



***This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.***

## Independent verification report

To the shareholders of Distribuidora Internacional de Alimentación, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the Consolidated Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2021 of Distribuidora Internacional de Alimentación, S.A. (Parent company) and subsidiaries (hereinafter "DIA" or the Group) which forms part of the accompanying DIA's consolidated management report.

The content of the consolidated management report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in "Appendix I: Table of contents of Act 11/2018 vs. GRI Indicators / Reporting Criteria" included in the accompanying consolidated management report.

### Responsibility of the directors of the Parent company

The preparation of the SNFI included in DIA's consolidated management report and the content thereof, are the responsibility of the directors of Distribuidora Internacional de Alimentación, S.A. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") selected as per the details provided for each matter in the "Appendix I: Table of contents of Act 11/2018 vs. GRI Indicators / Reporting Criteria" of the consolidated management report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free of material misstatement due to fraud or error.

The directors of Distribuidora Internacional de Alimentación, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

### Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of DIA that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Distribuidora Internacional de Alimentación, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2021, based on the materiality analysis carried out by DIA and described in section "5.3 Materiality", taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2021.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2021.
- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2021 and that it was adequately compiled using data provided by the sources of the information.
- Obtaining a management representation letter from the directors and management of the Parent company.

### Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries, for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of the GRI Standards selected as per the details provided for each matter in the "Appendix I: Table of contents of Act 11/2018 vs. GRI Indicators / Reporting Criteria" of the consolidated management report.



### Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities that are considered to be environmentally sustainable in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2021, provided that the SNFI is published as of 1 January 2022. Consequently, comparative information on this matter has not been included. In addition, information has been included in respect of the criteria that the directors of DIA have chosen to apply that, in their opinion, best allow compliance with the new obligation and that are defined in note "Appendix II: Taxonomy" of the SNFI. Our conclusion has not been modified in relation to this matter.

### Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones Ilundáin

8 April 2022

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

## **2021 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.

**EVEN CLOSER**

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## 1. BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT

The DIA Group Directors' Report includes both its financial and non-financial information, based on the recommendations contained in the *"Guide for the preparation of management reports of listed companies"* published by the Spanish National Market Commission (hereinafter, CNMV) and 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 "integrated" approach combines information on the environmental, social and employee-related issues needed to understand the impact of the DIA Group's activity with information on the Group's financial position.

The Consolidated Non-Financial Information Statement (hereinafter, "NFIS") of Distribuidora Internacional de Alimentación S.A. and Group subsidiaries (hereinafter, either "DIA", "Group", "DIA Group" or the "Company") (102-1) is issued on a yearly basis and includes consolidated data about the Company<sup>1</sup> for 2021(102- 45; 102-50; 102-52). The information has been prepared in accordance with current legislation on the issues relevant to the Group. A large part of the information contained in the report is structured around the company's main stakeholders, detailing current communication channels, key risks, associated policies, indicators and the main actions taken. The indicators used follow the *Global Reporting Initiative* standards (GRI, selected GRI indicators) and show the Company's performance in 2021 compared to the previous year. In accordance with article 49 of the Spanish Code of Commerce, the NFIS is externally verified with a limited security scope. This verification is carried out in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and the guidelines on the verification of non-financial information issued by the Spanish institute of certified accountants (*Instituto de Censores Jurados de Cuentas de España*) (102-56).

For any general enquiries about this report, stakeholders should contact the Sustainability and Communications and External Relations departments at calle Jacinto Benavente 2A, CP 28232, Las Rozas de Madrid, or by sending an email to [sostenibilidad@diagroup.com](mailto:sostenibilidad@diagroup.com) or [comunicacion@diagroup.com](mailto:comunicacion@diagroup.com) (102-53).

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<sup>1</sup> As in the previous year, all companies comprising the DIA Group are included in this report (see table 1. The treatment of companies accounted for using the equity method is the same as that adopted in the financial part of the directors' report, following the accounting criteria). It is however important to note that in terms of size and activity, the most significant companies from an ESG (environmental, social and governance) perspective are: Distribuidora Internacional de Alimentación, S.A. as the parent company; DIA Portugal Supermercados, S.A. and DIA Portugal II S.A. in Portugal; DIA Argentina, S.A. in Argentina; DIA Brasil Sociedade Limitada in Brazil; DIA Retail España, S.A.U., Beauty by DIA, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. in Spain. Where indicators refer to the franchise network, this is mentioned accordingly.



## 2. DIA GROUP PRESENTATION

Distribuidora Internacional de Alimentación S.A. is a leading company in the food and household products distribution sector, aiming to offer the best range of quality products at the best price to its 16 million active<sup>2</sup> customers globally. Its headquarters are in Las Rozas de Madrid (102-3) and it is listed in Spain on the Madrid, Barcelona, Bilbao and Valencia stock markets. The DIA Group is the food retailer with the largest store network, and, at the end of 2021, the fourth largest market share in Spain<sup>3</sup>.

At 31 December 2021, the DIA Group operates 5,937 stores in Spain, Portugal, Brazil and Argentina, including franchises and the Clarel brand (2020 closed with 6,169 stores in operation), and employs 38,575 people around the world (compared to 39,583 in 2020) (102- 7).

With global sales of 6,647,660 million euros at year-end (102-7), the Group has four business units: Spain, Portugal, Brazil and Argentina (102-4). At the end of 2021, Spain represented 63.3% of Group sales (in 2020 it was 65.5%), Portugal 8.9% (in 2020 it was 9.2%), Brazil 12.1% (in 2020 it was 13.5%) and Argentina 15.7% (in 2020 it was 13.4%) (102-6).

Its franchise network, which represents 45.6% of the total store network (2020: 43%), makes the DIA Group the leading franchisor in Spain in terms of turnover and number of stores, and the seventh largest franchisor in Europe.<sup>4</sup>

DIA suppliers, who are essentially local, are chosen using demanding food safety and quality criteria. Together with them, and thanks to a logistics distribution system with 31 warehouses around the world (31 warehouses in 2020 also) (102-4), the DIA Group supplies its network of stores daily so that they can offer the best selection of products at all times.

### a. Corporate structure:

Name	Registered address	Activity	Percentage of shareholding 2021	Percentage of shareholding 2020
DIA Portugal Supermercados, S.A.	Lisbon	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DIA Portugal II, S.A.	Lisbon	Retail distribution of food and consumer products.	100.00	100.00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Service consultancy	100.00	100.00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DBZ Administração, Gestão de Ativos e Serviços Imobiliários, L.T.D.A.	Sao Paulo	Administration of properties owned by DIA Brazil.	100.00	100.00
DIA Retail España, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U.	Las Rozas de Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A.U.	Las Rozas de Madrid	Marketing of drugstore and perfumery products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00

<sup>2</sup> "Active customers" refers to customers who have used their fidelity card in 2021.

<sup>3</sup> Kantar Worldpanel, September 2021.

<sup>4</sup> Franchise Direct Ranking 2020.

Finandia, S.A.U.	Las Rozas de Madrid	Loans and credit transactions, including consumer credit and the financing of sales transactions.	100.00	100.00
DIA FINANCE, S.L.U.	Las Rozas de Madrid	Realization for the companies of the group of activities of loan and credit, management of treasury surpluses and in general other products acquisition financing of goods and services..	100.00	100.00
Luxembourg Investment Company 317, S.A.R.L. <sup>5</sup>	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 318, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 319, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 320, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 321, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 322, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 323, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
CD Supply Innovation, S.L. in liquidation	Madrid	Purchase of private-label products from its partners.	50.00	50.00
ICDC Services, S.A.R.L., in liquidation	Geneva	Negotiation with private-label brands.	50.00	50.00
Horizon International Services, S.A.R.L.	Geneva	Negotiation with private-label brands.	25.00	25.00

Table 1: List of subsidiaries that, together with DIA, S.A., comprise the DIA Group at 31 December 2021, including company name, registered address, main business activity and the company's direct or indirect shareholding (percentage).

b. Shareholder structure at year-end (102-5):

	Percentage of shares 2021	Percentage of shares 2020
Own shares	0.050	0.015
Free Float	22.246	21.157
LETTERONE INVESTMENT HOLDINGS, S.A.	77.704	74.819

Table 2: Significant shareholdings and own shares at 31 December, as reflected in the Annual Corporate Governance Report (ACGR) available on [www.diacorporate.com](http://www.diacorporate.com).

<sup>5</sup> Against the backdrop of the agreement to amend and consolidate DIA Group's bank debt, on the 30 August 2019 the General Shareholders' Meeting agreed to a Hive Down at the request of the syndicated lenders. To execute this agreement, and following approval of this transaction by DIA Group's Board of Directors on 26 December 2019, several transactions and legal formalities were initiated during the first few months of 2020 to transfer the Company's main business units to certain subsidiaries, either directly or indirectly, owned by several Luxembourg companies, which in turn are direct or indirect subsidiaries of DIA, S.A.

### 3. REVIEW OF THE YEAR

2021 has been a year of great progress. Two years ago, the DIA Group embarked on a major transformation process in order to re-establish trust and long-term relationships with all its stakeholders. The Company believes that it has made significant progress on this strategic roadmap within the context of creating a different kind of proximity offering and a digital value proposition that sets DIA apart from its main competitors in the four markets in which it operates.

Key aspects of the progress achieved in 2021 are as follows:

- **Definition of the local store.** Based on the customer value proposition we have defined for each of the four geographical areas in which DIA is present, a major large-scale transformation process of the store network has taken place in 2021. In total, upwards of one thousand local stores have been transformed in Spain, Argentina and Portugal during the year.
- **Continuous development of the perfect range** on a national, regional and even local basis, so as to respond to evolving customer needs. The company's focus on offering top quality fresh produce in neighbourhood stores has been strengthened and the quality of private-label goods, known as "Superbrand", continues to be developed with 2,000 new products launched in the last two years..
- The roll-out of a new franchise model, already announced in 2020, based on a genuine alliance with local entrepreneurs. This model, which is based on the maxim of establishing long-term win-win relationships, has already been rolled out across almost the entire franchise network in Argentina, Spain and Portugal. This milestone, together with other initiatives that have been launched to **improve franchisee satisfaction, has resulted in a rise in** the number of franchises in 2021, thanks both to franchisees who are increasing their number of franchises and to new franchisees attracted by the new model.
- In terms of **digital and technological transformation**, our strengthened presence in online and express delivery channels stands out. E-commerce and express delivery complement the proximity format with the digital component, bringing omnichannel customization to customer relationships. Efforts in 2021 have focused on strengthening the technology and product teams so as to speed up the roll-out of the digital offering.
- Achieving a **stable, long-term capital structure** via a capital increase of Euros 1,028 million, which provides the company with additional liquidity to continue its expansive transformation process.
- Initiating a **cultural roll-out plan** to further develop the teams and skills needed to achieve the ambitious performance target the Company has set for itself. As part of this new culture, which is based on trust, transparency and achieving satisfactory results for all, another notable milestone is the approval of the **DIA Group's first Sustainability Plan**, where the primary objective is precisely to contribute to the creation of value for all stakeholders.

2021 was also a year in which DIA had to continue managing the effects of the **Covid-19** pandemic, which continued to have an impact on the healthcare of customers, employees and franchisees and on the flexibility the company had to develop to cover the inevitable absences. That said, the very swift response to the pandemic implemented in 2020 and the spectacular adaptation of teams, who have very effectively integrated all the measures adopted, has allowed the organisation to return to its desired strategic and operational focus in 2021.

Before the closing of these Annual Accounts, another event in the geopolitical field had an important impact on the Company's current situation. This is the conflict in Ukraine derived from Russia's foreign policy, which translates into the following risks for DIA Group:

- Operational risk of raw materials crisis produced by the shortage of them. This risk affects, on the one hand, the materialization of the dependence on suppliers' risk caused by the impossibility of having the necessary raw materials to produce their products, and on the other hand, the risk of supply chain management caused by the increase in fuel price and potential shortage of products in stores and points of sale.

In relation to the risk of international sanctions from the EU in response to the Ukraine crisis and, in particular, with the sanctions packages against Russia, the Company has informed the CNMV, through publications of Other Relevant Information, dated February 28, 2022, March 15, 2022 and March 22, 2022 that, in the context of the EU's restrictive measures in response to the Ukraine crisis and, in particular, in relation to international sanctions imposed against Russia, the Company is controlled by Letterone Investment Holdings S.A. ("LIHS"), which holds a stake of 77.704% of its share capital and, in addition, according to the information currently available and from LIHS, no individual shareholder of LIHS holds, either individually or by agreement with other shareholders, control of LIHS. Consequently, the Company is not affected by the international sanctions adopted in response to the Ukraine crisis.

## **4. BUSINESS MODEL AND STRATEGIC PILLARS**

(102-2)

The DIA Group creates value<sup>6</sup> by meeting the daily food and hygiene needs of all families. Over 2 million tickets sold every day and 16 million active Club DIA members worldwide as of 31 December 2021 bear witness to this value<sup>7</sup>.

The DIA Group's business model looks specifically to create this value. By analysing the competitive context in which the Company operates and identifying its strengths, the company outlines a set of systems and activities to transform this capital into value created for customers, shareholders and other stakeholders.

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<sup>6</sup> Value creation can be measured or demonstrated in terms of "usefulness" for the meeting of human needs, as mentioned by C. Bowman and V. Ambrosini in "What does value mean and how is it created, maintained and destroyed?" –Cranfield School of Management, 2003.

#### 4.1. Business context: trends and risks that impact on the food distribution industry

Changes in consumer behaviour around new lifestyles, their preferences for certain shopping channels or their perception of value can create attractive business opportunities for companies such as the DIA Group. Some of the key trends are described below (102- 15):

- Proximity: 63% of respondents to a 2017 survey stated that proximity, convenience and ease were the most important factors when choosing a supermarket, an increase of 18% compared to 2010<sup>8</sup>. This increase can be explained by the time constraints facing consumers. According to the same survey, 38% of respondents stated that they spend less time shopping than they did five years ago, 38% that they work more than ever, and 53% that they do not have enough time.
- Online shopping: worldwide, consumers are changing their habits by increasing their online shopping instead of going to the supermarket bringing the market share of online food shopping to around 4% (some studies forecast this market share to be around 10% by 2025). The impact of the Covid-19 pandemic on this figure is indisputable: 80% of online users state that they started using this channel because of the restrictions on movement caused by Covid-19<sup>9</sup>. The bulk of online customers also shop in physical stores, meaning that "digital proximity", based on the combination of physical stores and the online channel, is a relevant factor to take into account when trying to understand this phenomenon. Customers also make their product choices largely on the basis of what they have previously seen in the store, thus reinforcing the relationship between these two channels.
- Private-label growth: the Spanish food market has seen solid growth in private-label penetration (measured as the share of private-label products in total food sales), increasing from 19.7% in 2002 to 36.9% in 2018<sup>10</sup>, demonstrating growing consumer demand for value for money.
- Fresh produce and health: several underlying socio-demographic and consumer trends are increasing the demand for fresh produce and healthy products. In the Spanish market, three of the top four and six of the top eight product categories, in order of importance for consumers when choosing a retailer, are related to fresh produce<sup>11</sup>.

The risks inherent in the food industry also define the competitive context facing DIA. Below are the main risks:

- Inflation on the price of raw materials and supplies: many of the DIA Group's private-label and national brand products include highly volatile ingredients, such as wheat, corn, oils, milk, sugar, proteins, cocoa and other commodities. Any increase in commodity or supply prices, such as electricity or gas, may cause suppliers to seek price increases, which can affect the company's gross margins or reduce revenue as a result of a decrease in the average number and size of customer transactions.
- A proliferation of new regulatory requirements in the fields of health, the environment and trade and a lack of coordination between different regions. Regulatory changes may require certain products to be reformulated so as to comply with new standards, the discontinuation of certain products that cannot be reformulated, the creation and maintenance of additional records, or different labelling; in relation to store operations, particularly in Spain and Portugal, the Group must adhere to European and local regulations governing opening hours and days; in environmental matters, several regulations relating to climate change and the circular economy have flourished at European, national and regional levels, to which the company must adapt.

<sup>8</sup> Cetelem Observatory, Consumo Europa 2017; MAPAMA; Kantar Worldpanel.

<sup>9</sup> V E-commerce observatory on food by ASEDAS. María Puelles and Gonzalo Moreno.

<sup>10</sup> Kantar Worldpanel.

<sup>11</sup> In-house research (survey of over 1500 consumers on shopping behaviour and attitudes).

- Difficulty in responding to changing customer attitudes and purchasing preferences. The fast moving consumer goods (FMCG) industry has always closely followed and responded to new customer demands. However, in addition to new demands on value, price and product range, there are now also new preferences on shopping channels, which adds an additional layer of operational complexity to the need for companies to adapt to meet their customers' tastes.
- International market volatility: the Group's exposure to international market volatility is focused on its businesses in Brazil and Argentina. In Brazil, economic growth has slowed and Argentina's economy has suffered from economic, social and/or political instability and hyperinflation.

### 4.2. DIA Group's business strengths

In the highly competitive context of food distribution, identifying the organisation's unique strengths and competencies is key to defining a business model that effectively and sustainably achieves the desired creation of value.

- Proximity to customers and capillarity: the Group has a distribution network of more than 5,900 stores targeted mainly at the proximity format, which enables favourable consumer trends such as those mentioned above to be exploited. Not for nothing does DIA have the largest distribution network in Spain<sup>12</sup> with 63.5% of the Spanish population being within a 15-minute walk of a store (including Clarel)<sup>13</sup>. It is also the most common supermarket in towns with less than 10,000 inhabitants<sup>14</sup>. As a result of this proximity, the Group has a greater and better understanding of customer preferences and needs, which allows the product offering in a specific region to be swiftly and flexibly adapted to ensure customer satisfaction. It is worth mentioning that DIA's proximity value has multiplied in the unprecedented context of the global Covid-19 pandemic, when the importance of proximity for ensuring that everyone's right to food is met has been more evident than ever.

<b>ARGENTINA</b>	Own	Franchises	<b>TOTAL</b>
Total stores at 31 December 2020	286	621	907
Total stores at 31 December 2021	264	648	912
<b>BRAZIL</b>	Own	franchises	<b>TOTAL</b>
Total stores at 31 December 2020	462	317	779
Total stores at 31 December 2021	570	167	737
<b>SPAIN</b>	Own	franchises	<b>TOTAL</b>
Total stores at 31 December 2020	2,441	1,477	3,918
Total stores at 31 December 2021	2,191	1,598	3,789
<b>PORTUGAL</b>	Own	franchises	<b>TOTAL</b>
Total stores at 31 December 2020	298	267	565
Total stores at 31 December 2021	202	297	499
<b>SUMMARY OF GROUP STORES</b>	Own	Franchises	<b>TOTAL</b>
Total stores at 31 December 2020	3,487	2,682	6,169
Total stores at 31 December 2021	3,227	2,710	5,937

Table 3: Number of own stores and franchises in DIA Group.

- Business model with over 45% of franchised stores: this model has enabled the DIA Group to scale its operations and improve its capillarity and brand recognition in a profitable way. Moreover, this model, in which DIA has 30 years of experience, allows for great flexibility in terms of both store management and operations. The Group is the largest Spanish franchisor in terms of turnover and number of stores, among the top six in Europe and among the top twenty-five franchisors in the world<sup>15</sup>.

<sup>12</sup> Among Spain's leading retailers in terms of market share, DIA had the largest store network in the market with 3,476 outlets as at 30 June 2020, followed by Mercadona with 1,628 and Eroski with 1,321.

<sup>13</sup> In-house DIA Group analysis.

<sup>14</sup> "Despoblamiento rural: la brecha de la desigualdad" (*Rural depopulation: the inequality divide*), Luis Camarero and Jesús Oliva.

<sup>15</sup> Franchise Direct 2020; Kantar Worldpanel.

- Private-label experience and value for money: DIA was the first company to introduce private-label products in Spain more than 40 years ago. The Group is able to develop high quality private-label products and offer them at competitive prices due to its sales volumes, extensive experience, strong supplier relationships and potential savings in marketing and advertising costs.
- Large base of loyal customers: the ClubDIA loyalty programme, which was launched over 20 years ago, had 16 million active members at 2021 year-end. More than 70% of sales are made using the ClubDIA loyalty card, which gives the company in-depth knowledge of the needs and tastes of its customers.

### 4.3. Pillars of transformation for value creation

Given this business context, DIA's strategy for the coming years to achieve its business objectives is built around three basic pillars:

- Ongoing development of an attractive commercial value proposition. In all the markets it operates in, the Company is working on an improved product range, with significant investment in fresh produce and the development of a new private-label offering. These new products include ready-to-eat products and combine quality, value for money and more attractive packaging. In the last two years, over 2,000 *superbrand* products have been launched with these characteristics. The remodelling of stores to achieve an improved appearance and support the fresh produce offering, and the commitment to online deliveries in the four countries the Group operates in, complete this pillar in the search for an attractive commercial proposal for the customer.
- Development of an improved franchise model. The company has opted for a new model based on a simpler and more transparent relationship, better payment terms and greater help and support for the franchisee. The ultimate objective of this model is to boost sales and attract highly professional franchisees, making the DIA franchise the most competitive model in the food distribution industry. At year-end, it had already been implemented in almost all of the franchises in Spain and Portugal and in 75% of the franchises in Argentina. Brazil has defined its new model, which is ready for implementation in 2022.
- Operational excellence. The Company is also fully committed to achieving operational excellence by reducing complexity through the ongoing redesign of the operating model across the supply chain and its logistics business. This will translate into a better service for franchise partners and customers and also savings.

### 4.4. Business purpose

(102-16)

The DIA Group works under the maxim that in order to maintain this creation of value for its customers and shareholders in the medium and long term, the company must also create value for the rest of its stakeholders. "Closer every day" is the Company's new purpose, encouraging all its employees to be aware of what makes them unique as an organisation; proximity, being closer to all its stakeholders and better able to meet their needs. The company's conviction and determination to target its management at this purpose is reflected in the fact that improvements in stakeholder satisfaction (customers, employees, franchisees, suppliers and shareholders) are monitored directly by the Group's Management Board.

In addition, in 2021, as will be explained in detail below, the Company approved a new Sustainability Policy, the ultimate aim of which is to promote the creation of shared value and to ensure that short-term value creation does not compromise the Company's long-term value creation capacity. This Policy goes together with the setting out of the Group's first Strategic Sustainability Plan, thus ensuring its implementation.



## 5. MORE SUSTAINABLE EVERY DAY

### 5.1. A sustainable business model

Ensuring value creation for all stakeholders and guaranteeing that short-term decisions do not compromise the company's ability to continue creating value in the future. This is the definition of what DIA understands by "sustainability" and what guides the company's day to day work to become one of the most competitive companies in the industry.

This is set out in the DIA Group's 2021 Sustainability Policy, which updates and summarises the previous Corporate Social Responsibility and Environmental policies, and whose precise purpose is to lay out the principles and mechanisms for action that enable the company to exercise its desire to be "closer every day" to its stakeholders.

One of the main instruments for making this vision a reality was the Board of Directors' approval of the DIA Group's first Strategic Sustainability Plan 2021-2023, in February 2021. This Plan outlines commitments, actions and performance indicators for the most significant issues for the Group, ensuring proactive management of both sustainability risks and opportunities.

In addition to the approval of this Plan, a governance model has been defined to ensure the implementation of this sustainable vision, the allocation of accountability for sustainability and the achievement of objectives. Improved stakeholder satisfaction (customers, employees, franchisees and suppliers) and monitoring the performance of the Strategic Sustainability Plan in relation to internal targets is the responsibility of both the Group Management Committee and the Management Committees in each of the countries. The Board of Directors is ultimately responsible for implementing both the Sustainability Policy and the Sustainability Plan (102-20).

To summarise, the Sustainability function, reporting directly to the chairmanship, has been given a clear mandate in 2021 and, possibly for the first time, has gained strategic value to help ensure the Company's value creation in both the short and long term.

### 5.2. Strategic Sustainability Plan 2021-2023: even closer

The Strategic Sustainability Plan 2021-2023 is a roadmap that sets out the sustainability priorities for the coming years. This Plan is aligned with and, in some cases, complements the strategic priorities identified by the different business units to improve stakeholder satisfaction, ensuring proactive management of the challenges society faces. The DIA Group therefore considers this Plan as a tool to be "even closer".

### 5.3. Materiality

(102-15)

The process of identifying these priorities for action has been carried out taking into account the concept of dual materiality, i.e. identifying both the risks and opportunities that the DIA Group's activity may entail for society and the challenges that the social context imposes on DIA's business model. Different inputs have therefore been analysed and taken into account:

External inputs:

- Benchmarking of main competitors.
- Stakeholder expectations: this materiality analysis has been done by indirectly identifying the short- to medium-term expectations of key stakeholders, i.e. through business representatives who have direct contact with customers, employees, franchisees and suppliers. Although this first Sustainability Plan has prioritised the attention given to these stakeholders, the visions of other groups have also been included not only by analysing the main sustainability indices and standards, but also through the opinion and diagnosis of a group of eight independent experts with extensive experience in the sustainability field. The direct demands of the main stakeholders



in the short to medium-term have been combined with the longer-term time scale (102-40; 102-42; 102-43).

Internal inputs:

- Interviews with the heads of the main corporate departments, as well as with the CEOs in each country.
- Key internal documents: such as the risk map, the business plans of the different countries and the recently defined Company purpose.
- Materiality study of the different sustainability indices and standards for the food distribution industry, especially the Dow Jones Sustainability Index and the Sustainability Accountability Standard Board.

As a result of this analysis, out of the 25 potential issues originally assessed, fifteen priorities or material issues have been selected for work in the coming years. These issues relate to sustainability risks (operational, compliance or reputational risks) and opportunities for value creation, and they span the company's entire value chain, from food production to feeding families.

As explained above, the DIA Group believes that value is created whenever and wherever a need is met. When this value creation is based on exclusive competences, the company is able to create differential value by providing a good or service that no other player can provide in an equally effective way. Based on what is therefore unique to DIA, proximity, the Company has identified distinctive opportunities to create value by providing quality food for all families, wherever they live and whatever their budget, by offering job and self-employment opportunities that help revitalise neighbourhoods, and by improving the relationship with and service provided to franchisees.

### **Material issues in the Strategic Sustainability Plan 2021-2023<sup>16</sup> (102-15; 102-47)**

Food safety  
 Nutritional profile of private-label goods\*  
 Access to a quality diet\*  
 Sustainability of raw materials\*  
 Human rights management in the supply chain\*  
 Team and employee development  
 Employee health and safety  
 Diversity and inclusion in employment\*  
 Franchisee relations  
 Supplier relations\*  
 Sustainable packaging\*  
 Waste management\* and food waste  
 Climate change  
 Business ethics  
 Supporting the community\*<sup>17</sup>

The issues required by Law 11/2018, for which no information is provided in this report, are not material to DIA:

- Water consumption: this resource is used exclusively for cleaning and not for production purposes and consumption is not therefore considered to be significant. The company does however promote responsible water use in its internal communications.
- Light and noise pollution: the impact is minor, as store lights are turned off in full when the stores are closed and the logistics centres are located outside residential areas. In any case, DIA Spain has made further improvements to its noise management process when unloading by changing the goods transportation method from metal vans to wooden pallets.

<sup>16</sup> Each material issue will be appropriately addressed in the report chapters below.

<sup>17</sup> \*Issues that are now more material than when the 2016 materiality analysis was performed.

There are other matters required by law that are not material to DIA, but which are reported on. The equivalence table at the end of this report provides specific details.

In conclusion, this materiality exercise combines both the demands of the main stakeholders in the short to medium-term and the identification of issues that are considered relevant from a longer-term perspective, and mirrors the strategic reflection that the DIA Group is employing to ensure a successful business model.

## 5.4. Sustainability Plan summary and key developments

### MAKE QUALITY FOOD ACCESSIBLE TO ALL (CUSTOMER)

**FOOD SAFETY:** Ensure that robust food safety systems are in place to guarantee the safety of products.

**NUTRITIONAL PROFILE OF PRIVATE-LABEL GOODS:** Create a nutrition strategy for private-label goods in each country.

**ACCESSIBILITY OF FOOD:** Help families, regardless of their budget or where they live, to eat a balanced diet.

### BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD (EMPLOYEES AND COMMUNITY)

**TEAM AND EMPLOYEE DEVELOPMENT:** Support the professional development of teams and their alignment with the cultural transformation process.

**EMPLOYEE HEALTH AND SAFETY:** Ensure management systems that guarantee the health and safety of employees and significantly reduce serious accidents (15% less than in 2020).

**DIVERSITY AND INCLUSION IN EMPLOYMENT:** Make the DIA Group a company that values diversity and encourages the inclusion and development of people from different backgrounds.

**SUPPORT THE COMMUNITY:** Increase food donations to support the communities in need where the Company operates.

### UNDERSTAND AND SUPPORT PARTNERS AT SOURCE (FRANCHISEES AND SUPPLIERS)

**FRANCHISEE RELATIONS:** Improve franchisee satisfaction in every country the Company operates in.

**SUPPLIER RELATIONS:** Improve supplier satisfaction in every country the Company operates in.

**SUSTAINABILITY OF RAW MATERIALS:** Outline plans for the transition to improved sustainability of essential raw materials (deforestation, sustainable fishing, animal welfare).

**UMAN RIGHTS MANAGEMENT IN THE SUPPLY CHAIN:** Introduce a management system that minimises the risk of non-compliance with employment human rights in our relations with third parties.

## WORK PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES

**PACKAGING:** Improve use and recycling of plastic in the packaging of our private-label products. Specifically, for Spain and Portugal:

- 100% recyclable (2025)
- 20% reduction in plastic (2025) 25
- % rPET drinks bottles (2025)

**WASTE MANAGEMENT AND FOOD WASTE:** Introduce a management system that improves waste management and significantly reduces food waste:

- +40% reduction of waste to landfill (baseline 2020)
- +40% reduction in food waste in Spain and Portugal (baseline 2020)

**CLIMATE CHANGE:** Reduce the carbon footprint of our operations by at least 20%.

## APPLY THE HIGHEST ETHICAL STANDARDS TO EVERYTHING THE COMPANY DOES

**BUSINESS ETHICS:** Consolidate an internal culture of ethics and compliance at the DIA Group.

In addition to the approval of this Plan, intensive work has been carried out in 2021 to guide the organisation towards achieving the commitments set out in the Plan. These include:

- The creation of plans and structures to ensure the implementation of a sustainable vision, the allocation of accountability for sustainability and the achievement of objectives.
  - The start of an internal communications plan.
  - The creation of baselines/indicators in IT systems to measure progress on all material issues identified by the Plan.
  - The start of sustainability-centred dialogue with the Management Board and the Board of Directors and, as mentioned above, the inclusion of key stakeholder satisfaction indicators as part of the monitoring objectives of the main governing bodies.
- Progress on all priority issues identified in the Sustainability Plan. The key developments include the following:
  - General improvement in main stakeholders satisfaction.
  - Drawing up of a policy on respect for human rights in the supply chain and the start of a responsible sourcing programme to implement it.
  - Progress in inclusion in employment: in Spain alone, over 20,000 people have passed regulated training courses that prepare them to work in different roles at DIA and for other companies in the industry. In addition, in partnership with several NGOs, a further 205 people at risk of exclusion have been trained and have completed work-experience placements at DIA. 161 of these individuals have joined the company's workforce.
  - The presence of women in senior positions in the company has improved with 38% of female directors at year-end (compared to 33% last year).
  - Serious accidents have dropped by 45% compared with previous year.
  - 209 products have been reformulated to reduce their fat, salt and sugar content, and the first assessment of the nutritional quality of the entire private-label range has been carried out in relation to the main nutritional standards and the market.
  - The proportion of sales of fresh products has grown by 21% in just one year.
  - Projects have been launched to help families access food, wherever they live (14,500 people living in villages without an organised retail store and 5,000 people who live in one of Europe's most depopulated regions now have access to fresh DIA products), and whatever their budget (in partnership with NGOs and universities, a study has been launched to understand the barriers that lead the most vulnerable families to have poorer quality diets and how to address them).

- In 2021 in Spain alone, around 5.5 million kg of virgin plastic were eliminated from the packaging of private-label products.
- The proportion of waste sent to landfill, which is now transformed into new products, and the proportion of food waste has been reduced by approximately 9 and 7% respectively.

## **6. GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS**

The DIA Group's corporate governance system strives to ensure not only the meeting of targets and Company growth, but also an appropriate climate of control and compliance with both internal and external regulations.

The company's internal regulations are in line with the Spanish Companies Act, the CNMV's Code of Good Governance for Listed Companies and best practice in listed companies. The most significant regulations are the Articles of Association, the General Shareholders' Meeting Regulations, the Board of Directors Regulations, the Audit and Compliance Committee Regulations, the Internal Code of Conduct on the Securities Market, the Code of Ethics and corporate policies.

So as to move forward with corporate governance issues and notwithstanding the fact that it is already included in its operating regulations (which can be viewed on [www.diacorporate.com](http://www.diacorporate.com)), the Company has a specific policy on Managing Conflicts of Interest and Related-Party Transactions, which contains applicable standards thereon, with a clear commitment to transparency, independence and a focus on complying with the best good corporate governance standards.

Moreover, an external assessment of the performance of the Board and its committees was carried out in 2021 in order to develop an action plan for continuous improvement in corporate governance based on the results obtained.

### **6.1. Composition and structure of the Board of Directors**

(102-18; 102-22)

In accordance with its regulations and through the Appointments and Remuneration Committee, DIA's Board of Directors ensures that director selection procedures encourage a diversity of knowledge, experience, age and gender. Proposed appointments are always based on a prior analysis of Board needs so that each member is a professional with a clear executive background and ample experience in retail and consumer goods related businesses.

On 30 August 2019, the Extraordinary General Shareholders' Meeting set the maximum number of Board of Director members at eight. The professional backgrounds of the members of the Board of Directors can be viewed on DIA's website. Board members are taking a new approach to performance management and financial oversight.

Generally speaking, the new organisational structure aims to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

At 31 December 2021, the Board of Directors had the following members: Mr Stephan DuCharme, Mr Jaime García-Legaz, Mr Sergio Antonio Ferreira Dias, Mr José Wahnou Levy, Ms Basola Vallés Cerezuela, Marcelo Maia, Vicente Trius Oliva and Luisa Delgado.

#### **Director remuneration**

In accordance with the Spanish Companies Act and the Company's internal regulations, members of the Board of Directors shall receive remuneration, in their capacity as directors, that is determined by the General Shareholders' Meeting via the approval of a Remuneration Policy, submitted for approval at least every three years. Director remuneration for each financial year, which is explained in detail in the Annual Remuneration Report, consists of a fixed cash payment and a deferred share-based payment.

On 30 August 2019, the Extraordinary General Shareholders' Meeting approved a new 2020-2022 Director Remuneration Policy with the following features:

- Engagement, attraction and talent retention: the aim of the Remuneration Policy is to reward quality, dedication, accountability, business expertise and engagement with the Company of individuals in key posts who lead the organisation.
- External and internal equality: the external competitive environment and internal equity shall be taken into consideration when setting remuneration.
- Transparency.
- Encourage the long-term creation of value for the Company and its shareholders.
- Proprietary directors shall not be paid for their work as directors.

Board members	From	To	Financial instruments	Fixed remuneration	Indemnities	Non-compete	Other (remun. in kind)
Mr. Christian Couvreur	01/01/2021	15/02/2021	50.0	21.4	—	—	—
Mr José Wahnnon	01/01/2021	31/12/2021	—	150	—	—	—
Mr Jaime García-Legaz	01/01/2021	31/12/2021	—	165.9	—	—	—
Ms. Basola Vallés	01/01/2021	31/12/2021	—	120	—	—	—
Mr Stephan DuCharme	01/01/2021	31/12/2021	—	—	—	—	—
Mr Sergio Ferreira Dias	01/01/2021	31/12/2021	—	—	—	—	—
Mr. Marcelo Maia	01/01/2021	31/12/2021	—	112.1	—	—	—
Mr. Vicente Trius	29/09/2021	31/12/2021	—	25.8	—	—	—
Ms. Luisa Delgado	01/11/2021	31/12/2021	—	25.1	—	—	—
<b>TOTAL</b>			<b>50</b>	<b>620</b>	<b>—</b>	<b>—</b>	<b>—</b>

### Average remuneration paid (thousands of euros)

	2021		2020	
	Men	Women	Men	Women
	Directors	110.55	145.10	585.32

Table 4a and 4b: Total and average remuneration paid to directors for all items of remuneration, taking into account the actual time each director has served as a director during 2021 into the average remuneration calculation, in thousands of euros. As proprietary directors do not receive any remuneration for their work on the Board, they have not been taken into account in the calculation of average remuneration. Due to the death of Mr. Christian Couvreur in 2021, shares net of withholdings in the amount of Euros 50 thousand have been given out, which have not been taken into account when calculating the average remuneration paid per gender. For further information, see Note 20 to the Consolidated Annual Accounts and the Annual Director Remuneration Report for 2021.

### Board committees

There are several Board committees that are governed by the Company's articles of association, the Board of Directors Regulations and the specific committee regulations, if applicable. These Committees are structured as follows:

#### Audit and Compliance Committee

Mr José Wahnnon Levy (Chairman, Independent Director)  
Mr Sergio Ferreira Dias (External Proprietary Director)  
Mr Jaime García-Legaz Ponce (Independent Director)

#### Appointments and Remuneration Committee

Ms Luisa Delgado (Chairwomen, Independent Director)  
Ms Basola Vallés Cerezuola (Independent Director)  
Mr Marcelo Maia (Other External Director)

Generally speaking, the Board's composition and organisational structure aim to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

## 6.2. Governance model for supervision and control

(102-18)

The DIA Group supervises and controls using a three-line model of defence. The first line are the functions in charge of day-to-day operations, responsible for setting out the controls that mitigate the risks linked to their lines of business. The second line is represented by the internal control, risk management, compliance and ethics functions, which assess, supervise and guarantee that the controls implemented by the first line are effective, that the identified risks are correctly managed and that regulations are effectively complied with. Lastly, a third line is provided by internal audit, which gives independent assurance on the effectiveness and proper running of the Company's processes, including internal control and risk management.

The supervision and control model of governance is vested in three committees made up of senior executives who ensure that the business objectives are achieved in line with agreed values and applicable regulations. All these committees inform regularly to the Audit Committee.

### 6.2.1. Risk Management Committee

It aims to introduce the necessary tools and procedures to identify, prevent, minimise and manage the risks linked to all areas of activity, ensuring that the business objectives are met in a sustainable manner. It is made up of the heads of the business and corporate departments, in addition to the head of risk control and management. The Committee seeks to make decisions arising from the running of the risk management system and has the following responsibilities:

- Ensure the proper functioning of the risk management system (to identify, measure, control, manage and report the most important potential risks affecting the Group).
- Ensure that the system effectively and efficiently eliminates or mitigates the most significant risks.
- Guarantee that emerging risks are properly identified, analysed, assessed, monitored and reported.

In order to correctly implement the risk management process, in 2021 work began on the introduction of a comprehensive risk management system that includes both the measuring of inherent risks and the assessment of controls, mitigating measures and action plans to monitor each of the risks identified in 2020. In parallel, the identification of these risks is being updated through the creation, in 2022, of a corporate risk catalogue aligned with the Company's strategic objectives and the priorities of the Management Board.

This risk catalogue, which will be the subject of the risk map for each business unit and the DIA Group, is made up of both financial risks (including tax risks) and non-financial risks (strategic, compliance, operational and reputational risks). The non-financial risks specific to the DIA Group and its key stakeholders are detailed in the relevant report chapters.

In 2021, risks inherent to the business model, the Group's activity and the market environment, derived from own and extraordinary circumstances related to business development and economic situation.

To deal with the COVID-19 crisis, the DIA Group deployed human and technical resources, as well as action protocols, necessary to make compatible the primary objective of the protection of health and well-being of its employees, in order to maintain an adequate level of service to all its customers from our warehouses and stores, in order to guarantee the functioning of the global food distribution chain of which DIA Group forms part, an objective that has been successfully met.

Additionally, there have been risks related to:

- The high competition in the food distribution sector.
- The delay in adapting the business model to the needs of the market, as the needs of the market are changing, and it is necessary to agilely adapt to them.
- The political and social situation of the countries in which the Group operates, since the instability in this regard has caused the supply chain to be affected from time to time.

- Exchange rate risk due to the presence in the Group of countries with a high currency fluctuation. Argentina, country in which the Group operates, achieved the status of a hyperinflationary economy in 2019.

### 6.2.2. Internal Control Committee

Its objective is to promote the effectiveness of the internal control system and develop and update internal regulations that regulate it. It is the forum in which proposals for improvement are channelled and strengthening is facilitated in the different scopes of control. If it is considered that the control environment in place is not sufficient, the Internal Control Committee may propose new controls associated with each process, which may involve the segregation of duties, the preparation and use of certain policies or procedures, or the independent control of certain activities, to name a few. This committee is made up of one manager from the different control areas and the internal control manager.

In terms of the regulatory system, DIA has several instruments that have been suitably documented and disseminated across the organisation and, where appropriate, the value chain as well:

- Code of Ethics: foundation of the company's regulatory and values system.
- Corporate policies<sup>18</sup>: these policies set out the general principles that should govern all Company matters, following the recommendations of the Unified Good Governance Code of Listed Companies. If applicable, they are approved by the Board of Directors.
- Mandatory standards: these standards set out the mandatory criteria and controls that must be performed in processes of high impact and those of a critical nature for the Group. These standards were developed in 2020 on the recommendation of the Audit Committee and are approved by the Group's Internal Control Committee. During 2021, they have been included in the company's operations and updated. At the end of 2021, the DIA Group has 30 of these mandatory standards.
- Specific internal Group and country regulations: They constitute the set of standards, procedures and manuals that govern the functioning of the areas in each region.

This regulatory system has been strengthened in 2021 with the roll-out of a corporate values programme in line with the business purpose of being "closer every day": customer, entrepreneurship, results, trust and learning.

Specific control systems, such as the Financial Information Control System or function of Data Protection, are also in place to carry out this internal control function.

### 6.2.3. Ethics Committee

(102-16)

It aims to foster an ethical culture within the organisation. The DIA Group's Ethics Committee heads up the Ethics Committees in different countries and is in charge of implementing the Code of Ethics. The Board of Directors receives a quarterly report from the Group's Ethics Committee and is in charge of assessing the Code's effectiveness and of issuing the amendments it deems appropriate in order to meet the desired objectives.

The Code of Ethics is not only the cornerstone of the ethics and compliance system, but also the foundations for the development of the other policies and standards governing the business. This Code formalises the DIA Group's ethics model and the guidelines for the mandatory conduct of Group employees, executives and directors, including the parent company and its subsidiaries, and has been

<sup>18</sup> The policies that cannot be delegated by the Board of Directors according to law, the Company's Articles of Association or the Good Governance Code recommendations are available on [www.diacorporate.com](http://www.diacorporate.com).



updated in 2021 to ensure that the ethical principles are fully aligned with the Company's values. In addition, a Whistleblowing Hotline is in place for reporting any irregularities, anonymously and confidentially, which is provided by an external third party and managed internally, guaranteeing the whistleblower's indemnity at all times (102-17).

Suppliers, franchisees and contractors are informed of the Code of Ethics and they may access the Whistleblowing Hotline under the same guarantees as any other employee.

#### Summary of Sustainability Plan performance

Associated non-financial risks <sup>19</sup>	Key matter in the sustainability plan	2021 indicator and result	Assessment
Fraud		Number of confirmed reports of corruption, discrimination or harassment.: 15	Partially achieved
Difficulty in effectively showing the DIA culture	Business ethics	Percentage of participation (and completion) of training in ethics and compliance by employees: 65.5%	Partially achieved
Damage to the company's reputation and/or image		Average number of days to resolve complaints: 78	Achieved

In 2021, 548 reports were received and admitted for processing via the Whistleblowing Hotline. 533 of these are complaints of non-compliance (compared to 301 the previous year) and 15 are enquiries (compared to 39 the previous year). This 77% increase in reporting is not viewed negatively, but rather as a positive indicator of awareness and confidence in the whistleblowing channel. As shown in table 5, 19 of these reports come from outside the DIA Group and 273 are anonymous.

Following investigation, of the 483 reports closed in 2021, no reports of corruption have been confirmed in 2021 (no cases confirmed in 2020 either) (205-3). There is one confirmed case of discrimination in Argentina that has led to the reported person leaving the company (in 2020, there were no confirmed cases of this kind) (406-1). Lastly, 14 reports of harassment have been confirmed by the Ethics Committees (compared to 2 in 2020). 13 of these 14 cases have happened in Brazil and relate to 7 separate cases, due to several complaints about the same events. The other complaint of harassment relates to a case in Spain. The 8 confirmed cases have resulted in the reported person leaving the company. The other complaints have either been rejected (341), or they have been confirmed and other corrective measures have been adopted (such as training, change of functions or provisional leave).

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2021	2020	2021	2020	2021	2020	2021	2020
No. of internal reports	32	51	171	44	25	18	14	7
No. of external reports	2	11	9	-	5	4	2	1
No. of anonymous reports	69	34	136	82	54	38	14	11
<b>No. of reports</b>	<b>103</b>	<b>96</b>	<b>316</b>	<b>126</b>	<b>84</b>	<b>60</b>	<b>30</b>	<b>19</b>
<b>No. of reports resolved</b>	<b>89</b>	<b>72</b>	<b>297</b>	<b>104</b>	<b>70</b>	<b>34</b>	<b>27</b>	<b>14</b>
<b>No. of reports ongoing</b>	<b>14</b>	<b>24</b>	<b>19</b>	<b>22</b>	<b>14</b>	<b>26</b>	<b>3</b>	<b>5</b>
No. of internal enquiries	1	-	2	13	1	-	1	-
No. of external enquiries	-	-	1	4	-	-	-	-
No. of anonymous enquiries	2	-	4	16	3	4	-	2
<b>Total No. of enquiries</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>33</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>2</b>
<b>No. of enquiries resolved</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>31</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>2</b>
<b>No. of enquiries ongoing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 5: Whistleblowing Hotline activity in 2021 and 2020.

Another of the priorities for improving the Group's ethics management and for increasing the confidence of employees and other stakeholders is to achieve greater agility in the management of the reports received

<sup>19</sup> Unless otherwise specified, the associated non-financial risks are part of the company's risk map.



through the whistleblowing hotline. In 2021, the number of ongoing reports at the end of 2021 decreased by 35%, and the average resolution time is 78 days at Group level, improving the 90 day target set.

Lastly, the organization's commitment to ethics has resulted in a new investment in training in 2021, which completes the effort already made the previous year. In 2021, a total of 16,384 Company employees received training in ethics and compliance, compared to 17,733 employees trained in these areas in 2020. In the specific case of training on the Code of Ethics, 65.5% of the employees present at the end of 2021 had passed this training program (which took place between 2020 and 2021). It is worth noting that the programs Ethics and compliance training courses aim to ensure that all the countries in which DIA operates share the same values, the same culture of ethics and integrity. Therefore, they always develop homogeneously and harmonized for all of them. The Company works to identify effective training channels for the network of stores that make it possible to improve the rates of this training in all the Group's countries

Training in anti-corruption policies / Code of Ethics/ other (205-2)	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2021	2020	2021	2020	2021	2020	2021	2020
Directors	-	-	-	-	-	-	-	-
Executives	23	21	25	25	63	85	18	4
Managers	417	471	289	626	1,277	653	142	12
Employees	1,170	1,235	2,520	5,038	8,694	9,212	1,746	351
<b>TOTAL</b>	<b>1,610</b>	<b>1,727</b>	<b>2,834</b>	<b>5,689</b>	<b>10,034</b>	<b>9,950</b>	<b>1,906</b>	<b>367</b>

Table 6: Employees pro-actively trained in anti-corruption policies or the Code of Ethics or other, by professional category. This information includes face-to-face and online learning using training platforms.

As part of the objective of promoting an ethical culture is the compliance function, whose objective is to identify, assess, control and report risks of non-compliance with applicable legal regulations. In addition to a Compliance Policy that defines the principles of compliance and the bases for how the function operates, the following policies should be noted:

- The Anti-Bribery Policy, which aims to set out compliance regulations for the supervision and safeguarding of DIA's position with regard to bribery and establish effective communication and awareness mechanisms between the obliged parties in order to prevent, detect and react to bribery-related issues.
- The Policy on Managing Conflicts of Interest and Related-Party Transactions, which aims to establish and regulate the procedure applicable in situations in which there is a direct or indirect clash between the interests of DIA or the DIA Group companies and the personal interests of the members of the governing bodies of the DIA Group companies and their representatives. In 2021, work has been carried out to expand this policy to all DIA Group employees and this was reported on in the first few months of 2022.
- The International Sanctions Policy, which aims to establish a regulatory framework for all scenarios in which the DIA Group may be involved during the course of its commercial activities and to set out an authorisation procedure that allows DIA to maintain control of all relationships entered into with third parties. To implement this policy, a tool was created in 2021 that centrally validates all suppliers before the start of any business relationship.

The DIA Group also has a Policy for the Prevention of Crimes and Anticorruption and an Anti-fraud and Anti-corruption programme, which identifies and assesses these risks in each of the jurisdictions in which it operates, overseen by an appointed manager. The risks identified by this programme include bribery, facilitation payments, money laundering<sup>20</sup>, conflicts of interest, distortion of market competition, financing political parties, their candidates or their foundations, or influence peddling.

<sup>20</sup> In terms of money laundering, DIA is not subject to application of Law 10/2010 and it has not therefore prepared a specific money laundering prevention policy within the anti-fraud programme. The Company does however have control and restriction systems within its procedures to manage issues relating to money laundering: authorisation platforms are used for payments to suppliers for goods and services and cash payments are strictly limited within the Company (generally speaking, cash payments are not allowed and if they are needed under exceptional circumstances, they are

Additionally, DIA Spain has updated its Crime Prevention Model that detects and assesses the risk of a crime being committed that could result in the legal entity being held criminally liable, as well as the standards, procedures and controls needed to prevent these crimes from being committed. Internally, the compliance function is responsible for ensuring the maintenance and proper functioning of the model and reports directly to the Board's Audit Committee.

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duly registered and documented under the mandatory controls). As with the other risks relating to the prevention of crimes that could lead to the legal entity being held liable, they are reviewed and reported on regularly.

#### **6.2.4. Internal Audit Department**

The internal audit function of the DIA Group plays a fundamental role in the good governance of the company as independent and objective assurance and consultation activity, designed to add value and improve operations of the organization. Thus, this function helps the organization to meet its objectives by providing a systematic approach and disciplined to assess and improve risk management, control and governance processes.

The annual plan of the internal audit function of the DIA Group is drawn up based on the Group's risk map, considering, among others, the most relevant risks and identifying the processes associated with them. Through the tests performed by the internal audit function an independent opinion is obtained as to whether the controls implemented in the reviewed processes are effective and efficient in mitigating risks. The results of the work carried out are communicated both to the Company's Management and to the Group's Audit and Compliance Committee.

The internal audit function performs its work strictly following the mandatory compliance elements of the International Framework for Professional Practice of "The Institute of Internal Auditors" including: (i) the Principles Fundamentals for the Professional Practice of Internal Auditing, (ii) the Code of Ethics, (iii) the Standards, and (iv) the Definition of Internal Audit.

## 7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS

DIA stores are within a 15 minute walk of 63.5% of Spanish people. DIA is also the company with the most sales points in towns of under 10,000 inhabitants<sup>21</sup>. DIA's presence in all types of neighbourhood, something that is repeated in all regions, plays an essential role in providing access to quality food at the best prices for all families, wherever they live and regardless of their budget. In fact, the value of proximity in facilitating people's right to good food was clearer than ever during the pandemic and in the context of extreme weather events, such as the snowstorms experienced earlier this year in Spain. The significant investments made in the remodelling of the stores, around 143 million euros in 2021, are aimed at improving the experience of everyday customers who are so important to DIA.

This is the context in which food safety, the nutritional quality of its private-label goods and access to food have become a priority in the DIA Group's Sustainability Plan. Despite this, "DIA's proximity" is not only physical. Proximity means offering the best service to the customer, knowing them in depth and adapting this service as far as possible to their tastes and needs; it also means offering the best multi-channel experience and being the best in the home straight; and of course, proximity means offering the best products, including the freshest and most seasonal products, at the best price.

### Main communication channels with customers

The DIA Group has used different channels to communicate with and listen to its customers:

- Customers can also use ClubDIA to voluntarily rate their shopping experience, the application itself or to directly contact the DIA Group with queries, suggestions and complaints. Moreover, club members receive a questionnaire after each shop, asking them to quickly rate their shopping experience.
- The online shopping pages and related apps (DIA online) can also be used by customers to rate products and fill in a customer services contact form.
- The Group uses social media for business and corporate communications. The Group has accounts on the most popular platforms in all the countries it operates in, including Facebook, Twitter, Instagram and YouTube.
- Customer service: in 2021, more than 500,000 communications were dealt with and analysed through this service, via its multiple available channels (telephone, web, chatbox), in order to get to know the customer better and offer a satisfactory response.

### Key policies governing customer relations and their functions

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees adequate production, processing and management of all products offered by the Company.
- The Customer Marketing and Communication Policy: based on respect for commitments to customers, honest verbal and written communications and integrity in all professional corporate activity within this context. To this end, customer communications are based on the general principles of transparency, proximity, equality and quality.
- The Corporate Information Security Policy: aims to define the guidelines for ensuring the confidentiality, integrity and availability of information. Employees, staff and external collaborators who need to access the Company's information systems must comply with this policy. Although

<sup>21</sup> "Despoblamiento rural: la becha de la desigualdad" (*Rural depopulation: the inequality divide*), Luis Camarero and Jesús Oliva.

this policy applies to all stakeholders, it is mentioned here because of its particular impact on the protection of customer rights.

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
	Food safety	% of approved suppliers: 89%	Partially achieved
Food crisis/food safety risk			
Inadequate definition of product portfolio (value proposition)		Number of products reformulated to improve nutritional profile: 209	Achieved
	Nutritional quality of private-label goods	Growth in sale of fresh produce: 21%	Achieved
		Reference percentage of “healthy” products in private-label range (available in 2022).	NA
		Number of vulnerable people impacted by the programme (networks, press, etc.) (available in 2022)	NA
	Access to quality food		
		Customers in districts without stores and food deserts reached by DIA (Spain): 14,500 and 5,000	Achieved

7.1 Food safety

The DIA Group's food safety policy sets out the principles applied across the supply chain and defines the tools to be used to implement this policy in order to guarantee product safety and quality.

This policy is based on two main pillars:

- Supplier approval: this allows the manufacturing process to be verified to ensure that it meets the quality and food safety guarantees required by the DIA Group for all its suppliers of products manufactured under its private-label.
- Process auditing: allows products to maintain their characteristics across the supply chain and reach the consumer in perfect condition.

In terms of approval requirements, in Spain and Portugal, all suppliers must have an IFS or BRC certificate at all factories where DIA-brand products are produced. In Brazil and Argentina, this certificate can be replaced with an equivalent audit report undertaken by DIA. In 2021, 89% of suppliers are approved in terms of food safety at Group level (416-1). Although this is slightly behind schedule, we expect 100% of suppliers to meet this requirement in the first half of 2022.

Once the product arrives at DIA's facilities, it is subjected to a product safety and quality control plan, as well as the monitoring of other essential aspects, such as order and cleanliness, the cold chain, traceability, good hygiene practices and correct product rotation through audits at warehouses and stores. In 2021, 15,128 audits (8,872 the prior year) were performed, including processes to ensure maintenance control of the cold chain across the Group and the freshness of the fruit and vegetables on offer in stores.

## 7.2. Nutritional quality of the DIA brand

The relationship between a good diet and health is an undisputed fact these days. Therefore, the DIA Group is in the process of defining and measuring the quality of its private-label goods (nutritional strength), with the ultimate aim of drawing up a policy that establishes how to treat this attribute both in terms of product development and in the subsequent promotion and sales processes.

The first milestone in this regard has been the development of a tool that enables diagnoses to be made regarding the nutritional quality of the upwards of 6,800 private-label products (over 6,300 in 2020) with respect to the main nutritional standards (nutriscore, World Health Organization recommendations, NOVA, Chilean alert standards and other own standards) and also with respect to the market, when this information is available. In addition, a series of indicators have been agreed upon to measure the performance of the DIA portfolio in this regard. This first snapshot, which will be ready in early 2022, will be the basis for future decision-making on these matters.

In any event, the DIA Group has already begun a project to improve nutritional quality by considerably reducing hydrogenated fats and added trans-fats in all its private-label goods. Furthermore, in Argentina, Spain and Portugal, work has also been undertaken to reduce the sugar, salt and fat content of certain food categories, reformulating 199 products in 2021. In Spain alone, this reformulation meant that 130 tonnes of saturated fats and over 830 tonnes of sugar were prevented from entering the market this year.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2021	2020	2021	2020	2021	2020	2021	2020
Number of private-label products reformulated	10	-	-	-	90	48	109	-

Table 7: Number of private-label products reformulated in order to reduce the amount of fat, sugar or salt.

Along these lines, DIA's concern with offering its customers products with an enhanced nutritional profile is reflected in the launch of products such as palm oil-free crisps and in the efforts to revamp and promote certain categories, such as frozen vegetables or dried fruit and nuts, which are generally deficient, based on the EAT-Lancet Commission's healthy diet reference. Moreover, in all the countries in which the Group operates, significant funds have been invested to ensure that all stores offer the freshest possible fruit and vegetables, placing them as a central focus in the store layout. Thanks to these efforts, proportion of sales of fresh produce in the DIA Group have increased in 2021 by 21%.

## 7.3. Access to quality food

DIA's main strength, customer proximity, together with the complete offer of products and always competitive prices, makes it one of the industry's best positioned companies to aid people's right to access food, wherever they live and whatever their budget.

As stated, a rule of thumb replicated in every country in which DIA operates is that the capillarity of DIA stores extends through all kinds of neighbourhoods, regardless of purchasing power, and in countries with a greater presence, the chain reaches a huge number of districts, including the smaller ones.

High	Medium-High	Medium	Medium-Low	Low	Very low
7%	11%	14%	14%	17%	9%

Table 8: Distribution of DIA Group supermarkets in Spain in accordance with income levels (INE) and census track.

This unique position, which will be reinforced by online service expansion across all countries, will give the DIA Group the edge so that families can access fresh, quality products, regardless of their post code. This includes upwards of 75,000 people living in what could be classified as "food deserts"<sup>22</sup> only in Spain.

In fact, in 2021 the DIA Group, in partnership with a third party, managed to bring food to over 14,000 people living in municipal areas with no store and 5,000 people in food deserts in the province of Soria, by means of a sales and logistics plan that ensures supplies to all municipal areas in Europe's most unpopulated province. The DIA Group ensures weekly supplies of fresh produce to people who would otherwise have great difficulty accessing a balanced diet, since these regions tend to be inhabited by an

<sup>22</sup> Food desert: the term 'food desert' was originally coined in the US. Here, food desert is used to refer to towns whose inhabitants have to travel over 15 km as the crow flies to reach a proper retail establishment.

elderly demographic with limited independence. The aim in the coming years is to draw up an expansion plan that will specifically address access to a quality diet in the most inaccessible rural areas in both Spain and Portugal.

Food quality is clearly connected to the risk of suffering from non-transmissible diseases (such as ischaemic heart disease and strokes), which represent the main causes of death worldwide<sup>23</sup>. The DIA Group recognises this fact and has already identified the nutritional profile of its private-label goods as one of the issues to address in the coming years, as mentioned in point 7.2. At the same time, as mentioned previously, the particular presence of DIA in more humble neighbourhoods in which the offering of fresh and safe produce is limited<sup>24</sup>, enables the company to create distinctive value by providing a quality diet to more vulnerable families. The company's investment in promoting the fresh produce category in all of its stores is in alignment with this goal. Additionally, DIA has begun working on projects in collaboration with NGOs and universities to better understand the reasons that explain the greater impact of obesity on the poorer classes.

The preliminary results of the analyses carried out in Spain seem to support the idea that the cost of a balanced diet, contrary to the initial perception of the families taking part in the study<sup>25</sup>, is not an insurmountable barrier to having a healthy diet, and there are many other factors of an educational, psychosocial and commercial nature that come into play. According to the initial results, the participants of the experimental group that underwent the awareness programme, and were monitored for 10 weeks, reported significant improvements in their patterns of consumption and even improved certain biomedical parameters (mainly weight loss). The aim of the DIA Group is to be able to outline a large-scale programme to help families who wish to achieve a more balanced diet, regardless of their budget.

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<sup>23</sup> World Health Organization 2019.

<sup>24</sup> Dynamics of the complex food environment underlying dietary intake in low-income groups: a systems map of associations extracted from a systematic umbrella literature review. Sawyer et al. 2021.

<sup>25</sup> 52 adults and 14 children from vulnerable environments took part in this study, which divided the families into a control group and an experimental group. The final results will be published on the appropriate forums throughout 2022.

## 8. BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD

Its network of over 5,900 local stores allows the Group to be very present in different neighbourhoods and to understand first-hand what is happening through the talent they provide us. How DIA strives to be close to its customers by offering services that meet their needs was explained in the previous chapter. This new chapter now shows how employees form part of this DIA community, which is built from each store up, and how the company interacts with the most disadvantaged groups in these areas. The following chapter describes how DIA forms part of neighbourhoods through another key player: the franchisee.

### 8.1. Human capital

The DIA Group has a diverse workforce made up of 38,575 employees at 2021 year-end. Of all DIA employees, 67.3% work in Europe (Spain and Portugal) and 32.6% work in Latin America (Argentina and Brazil), compared to 73% and 27% in 2020, respectively.

		Workforce by country, status, gender and age at 31 December (405-1)						
		Executives		Managers		Employees		
		2021	2020	2021	2020	2021	2020	
ARGENTINA	Men	<30 years	-	-	48	27	617	795
		30-50 years	16	13	282	254	1,127	1,172
		>50 years	3	4	29	28	33	25
	Women	<30 years	-	-	23	27	344	449
		30-50 years	5	4	216	108	750	836
		>50 years	1	-	10	5	22	22
<b>TOTAL</b>		<b>25</b>	<b>21</b>	<b>608</b>	<b>449</b>	<b>2,893</b>	<b>3,299</b>	
BRAZIL	Men	<30 years	-	-	4	4	2,090	1,670
		30-50 years	14	18	149	98	1,575	1,168
		>50 years	12	4	17	10	140	67
	Women	<30 years	-	-	4	2	2,439	1,967
		30-50 years	2	4	112	52	2,418	1,922
		>50 years	-	-	3	1	95	51
<b>TOTAL</b>		<b>28</b>	<b>26</b>	<b>289</b>	<b>167</b>	<b>8,757</b>	<b>6,845</b>	
SPAIN	Men	<30 years	-	1	44	13	1,143	1,550
		30-50 years	42	55	459	258	3,312	3,759
		>50 years	10	12	148	94	1,056	1,079
	Women	<30 years	-	-	54	5	2,078	2,624
		30-50 years	14	21	548	263	10,762	12,233
		>50 years	13	20	164	78	3,214	3,142
<b>TOTAL</b>		<b>79</b>	<b>109</b>	<b>1,417</b>	<b>711</b>	<b>21,565</b>	<b>24,387</b>	
PORTUGAL	Men	<30 years	-	-	2	-	269	382
		30-50 years	6	3	49	17	530	659
		>50 years	4	1	23	15	87	89
	Women	<30 years	-	-	2	-	453	742
		30-50 years	6	5	68	35	1,240	1,460
		>50 years	1	-	4	3	170	156
<b>TOTAL</b>		<b>17</b>	<b>9</b>	<b>148</b>	<b>70</b>	<b>2,749</b>	<b>3,488</b>	



Table 9: Total number and distribution of employees by gender, age, country and professional category<sup>26</sup>. Directors, franchisees and other external workers have not been included in this breakdown. One Executive and one employee from DWT have been included in Spain.

### Main communication channels with employees

There are several channels for communicating with employees, the majority of which encourage two-way communication. The main channels are as follows:

- Corporate website for employees: an area where communication, the sharing of expertise, leisure activities and the dissemination of corporate information are encouraged.
- Bulletins: a weekly publication that shares good practice and strategy developments with all Group employees. In addition, operational teams also receive daily and weekly bulletin updates about the projects they are taking part in.
- Regular surveys about different issues (from specific initiatives to general assessments of corporate culture) to find out what employees think. These communications channels, regardless of whether they are managed internally or via a third party, guarantee anonymity and total privacy regarding the responses given by employees.
- New regular communication channels between top management and employees for closer contact with leadership and to share business developments and progress made in the transformation process.

### Key policies governing employee relations and their functions

- The Corporate Human Resources Policy: includes the DIA Group's commitment to create jobs and to develop professionals within the context of the Company's corporate values. This policy also aims to encourage DIA's long-term commitment to generating pride and a sense of belonging, adapting to the cultural, employment and business contexts in each of the countries where it operates.

The DIA Group does not have separate diversity, training and disconnect from work policies. The majority of human resource management issues are however included in the Group's general Human Resources Policy.

### Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
	Employee and team development	Employee's level of recommendation: improvement	Achieved
Difficulty in effectively showing the DIA culture	Employee health and safety	Reduction in serious accidents (%): 45%	Achieved
Problems attracting and retaining talent		Number of people with disability on workforce: 465	Partially achieved
Occupational accidents	Diversity and inclusion in employment	Number of employees at risk of exclusion: 161	Achieved
		Percentage of female managers: 38%	Partially achieved

<sup>26</sup> The executives group includes the five highest categories in the organisation, managers includes the next three categories in the organisational hierarchy and employees refers to the remaining categories.

### 8.1.1. Responsibility for quality employment

A significant portion of DIA's workforce operates under permanent (92% in 2021 compared to 89% in 2020) and full-time (81% in 2021 compared to 79% in 2020) contracts, as shown in the following tables.

**Total employees by contract type and working hours at 31 December (102-8)**

	2021	2020
Permanent	35,498	35,380
Temporary	3,077	4,203
<b>TOTAL</b>	<b>38,575</b>	<b>39,583</b>
Full-time	31,168	31,218
Part-time	7,407	8,365
<b>TOTAL</b>	<b>38,575</b>	<b>39,374</b>

Table 10: Total number of employees by contract type and working hours. Directors, franchisees and other external workers have not been included in this breakdown.

**Average annual contracts by gender (number) (102-8)**

	2021		2020	
	Men	Women	Men	Women
Permanent	12,630	23,570	12,290	23,419
Temporary	1,131	2,833	1,791	3,682
Full-time	12,862	19,249	13,071	19,495
Part-time	900	7,153	1,010	7,606

**Average annual contracts by age (number) (102-8)**

	2021			2020		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Permanent	8,698	22,594	4,907	8,419	22,714	4,576
Temporary	1,926	1,828	211	2,860	2,342	271
Full-time	8,762	19,259	4,090	9,221	19,544	3,800
Part-time	1,862	5,164	1,028	2,058	5,512	1,047

**Average annual contracts by professional category (number) (102-8)**

	2021			2020		
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	139	2,325	33,737	164	1,446	34,099
Temporary	2	24	3,939	2	8	5,463
Full-time	141	2,297	29,673	165	1,421	30,981
Part-time	-	51	8,002	-	34	8,582

Tables 11a, 11b & 11c: Average annual number of employees by contract type, gender, age and professional category. Directors, franchisees and other external workers have not been included in this breakdown. The 2020 average contracts by age have been restated.

In 2021, as in 2020, 100% of employees in Brazil, Spain and Portugal were covered by a collective agreement, either at company or industry level (in Argentina this figure is 70% of the workforce compared to 71% the previous year), and the Company has 1,058 trade union representatives worldwide (1,057 in 2020) (102-41). Given the countries the DIA Group operates in and the significant number of trade union representatives, there is no perceived risk of basic human and employment rights being violated (such as child labour, forced labour, freedom of association or the right to collective bargaining) in internal processes. Among others, the Group's Code of Ethics and Whistleblowing hotline were created to help safeguard the DIA Group's commitment to respecting these values and others.

In terms of the remuneration policy, DIA salaries are in line with market conditions and employment agreements. Merit is the key driver of salary growth and the DIA Group has various performance assessment mechanisms. Store and warehouse employees are assessed based on their performance and productivity, both on an individual and group basis. In the offices, individual objectives are focused on individual performance and they are aligned with the Company's results. In 2021, average wages have fallen slightly, especially due to a reduction in overtime, which was very high in 2020 due to the pandemic.

		Average remuneration paid (euros) (405-2)					
		<30 years		30-50 years		>50 years	
		2021	2020	2021	2020	2021	2020
Executives	Men	-	-	202,041.05	184,329.05	255,880.81	147,088.21
	Women	-	-	135,147.07	114,139.54	170,628.19	129,976.54
Managers	Men	20,815.33	24,742.01	34,219.10	33,574.23	44,370.71	43,158.97
	Women	23,422.28	19,828.97	29,175.09	34,450.65	42,269.08	49,877.84
Employees	Men	9,934.18	10,116.23	15,425.82	15,445.31	20,851.47	22,261.16
	Women	9,191.81	9,748.33	14,834.04	15,285.44	17,684.05	18,446.75

Table 12: Average remuneration paid<sup>27</sup> by category, gender and age range (Euros).

Employee turnover has increased compared with 2020 (see table 13) due to the reorganisation of certain departments, particularly in Brazil.

		Employee turnover (401-1)							
		2021				2020			
		<30 years	30-50 years	>50 years	TOTAL	<30 years	30-50 years	>50 years	TOTAL
Executives	Men	-	6	4	10	-	19	16	35
	Women	-	2	3	5	-	3	3	6
Managers	Men	5	84	30	119	3	39	14	56
	Women	3	146	47	196	-	20	7	27
Employees	Men	661	595	71	1,327	631	535	45	1,211
	Women	668	1,319	227	2,214	732	808	127	1,667
<b>TOTAL</b>		<b>1,337</b>	<b>2,152</b>	<b>382</b>	<b>3,871</b>	<b>1,366</b>	<b>1,424</b>	<b>212</b>	<b>3,002</b>

Table 13: Employee turnover by category, gender and age.

<sup>27</sup> All elements received by employees in 2020 are included, except payments in kind. This includes the fixed pay actually processed and paid, additional payments based on working hours, productivity and performance bonuses and distribution of profits. The salary for the only executive under 30 years of age is not reported in line with current data protection legislation.

### 8.1.2. Employee and team development

In a sector as competitive as food distribution, one of the strategic priorities of businesses like the DIA Group is not only to attract, but also to retain talent.

Hence, the company has set up a close monitoring and employee satisfaction improvement scheme in all the regions in which it is present. This programme is based on regular monitoring of the commitment and satisfaction of employees and drawing up action plans accordingly to manage issues of concern for the over 38,500 employees of the Group. As a result of this programme, overall employee satisfaction has risen exceeding the target set.

Among the actions carried out to improve employee satisfaction in 2021, three key projects that address the goal of improving personal development and the “DIA team” stand out:

- Drawing up and rolling out a values programme that guides how things are done at DIA to fulfil goals and be a desired employer. These values, which are summed up in the word CLOSE (CERCA in Spanish), are fully aligned with the company’s purpose to be “closer every day” and form the foundations of all human resources management processes (102-16).
  - **Customer:** We live for the customer. He is our compass and our guide.
  - **Entrepreneurship:** We are entrepreneurs. We feel that the business is ours.
  - **Results:** We work to achieve results extraordinary. We always go further.
  - **Confidence:** We put people at the center and build trust. Our relationships are warm and authentic.
  - **Learning:** We love to learn. We are humble and demanding.
- Promoting a DIA Group leadership development programme, which measures the alignment of leaders with the values and strategic competencies defined, as well as their potential. Conducted through interviews with the HR team and a team of external consultants, each participant receives an individual report which is used to design a personalised development plan. 191 people have taken part in this programme in 2021. In order to generate a culture of continuous learning, improve commitment and enhance the performance of functions, a further 83 employees took part in coaching and mentoring programmes. An indirect benefit of these programmes is that they boost cross-departmental relations and promote collaboration between the company’s different functions.
- Investment in training: in 2021, DIA has made particular efforts to support employee development through training, increasing overall training hours by more than 40%, which is even higher than pre-pandemic levels. In addition to the training outsourced to external suppliers, the DIA Group has over 30 of its own training centres for employees and franchisees. These centres provide training to employees in more specific tasks, such as running the meat and fish counters. Particular investment has been made in franchisee training services, as explained further on. Special attention has been given this year to training on risk prevention and, at a more competence-based level, on digital transformation.

		Training (404-1)					
		Executives		Managers		Employees	
		2021	2020	2021	2020	2021	2020
Men	Training hours	909.8	549.9	17,622.5	5,817.70	92,349.9	57,698.60
	Average training hours	9.0	4.9	14.7	6.8	7.4	4.3
Women	Training hours	498.9	351.9	21,094.6	3,233.90	212,366.1	137,121.30
	Average training hours	12.5	6.7	18.4	5.4	8.4	5.1
<b>TOTAL TRAINING HOURS</b>		<b>1,430.3</b>	<b>901.8</b>	<b>38,750.2</b>	<b>9,051.60</b>	<b>304,731.8</b>	<b>194,819.90</b>

Table 14: Annual training hours and average training hours by professional category and gender.

### 8.1.3. Occupational health and safety

DIA has its own Occupational Risk Prevention Service, which deals with occupational safety and industrial hygiene, ergonomics and applied psychology. Health is monitored through external prevention services.

Occupational health and safety is a basic principle of excellence in human resource management and its importance has been emphasised as such in the Group's Strategic Sustainability Plan. DIA is committed to reducing serious accidents by 15% over the coming years, a reduction that will be achieved by improving employee health and safety management systems. In 2021, a reduction of 45% has been accomplished, reaching the target ahead of time.

The main improvements to the management system in 2021 have to do with the involvement of managers in the monitoring of actions derived from the regular audits and with the investment in awareness raising and training to create a culture of safety in the workplace. Investment in occupational risk prevention has practically tripled with respect to the prior year, resuming a level of normality that had been displaced due to the exceptional nature of 2020. This does not mean that we have let our guard down in terms of Covid prevention in the workplace, in fact, training sessions have been held to help staff be more resilient and emerge stronger from the adverse situation we have experienced. However, in 2021 we have once again been able to focus on issues that had been set aside in 2020, such as those more closely related to employee mental health.

Lastly, all the protection measures and procedures approved in 2020 for managing the Covid-19 pandemic, including the updating of prevention plans and management of positive cases and possible close contacts, have been upheld in the different work centres throughout 2021 (despite this, hours of absenteeism have significantly dropped this year, due partly to the official reduction in the number of days employees need to isolate for if they test positive). All work-life balance measures derived from the Mecuida Plan in Spain have also been upheld, such as the option for shorter working hours of up to 100%. Beyond the contents of the collective agreements, there are no specific additional health and safety agreements with unions, although all related issues are covered by the agreements.

	<b>Absenteeism and key health and safety indicators (403-9; 403-10)</b>			
	<b>Men</b>		<b>Women</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Hours of absenteeism	1,435,810.8	1,845,492.0	3,636,971.9	4,504,923.30
Number of accidents	841	841	1,153	1,221
Accident frequency index	32.5	31.7	27.1	28.0
Number of serious accidents	11	25	6	6
Severity index	0.7	0.6	0.6	0.6
Work-related ill health	11	16	38	27
Deaths	-	-	-	-

Table 15: Absenteeism and main health and safety indicators. Absenteeism reflects hours absent due to illness, accident or unjustified absence (including Covid-19). The injury frequency rate represents the number of injuries per 1,000,000 employee hours worked. The severity index represents the number of working days lost due to accidents resulting in sick leave, in thousands, divided by the number of hours worked.

#### **8.1.4. Diversity and inclusion**

As already mentioned, the vast capillarity of DIA stores enables the business to form part of the socio-economic fabric of the neighbourhoods and towns, offering professional opportunities to a large number of people and reflecting all of these realities. In 2021, over 79 nationalities were employed at DIA, with staff from all generations. In addition, over 8,600 under 25-year-olds and more than 3,800 unemployed persons were hired<sup>28</sup>. Moreover, in Spain alone, over 20,000 people have completed regulated training at DIA schools, giving them the opportunity to work as cashiers, warehouse workers or section managers at DIA or any other company in the industry.

The DIA Group has also made major efforts to offer training and employment opportunities to groups who are in particularly difficult circumstances, such as those at risk of social exclusion. In partnership with strategic partners, such as Cruz Roja and Cáritas, in Spain alone, 205 people have received training and carried out work experience at DIA stores, providing them with skills that can open doors at any other company. Additionally, a total of 161 individuals from job schemes run by Cruz Roja, Cáritas or refugee aid

<sup>28</sup> Data estimated using the hires from one large warehouse in Spain.

associations at risk of exclusion have been hired by the DIA Group in Spain and Portugal. In Argentina, the Company has joined the Te Sumo programme promoted by the Ministry of Production Development to integrate unemployed young people via the franchise from 2022.

In addition to the significant impact that these programmes have on many people, the company is confident that proactive diversity management can achieve significant organisational skills, such as better customer care, better problem resolution and a more open and tolerant culture. For all of these reasons, this is a material issue for the Group. However, to achieve all these benefits, the company is mindful that not only is workplace integration important, but also creating an environment that promotes inclusion and full personal development in equal opportunities.

In this regard, DIA is committed to respecting the principal of equality and condemning any type of discrimination, in whatever form, direct or indirect, or on any grounds: gender, sexual orientation, civil status, age, race, social status, religion, political affiliation, or any other personal situation. The General Human Resources Policy and Code of Ethics are the tools that guarantee this principle is fulfilled. Furthermore, in 2020 DIA approved a mandatory standard, with associated control procedures, for the purposes of guaranteeing that recruitment processes are conducted solely on the basis of merit and the necessary skills for the job.

		Employees with a disability at 31 December					
		<30 years		30-50 years		>50 years	
		2021	2020	2021	2020	2021	2020
Executives	Men	-	-	-	1	-	-
	Women	-	-	-	-	-	-
Managers	Men	-	1	2	-	-	1
	Women	-	-	5	3	-	-
Employees	Men	63	64	148	155	31	30
	Women	32	34	133	128	51	47
<b>TOTAL</b>		<b>95</b>	<b>99</b>	<b>288</b>	<b>287</b>	<b>82</b>	<b>78</b>

Table 16: employees with some type of disability in the DIA Group workforce, by professional category, gender and age, as of December 31.

One of the first diversity measures has been the revision of action plans to hire people with disabilities. Although the increase hasn't been significant this year, it is expected that the measures outlined in all regions lead to higher numbers in the coming years.

In addition, the company has adopted a selection policy whereby, given equal conditions and skills, the person of the least-represented sex in the post in question will be given preference in the recruitment process. This policy, and the efforts made to bring women into the final stages of the selection process, have resulted in the percentage of female managers rising from 33% in 2020 to 38% in 2021. Lastly, an equal pay assessment system is being developed that will enable equally-valued posts to be compared in order to determine if there is a gender pay gap or not in posts not covered by a collective workers' agreement.

	Gross gender pay gap (405-2)					
	Executives		Managers		Employees	
	2021	2020	2021	2020	2021	2020
ARGENTINA	54.90%	55.13%	57.41%	85.21%	108.88%	100.65%
BRAZIL	82.51%	55.43%	63.58%	96.25%	86.35%	90.09%
SPAIN	70.98%	69.48%	86.08%	91.98%	84.60%	85.39%
PORTUGAL	65.15%	40.27%	86.20%	74.99%	86.49%	60.34%

Table 17: Gross gender pay gap (ratio calculated as the average remuneration of women divided by men for each category). This calculation does not take into account key factors that allow comparability, such as professional category, functional department, performance, knowledge or professional experience, and which can significantly influence the end data. All items, except remuneration in kind, are taken into account for the calculation.

Other significant instruments for promoting gender equality include the equality plan implemented in Spain since 2012. This plan includes measures aimed at each of the following areas: access to the Company and recruitment; hiring and promotion; training; remuneration; work-life balance; occupational health; sexual harassment; gender-based violence; corporate culture, communication and awareness. It is a

preventive plan and, therefore, focuses on eliminating any possibility of future discrimination based on gender. The existence of an Equality Agent, the implementation of different protocols for harassment and gender-based violence, prevention and discrimination systems (access, promotion, compensation, language) and specific awareness-raising campaigns, are some of the practical improvements linked to this programme. As stated in chapter 6.2.3., no reports of discrimination have been confirmed via the Group's whistleblowing hotline.

Lastly, it should be noted that DIA recognises the importance of its employees' work-life balance. It has therefore instituted a hybrid, flexible work-from-home and on-site model at all Group offices, under which certain departments can choose to work 100% in either format if the worker so wishes and the post permits. At stores and warehouses, days off are established based on a flexible model, taking into account the workers' preferences where possible. Workers' right to disconnect from work has not been identified as a priority issue in the conversations held with staff and staff representatives to date, which is why it has not been addressed in company regulations or policies.

## 8.2. Accountability to Society

The DIA Group is fully aware of the importance and impact of the food distribution sector on society, whether it be supplying products to meet some of a person's basic needs, such as food and personal hygiene products, and making them available to everyone, or creating quality entrepreneurship opportunities and wealth through commerce. This is why the sections in this report describe the DIA Group's relations with its main stakeholders and how the Company creates value through these relationships.

DIA also acknowledges its accountability to other stakeholders that could be included in the "society" group (general public, public administrations, the media, among others). An important part of DIA's accountability to this large group is related to fiscal accountability, understood as sound governance procedures and fiscal discipline, to which the following section is devoted. In addition, the DIA Group considers that it is particularly accountable for reducing food waste by donating food to groups in need, which is why it has focused its social action programmes on this issue. A specific section (8.2.2) has been included in this chapter to describe the relevant initiatives.

### 8.2.1. Tax management and governance

The DIA Group's tax strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while ensuring that the Company's interests are covered and supporting the Group's business strategies. The tax principles and good practices comprising DIA's tax strategy must guide decision making at all levels.

As part of the good tax practices that guide DIA's activity, the tax strategy stipulates that DIA does not use opaque corporate structures of any kind or companies located in tax havens for tax purposes. The company also adheres to the Code of Good Tax Practices<sup>29</sup>. In this respect, it should be noted that the transfer of assets from the Spanish subsidiaries to the newly created Luxembourg companies takes place for the purposes of the financial agreement reached with the syndicated lenders, as explained above, and not for tax reasons.

The DIA Group is also committed to complying with the "OECD Guidelines for Multinational Enterprises" and with the OECD's BEPS reports on tax avoidance.

As a result of the DIA Group's tax strategy, the company has designed a Tax Risk Control and Management System, even though it is not strictly required by law. The aim of this System is to identify the main tax risks in order to assess and prevent them: To do this:

- Controls are defined within the different tax processes that are documented using risk and control matrices.
- The controls are assessed annually using SAP, GRC.
- In addition to the obligatory mention of tax risk control management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Control and Management System are reported to the Board of Director's Audit and Compliance Committee.

<sup>29</sup> [https://www.agenciatributaria.es/AEAT.internet/Inicio/\\_Segmentos\\_/Empresas\\_y\\_profesionales/Foro\\_Grandes\\_Empresas/Codigo\\_de\\_Buenas\\_Practicas\\_Tributarias/Adhesiones\\_al\\_Codigo\\_de\\_Buenas\\_Practicas\\_Tributarias.sht](https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.sht)



	Profit before tax (thousands of euros)		Tax paid (thousands of euros)	
	2021	2020	2021	2020
ARGENTINA	7,612	-9,310	-109	353
BRAZIL	-44,148	-176,667	836	-1,183
SPAIN	-187,490	-157,633	-1,420	-6,052
PORTUGAL	-19,431	-8,331	-417	-444
<b>TOTAL</b>	<b>-243,456</b>	<b>-351,941</b>	<b>-1,110</b>	<b>-7,326</b>

Table 18: Profit before tax and tax paid in thousands of euros (207-4). A negative tax paid figured reflects tax paid and a positive tax paid figure reflects a tax refund. In 2020, profit/(loss) before tax (76) is included as part of Argentina. In 2020, DIA Paraguay was wound up. In 2020 and 2021, profit/(loss) before tax (113 in 2021 compared to 256 in 2020 and -291 in 2021 compared to -383 in 2020, respectively) for Switzerland and Luxembourg are included as part of Spain. Tax paid (-33 in 2021 compared to -30 in 2020) for Switzerland is also included as part of Spain.

Tax paid has been calculated on a cash basis, for which the main consideration taken into account are as follows:

- Withholdings borne during the year.
- Interim payments for the year.
- Tax payment / refund (normally relates to the prior year).
- Payments arising from tax inspections.

Further information about tax management, including lawsuits and periods open to inspection can be found in note 15 to the 2020 Consolidated Annual Accounts.

Regarding other transactions with government bodies, in 2020 the DIA Group has not received any government grants in any of the countries it operates in<sup>30</sup> (201-4).

### 8.2.2. Supporting the community

#### Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
NA	Community support	Kg of donated food: 1,216,111	Partially achieved

As mentioned above, DIA has made it a priority in terms of action to increase the donation of surplus food to reduce food waste and also to help disadvantaged groups by giving food that is not suitable for sale but is fit for human consumption. In fact, in 2021 (as in 2020), no sponsorship actions have been carried out by the Group.

<sup>30</sup> Government grants are defined as any financial contribution paid by a government body to the company for the undertaking of a specific activity during the current year. Social security credits received for training and other items are not included here.

During 2021, the traditional operations to donate this surplus from the warehouses have been expanded with new processes to make donations from the DIA Group's darkstores. Specifically, in Spain alone, 19,000 kg of food was given in this way to partners such as WorldVision and Caritas in Spain. Overall surplus donations have maintained versus previous year, in part because of fewer donations in Brazil due to operational problems with the local partner and improvements in shrinkage reduction, as will be explained in the environment chapter.

ARGENTINA	BRAZIL	SPAIN	PORTUGAL
Over 173,300 kg donated to food banks (compared to over 89,000 kg in 2020).	Over 18,000 kg donated to food banks (compared to 162,000 kg in 2020).	Over 520,000 kg donated to food banks (compared to over 640,000 kg in 2020).	Over 181,000 kg donated to food banks (compared to 148,000 kg in 2020).

Table 19: Main donations in kind by the Group in 2020.

In addition to the direct donation of surpluses, DIA works with many organisations to help provide access to basic products for these groups. One way of helping has been to support the food collections organised by the Spanish association of food banks (Banco de Alimentos), which this year alone raised approximately Euros one million in Spain, and to donate more than 250,000 litres of milk to this organisation. To provide a further example, in Argentina DIA has donated over 48,000 products to charities, doubling the aid provided by customers themselves. Taking into account all types of donation, the final figure is in line with the previous year's figure of over 1,216 tonnes.

In addition to these donations in kind, due to its enormous penetration and capillarity in the poorest neighbourhoods, DIA is a reference partner for many organisations that distribute economic resources in the form of food vouchers to beneficiaries with whom it works by offering discounts on the sales price. All the associations and NGOs that DIA Spain works with undergo an approval process that ensures the quality and transparency of their management. This procedure will be rolled out to the other countries in the coming months.

### Main partnerships

The DIA Group is aware that many of the global challenges facing the industry and society as a whole require different players to come together and act in partnership. For the sake of transparency, below are the main industry associations with which the DIA Group is involved worldwide (102-13):

- CEOE (Confederación Española de Organizaciones Empresariales - *Spanish confederation of business organisations*).
- Círculo de Empresarios
- ASEDAS (Asociación Española de Distribuidores, Autoservicios y Supermercados - *Spanish association of distributors, self-service chains, and supermarkets*).
- Ecoembes.
- AECOC (Asociación Española de Fabricantes y Distribuidores - *Spanish association of manufacturers and distributors*).
- CEL (Centro Español de Logística - *Spanish logistics centre*).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje - *Spanish packaging technology platform*).
- AEA (Agencia Española de Anunciantes - *Spanish advertising agency*).
- AGERS (Asociación Española de Gestión de Riesgos y Seguros - *Spanish association of risk management and insurance*).
- IGREA (Iniciativa de Gestores Asociados de Riesgos Españoles - *Spanish associated risk managers' initiative*).

- Asociación Española de Franquiciadores (*Spanish franchisers' association*).
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información - *Spanish association for the advancement of information security*).
- ISACA (Asociación de Auditoría y Control de Sistemas de Información - *Association for the audit and control of information systems*).
- APED (*Portuguese association of distribution companies*).
- APF (*Association of Portuguese franchises*).
- ASU (Asociación de Supermercados Unidos - *Association of united supermarkets*).

## 9. UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE

DIA works to gain a full understanding of and to care for the details surrounding the manufacture and sale of its products and to build a transparent and fair relationship with its strategic partners: the franchisees and suppliers. The ultimate goal is to create a relationship of trust and mutual support in which everyone wins: company, strategic partners and customers.

### 9.1. Franchisees

With over 30 years of experience in developing the franchise model, the DIA Group has become the leading franchisor in Spain, according to the “Emprededores” magazine, and the seventh in Europe, according to the international ranking by the Franchise Direct consultancy firm, which is based on parameters that take into account economic issues, innovation capacity, environmental impact and franchisee support, among other aspects.

At 2021 year-end, the DIA Group had 2,710 franchised stores (compared with 2,682 in 2020), which is 45.6% of all its supermarkets, compared to 43% in 2020.

The Company provides its franchisees with its historical knowledge of the industry, the strength of its brand and its logistics services, while the franchisee brings its sales vocation and knowledge of the local market, which is key to developing proximity and the proximity model.

This relationship of trust between the DIA Group and its franchisees also creates value and wealth in the communities in which the franchises are set up. In 2021, DIA's franchise business generated almost 18,000 direct jobs (17,718 in 2020) (102-8).

	Franchised stores		Number of jobs under franchise	
	2021	2020	2021	2020
ARGENTINA	648	621	4,333	4,123
BRAZIL	167	317	3,146	4,907
SPAIN	1,598	1,477	8,308	6,768
PORTUGAL	297	267	2,204	1,920
<b>TOTAL</b>	<b>2,710</b>	<b>2,682</b>	<b>17,991</b>	<b>17,718</b>

Table 20: Franchises and the estimated number of employees in the franchise network.

#### Main communication channels with franchisees

- Satisfaction surveys prepared by Nielsen, the independent consultant. This anonymous and confidential survey collects information from franchisees on where they see room for improvement and their satisfaction levels.
- The Franchise Portal, an *online* platform franchisees can use to access databases of proprietary and comparative information and contact the Group directly.
- Franchise newsletters in all countries the Group operates in.
- Regular discussion forums with senior management, where two-way communication is key and franchisees have access to decision-making processes.
- Daily communications with supervisors and franchise analysts.

Key policies governing franchisee relations

- Corporate Franchise Policy: sets out related guidelines to ensure that the legislation in each country is respected, that the information provided is accurate and that agreements with franchisees who choose to manage a DIA store through the franchise model are complied with.
- Mandatory Standard for the Recruitment of and Relations with franchisees: aims to guarantee the effective recruitment of, relationship with and management of DIA Group franchisees.

**9.1.1. DIA: benchmark partner for franchisees**

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Inappropriate management of franchise partners	Franchisee satisfaction	Franchisee satisfaction and level of recommendation: improvement	Achieved

Almost half of the DIA store network belongs to the franchisees and over 2,100 people, together with their respective teams, have trusted this joint project aimed at being closer to the customer and bringing entrepreneurship and self-employment opportunities through franchising. This data shows a principle that DIA holds true: the success of the Company depends on the satisfaction of the franchisee.

Although DIA has been valuing franchisee satisfaction for many years, 2021 is the first year that it has measured this satisfaction rate based on the *net promoter score* and that improving this index is part of the objectives of the Group's own Board of Management. This year, external consultants conducted two satisfaction surveys on the franchisees in the entire Group, with an 89% participation rate. The results show an improvement in franchisee satisfaction in relation to previous surveys.

The main projects undertaken in 2021, which explain a large portion of the improvement registered, are as follows:

- Improvement of franchisee attraction and selection processes, with even more transparency around the commercial relationship and what is expected from both parties. Additional filters have also been outlined to ensure that the profile of the potential franchisee fits in with the success model proposed by DIA.
- Greater investment in franchisee training: in general terms, investments have been made in processes that not only support the franchisee to resolve doubts and operational issues, but also, in many cases offer training on key aspects of business management. The role of the franchisee analyst, a position created in all the countries in which the Group operates, is key in this regard. In Spain, a corporate university, known as Campus DIA, has been created for franchise holders to support their growth as entrepreneurs and in the objective of achieving a profitable, competitive franchise that is closer to the customer every day. Campus DIA offers training in hybrid format, that is, both online and face-to-face, and it marks an unprecedented milestone because all of the content has been created specifically to cater to the needs of the franchisees and their teams, bringing together everything they need to know to be excellent managers. Since September 2021, a total of 109 training sessions have been given to over 56% of the franchisees in Spain and 70% of the network is expected to be reached in 2022.
- Achieving more effective communication with franchisees, i.e. two-way communication through which franchisees not only feel well informed of the key issues that concern them, but also feel supported and skilled to participate in the improvements that are relevant to their business. In this

regard, in addition to greater investments in the classic communication channels, regular meetings have been set up between groups of franchisees and DIA management to ensure that the concerns of these key partners are always channelled and resolved. In some business units, such as Clarel, a commitment to formalise these meetings guarantees that all franchisees have access to front-line management at least four times a year.

- Implementing a new contract model which simplifies processes, guarantees correct store supplies and improves franchisee liquidity, among other improvements. This contract model, which began to be implemented in 2020, is now used in practically all of the franchises in Spain and Portugal and in 75% of the franchises in Argentina. Brazil has defined its new model, which is ready for implementation in 2022.
- Standardisation of processes, both in store operations and systems for the reporting of key information so as to guarantee management success.

All business units have already drawn up action plans to ensure that work continues in 2022 to significantly improve the franchisees' perception of the value proposal and the business relationship DIA offers and, together, to continue to improve a business model that makes the business mission possible.

### 9.2. Suppliers

The DIA Group has numerous procurement and supply agreements for all its products, which it acquires from private label suppliers and suppliers of national brands from all over the world. Although the large majority of purchases are from own national suppliers (which represent 86.3% of DIA suppliers compared to 85.1% last year), their size and location varies greatly, since the DIA Group works with both large multinational groups and small local suppliers (102-9).

	Number of national suppliers		Proportion of spending on national suppliers (%) (204-1)	
	2021	2020	2021	2020
ARGENTINA	469	472	97.32	97.17
BRAZIL	708	631	99.82	80.38
SPAIN	1,215	1,187	96.31	95.63
PORTUGAL	427	438	84.85	83.96
<b>TOTAL</b>	<b>2,819</b>	<b>2,728</b>	---	

Table 21: National suppliers and proportion of expense relating thereto.

#### Main communication channels with suppliers

- Suppliers portal: an *online* platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status reports.
- Suppliers convention at which the main strategic lines on which the Company is working for DIA's present and future are presented.
- Regular meetings with management.
- Sales and support team.
- Website for potential new suppliers.

#### Policies

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees the rigorous production, processing and management

of all products offered by the company. Accordingly, the Company controls product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.

- Policy for the Respect of Human Rights in the supply chain.
- International Sanctions Policy.

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Inappropriate management of supplier partners (Sustainability Plan)	General supplier satisfaction	General supplier satisfaction: improvement in three out of four countries	Partially achieved
Inadequate definition of product portfolio (value proposition)	Sustainability of raw materials	<p>Percentage of private-label products/percentage that meet best practice guidelines</p> <ul style="list-style-type: none"> <li>• Fishing: 12</li> <li>• Deforestation: <ul style="list-style-type: none"> <li>Palm oil: 86%</li> <li>Soy (not at risk): 88%</li> <li>Meat: 89%</li> </ul> </li> <li>• Animal welfare: 61%</li> </ul> <p>Percentage of private-label suppliers that are signed up to the DIA policy on human rights: 69%</p>	NA
Risk of violation of human rights (Sustainability Plan)	Human rights management in the supply chain	Number of suppliers that have started the due diligence process: 276	Partially achieved

**9.2.1. DIA: benchmark partner for suppliers**

Building a satisfactory, trusting commercial relationship with suppliers has been one of the priorities of the Company in recent months and in 2021 this objective has begun to be monitored through an outsourced supplier satisfaction survey in each of the countries in which DIA has a presence. The first results show an improvement, compared to the prior year, three out of four countries. Even more interestingly, the results shed light on where the greatest opportunities lie for DIA to further strengthen these relationships and become a benchmark partner for its suppliers. Across the board at Group level, these opportunities can be summed up in the following points:

- Achieving greater clarity and transparency regarding the Company’s strategy, so that suppliers can become aligned and participate in the joint success.
- Improving execution of joint initiatives in-store.
- Sharing more information on day-to-day operations, in order to establish shared improvement plans.

Based on these results, the DIA Group has designed the following projects:

- Developing at least one national supplier convention per year, where both private-label suppliers and national brand suppliers can learn about the company's priorities for the coming months.
- Setting up meetings between senior management, including the country CEO, and strategic suppliers. The aim is to improve transparency, identify shared objectives and define joint business plans.
- Implementing a system for effectively sharing of relevant management data, such as sales or stock levels, with very specific targets, such as reducing defects or shrinkage.

**9.2.2. Managing potential impacts associated with the DIA Group’s value chain**

**9.2.2.1. Sustainability of raw materials**

(304-2)

Although, due to their location, the direct activities of DIA do not generate a significant negative impact on biodiversity, the Group's supply policies may have an indirect impact on biodiversity and normal ecosystem functioning. This is particularly true in relation to deforestation, sustainable fishing and animal welfare, issues that the DIA Group has decided to tackle head-on in its first Strategic Sustainability Plan.

To this end, in addition to consulting with various stakeholders to deepen its understanding of the associated issues, DIA has defined a work plan to ensure progress on two objectives: to support best practices in each field through certification programmes that are aligned with ISEAL principles and to reduce the potential risks associated with the use of raw materials.

Much of the effort made in 2021 to fulfil this work plan have focused on defining precisely these risks and best practice and obtaining an initial diagnosis of the situation based on existing information systems. Based on this initial snapshot, in terms of raw material availability and DIA's capacity to achieve a change in the field, the aim is to define a raw materials sustainability policy with specific milestones in 2023.

**Fishing**

Huge growth has been recorded in products with the Marine Stewardship Council certified sustainable fisheries seal in Spain. In just one year, the Company has gone from 7 private-label products with the eco-label in 2020 (and just 1 in 2019) to 28 (18% of private-label frozen fish and tinned fish products). These efforts resulted in DIA Spain being recognised as “best newcomer” in 2021 by the MSC (Ministry of Health and Consumer Affairs).

In terms of fish products, as well as working in collaboration with the MSC (which also entails supporting awareness-raising campaigns on the sustainability of fishing resources), the DIA Group works with the NGO Sustainable Fisheries Partnership in all of the countries in which it operates in order to obtain a sustainability map of all the fishing areas that do not hold this certification. The purpose of this work is to define a supply policy accordingly and, together with other relevant players, to support and promote improvement plans for fisheries to achieve more sustainable resources.

	SPAIN	PORTUGAL	BRAZIL	ARGENTINA
Percentage of fish products with the MSC eco-label	12	14	0	0

Table 22: Percentage of fish products with the MSC stamp out of all private-label fish products.

**Animal welfare**

One of the most important steps taken by the Group is to adopt a commitment whereby DIA stores will only sell eggs from free-range hens (2025 in Spain and 2028 in Argentina and Brazil).

In addition, 74% of private-label products in Spain, where appropriate, are certified according to the Welfare Quality standard, including 100% of private-label eggs.

	SPAIN	PORTUGAL	BRAZIL	ARGENTINA
Percentage of products with animal welfare certification	74	0	0	0

Table 23: Percentage of private-label products (beef, pork, poultry, eggs, dairy), where appropriate, with animal welfare certification.



## Deforestation

The main cause of deforestation and forest degradation is the expansion of crop farming, linked to a series of basic products.<sup>31</sup> In this regard, DIA is working on four key raw materials: palm oil, soy, paper pulp and meat. In 2021, DIA has begun a due diligence process with regard to these materials in order to better understand the supply chain and identify potential negative impacts in order to begin to minimise these.

	SPAIN	PORTUGAL	ARGENTINA	BRAZIL
Percentage of uncertified products containing palm oil	5	23	36	0
Percentage of private-label products with meat from countries at risk	0	0	100	15
Percentage of private-label products with paper from countries at risk	0	0	0	0
Percentage of uncertified private-label products containing soy from countries at risk	0	1	28	100

Table 24: Private-label performance in relation to raw materials that may contribute to deforestation.

Palm oil is a raw material that DIA had been working with and for which a greater market exists, which is why it is DIA's ambition to eliminate palm oil from its products or ensure that any palm oil used is certified according to the RSPO (Roundtable of Sustainable Palm Oil) standard. DIA hopes to advance substantially in this process in order to meet the 2022 target.

Other significant raw materials in terms of deforestation are beef and paper pulp. Taking into account that Brazil is considered a risk country for beef and the absence of specific standards in this respect, DIA will have to tackle this issue much more thoroughly with each supplier in order to confirm if their activity could be contributing negatively to deforestation in sensitive areas. The paper pulp used by DIA does not appear to come from risk countries.

One of the raw materials that may be contributing most to deforestation of sensitive areas at present is soy. This ingredient is used directly in certain private-label products (from soy sauce to soy oil), but according to analyses carried out in the food industry, the most significant impact is related to indirect consumption of soy contained in animal feed. The DIA Group aims to work in collaboration with its suppliers to better understand the exact origin of the soy used and ensure the sustainability of the soy contained in its private-label products<sup>32</sup>. Anywhere that DIA does not have sufficient information or influence to tackle complex and structural problems, the Company will work with others to drive a transformation that tackles the root cause of these social challenges. In 2022, two other key raw materials, coffee and cacao, will be included in the Company's work plan in relation to deforestation.

### 9.2.2.2. Human rights management

Recognising that the farming sector is one of the industries with the greatest risk of committing the worst breaches of basic human and employment rights, such as child labour and slave labour, the prevention and mitigation of these potential impacts on the value chain has been deemed as material within the DIA Group's Sustainability Plan.

DIA is committed to ensuring that the people who provide the products and services it buys and sells are treated fairly and that their fundamental human rights are protected and respected. Implementing this commitment is grounded in different regulatory instruments and management systems which are being created for this purpose<sup>33</sup>, in accordance with the United Nations Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights.

<sup>31</sup> Deforestation is considered to be: i) the conversion of a natural forest to other uses; ii) the conversion of a natural forest into a plantation; or iii) severe and sustained forest degradation. The loss of natural forests is considered to be deforestation regardless of whether it is legal or not.

<sup>32</sup> Round Table for Responsible Soy, Proterra, Sustainable Agriculture Network, International Sustainability & Carbon Certification ISCC PLUS.

<sup>33</sup> Based on factors such as the operations sector, geographical location and the existence of sufficient internal controls (active union representation among DIA workers and a set of policies, procedures and dialogue channels dedicated to detecting any non-compliance and promoting improvement of employee welfare), compliance with human employment rights is not deemed to be material in relation to DIA Group employees. Therefore, this chapter focuses on the prevention and mitigation of human rights breaches by third parties.

The Policy for Respecting Human Employment Rights in the Supply Chain, approved in July 2021 by the DIA Group's Executive Committee, aims to establish how the DIA Group can prevent or mitigate the adverse impacts on human employment rights that may be connected to its operations with third parties. This policy, which uses employment standards set forth in the Ethical Trading Initiative (ETI) Base Code, applies to all suppliers (direct or indirect) and franchisees of all regions and subsidiaries of the DIA Group (102-16). In 2021, the commitment of suppliers and franchisees to these principles has become part of the contractual reality of the DIA Group and close to 70% of private-label suppliers have already committed to this policy (it is expected that in the first half of 2022, 100% of suppliers support this policy) (412-3).

Another of the decisive steps in the application of this policy throughout this year has been the definition of a risk assessment and due diligence process, in order for the company to pro-actively manage real and potential risks to human rights. To achieve this, DIA has begun to collaborate with Sedex, an ethical exchange platform that facilitates the definition and follow-up of the entire supply chain monitoring programme. One of the functions of this tool is precisely to create a non-compliance risk map based on the industry, country and risk derived from the surveys and audits provided by the supplier<sup>34</sup>. Of course, any other reliable source of information that points to potential non-compliance (such as information in the media or reported by an NGO) could give rise to new control processes involving any supplier. At the closing date of these Annual Accounts, 276 suppliers have begun this due diligence process according to these parameters (414-1). The aim for the coming months is to prevent and mitigate the potential risks identified in this process by means of on-site audits. If an issue is confirmed, DIA expects and supports that the necessary action plans will be implemented to tackle the fundamental causes. Although cancelling the commercial relationship is not the company's first option, DIA will not hesitate to sever relations with suppliers who conceal, cause or contribute to adverse impacts on human rights and who do not act responsibly to remedy such situations within a reasonable timeframe.

As the Human Rights Policy itself states, the Company places special emphasis on those commercial relationships in which DIA has more responsibility and influence, where there can be greater risk of breach of fundamental employment rights and where the contribution of the company can be even more significant. Whenever DIA cannot resolve complex issues by itself, the Company will work with others to drive a larger-scale transformational change.

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<sup>34</sup> The seasonality rate, the presence of immigrants in the workforce, the existence of intermediary agencies, the intensity of labour, and the proportion of unskilled workers are, among other issues, some of the key factors used to determine the risk (408-1; 409-1). In general terms, these conditions occur more predominantly in the primary sector.

## 10. WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES

The environment is a priority area for the DIA Group in the Sustainability Plan, insofar as it may affect company performance and may also be affected by the Company's operations.

### Main communication channels with stakeholders linked to the environment

One-to-one personal meetings with not-for-profit environmental organisations and active listening channels for legislative changes are the main lines of communication with this stakeholder group. This activity is also reinforced by the institutional agenda kept, mainly, through the industry organisations the Company belongs to.

### Key policies governing environmental stakeholder relations and their functions

The DIA Group's commitment to the environment is defined in its Sustainability Policy, in which the company undertakes to pro-actively manage the potential impacts related to the company's activity in order to eliminate or minimise them, beyond regulatory compliance<sup>35</sup>. In turn, the Strategic Sustainability Plan specifies DIA's environmental commitments for the coming years.

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Inadequate definition of product portfolio (value proposition)  Damage to the company's reputation and/or image.  Regulatory compliance with environmental matters (Sustainability Plan).	Packaging	Percentage of recyclable private-label and fresh products: 66% (Spain).	Achieved
		Decrease in plastic content in private-label products (percentage): 16.6% (Spain).	
	Waste management and food waste	Percentage of recycled plastic in private-label bottles: 9.2% (Spain).	
		Decrease in tonnes of waste to landfill (percentage): almost 9%.	
Climate change	Decrease in food waste (Spain and Portugal only) (percentage): 7%.	Achieved	
	Decrease in CO2 vs. 2020 footprint (percentage): increase in 3.9%	Not achieved	

### 10.1. Circular Economy

#### 10.1.1. Rational use of raw materials

The table below summarises usage of auxiliary materials in the DIA Group: All input categories experience a notable drop except for "other", due to the inclusion of an input for which there was no data in 2020. Paper consumption has been reduced by 11.6%, mainly due to the promotion of digital leaflets, and the use of recycled paper has increased considerably to almost 72% of consumption (compared to 56% in 2020). Another major improvement has led to an almost 30% reduction in plastic film consumption in cargo stabilisation logistics operations, saving approximately 675,000 kg of plastic.

<sup>35</sup> No significant fines for non-compliance with environmental regulations have been recorded this year (the significant thresholds for the reporting of penalties are: Euros 0 for issues relating to competition; Euros 30,000 for issues relating to the environment; Euros 50,000 for other issues. The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard (307-1).

	Main materials consumed by major groups (Kg) (301-1)	
	2021	2020
Paper and cardboard	11,126,760.9	12,585,682.9
Of recycled origin	7,986,807.0	7,149,748.0
Cling film	1,622,641.6	2,297,319.8
Of recycled origin	-	-
Other	98,680.2	11,353.2
Of recycled origin	-	9,741.2
<b>TOTAL</b>	<b>12,848,082.7</b>	<b>14,894,355.8</b>

Table 25: Main materials consumed by major groups (Kg) in all company operations (including franchises). The 2020 plastic film figures have been restated. Other includes bags for individual use in Brazil, plastic sealing for lorries in Portugal and, this year, rubbish bags in Spain. The data reported include input from the franchise network.

### 10.1.2. Sustainable packaging

In terms of use of resources, one of the largest inputs for companies like DIA is packaging materials. Thus, reducing excess packaging and making it more sustainable, with all this entails, has been deemed a material issue in the DIA Group's Sustainability Plan. Specifically, DIA has proposed improving the recyclability of its packaging and reducing the use of virgin plastic, carrying out a series of different initiatives during 2021(301-1):

- Classification of private-label packaging: thanks to the development of this methodology which entails assessing different packaging attributes, the Company has been able to determine, for the first time, both the degree of recyclability of the packaging and its plastic content (total and recycled). According to this analysis, in Spain 66% of private-label products analysed (913 out of a total of 1390) already comply with the recyclability criteria.
- Identification of improvement opportunities to achieve more sustainable packaging: In collaboration with ITENE, during 2021 DIA has developed a "Sustainable Packaging Guide" that sets forth, for each type of packaging and application, the opportunities to improve its sustainability, indicating alternatives and "best practices" in each case. This manual is available to all suppliers and, together with training activities and intensified technical support for the sales team, have made it possible for the packaging of 302 private-label products (over 20% of the total) to become more sustainable using eco-design measures fundamentally geared towards cutting down on weight, reducing impact and incorporating recycled materials. As a result, in Spain alone, a reduction of 5,452,255 kg in virgin plastic has been achieved.
- Lastly, DIA promotes the circular economy for packaging and includes information for customers on all private-label products that enables them to identify the materials used and to know which bin to deposit the packaging in after use, ensuring correct separation at source and thereby improving recycling operations.

### 10.1.3. Responsible waste management

The objective of the Sustainability Plan in relation to waste is to reduce the amount disposed of in landfill by 40% compared to 2020.

To this end, in 2021 DIA introduced a new waste management model (which will gradually be rolled out to all platforms) whereby waste that can have a second life is separated at source, following the waste hierarchy model, i.e. giving priority to prevention and avoiding landfill disposal whenever possible. Under this premise, the DIA Group has reduced waste generation by over 8,500 tonnes in 2021 (around 7%) and reduced landfill by almost 9%.

Improved range and stock management (using service-based and order preparation formats adapted to each product and each store or using IT tools for order optimisation), and better in-store management of

products close to their sell-by date are the main pillars to avoid the generation of shrinkage. In Brazil, for example, these initiatives have reduced waste at warehouses only by 86% in 2021, avoiding the generation of over 1.2 million kg of waste in the last two years.

DIA is also implementing a circular waste segregation project in its stores, which enables waste to be returned to the warehouse in separate lots, facilitating its reuse, recycling or recovery, thus avoiding landfill. These actions, which shop employees have played a leading role in, have resulted in the first warehouse in Spain being awarded a zero waste certification at year-end. At this centre, more than 99% of the waste generated has destinations other than landfill, such as animal feed (around 10% of the waste), composting (around 73% of the waste) and obtaining biogas (the remaining 16% of the waste).

	Non-hazardous waste <sup>36</sup> (Kg) (306-3)	
	2021	2020
Toner	1,922.50	1,701.00
Organic material <sup>37</sup>	12,011,907.00	12,836,859.00
Scrap metal	892,545.00	838,270.00
Plastics	4,650,837.90	4,874,174.00
Wood	688,630.30	885,320.00
Paper/Cardboard	56,168,887.70	59,562,824.00
WEEE	13,996.14	38,313.05
Other	37,014,337.00	40,941,569.00
<b>TOTAL</b>	<b>111,443,063.54</b>	<b>119,979,030.05</b>

Disposal of non-hazardous waste (%) (306- 4; 306-5)					
% recycled		% reused		% sent to landfill/incinerated	
2021	2020	2021	2020	2021	2020
63.55	59.82	0.34	0.55	36.10	39.62

Tables 26a & 26b: Non-hazardous waste (Kg) and its processing destination. 2020 waste has been restated for organic and WEEE fractions.

In addition, DIA pays special attention to reducing food waste, an issue that is important from an environmental point of view, in the context of waste management, but also from a social perspective.

To improve monitoring and management, DIA has created a common indicator to measure this parameter, for which a 40% reduction target has been set over three years. In addition to the waste management improvements outlined above, there are also improvements aimed specifically at reducing this waste (306-2):

- Increased donations of products fit for human consumption but not for sale from new locations, such as darkstores, as explained in the Support the Community chapter 8.2.2.
- Increased engagement with partners that encourage the clearance of products that are close to their expiry date, such as TooGoodtoGo. DIA began working with this company at the end of the year in both Portugal and Spain. In just four months this has made it possible to "save" more than 10,000 kg of food, with reduced prices for customers and also avoiding the emission of some 23 tonnes of CO2 into the atmosphere.

As a result of these actions, food waste in Spain and Portugal) has dropped by 7% compared to 2020.

<sup>36</sup> In previous years, DIA has reported batteries as hazardous waste. A decision was made not to continue reporting this data, as it represented a very small portion of total waste (less than 0.5%) and it relates, in line with current legislation, to articles "sold" by DIA, not waste generated by DIA.

<sup>37</sup> In Argentina this is sewage liquid, but it has been converted to kg using the density factor = 1kg/L.

## 10.2. Climate change

Despite not being considered a priority industry for climate change mitigation, the distribution and sale of food products entails significant greenhouse gas emissions, especially upstream, in everything related to the production of the goods that are then distributed on the market (according to various studies, 95% of the footprint of companies such as DIA could be located outside its direct operations).

In order to manage the company's impact on climate change, the first step is to get a detailed picture of the carbon footprint associated with its business activity and, as far as possible, with the business activities included in its value chain. This measurement and transparency work has been recognised with an A- by the Carbon Disclosure Project (the only food distribution company in Spain to achieve this in 2021).

Using the 2020 baseline, the Sustainability Plan approved in 2021 commits to a 20% reduction in CO<sub>2</sub> emissions across the Group. During the year, DIA has made significant investments in refrigeration and air conditioning equipment<sup>38</sup>), has increased electricity from renewable sources by 33.7 million kwh to 94.7 million kwh and has improved its logistics footprint. Despite these efforts however, the overall Group footprint has grown by 3.9% in 2021 (305-5), due in part to the rise in cooling facilities required by the commitment to sell fresh produce.

Reducing the footprint of DIA's own operations and addressing the challenge of working together with suppliers to reduce scope three emissions are certainly objectives to work towards in 2022 and the coming years.

		Energy (GJ) and refrigerant gas (Kg) consumption (302-1; 302-2; 302-4)		CO <sub>2</sub> emissions (t CO <sub>2</sub> eq) (305-1; 305-2; 305-3; 305-5)	
		2021	2020	2021	2020
Scope 1	Stationary sources	6,517.1	5,988.0	422,00	372.3
	Logistics	1,594,470.9	1,876,806.0	118,194,0	140,159.2
	Company cars	35,258,3	33,703.8	2,569,75	2,441.7
	Refrigerant gases	148,014.7	112,452.6	277,645,9	206,525.4
Scope 2	Electricity consumption	3,418,935.50	3,550,616.8	249,921,82	270,861.2
Scope 3	Business travel	N/A	N/A	5,654,73	6,604.3
<b>TOTAL Group</b>				<b>654,408.2</b>	<b>628,463.0</b>

Table 27: Energy consumption (GJ), refrigerant gas consumption (Kg) and CO<sub>2</sub> emissions (t eq) at DIA Group<sup>39</sup>. In the case of logistics, the reported data include input from the franchise network; for electricity and refrigerant gases, they only include a part of the franchise network.

In turn, climate change may interfere with the normal functioning of operations and the achievement of company objectives, both in the short and long term. The sustainability department has identified which specific DIA assets and processes may be impacted by climate change and the timescale potentially applicable to these risks (see table 2). In the coming months, these risks will be assessed by the Risk Committee using the risk assessment methodology established.

**Assessed climate risk categories with a negative impact on the company and timescale. Includes the entire value chain**

Category	Rationale	Time horizon
<b>Transition risk: emerging regulation</b>	Development of new climate change legislation that imposes new operational and management requirements and could involve a significant adaptation cost.	Short term (0-5 years)

<sup>38</sup> For further information, see appendix II on Taxonomy.

<sup>39</sup> The company car data does not include Brazil, where the type of fuel used depends on the market prices of the different options available (this omission does not represent more than 0.15% of the total footprint calculated). Logistics, refrigerant gases and electricity consumption include the franchise network's activity. Breakdown of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R290, R452A, R401A, R507 and R22, which relates to a total of 1.94 tonnes of CFC-11 (compared to 1.08 tonnes in 2020) equivalents from R22 only (305-6). Scope 3 emissions have only been reported for Spain and Brazil, as business travel in the remaining countries represents less than 5% of the overall total for this indicator.

**Assessed climate risk categories with a negative impact on the company and timescale. Includes the entire value chain**

Category	Rationale	Time horizon
<b>Transition risk: reputation and market</b>	Corporate climate change strategy can influence the decisions of investors and customers and have a potential impact on the Company's share value, sales volume and reputation.	Short term (0-5 years)
<b>Material risk: acute physical</b>	Suppliers' productivity can be affected, qualitatively and quantitatively, by extreme weather conditions (floods, large-scale droughts, etc.).	Medium term (5-15 years)
<b>Material risk: chronic physical</b>	Rising average temperatures in the areas where DIA operates entail a risk of an increase in the direct costs of running refrigeration and air conditioning systems on its premises to ensure the cold chain, product safety and the thermal comfort of customers and staff.	Short term (0-5 years)



## APPENDIX I: TABLE OF CONTENTS OF ACT 11/2018 VS. GRI INDICATORS/REPORTING CRITERIA

Requirements of Act 11/2018	GRI 2021	Scope	Material for DIA	NFIS Chapter
<b>GENERAL INFORMATION</b>				
<b>Business model</b>				
Description of the business model, business environment, organisation and structure.	102-2; 102-5	Global	NA	2.DIA GROUP PRESENTATION; 4.BUSINESS MODEL AND STRATEGIC PILLARS
Markets in which the Company operates	102-6	Global	NA	2.DIA GROUP PRESENTATION
Objectives and strategies	102-15	Global	NA	4.1. Business context: trends and risks that impact on the food distribution industry; 5.3. Materiality
Key factors and trends that may affect the Company's future development	102-15	Global	NA	4.1. Business context: trends and risks that impact on the food distribution industry; 5.3. Materiality
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 103: Economic, environmental and social performance factor	Global	NA	6.GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS; 7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS; 8.BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE ; 10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
The results of these policies and associated KPIs (these KPIs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 103: Economic, environmental and social performance factor	Global	NA	6.GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS; 7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS; 8.BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE ; 10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
Main risks identified, risk management model and materialization of risks	102-15; 102-47	Global	NA	4.1. Business context: trends and risks that impact on the food distribution industry; 5.3. Materiality
<b>ENVIRONMENTAL ISSUES</b>				
<b>General information about environmental performance</b>				
Current and foreseeable effects of the Company's activities on the environment and, where appropriate, on health and safety	GRI 103: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
Environmental assessment or certification procedures	GRI 103: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
Resources dedicated to preventing environmental risk	GRI 103: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	
Application of the principle of caution	GRI 103: Environmental focus	Global	Yes (Sustainability of raw materials)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES



The amount of provisions and guarantees for environmental risks	307-1	Global	Yes (Packaging; waste management and food waste; climate change)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
<b>Pollution</b>				
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination	GRI 103: Emissions management approach	Global	Yes (Climate change)	10.2. Climate change
<b>Circular economy and waste prevention</b>				
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination	306-3; 306-4; 306-5	Global	Yes (Waste management and food waste)	10.1.3. Responsible waste management
Actions to combat food waste	306-2	Spain and Portugal	Yes (Waste management and food waste)	10.1.3. Responsible waste management
<b>Sustainable use of resources</b>				
Water consumption and water supply according to local limitations	Not material	N/A	Not material	N/A
Consumption of raw materials and measures taken to improve efficiency of use	301-1	Global for operational inputs; Spain for packaging	Yes (Packaging)	10.1. Circular Economy
Direct and indirect consumption of energy, measures taken to improve energy efficiency and use of renewable energies	GRI 103: energy management approach; 302-1; 302-2; 302-4	Global	Yes (Climate change)	10.2. Climate change
<b>Climate change</b>				
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces	305-1; 305-2; 305-3; 305-5 ;305-6	Global	Yes (Climate change)	10.2. Climate change
The measures taken to adapt to the consequences of climate change	GRI 103: Emissions and energy management approach	Global	Yes (Climate change)	10.2. Climate change
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose	GRI 103: Emissions and energy management approach	Global	Yes (Climate change)	10.2. Climate change
<b>Biodiversity protection</b>				
Measures taken to preserve or restore biodiversit	GRI 103: Biodiversity management approach	N/A	Yes (Sustainability of raw materials)	9.2.2.1. Sustainability of raw materials
Impacts caused by activities or operations in protected areas	304-2:	N/A	Non-material direct impacts; Material indirect impacts (Sustainability of raw materials)	9.2.2.1.Sustainability of raw materials
<b>SOCIAL AND EMPLOYEE ISSUES</b>				
<b>Employment</b>				
Total number of employees by gender, age, country and	405-1	Global	Yes (Diversity and inclusion)	8.1.Human capital

professional category					
Total number of employees by contract type	102-8	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment	
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category	102-8	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment	
Employee turnover by gender, age and professional category	401-1	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment	
Average remuneration and evolution by gender, age and professional category or equivalent value	405-2	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment	
Wage gap, remuneration of equal jobs	405-2	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment; 8.1.4.Diversity and inclusion	
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gender	405-2	Global	6. Team development	8.1.1.Responsibility for quality employment; 6.1.Composition and structure of the Board of Directors	
Implementation of policies safeguarding employees' right to disconnect	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.Human capital	
Employees with disabilities	405-1	Global	Yes (Diversity and inclusion)	8.1.4.Diversity and inclusion	
<b>Work organisation</b>					
Organisation of work time	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.4.Diversity and inclusion	
Number of hours of absenteeism	GRI 103: Occupational health and safety management approach	Global	Yes (Team and employee development)	8.1.3. Occupational health and safety	
Measures taken to facilitate work - life balance and promote shared responsibility by both parents	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.3.Occupational health and safety; 8.1.4.Diversity and inclusion	
<b>Health and safety</b>					
Occupational health and safety conditions	GRI 103: Health and safety management approach	Global	Yes (Health and safety)	8.1.3. Occupational health and safety	
Work-related accidents, specifying accident rates and severity, reported by gender	403-9	Global	Yes (Health and safety)	8.1.3. Occupational health and safety	
Work-related ill health by gender	403-10	Global	Yes (Health and safety)	8.1.3. Occupational health and safety	
<b>Employee relations</b>					

Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment
Percentage of employees covered by a collective agreement, by country	102-41	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment
Balance of collective agreements, particularly in the area of occupational health and safety	GRI 103: Health and safety management approach	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment

#### Training

Policies implemented in the area of training	GRI 103: Training management approach	Global	Yes (Team and employee development)	8.1.2.Employee and team development
Total hours of training by professional category	404-1	Global	Yes (Team and employee development)	8.1.2.Employee and team development
Universal accessibility for persons with disabilities	GRI 103: Diversity and equal opportunities approach	Global	8. Diversity and inclusion	8.1.2.Employee and team development

#### Equality

Measures taken to promote equal opportunities for and treatment of men and women	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
Measures taken to promote the integration and universal accessibility of persons with disabilities	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
Policy against all types of discrimination and, if applicable, diversity management	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion

#### HUMAN RIGHTS

Application of due diligence procedures with regard to human rights	412-3	Global	Yes (Human rights)	9.2.2.2. Human rights management
Prevention of risk of human rights violations and, if applicable, measures to mitigate, manage and address possible abuses committed	412-3	Global	Yes (Human rights)	9.2.2.2. Human rights management
Cases of human rights violations reported	102-17	Global	5. Human Rights	6.2.3 Ethics Committee
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation	102-16; 102-41	Global	5. Human Rights	6.2.3 Ethics Committee; 9.2.2.2. Human rights management; 8.1.1.Responsibility for quality employment

Elimination of workplace job discrimination	406-1	Global	Yes (Diversity and inclusion)	6.2.3	Ethics Committee
Elimination of forced labour	102-16; 102-17; 409-1	Global	Yes (Human rights)	6.2.3	Ethics Committee; 9.2.2.2. Human rights management; 8.1.1.Responsibility for quality employment
Abolishment of child labour	102-16 ; 102-17; 408-1	Global	Yes (Human rights)	6.2.3	Ethics Committee; 9.2.2.2. Human rights management; 8.1.1.Responsibility for quality employment

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**CORRUPTION AND BRIBERY**


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Measures taken to prevent corruption and bribery	102-16; 102-17; 205-2; 205-3	Global	Yes (Business ethics)	6.2.3	Ethics Committee
Anti-money laundering measures	102-16; 205-2	Global	Not material	6.2.3	Ethics Committee
Contributions to foundations and non-profits	GRI 103: Local communities management approach	Global	Not material	8.2.2.	Supporting the community

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**SOCIETY**


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**Commitments to sustainable development**


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Impact of the company's activity on local jobs and development	GRI 103: Local communities management approach; 102-8; 204-1	Global	Yes (Diversity and inclusion)	8.1.Human capital; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE	
Impact of the Company's activity on local towns and the region	GRI 103: Employment management approach; Local communities management approach	Global	Yes (Diversity and inclusion)	8.BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE	
Relations with local community players and types of dialogue with these	102-43	Global	Yes (listening to stakeholders prior to defining material issues)	5.3.	Materiality
Association activities and sponsorship	102-13	Global	Not material	8.2.2.	Supporting the community

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**Subcontracting and suppliers**


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Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 103: Environmental and social assessment of suppliers management approach; 412-3; 414-1	Global	Yes (Sustainability of raw materials; human rights)	9.2.2.1.Sustainability of raw materials; 9.2.2.2. Human rights management	
Supervision and auditing systems and the results thereof	GRI 103: Environmental and social assessment of suppliers management approach	Global	Yes (Human rights)	9.2.2.2.	Human rights management

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**Consumers**


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Measures for health and safety of consumers	GRI 103: Customer health and safety management approach; 416-1	Global	Yes (Food safety)	7.1. Food safety	
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Claims and complaints systems and resolution	GRI 103: Customer health and safety management approach	Global	Yes (Food safety)	7.MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS	
<b>Tax information</b>					
Profits earned by country	207-4	Global	Yes (Business ethics)	8.2.1.	Tax governance and management
Taxes paid on profits	207-4	Global	Yes (Business ethics)	8.2.1.	Tax governance and management
Public grants received	201-4	Global	Yes (Business ethics)	8.2.1.	Tax governance and management
<b>ADDITIONAL INFORMATION</b>					
Other information about the organisational profile	102-1 to 102-9	Global	NA	1. BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT; 2. DIA GROUP PRESENTATION; 4. BUSINESS MODEL AND STRATEGIC PILLARS; 8.2.Accountability to Society; 9.2.Suppliers	
Corporate governance	102-18	Global	NA	6.GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS	
Stakeholder participation	102-40; 102-42; 102-43	Global	NA	5.3. Materiality	
Other information about the report profile	102-45; 102-50; 102-52; 102-53; 102-56	Global	NA	1.BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT	

## APPENDIX II: TAXONOMY

The DIA Group has analysed the eligibility of its activities in accordance with the definitions of economic activities included in the European taxonomy in appendices I and II of Delegated Regulation (EU) 2021/2139 of 4 June 2021, referring to the contribution to the mitigation of and adaptation to climate change, respectively. The DIA Group also discloses key turnover, CapEx and OpEx indicators relating to the European taxonomy in line with the provisions of Delegated Regulation (EU) 2021/2178 of 6 July 2021.

Based on this analysis, it is concluded that none of the eligible activities generate revenue for the Company; therefore, the turnover benchmark indicator takes on a value of 0%. In terms of CapEx, according to the calculation criteria described by the Taxonomy, 4.76% meet the requirements established in relation to mitigation and adaptation to climate change (in addition, it is noted that said percentage is equal to 8.62% if registrations for rights of use are excluded from the calculation, see below the methodology used for greater detail in this regard).

It has been determined that the OpEx included in the taxonomy of these activities is not material in terms of the total 6,380,743 miles Euros of operating and personnel expenses, with OpEx as defined in the Taxonomy regulation estimated at Euros 161,993.

**Proportion of eligible and ineligible activities according to the taxonomy regarding turnover, Capex and Opex.**

	Proportion of eligible economic activities (in %)	Proportion of ineligible economic activities (in %)	TOTAL (thousands Euros)
Turnover	0.00	100.00	6,647,660.00
Capital expenditure (CapEx)	4.76	95.24	444,866.00
Operational expenditure (OpEx)	0.00	100.00	161,993.00

Economic activity according to DIA Group taxonomy	Description of activity
4.25 Production of heat/cool using waste heat	Installation of heat recovery units and smart area controllers
5.5. Collection and transport of non-hazardous waste in source segregated fractions.	Investment in materials that help the reverse logistics of waste fractions returning from store to warehouse
6.5 Transport by motorbike, car and commercial vehicles	Renewal of corporate car fleet with more efficient and modern models
7.3 Installation, maintenance and repair of energy efficiency equipment	Renewal of more efficient cooling, refrigeration and air conditioning equipment using refrigerant gases with a lower GWP; LED replacement projects to reduce electricity use
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	Renewal of systems to control cooling facilities at several warehouses to improve energy control and efficiency and home automation pilots in stores

To calculate the aforementioned indicators, the numerator has been determined from the control and monitoring records of the 2021 investment budget from the Technical and Procurement departments, following the same accounting criteria that govern the DIA Group's financial accounting.

The key indicator referring to turnover is calculated as the proportion of income arising from eligible activities (numerator) from the company's total income (denominator). This income relates to income recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82 (a), as adopted by

Commission Regulation (EC) No 1126/2008. The denominator of this key indicator is shown in DIA Group's 2021 Consolidated Annual Accounts and corresponds to net turnover.

To calculate the CapEx numerator, first those activities have been identified that meet the eligible criteria according to the taxonomy of the areas involved, and the relevant values have been consolidated. Each eligible activity has only been computed for one area of the Company, thus avoiding double accounting of such investments, as mentioned in the above table "Economic activities in accordance with the DIA Group taxonomy". For the denominator, additions to tangible and intangible assets, before amortisation/depreciation and possible revaluations, including those resulting from revaluations and impairment, have been included for 2021, excluding changes in fair value. Additions to tangible and intangible assets resulting from business combinations, if any, would also have been included, covering costs that are accounted for in accordance with IAS 16 Property, plant and equipment and IFRS 16 Leases. In accordance with our consolidated financial statements, the total CapEx is disclosed in Note 5 and Notes 6.2 and 6.3 to the 2021 Consolidated Annual Accounts.

The OpEx indicator is defined as the proportion of eligible OpEx (as defined in the Taxonomy regulation, the numerator) to total OpEx (as defined in the Taxonomy regulation, the denominator). This denominator reduces total operating expenses to non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of property, plant and equipment by the DIA Group or a third party to whom these activities are outsourced and which are required to ensure the ongoing effective operation of those assets.

The numerator of this indicator, however, would include the operational expenses included in the denominator that would be spent on eligible activities. This OpEx indicator denominator is shown in Note 18 to the DIA Group's 2021 Consolidated Annual Accounts.