisa Garaña Corces as “independent director”.

In accordance with the foregoing, below is the individual assessment by the Board of Directors of the competence, experience and merits of the various Candidates, and their suitability to perform their duties as directors of DIA, in light of the proposal (**Annex I**) or of the report (**Annex II**) prepared by the Nomination and Remuneration Committee, as appropriate pursuant to subsections 4 and 6 of section 529 *decies* of the Spanish Companies Act, which the Board adheres to in its entirety.

In addition, in order to comply with the requirements of section 518.e) of the Spanish Companies Act, this report also provides full information on the identity, *curriculum vitae* and category to which the Candidates belong.



II. Rationale for the proposal

A. Mr Richard Golding

1. Background and education

Mr Richard Golding was born in the United Kingdom in 1949. He holds a degree in Business Administration from the London Thames University.

2. Noteworthy professional experience for the holding of the Candidate's positions at the Company

Mr Richard Golding boasts a long professional track record on managing positions and boards of directors since he has held, among others, the positions of Marketing Manager at Cadbury, Schweppes and Chairman and Regional Chief Executive Officer at the multinational corporation RJR Nabisco. Furthermore, he has also been Chairman, CEO and member of the Board of Directors of Parques Reunidos. He is currently Operating Partner Consultant at Hill Path Capital, Industry Advisor at Advent International and Consultant at Parques Reunidos.

He was appointed Director of the Company for the first time on 5 July 2011, being re-elected by the General Meeting on 25 April 2014.

3. Membership of other boards of directors

Mr Golding is currently Chairman and director at Memora Group.

4. Category

Mr Richard Golding has been proposed for his re-election on the basis of his personal and professional qualifications, and can discharge his duties without being constrained by relationships with the Company, its major shareholders or its executive officers. In consequence, the Nomination and Remuneration Committee considers him an independent director since, according to the information received, he meets the requirements established in section 4 of article 529 *duodecies* of the Spanish Companies Act and article 20 of the Regulations of the Board of Directors.

5. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company, of which the Candidate is a holder

Mr Golding has declared to be the direct holder of 931,309 shares of the Company.

6. Requirements for the appointment

The Nomination and Remuneration Committee considers that the *curriculum vitae*, the professional experience and the positions held by Mr Richard Golding certify that he meets the



requirements of respectability, capability, recognised expertise, competence and experience for the position as independent director on the Board of Directors of the Company.

Specifically, the Nomination and Remuneration Committee believes that, in the particular case of Mr Golding, in order to be able to properly perform the duties of the proposed position, the candidate appropriately combines sufficient qualifications, skills and experience in the following areas:

- (a) the international and domestic markets and industry sectors in which DIA does business;
- (b) economic and financial matters, management of highly qualified human resources, and legal and regulatory frameworks;
- (c) proven track record in value creation;
- (d) absence of conflict of interest and availability of time to attend at least eight meetings per year in Spain;
- (e) strong international strategic business vision;
- (f) experience as a director in business management, leadership and strategy;
- (g) the highest level of ethics, representation and respect for the business community in general; and
- (h) the highest level of loyalty, commitment and sufficient dedication to the project of the Company.

The Board of Directors has also concluded that Mr Golding meets these requirements due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public.

As regards the evaluation of the work and effective dedication of the director since his re-election by the General Meeting in 2014 as to date, this Committee confirms the adequate performance of his duties and his attendance to and informed participation at the meetings of the Board and the Audit and Compliance Committee, the presidency of which he holds since May 2015. Moreover, his wide experience in DIA Group has provided him a detailed knowledge of the Company and of its Group, including its governance rules.

It has also been confirmed that he does not incur, directly or indirectly, in any legal or internal incompatibility, prohibition, conflict or opposition to the Company's interests as stated in the applicable general regulations or DIA internal rules.



It has also been verified that, according to the information provided by Mr Golding, he does not exceed the maximum number of boards of directors of which he may be a member pursuant to article 19.6 of the Regulations of the Board of Directors.

7. Conclusion

From the information received it can be inferred that Mr Richard Golding has the required competence, experience and merits to perform the duties of his position. Accordingly, the Nomination and Remuneration Committee has proposed to the Board of Directors of the Company the re-election of Mr Richard Golding as independent director of the Company, proposal and assessment that the Board embraces.

B. Mr Mariano Martín Mampaso

1. Background and education

Mr Mariano Martín Mampaso was born in Spain in 1952. He holds a degree in Economics from Universidad Complutense of Madrid.

2. Noteworthy experience for the holding of the Candidate's positions at the Company

Mr Martín has built his professional career in the private sector. In 1976 he joined Procter & Gamble, where he spent 33 years, holding different responsibilities in Spain and elsewhere. He resigned from his last position as the company's world sales chairman in June 2009. He has been a member of the Board of Directors of the Spanish Association for the Commercial Codification (AECOC), the Governing Board of GS1 US, the Executive Board of Global Commerce Initiative and the Board of Directors of Zinkia Entertainment, S.A.

He was first appointed director of the company on 5 July 2011, and was re-elected by the General Meeting on 25 April 2014.

3. Membership of other boards of directors

Mr Martín is currently not a member of any other board of directors.

4. Category

Mr Mariano Martín Mampaso has been proposed for his re-election on the basis of his personal and professional qualifications, and can discharge his duties without being constrained by relationships with the Company, its major shareholders or its executive officers. In consequence, the Nomination and Remuneration Committee considers him an independent director since, according to the information received, he meets the requirements established in section 4 of article 529 *duodecies* of the Spanish Companies Act and article 20 of the Regulations of the Board of Directors.



5. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company, of which the Candidate is a holder

Mr Martín has declared to be the direct holder of 50,251 shares of the Company.

6. Requirements for appointment

The Nomination and Remuneration Committee considers that the *curriculum vitae*, the professional experience and the positions held by Mr Mariano Martín Mampaso, certify that he meets the requirements of respectability, capability, recognised expertise, competence and experience for the position as independent director on the Board of Directors of the Company.

Specifically, the Nomination and Remuneration Committee believes that, in the particular case of Mr Martín, in order to be able to adequately perform the duties of the proposed position, the candidate appropriately combines sufficient qualifications, skills and experience in the areas described in section II.A.6 above.

The Board of Directors has also concluded that Mr Martín meets these requirements due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public.

As regards the evaluation of the work and effective dedication of the director since his re-election by the General Meeting in 2014 as to date, this Committee confirms the performance of his duties and his attendance to and informed participation at the meetings of the Board and the Nomination and Remuneration Committee, the presidency of which he holds since May 2015. Moreover, his wide experience in DIA Group has provided him a detailed knowledge of the Company and of its Group, including its governance rules.

It has also been confirmed that he does not incur, directly or indirectly, in any legal or internal incompatibility, prohibition, conflict or opposition to the Company's interests as stated in the general applicable regulations or DIA internal rules.

It has also been verified that, according to the information provided by Mr Martín, he does not exceed the maximum number of boards of directors of which he may be a member pursuant to article 19.6 of the Regulations of the Board of Directors.

7. Conclusion

From the information received it can be inferred that Mr Mariano Martín has the required competence, experience and merits to perform the duties of his position. Accordingly, the Nomination and Remuneration Committee has proposed to the Board of Directors of the Company the re-election of Mr Mariano Martín as independent director of the Company, proposal and assessment that the Board embraces.



C. Mr Antonio Urcelay Alonso

1. Background and education

Mr. Antonio Urcelay Alonso was born in Spain in 1952. He holds a degree in Law from Universidad Complutense of Madrid.

2. Noteworthy experience for the holding of the Candidate's positions at the Company

Mr Antonio Urcelay Alonso boasts a long professional track record on boards of directors since he has held, among others, the following positions: he worked in the marketing department of Procter & Gamble, as General Manager of Ahold España, as practising lawyer in the law firm J. y B. Cremades, as General Director of Digma S.A. supermarket chain and, subsequently, of Leche Pascual, S.A. He joined Toys R Us in 1996, where he performed different responsibilities in Spain and abroad. Between 2013 and 2015, he chaired the Board of Directors of Toys R Us Inc, and was appointed Chief Executive Officer, with responsibility for the company's entire business worldwide. He has also been a member of the Board of Directors of Tuc Tuc, S.L.

He was first appointed director of the Company on 5 July 2011, and was re-elected by the General Meeting on 25 April 2014.

3. Membership of other boards of directors

Mr Antonio Urcelay Alonso is currently a member of the Board of Directors of Calidad Pascual, S.A., Corporación Empresarial Pascual, S.L. and Kipenzi, S.L.

4. Category

Mr Antonio Urcelay Alonso has been proposed for his re-election on the basis of his personal and professional qualifications.

Mr Antonio Urcelay is an independent director (non-executive) of Corporación Empresarial Pascual, S.L. (May 2016) and Calidad Pascual, S.A. (July 2016), companies of Grupo Pascual with which DIA holds business relations, the former being the provider of dairy products and soft drinks of several brands for DIA's stores and franchises.

In light of these circumstances and taking into consideration the nature of the business relations between DIA and Grupo Pascual, the Nomination and Remuneration Committee and the Board of Directors of the Company, deem Mr Antonio Urcelay to be an "other external director", pursuant to the provisions of subsection 4 of section 529 *duodecies* of the Spanish Companies Act, on the basis of, on the one hand, his position as independent director of the companies Corporación Empresarial Pascual S.L. and Calidad Pascual, S.A., belonging to the Grupo Pascual and, on the other hand, the fact that Grupo Pascual holds the aforementioned business relations with DIA.



5. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company, of which the Candidate is a holder

Mr Antonio Urcelay Alonso has declared to be the holder of 33,536 shares of the Company.

6. Requirements for appointment

On the basis of the information provided by the candidate, the Nomination and Remuneration Committee considers that the *curriculum vitae*, the professional experience and the positions held by Mr Antonio Urcelay, certify that he meets the requirements of respectability, capability, recognised expertise, competence and experience for the position of independent director on the Board of Directors of the Company.

In particular, the Nomination and Remuneration Committee believes that, in the specific case of Mr Antonio Urcelay, in order to be able to adequately perform his duties of supervision and control over the DIA group, the candidate appropriately combines sufficient qualifications, skills and experience in the areas described in section II.A.6 above.

The Board of Directors has also concluded that Mr Antonio Urcelay meets these requirements due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public, as well as in positions of business management of supermarkets and retail distribution.

As regards the evaluation of the work and effective dedication of the director since his re-election by the General Meeting in 2014 as to date, this Committee confirms the adequate performance of his duties and his attendance to and informed participation at the meetings of the Board and the Nomination and Remuneration Committee, which he has been a member of since June 2015. Moreover, his wide experience in DIA Group has provided him a detailed knowledge of the Company and of its Group, including its governance rules.

It has also been confirmed with Mr Antonio Urcelay Alonso that, despite the aforementioned relations between Mr Urcelay and Grupo Pascual, he does not incur, directly or indirectly, in any legal or internal incompatibility, prohibition or conflict, opposition to the Company's interests as stated in the applicable general regulations or DIA internal rules.

It has also been verified that, according to the information provided by Mr Antonio Urcelay Alonso, he does not exceed the maximum number of boards of directors of which he may be a member pursuant to article 19.6 of the Regulations of the Board.

7. Conclusion

From the information received it can be inferred that Mr Antonio Urcelay Alonso has the required competence, experience and merits to perform the duties of his position. The Board therefore proposes the re-election of Mr Antonio Urcelay Alonso with the classification of "other



external director” on the basis of a prior favourable report by the Nomination and Remuneration Committee.

D. Mr Borja de la Cierva Álvarez de Sotomayor

1. Background and education

Mr Borja de la Cierva Álvarez de Sotomayor was born in Spain in 1962. He holds a degree in Business Administration from Universidad of Santiago de Compostela and a Master’s in Business Administration from Universidad of Vigo. He is a certified accountant.

2. Noteworthy experience for the holding of the Candidate’s positions at the Company

Mr de la Cierva has developed his career in three essential areas. Initially, he developed a professional career in auditing at Arthur Andersen for nine years. He joined the General Financial Management of Inditex, S.A. in 1995, where he developed his career until 2006 as Group Chief Financial Officer, joining later El Corte Inglés, S.A. where he held the positions of Subdirector of Sales and, more recently, Supply Chain Director, until May 2016.

Furthermore, it is also worth noting his academic and research activity. He has taught in several universities and business schools in Spain and abroad. In addition, he has been member of the Consulting Team for the European Transparency Directive and the Accounting Experts of the Spanish Commission for the implementation of IFRS standards in public companies. He has been a member of the Board of Unirisco SCR, the first University Venture-Capital Company authorised by the Spanish Securities and Exchange Commission.

Mr de la Cierva was appointed director by co-option by resolution of the Board of Directors of the Company dated 5 September 2016 at the proposal of the Nomination and Remuneration Committee. His ratification will thus be submitted to the next general meeting, as described below.

To fill the existing vacancy on the Board of Mr Pierre Cuilleret, the Nomination and Remuneration Committee and the Board of Directors carried out a selection process in accordance with the Company’s Directors Selection Policy guidelines to find a candidate who would enrich decision-making, contribute multiple viewpoints to the debate of matters within the Board of Directors of the Company and who might be classified as independent, in order to maintain a proper balance in the composition of the Board of Directors.

3. Membership of other boards of directors

Mr de la Cierva is currently not a member of any other boards of directors.

4. Category

Mr Borja de la Cierva Álvarez de Sotomayor has been proposed on the basis of his personal and professional qualifications, and can discharge his duties without being constrained by

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relationships with the Company, its major shareholders or its executive officers. The Nomination and Remuneration Committee therefore considers him an independent director since, according to the information received, he meets the requirements established in section 4 of article 529 *duodecies* of the Spanish Companies Act and article 20 of the Regulations of the Board of Directors.

5. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company, of which the Candidate is a holder

Mr Borja de la Cierva has declared to be the holder of 12,260 shares of the Company.

6. Requirements for appointment

On the basis of the information provided by the candidate, the Nomination and Remuneration Committee considers that the *curriculum vitae*, the professional experience and the positions held by Mr Borja de la Cierva Álvarez de Sotomayor, certify that he meets the requirements of respectability, capability, recognised expertise, competence and experience for the position of independent director on the Board of Directors of the Company.

Specifically, the Nomination and Remuneration Committee believes that, in the specific case of Mr de la Cierva, in order to be able to adequately perform his duties of supervision and control of the DIA group, the candidate appropriately combines sufficient capabilities, skills and experience in the following areas:

- (a) the international and domestic markets and industry sectors in which DIA does business;
- (b) economic and financial matters, (with special expertise, experience and knowledge in accountancy and risk management), management of highly qualified human resources, and legal and regulatory frameworks;
- (c) strong record of creating shareholder value;
- (d) legislation, best practices and recommendations in corporate governance;
- (e) strong international strategic business vision;
- (f) experience as a director in business management, leadership and strategy;
- (g) the highest level of ethics, representation and respect for the business community in general; and
- (h) the highest level of loyalty, commitment and sufficient dedication to the project of the Company.

The Board of Directors has also concluded that Mr de la Cierva meets these requirements due to his outstanding knowledge and his wide professional and practical experience in positions of

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business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public as well as in positions of business management of retail distribution.

As regards the evaluation of the work and effective dedication of the director since he joined the Company in September 2016 as to date, this Committee confirms the adequate performance of his duties and his attendance to and informed participation at the meetings of the Board and the Nomination and Remuneration Committee (which he is member of since September 2016).

It has also been confirmed with Mr de la Cierva that he does not incur, directly or indirectly, in any legal or internal incompatibility, prohibition, conflict or opposition to the Company's interests as stated in the general applicable regulations or DIA internal rules.

It has also been verified that, according to the information provided by Mr de la Cierva, he does not exceed the maximum number of boards of directors of which he may be a member pursuant to article 19.6 of the Regulations of the Board.

7. Conclusion

From the information received it can be inferred that Mr Borja de la Cierva Álvarez de Sotomayor has the required competence, experience and merits to perform the duties of his position. The Board therefore endorses the proposal of the Nomination and Remuneration Committee for the ratification and re-election of Mr Borja de la Cierva Álvarez de Sotomayor as independent director of the Company.

E. Ms María Luisa Garaña Corces

1. Background and education

Ms María Luisa Garaña Corces was born in Spain in 1968 and holds a double degree in Law and Business Administration by the University of San Pablo CEU. In addition, Ms Garaña holds a Master's in Business Administration by Harvard University.

2. Noteworthy experience for the holding of the Candidate's positions at the Company

Ms Garaña has developed her career across different sectors (telecommunication, banking and utilities) and countries, which has provided her with an extensive international experience in different areas (including sales, marketing, distribution and business development) where she has held different positions.

She started her career in the banking sector in 1992 when she joined Citibank as Analyst, where she worked briefly before accepting an offer from Andersen Consulting as Senior Consultant in their Strategic Services Division. During three years she worked on many international projects, in the telecommunication, banking and utilities sector.

She enrolled in an MBA from Harvard University in 1996, which she graduated from with

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honours. After her MBA and a brief period at Bain & Company, Inc., she joined Grupo Televisión Azteca, S.A. based in Mexico to co-manage “Todito.com”, a leading portal targeting Spanish-speakers in North America.

She joined Zoom Media (USA) as Chief Executive Officer (CEO) in Miami in 2001. She was responsible for the overall business and different operating areas, including sales, marketing and circulation.

Ms Garaña joined Microsoft Mexico S. de R.L. de C.V. as Business and Marketing Director in 2003, where she led all marketing operations, media and content. Due to her strong performance she was promoted to Chairman and CEO of Argentina, Chile, Uruguay, Paraguay and Bolivia (Southern Cone), where she was responsible for the income statements of all segments and business groups of Microsoft, as well as for all external activities.

Due to her professional path, Ms Garaña was named Chairman and CEO of Microsoft Iberia, S.R.L. in Spain in 2008. In spite of the economic crisis, she led an organisation of approximately 700 employees with incomes of EUR 800 million from 2008 to 2015.

Ms Garaña was promoted to Vice President EMEA of Microsoft Business Solutions in 2015, position that she currently holds, assuming responsibilities for business lines with incomes up to EUR 1.5 million.

Finally, it is worth mentioning that she has been a member of the Board of Directors of the European Institute of Innovation & Technology - Not-for-Profit from 2007 to 2016.

Ms Garaña was appointed director by co-option, by resolution of the Board of Directors of the Company, at the proposal of the Nomination and Remuneration Committee, on 14 December 2016. Her ratification will thus be submitted to the next general meeting, as described below.

In order to fill the existing vacancy on the Board of Ms Rosalía Portela, the Nomination and Remuneration Committee and the Board of Directors conducted a selection process in accordance with the principles that were after included in the Company’s Directors Selection Policy to find a candidate who would enrich decision-making, contribute multiple viewpoints to the debate of matters within the Board of Directors of the Company and who might be classified as independent, in order to maintain an appropriate balance in the composition of the Board of Directors.

3. Membership of other boards of directors

Ms Garaña is currently a member of the boards of directors of Liberbanks, S.A. (as independent director, as well as Chairman of the Remuneration Committee and member of the Risk Committee) and of Alantra Partners, S.A. (as independent director). She is also a member of the Supervisory Board of Euler Hermes, S.A.



4. Category

Ms María Luisa Garaña Corces has been proposed on the basis of her personal and professional qualifications, and can discharge her duties without being constrained by relationships with the Company, its major shareholders or its executive officers. The Nomination and Remuneration Committee therefore considers her an independent director, because she meets the requirements established in subsection 4 of section 529 *duodecies* of the Spanish Companies Act and in article 20 of the Rules of the Board of Directors.

5. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company, of which the Candidate is a holder

Ms María Garaña has declared to be the holder of 262 shares of the Company.

6. Requirements for appointment

On the basis of the information provided by the candidate, the Nomination and Remuneration Committee considers that the *curriculum vitae*, the professional experience and the positions held by Ms María Luisa Garaña Corces, certify that she meets the requirements of respectability, capability, recognised expertise, competence and experience for the position of independent director on the Board of Directors of the Company.

Specifically, the Nomination and Remuneration Committee believes that, in the specific case of Ms Garaña, in order to be able to adequately perform her duties of supervision and control of the DIA group, the candidate appropriately combines sufficient capabilities, skills and experience in the following areas:

- (a) the domestic and international sectors and markets in which DIA does business, particularly in mass consumption-retail;
- (b) economic and financial matters (with special expertise, experience and knowledge in accountancy and risk management);
- (c) to have led digital transformation processes;
- (d) strong record of creating shareholder value;
- (e) absence of conflict of interest and availability of time to attend at least eight meetings per year in Spain;
- (f) strong international strategic business vision;
- (g) experience in business management, leadership and strategy at the highest level, as CEO at companies dedicated to the provision of services directed to the wider public and to innovation and digital technology;



- (h) highest level of ethics, representation and respect for the business community in general; and
- (i) highest level of loyalty, commitment and sufficient dedication to the Company's project as well as the ability to serve on a Board with the DIA culture.

The Board of Directors has also concluded that Ms Garaña meets all these requirements due to her outstanding knowledge and her wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public as well as in the telecommunication, baking and innovation and digital technology sector.

As regards the evaluation of the work and effective dedication of the director since she joined the Company in December 2016 as to date, this Committee confirms the adequate performance of her duties and her attendance to and informed participation at the meetings of the Board and the Audit and Compliance Committee (which she is member of since December 2016).

It has also been confirmed that she does not incur, directly or indirectly, in any legal or internal incompatibility, prohibition, conflict or opposition to the Company's interests as stated in the applicable general regulations or DIA internal rules.

It has also been verified that, according to the information provided by Ms Garaña, she does not exceed the maximum number of boards of directors of which he may be a member pursuant to article 19.6 of the Regulations of the Board.

7. Conclusion

From the information received it can be inferred that Ms María Luisa Garaña Corces has the qualifications, experience and merits required to perform the duties of his position. The Board therefore endorses the proposal of the Nomination and Remuneration Committee for the ratification and re-election of Ms María Luisa Garaña Corces as independent director of the Company.

III. Conclusion

The information received shows that the Candidates have the required qualifications, experience and merits to discharge the duties of their positions. The Board considers that the re-election of the Candidates allows that the Board of Directors is still diverse and plural regarding the education, culture and internationality of its members, while maintaining a balanced composition, structure and size according to its current and future needs.

The Board therefore endorses and assumes as its the proposal of the Nomination and Remuneration Committee regarding the re-elections of Mr Richard Golding, Mr Mariano Martín Mampaso, Mr Borja de la Cierva and Ms Maria Luisa Garaña as independent directors by the General Shareholders' Meeting, and, after the favourable report of the Nomination and



Remuneration Committee, makes the proposal for the re-election of Mr Antonio Urcelay.

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Madrid, 21 March 2017



ANNEX I

PROPOSAL OF THE NOMINATION AND REMUNERATION COMMITTEE

Reasoned proposal of the Nomination and Remuneration Committee of Distribuidora Internacional de Alimentación, S.A. for the re-election and/or ratification of independent directors submitted to the shareholders for approval at the next Annual General Meeting.

This reasoned proposal is made in compliance with the provisions of section 529 *decies* of the Spanish Companies Act, and its purpose is to propose to the Board of Directors the re-election and ratification of directors to be submitted to the shareholders at the next annual General Shareholders' Meeting.

Pursuant to the aforementioned section of the Spanish Companies Act, it is the responsibility of the Nomination and Remuneration Committee to report on and submit a reasoned proposal for the appointment, re-election or ratification of directors.

In the review of the competency matrix of the board conducted during financial year 2016, it was found that the qualifications that had to be strengthened with a view to securing the profiles that are most in line with the Company's strategic objectives were the following:

- (a) the domestic and international sectors and markets in which DIA does business;
- (b) having led digital transformation processes;
- (c) strong record of creating shareholder value;
- (d) absence of conflict of interest and availability of time to attend at least eight meetings per year in Spain;
- (e) strong international strategic business vision;
- (f) experience in business management, leadership and strategy at the highest level;
- (g) highest level of ethics, representation and respect for the business community in general; and
- (h) highest level of loyalty, commitment and sufficient dedication to the Company's project, as well as the ability to serve on a Board with the DIA culture.

Taking into account the Board's current competency matrix, it is deemed appropriate to re-elect the persons named in section II of the report, also taking into account the review included herein on the assessment of their work and effective dedication. It is also deemed appropriate to ratify and re-elect the directors appointed by co-option.



Pursuant to article 34 of the Articles of Association, the term of office of directors shall be three years, although they may be re-elected for periods of equal duration, except for independent directors, who may only hold their position for a maximum of 12 years.

It is therefore proposed to re-elect Mr Richard Golding and Mr Mariano Martín Mampaso, as well as to ratify and re-elect Mr Borja de la Cierva Álvarez de Sotomayor and Ms María Luisa Garaña Corces, all of them with the category of independent directors.

Below is the detailed report on each of such directors:

I. Mr Richard Golding

His re-election as independent director is proposed for the three-year term mandated by the Articles of Association.

The information received by the Company and his career at DIA show that Mr Golding has the required background knowledge, along with extensive experience at the Company to discharge the duties of his position.

He holds a degree in Business Administration from London Thames University. Further, he boasts a long professional track record on managing positions and boards of directors since he has held, among others, the positions of Marketing Manager at Cadbury, Schweppes and Chairman and Regional Chief Executive Officer at the multinational corporation RJR Nabisco. Furthermore, he has been Chairman, CEO and member of the Board of Directors of Parques Reunidos. He is currently Consultant (Operating Partner) at Hill Path Capital, Industry Advisor at Advent International and Consultant at Parques Reunidos. He is currently Chairman and director of Memora Group.

Mr Richard Golding is therefore deemed to have the required skills, experience and merits to hold the position of director due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public.

As regards the evaluation of the work and effective dedication of the director since his re-election by the General Meeting in 2014 as to date, this Committee confirms the adequate performance of his duties and his attendance to and informed participation at the meetings of the Board and the Audit and Compliance Committee, the presidency of which he holds since May 2015. Moreover, his wide experience in DIA Group has provided him a detailed knowledge of the Company and of its Group, including its governance rules.

Finally, as regards the category of director, this Committee considers that Mr Richard Golding meets the requirements established in subsection 4 of section 529 *duodecies* of the Spanish Companies Act to be classified as an independent director.



II. Mr Mariano Martín Mampaso

His re-election as independent director is proposed for the three-year term mandated by the Articles of Association.

The information available to the Company and his career at DIA show that he has adequate background knowledge and extensive experience at the Company to discharge the duties of his position.

He holds a degree in Economics from Universidad Complutense de Madrid; he thus has the relevant academic background to discharge the duties of his position.

Mr Martín has built his professional career in the private sector. In 1976 he joined Procter & Gamble, where he spent 33 years, holding different responsibilities in Spain and elsewhere. He resigned from his last position as the company's world sales chairman in June 2009. He has been a member of the Board of Directors of the Spanish Association for the Commercial Codification (AECOC), the Governing Board of GS1 US, the Executive Board of Global Commerce Initiative and the Board of Directors of Zinkia Entertainment, S.A.

Mr Mariano Martín Mampaso is therefore deemed to have the required skills, experience and merits to hold the position of director due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public.

As regards the evaluation of the work and effective dedication of the director since his re-election by the General Meeting in 2014 as to date, this Committee confirms the performance of his duties and his attendance to and informed participation at the meetings of the Board and the Nomination and Remuneration Committee, the presidency of which he holds since May 2015. Moreover, his wide experience in DIA Group has provided him a detailed knowledge of the Company and of its Group, including its governance rules.

Finally, as regards the category of the director, this Committee considers that Mr Mariano Martín Mampaso meets the requirements established in subsection 4 of section 529 *duodecies* of the Spanish Companies Act to be classified as an independent director.

III. Mr Borja de la Cierva Álvarez de Sotomayor

His ratification and re-election as independent director is proposed for the three-year term mandated by the Articles of Association.

The information received by the Company and his career show that he has the required background knowledge and extensive experience to perform the duties of his position.

He holds a degree in Business Administration from Universidad de Santiago of Compostela and a Master's in Business Administration from Universidad of Vigo. He is a certified accountant.



Mr de la Cierva has developed his career in three essential areas. Initially, he developed a professional career in auditing at Arthur Andersen for nine years. He joined the General Financial Management of Inditex, S.A. in 1995, where he developed his career until 2006 as Group Chief Financial Officer, joining later El Corte Inglés, S.A. where he held the positions of Subdirector of Sales and, more recently, Supply Chain Director, until May 2016.

Furthermore, it is also worth noting his academic and research activity. He has taught in several universities and business schools in Spain and abroad. In addition, he has been member of the Consulting Team for the European Transparency Directive and the Accounting Experts of the Spanish Commission for the implementation of IFRS standards in public companies. He has been a member of the Board of Unirisco SCR, the first University Venture-Capital Company authorised by the Spanish Securities and Exchange Commission.

Mr. Borja de la Cierva Álvarez de Sotomayor is therefore deemed to have adequate skills, experience and merits to hold the position of director due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public as well as in positions of business management of retail distribution.

As regards the evaluation of the work and effective dedication of the director since he joined the Company in September 2016 as to date, this Committee confirms the adequate performance of his duties and his attendance to and informed participation at the meetings of the Board and the Nomination and Remuneration Committee (which he is member of since September 2016).

Finally, as regards the category of director, this Committee believes that Mr Borja de la Cierva Álvarez de Sotomayor meets the requirements established in subsection 4 of section 529 *duodecims* of the Spanish Companies Act to be classified as an independent director.

IV. Ms María Luisa Garaña Corces

Her ratification and re-election as independent director is proposed for the three-year term mandated by the Articles of Association.

She holds a double degree in Law and Business Administration by the University of San Pablo CEU. In addition, Ms Garaña holds a Master's in Business Administration by Harvard University.

Furthermore, she boasts a long professional track record having held, among others, the following positions: Managing Director at Zoom Media (USA), Business and Marketing Director and Chairman and CEO of Argentina, Chile, Uruguay, Paraguay and Bolivia (Southern Cone) at Microsoft México S. de R.L. de C.V. and Chairman and CEO at Microsoft Ibérica, S.R.L. Finally, it is worth mentioning that she has been a member of the Board of Directors of the European Institute of Innovation & Technology - Not-for-Profit from 2007 to 2016.

In 2015, she was designated Vice President for EMEA of Microsoft Business Solutions, a position which she currently holds. Additionally, she is currently a member of the Supervisory



Board of Euler Hermés (Alliance Group) and is a member of the Board of Directors of Liberbank, S.A. (where she is an independent director, chairwoman of the Remuneration Committee and member of the Risk Committee) and of Alantra Partners, S.A. (where she is an independent director).

The information received by the Company and her career show that she has the required background knowledge and extensive experience to perform the duties of her position.

Ms María Luisa Garaña Corces is therefore deemed to have adequate skills, experience and merits to hold the position of director due to her outstanding knowledge and her wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public as well as in the telecommunication, baking and innovation and digital technology sector.

As regards the evaluation of the work and effective dedication of the director since she joined the Company in December 2016 as to date, this Committee confirms the adequate performance of her duties and her attendance to and informed participation at the meetings of the Board and the Audit and Compliance Committee (which she is member of since December 2016).

Finally, as regards the category of director, this committee believes that Ms María Luisa Garaña Corces meets the requirements established in sub-section 4 of section 529 *duodecies* of the Spanish Companies Act to be classified as an independent director.

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ANNEX II

FAVOURABLE REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

Report of the Nomination and Remuneration Committee of Distribuidora Internacional de Alimentación S.A. favourably assessing the proposal of the Board of Directors for the re-election of one Director

This report is issued in compliance with the provisions of section 529 *decies* of the Spanish Companies Act and its purpose is to report favourably to the Board of Directors in connection with the re-election of a director (one classified as “other external director”), which would have to be submitted to the shareholders for approval at the next Annual General Shareholders’ Meeting.

Pursuant to the aforementioned section of the Spanish Companies Act, the proposal for appointment, re-election or ratification of Directors made by the Board of Directors must be accompanied by a favourable report of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee believes that the candidate must appropriately combine sufficient qualifications, skills and experience in the following areas:

- (a) the domestic and international sectors and markets in which DIA does business;
- (b) economic and financial matters, management of highly qualified human resources and legal and regulatory frameworks;
- (c) strong record of creating shareholder value;
- (d) absence of conflict of interest and availability of time to attend at least eight meetings per year in Spain;
- (e) strong international strategic business vision;
- (f) experience as a Director in management, leadership and corporate strategy;
- (g) the highest level of ethics, representation and respect for the business community in general; and
- (h) the highest level of loyalty, commitment and sufficient dedication to the Company’s project.

Bearing in mind the current competency matrix of the board, it is deemed appropriate to re-elect the person covered by this report, also taking into account the review included herein on the evaluation of his work and effective dedication.



Pursuant to article 34 of the Articles of Association, the term of office of directors shall be three years, and they may be re-elected for periods of equal duration.

This committee therefore reports favourably on the re-election of Mr Antonio Urcelay Alonso as directors of DIA for such term.

Below is the detailed report on the director:

I. Mr Antonio Urcelay Alonso

His re-election as director is proposed with the classification of “other external director”, for the three-year term mandated by the Articles of Association.

The information available to the Company and his track record at DIA show that Mr Urcelay has the required background knowledge and extensive experience at the Company to perform the duties of his position.

He holds a degree in Law from Universidad Complutense of Madrid. Furthermore, he boasts a long professional track record having held, among others, the following positions: he worked in the marketing department of Procter & Gamble, as General Manager of Ahold España, as practising lawyer in the law firm J. y B. Cremades, as General Director of Digma S.A. supermarket chain and, subsequently, of Leche Pascual, S.A. He joined Toys R Us in 1996, where he performed different responsibilities in Spain and abroad. Between 2013 and 2015, he chaired the Board of Directors of Toys R Us Inc, and was appointed Chief Executive Officer, with responsibility for the company’s entire business worldwide. He has also been a member of the Board of Directors of Tuc Tuc, S.L. Mr Antonio Urcelay Alonso is currently director of Calidad Pascual, S.A., Corporación Empresarial Pascual, S.L. and Kipenzi, S.L.

Mr Antonio Urcelay is therefore deemed to have the required skills, experience and merits to hold the position of director due to his outstanding knowledge and his wide professional and practical experience in positions of business management which encompassed great responsibilities, complexity and competence in the area of consumer services directed to the wider public, as well as in positions of business management of supermarkets and retail distribution.

Mr Antonio Urcelay is an independent director (non-executive) of Corporación Empresarial Pascual, S.L. (May 2016) and Calidad Pascual, S.A. (July 2016), companies of Grupo Pascual with which DIA holds business relations, the former being provider of dairy products and soft drinks of several brands for DIA’s stores and franchises.

In light of these circumstances and taking into consideration the nature of the business relations between DIA and Grupo Pascual, the Nomination and Remuneration Committee and the Board of Directors of the Company, deem Mr Antonio Urcelay to be an “other external director”, pursuant to the provisions of subsection 4 of section 529 *duodecies* of the Spanish Companies Act, on the basis of, on the one hand, his position as independent director of the companies Corporación



Empresarial Pascual S.L. and Calidad Pascual, S.A., belonging to the Grupo Pascual and, on the other hand, the fact that Grupo Pascual holds the aforementioned business relations with DIA.

As regards the evaluation of the work and effective dedication of the director since his re-election by the General Meeting in 2014 as to date, this Committee confirms the adequate performance of his duties and his attendance to and informed participation at the meetings of the Board and the Nomination and Remuneration Committee, which he has been a member of since June 2015. Moreover, his wide experience in DIA Group has provided him a detailed knowledge of the Company and of its Group, including its governance rules.

The information received shows that Mr Antonio Urcelay Alonso has the required competence, experience and merits to perform the duties of his position. The Nomination and Remuneration Committee therefore reports favourably on the candidacy of Mr Antonio Urcelay Alonso for re-election by the shareholders at the General Shareholders' Meeting as "other external director" of DIA.

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