



2020 CONSOLIDATED **NON-FINANCIAL**
INFORMATION STATEMENT

Distribuidora Internacional de Alimentación, S.A. and its subsidiaries have prepared the consolidated non-financial information statement in accordance with the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This report is part of DIA Group's 2020 Consolidated Directors' Report.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Día

Franchisees



Franchisees

Almost 30 years of experience in developing the franchise model has seen **DIA Group** become the number one ranked franchiser in Spain and the sixth-largest franchiser in Europe, according to the international ranking by consulting firm Franchise Direct, which is based on parameters that take into account financial issues, innovation capacity, environmental action and franchisee support, among other aspects.

DIA Group saw out 2020 with 2,682 franchise stores, which is 43% of its total stores.

The Company provides its historical knowledge of the sector and the strength of its brand and logistical developments to franchisees, while the franchisee contributes their commitment to sell and local market knowledge, **which is key to developing the model of customer proximity and approachability.**

This relationship of trust between **DIA Group** and its franchisees also creates value and wealth in the communities in which the franchises are set up. During 2020, DIA's franchise business generated approximately 17,700 direct jobs.

	FRANCHISED STORES		NUMBER OF FRANCHISE EMPLOYEES	
	2020	2019	2020	2019
ARGENTINA	621	611	4.123	4.147
BRAZIL	317	347	4.907	5.611
SPAIN	1.477	1.665	6.768	6.793
PORTUGAL	267	278	1.920	1.969
TOTAL	2.682	2.901	17.718	18.520

Table 18: Franchised stores and estimated number of employees for the franchise network. Data for 2019 has been restated to include Clarel franchised stores and estimated employees.

Main lines of communication with franchisees

- The Group closely monitors its franchisee relationship by conducting **annual surveys prepared by Nielsen**, an independent consultant. This anonymous and confidential survey garners information from franchisees about where they think improvements can be made and what their levels of satisfaction are.
- **The Franchise Portal**, an online platform franchisees can use to access databases of proprietary and comparative information and contact the Group directly.
- **The first National Franchisees Meeting in Spain, Portugal and Argentina** attended by around 1,000 strategic partners, chaired by the Company's top management including the Group's Executive Chairman, Stephan DuCharme.
- **Regular discussion forums** within the "Franchise Week" series and existing local assistance programs, such as "Atención al Socio Estratégico" in Spain, "El Defensor del Franquiciado" in Argentina and "DIA te escucha" in Brazil.
- **Franchise newsletter** in all the countries the Group operates in, with important information about the Group.

Key franchisee-related risks

Conflict and potential loss of partners could affect the associated with the **DIA** brand and the success of the Group's business model, as it largely depends on its ability to maintain contractual relationships with profitable franchisees..

Main policies governing relations with franchisees and performance

- **Corporate Franchise Policy:** establishes the guidelines relating to franchisees, ensuring that each country's legislation is respected, the information provided is accurate, and that agreements with entrepreneurs who decide to manage a DIA store through the franchise model are fulfilled.
- **The recruitment of and relationship with franchisees (Internal Compulsory Regulation):** aims to guarantee the effective recruitment of, relationship with and management of DIA Group franchisees.



One of the strategic objectives of the new management is to create a sustainable franchise model in the long term. To this end, several measures have been analysed and tested in 2020 that provide the franchise network with more liquidity and profitability and simplify operations. The objectives of this new model are to incentivise sales and attract highly professional franchisees, thus boosting the strategic value of the franchise network for the DIA business model to make it the most competitive model in the food distribution sector. To do this, the following changes have been made:

- **A new formula for franchisees to pay for goods** that ensures their stores are properly supplied. Until now, DIA Group delivered orders to its franchisees once the goods had been paid for. With Franquicia DIA 2020, franchisees will pay for the goods when they have been sold and not before, helping them to manage their store's cash flow.
- **Simplification of costs for the franchisee:** with Franquicia DIA 2020, franchisees pay a percentage of their monthly turnover to cover most store overheads. This fee means that franchisees know what their monthly costs will be in advance, thereby enhancing control of their cash.
- **Sales incentive scheme:** the Company pays bonuses to franchisees who boost their turnover as a form of acknowledgement and to motivate them.
- **Help with payments:** DIA supplies 100% of the store's stock and the franchisee guarantees payment of, at least, 50% over 60 months.
- **Support:** the Company has established a strong franchise team comprising a new regional department and area franchise managers tasked with supporting franchisees with everything they need.
- **Franchisee Training School:** the Company has made its training programme available to its franchisees' staff to ensure the best professionals are working in its store network and customers receive the best service possible.

The Group has created the **DIA** Franchisee School in Spain, inspired by the Academy that already existed in Argentina. It offers a development and training plan from the very start of the franchise for internal franchisees, multi-franchisees and new partners joining the Company, with classroom-based and online training to meet the needs of the current business. It runs induction programmes for partners: a full initial training plan tailored to the profile of our franchisees (external, multi-franchisees, company staff wanting to open a **DIA** franchise) and continuous training for them to remain completely up to date.

The initial training plan is much more practical and comprehensive, running for 12 weeks; six entailing work experience before their **DIA** store opens. The other weeks involve a combination of classroom activities and training audits and supervision enabling franchisees to enhance all their operating procedures. Our franchisee trainers are key to achieving this.



From an operational point of view, Spain's regional centers have incorporated a franchise analyst into their team, responsible for providing franchisees with financial and economic advice to help you get the most profitability from your business. In addition, a person in the logistics team is responsible for requests for orders from franchisees and for any other logistical problems that affect them. Although the Group does not have a formal commitment to financially assist franchisees, there is a financing committee that discusses cases where franchisees are experiencing financial difficulties in determining how to help them.

To further strengthen the link with franchisees and incorporate their vision into the day-to-day decisions of the Company, **DIA** Portugal has created a commercial committee and one of operations in which, together with the main managers, 12 franchisees and master-franchisees participate. In 2020, four of these meetings were held, with a very satisfactory outcome for all parties.

It should be noted that all changes made at the operational and commercial level to improve the Company's business model benefit both own stores and franchisees. Treating franchised stores with the same management criteria as their own stores is a basic principle and an important commitment of DIA Group.

All of these action plans have led to a 30% improvement in franchisees' satisfaction with DIA Group in 2020, according to the last survey carried out.