

# DIA

## EVEN CLOSER

2021 sustainability report

DIA Group's contribution – starting at neighbourhood level



# DIA

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## 2021 sustainability report

DIA Group's contribution – starting at neighbourhood level

The information in this document is taken from the verified annual accounts published by the DIA Group with additional data to help understand the context in which the company operates.



# We remain close to families

**T**he DIA Group is undergoing a huge transformation and there has been much progress in 2021. During a challenging period, and even with the restrictions required to slow the progress of Covid-19 and the extremely demanding operating environment, we have been able to remain true to our ambition: to be closer to families every day to meet their daily food and hygiene needs.

This company has come a long way to become what it is today: a leading network of local supermarkets that started in Madrid four decades ago and has built up a professional team of over 39,000 individuals in Spain, Portugal, Brazil and Argentina. We have a solid and reliable supplier network that helps us remain close to our 16 million loyal customers thanks to our almost 6,000 own and franchised stores, as well as via our online channel.

Sustainability has become one of the key drivers on this journey to ensure value creation for all our stakeholders. For this reason, in 2021 the Board of Directors approved the DIA Group's first Strategic Sustainability Plan, called "Even Closer". This plan demonstrates our commitment and the beginning of a cultural transformation that has to enrich the way we do business and will involve all of the company's

relevant management areas in its execution. I invite you to learn more about this strategy, which we hope will respond to the challenges we face as an industry and as a society, and which also seeks to create distinctive value in neighbourhoods through our unique quality: proximity. Our desire is to make quality food available to all families, wherever they live and whatever their budget.

We've begun to take the first steps, and we are confident and convinced that the progress made is taking us in the right direction and that the DIA Group will continue to build a solid proximity network for its customers, employees, suppliers and franchisees in order to lead local stores in every country and with each brand we operate under.



*We seek to create  
value in neighbourhoods  
through our unique  
quality: proximity*



**Stephan DuCharme**  
EXECUTIVE CHAIRMAN

# 2021 milestones

**T**wo years ago, we embarked on a major transformation process in order to bolster the trust and long-term relationships we have with all our stakeholders. We can now say that we've made significant progress on this strategic roadmap. We've also created a far-reaching proximity concept that sets us apart from our main competitors in all the markets in which we operate. This report aims to give an account of the work carried out towards the achievement of these objectives.

## Key progress made in 2021



We have achieved a **stable, long-term capital structure** via a capital increase of €1,028 million, which has provided us with the additional liquidity needed to continue our expansive transformation process.



We have successfully developed the concept of a **local store**. Over 1,000 local stores in Spain, Argentina and Portugal have been refurbished in line with this new model, leading to a 10% sales increase (compared to the previous 2020 model).



We have rolled out a **new franchise model** based on a genuine alliance with local entrepreneurs



We have made progress in developing the perfect range, **reinforcing the importance of fresh produce, which has increased its share of sales by 21%**, and the quality of private-label products, with 2,000 new products launched in the last two years.



We have enhanced the **online and express delivery channels**, reinforcing our technology and product teams to speed up the roll-out of our digital offering.



We have launched our **2021-2023 Strategic Sustainability Plan**, which sets out the commitments, actions and indicators for being 'closer every day' and we've **improved in terms of the satisfaction of our main stakeholders**.



We've **trained over 20,000 individuals** in a trade and we've increased our employees' training hours by 40%.



**More than 6,000 young people under the age of 25 have found a job at DiA**, as well as 3,800 individuals who were unemployed. 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.



Serious **accidents have dropped** by 45% (compared to 2020).



We've launched projects to make **food and basic hygiene products available to all families**, wherever they live and whatever their budget.



One of our projects is to **improve nutritional quality**. We are working to reduce sugar, salt and fat content. We have therefore reformulated 209 products.



We have **reduced food waste** in Spain and Portugal by 7% compared to 2020.



We have **eliminated around 5.5 million kg of virgin plastic** from the packaging of private-label products.



We've **reduced waste generation** by over 8,500 tonnes and landfill disposal by almost 9%.

# Creating value by being close



**F**or more than 40 years, we at the DIA Group have had one objective: to remain close to all families in order to meet their daily food and hygiene needs, wherever they live and whatever their budget. The more than 2 million tickets sold every day and the 16 million active Club DIA members worldwide demonstrate that we are delivering on this purpose.

## DIA AT A GLANCE

### Brazil

 **737** stores

 **9,074** employees

### Argentina

 **912** stores

 **3,526** employees

### Spain

 **3,789** stores

 **23,061** employees

### Portugal

 **499** stores

 **2,914** employees

 **6,647**  
M€ sales

 **5,937**  
total stores

 **Private-label goods**

- We were the **first company** to introduce **private-label products in Spain** more than 40 years ago.
- We have developed **over 6,800 value-for-money** products.

 **16 million**  
loyal customers

Over 70% of sales are made using the ClubDIA card

 **38,575**  
employees in total

+ 90,000 indirect and secondary jobs

 **+3,000**  
suppliers

We allocate €4.7 million to **local purchases**, which is 96% of the total

 **2,000**  
franchisees and more than **2,700** franchised stores

- They generate 18,000 additional jobs
- Over 45% of stores are franchised

 **79**  
nationalities represented

## Our ambition: to create value

The challenge of creating value is based on four pillars:



**Generating proximity and caring for people:** customers, employees, franchisees and suppliers. This is our ultimate goal, acknowledging that in order to create long-term value for customers and shareholders, we must also create value for all other stakeholders as well.



**Promoting franchisees, because they are the key to our business:** we seek the best way to generate close relationships using a new franchise model. The franchisee is the custodian of a consumption model that promotes entrepreneurship in all types of neighbourhoods and municipal areas and the power to be close to all families. The promotion of franchisees is also the most financially sustainable model and our commitment to grow the company organically.



**Simplifying a complex world using technology:** digital developments allow us to guarantee our purpose of proximity in complex times. Always with a commitment to humane treatment.



**Making basic care products and quality food available to all.** DIA's fresh produce and our private-label goods respond to the needs of residents by offering quality products at the best price. In the last two years, we've launched over 2,000 superbrand products with these characteristics.

## **Loyal to our purpose**

We aim to be “closer every day”. This purpose perfectly expresses what makes us unique as an organisation: the proximity we maintain every single day with our stakeholders. We take this objective so seriously that the satisfaction of our stakeholders is directly supervised by the Group's Management Committee. This is the only way to move forward steadily towards our goal.



# Every day more sustainable

For the DIA Group, sustainability involves ensuring the creation of value for all stakeholders, as well as ensuring that short-term decisions do not compromise our ability to continue creating value in the future.

This is made clear in our **Sustainability Policy of the DIA Group** – approved in 2021 –, a framework that updates the previous Environmental and Social Responsibility guidelines and whose purpose is precisely to establish the principles and the action mechanisms that allow us to be 'every day closer'.

To implement this Policy, it has been essential the definition of our **first Strategic Plan for Sustainability (2021-2023)**, approved by the Board of Directors in

February 2021. This Plan, which marks commitments, actions and indicators for our more material issues, is aligned with the priorities identified by the different business units to improve the satisfaction of the main stakeholders and, in some cases, completes them, ensuring proactive management of the challenges that society has ahead.

The Board of Directors is ultimately responsible for the implementation of both the Policy and the Plan of Sustainability. In this line, we have established a governance model that ensures the implementation of this sustainable vision, the distribution of accountability in terms of sustainability and the achievement of objectives.

*In 2021 the function of Sustainability, reporting directly to the President, has gained strategic relevance in order to help ensuring the value creation of the company*





## Materiality

We have identified the priorities for action in terms of sustainability by taking into account the concept of dual materiality, i.e. identifying both the risks and opportunities that our activity may create for society and the challenges that the social context imposes on the company's business model.

### **EXTERNAL INPUTS**

- **Stakeholder expectations:** this materiality analysis has been done by indirectly identifying the short- to medium-term expectations of our key stakeholders, i.e. through business representatives who have direct contact with customers, employees, franchisees and suppliers. Although we have prioritised the attention given to these stakeholders in this first Strategic Sustainability Plan, the visions of other groups have also been included by analysing the main sustainability indices and standards, and through the opinion and diagnosis group of eight independent experts with extensive experience in the sustainability field. We have therefore combined the direct demands of the main stakeholders in the short to medium-term with the longer-term time timescale.
- **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.
- **Benchmarking of main competitors.**

### **INTERNAL INPUTS**

- **Interviews** with the heads of the main corporate departments, as well as with the CEO in each country.
- **Key internal documents:** such as the risk map, the various country business plans and our purpose.

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

At the DIA Group, we believe that value is created whenever and wherever a need is met. In terms of our unique quality, proximity, the company has therefore identified that we **create distinctive 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**.

*Based on what makes us  
unique, our proximity, we  
have identified four areas  
for creating distinctive value*



## Summary of main Sustainability Plan commitments

**CUSTOMERS**  
MAKE QUALITY FOOD ACCESSIBLE TO ALL 

**Food safety:** Ensuring that robust food safety systems are in place to guarantee the safety of products. **2**

**Nutritional profile of private-label goods:** Creating a nutrition strategy for private-label goods in each country we operate in. **2 3**

**Access to food:** Helping families to eat a balanced diet, regardless of their budget or where they live. **2 10**

The following sections contain detailed information about performance in relation to each commitment.

**EMPLOYEES AND COMMUNITY**  
BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD 

**Team and employee development:** Supporting the professional development of teams and their alignment with the cultural transformation process. **8**

**Employee health and safety:** Ensuring management systems that guarantee the health and safety of employees and significantly reduce serious accidents (15% less than in 2020). **8**

**Diversity and inclusion in employment:** Making the DIA Group a company that values diversity and encourages the inclusion and development of people from different backgrounds. **5 8 10**

**Supporting the community:** Increasing food donations to support the communities in need where we operate. **2**

**FRANCHISEES AND SUPPLIERS**  
UNDERSTAND AND SUPPORT PARTNERS FROM THE START 

**Franchisee relations:** Improving franchisee satisfaction in every country that we operate in. **8**

**Supplier relations:** Improving supplier satisfaction in every country where we are present. **8**

**Sustainability of raw materials:** Outlining plans for the transition to improved sustainability of essential raw materials (deforestation, sustainable fishing, animal welfare). **12 14 15**

**Human rights management in the supply chain:** Introducing a management system that minimises the risk of non-compliance with employment and human rights in relations with third parties. **8**

**WORK PROACTIVELY ON ENVIRONMENTAL CHALLENGES** 

**Packaging:** Improving use and recyclability of plastic in the packaging of private-label products. Specifically, for Spain and Portugal: **12 14**

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

**Waste management and food waste:** Introducing a management system that improves waste management and significantly reduces food waste: **12 13**

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

**Climate change:** Reducing the carbon footprint of operations by at least 20%. **13**

**APPLY THE HIGHEST ETHICAL STANDARDS TO EVERYTHING WE DO** 

**Business ethics:** Building an internal culture of ethics and compliance. **16**

## SUSTAINABLE DEVELOPMENT GOALS






**O**ur stores are within a 15 minute walk of 63.5% of the Spanish population. We are also proud to be the company with the most sales points in towns of under 10,000 inhabitants. This presence in all types of neighbourhood, something that is common to all regions where we are present, plays an essential role in providing access to quality food and hygiene products at the best prices for all families, wherever they live and regardless of their budget. Similarly, in order to improve our customers' experience, we've invested €143 million in refurbishing our stores in 2021.

"DIA's proximity" is not just a physical concept, however. Proximity means offering the best service to customers, getting to know them in detail and adapting as far as possible to their needs and tastes. It is also about providing the best omni-channel experience and being the best in the home straight and, of course, proximity is about having the best, freshest and most seasonal products at the best price.

*Proximity means offering the best service to customers, getting to know them in detail and adapting as far as possible to their needs and tastes*

 **SPAIN  
A MODEL OF  
PROXIMITY**

Distribution of stores according to neighbourhoods:



DIA stores are within a **15 minute** walk of  **63.5%** of the Spanish population

# Priority: food safety

Our 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 the best product safety and quality. The two key pillars are:



**Supplier approval via IFS or BRC certification**

(or equivalent) at all factories where private-label products are produced to ensure that the manufacturing process meets all the food safety and quality guarantees required by the DIA Group. In 2021, 89% of our suppliers at Group level were approved in terms of health and safety.



**Process audit:** once the product arrives at our facilities, it is subject to a control plan, as well as the monitoring of other aspects, such as order and cleanliness, the cold chain, traceability, good hygiene practices and correct rotation through warehouse and store audits. In 2021, a total of 15,128 audits were performed.

*In 2021,  
15.128 warehouse  
and store audits were  
performed across the  
entire Group.*



# Reinforcing the nutritional quality of private-label goods

The relationship between a good diet and health is an undisputed fact.

To continue working on the nutritional quality of our products, we have developed a tool that allows us to assess our more than 6,800 private-label products against the main nutritional standards (Nutriscore, World Health Organisation recommendations, NOVA, Chilean alert standards and others) and also against the market. We have also agreed on a number of indicators to measure the performance of our portfolio.

At DiA we continue working to **reduce added hydrogenated and trans fats across our entire private-label range**. In 2021 **we have reformulated 209 products** to specifically reduce their salt, sugar and fat content.

Our efforts to offer products with an improved nutritional profile also include the launch of palm oil-free products, the promotion of categories that are generally under-consumed according to the EAT-Lancet reference diet, such as nuts, frozen vegetables and an offer of fruit and vegetables of the highest freshness.



*In Spain alone, the reformulation of products in 2021 meant that 130 tonnes of saturated fats and over 830 tonnes of sugar were prevented from entering the market*



# Food and hygiene products available for all

As mentioned, a rule of thumb replicated in the countries in which DIA operates is that the capillarity of our stores extends through all kinds of neighbourhoods, regardless of purchasing power, and in countries with a greater presence, the chain reaches a large number of municipal areas, including the smaller ones.

This unique position, which will be reinforced by online service expansion across all countries, will give us 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’ in Spain alone.

In fact, in 2021 the DIA Group, in partnership with a third party, **took food to over 14,000 people living in municipal areas with no stores and to 5,000 people living 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. We provide 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 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.



At the same time, our presence in more humble neighbourhoods where the offering of fresh and safe produce is often limited, enables us to create distinctive value by providing a quality diet to more vulnerable families. The investment made to promote the fresh produce category in all stores is in line with this objective: **across the entire Group, the share of fresh produce in sales has grown by 21%** in 2021. In addition, we are developing joint projects with NGOs and universities to better understand the reasons for the greater impact of obesity on poorer groups, and to address this issue using the best available evidence.



### Summary of Sustainability Plan performance

Key matter	2021 indicator and result	Assessment
 Food safety	89% approved suppliers.	
 Nutritional quality of private-label goods	209 products reformulated to improve nutritional profile.	
	21% Growth in sales of fresh produce	
 Access to quality food	14,500 customers in districts without stores and 5,000 food deserts reached by DIA (Spain)	

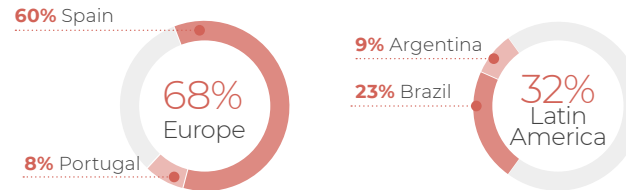
 Achieved  Partially achieved



The DIA community is the community that begins in each of the neighbourhoods and small municipalities where we are present, and is made up, in addition to the families who choose us on a daily basis, of our employees, our strategic partners (franchisees and suppliers) and other residents. They all reap the rewards of the work that begins with crop and livestock farming and ends in the stores and franchises with the highest quality products and services.

## Employees - our greatest allies

38,575   
employees



 92% Permanent contract

 81% Full-time

 Collective agreement

100% Brazil, Spain & Portugal  
70% Argentina

 79 Nationalities



Headquarters  
2,603 professionals



Warehouses and regional centres  
6,815 professionals



Store network  
29,157 professionals



## Talented neighbourhoods

The vast capillarity of our stores enables us to form part of the socio-economic fabric of the neighbourhoods and towns, offering professional opportunities to a large number of people and reflecting a range of real situations. In 2021, over 79 nationalities were employed at DIA, with professionals from all generations. In addition, **over 6,000 young people under the age of 25** and **more than 3,800 unemployed** individuals were hired\*. Moreover, **over 20,000 people have completed regulated training** at DIA schools in Spain alone, giving them the opportunity to work as cashiers, warehouse staff or section managers.

At the DIA Group, we have 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 organisations, such as **Cruz Roja** and **Cáritas**, **205 people** have been trained and have done work experience at our stores in Spain alone, providing them with skills that can open doors at DIA or at any other company. Moreover, in Spain and Portugal, we have hired a total of 161 individuals from the Cruz Roja and Cáritas employment programmes or from refugee support associations. In Argentina, we've joined the 'Te

Sumo' programme, led by the Ministry of Productive Development, to employ unemployed young people through the franchise from 2022 onwards.

In addition to the significant impact that these programmes have on many people, we are confident that proactive diversity management can result in significant organisational skills, such as better customer care, better problem resolution and a more open and tolerant culture. In order to achieve all these benefits, we are committed to creating an environment that promotes inclusion and full personal development under equal conditions. The General Human Resources Policy, Equality Plans and Code of Ethics are the tools that guarantee this principle is fulfilled. We also have **specific policies in place to ensure that selection processes are based solely on merit and the skills required** for the position and to encourage the recruitment of the under-represented sex on equal terms and with equal skills.

Lastly, in order to develop our employees better, **we have increased training hours by 40%** in 2021, and their overall satisfaction is monitored using the most demanding indicators and on more frequently.



\*Figure estimated from one warehouse in Spain.

## Total safety

Occupational health and safety is a basic principle of excellence in human resource management and we have wanted to reflect this in the Strategic Sustainability Plan. We are therefore committed to reducing serious accidents by 15% over the coming years, a decrease that will be achieved by improving employee health and safety management systems. In 2021, we have achieved a reduction of 45%, reaching the target ahead of time.

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

All the protection measures and procedures approved in 2020 for managing the Covid-19 pandemic have been upheld in the different work centres throughout 2021.

*Occupational health and safety is a basic principle of excellence in human resources management*



### Summary of Sustainability Plan performance

Key matter	2021 indicator and result	Assessment
 Employee and team development	Employee's level of recommendation: improvement at Group level.	☑
 Employee health and safety	45% Reduction in serious accidents	☑
 Diversity and inclusion in employment	465 people with disability on workforce	⊖
	161 employees at risk of exclusion	☑
	28% female managers	⊖

☑ Achieved

⊖ Partially achieved

# Strategic partners

## Franchisees: a trusting relationship

With over 30 years of experience in developing the franchise model, today **we are the leading franchisor in Spain (according to the Emprendedores magazine) and the seventh in Europe (according to the international Franchise Direct ranking).**

Our relationship with partners is based on respect and mutual input. At DIA, we offer historical knowledge of the industry, the strength of our brand and logistics services, while the franchisee brings their sales vocation and knowledge of the local market, which is key to developing the proximity model.

In 2021, we've gone one step further in this relationship and have measured their satisfaction and level of recommendation, a process that 89% of partners took part in. The results reflect better relationships compared to previous surveys. The projects that explain these positive data are as follows:



**Improved 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 DIA's successful model.



**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 has been created for franchisees, called Campus DIA, accompanying franchisees in their growth as entrepreneurs. Since September 2021, a total of 109 training sessions have been given to over 56% of 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 partners 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, we have set up regular meetings between groups of franchisees and DIA management to ensure that the concerns of these key partners are always channelled and resolved.



**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 almost all of the franchises in Spain and Portugal and in 75% of the franchises in Argentina. Brazil has just finished defining its new model, which is ready to be rolled out in 2022.



**Standardisation of processes**, both in store operations and systems for the reporting of key information so as to guarantee management success.

## Summary of Sustainability Plan performance

Key matter

2021 indicator and result


Assessment



Franchisee satisfactions

Franchisee satisfaction and level of recommendation: improvement at Group Level



 Achieved

Over 2,100 franchisees have trusted this joint project aimed at being closer to the customer and bringing entrepreneurship and self-employment opportunities through franchising. In total, they manage over 2,700 stores, which is 45.6% of all our establishments and they generate almost 18,000 additional jobs.



## Suppliers: understanding our partners at source

Proximity is a maxim that we also apply to our partners. This is why **96% of purchases are made from the upwards of 2,800 local suppliers** we work with.

One of our priorities is to build satisfactory and trusting commercial relationships with suppliers. In 2021, we started to monitor this objective by using an external survey in each of the countries we are present in. The first results show **an improvement, compared to the prior year, in the satisfaction of suppliers with their dealings with DIA** in three of the four countries. Even more interestingly, the results shed light on where the greatest opportunities lie for the company to further strengthen these relationships and become a benchmark partner for its suppliers. Among other improvements, and as a result of this active listening exercise, direct communication channels have been set up between the supplier and senior management, including the country CEO, so as to improve transparency, identify shared objectives and define joint business plans.

*96% of purchases are made from the upwards of 2,800 local suppliers we work with.*

## Managing potential impacts on the supply chain

Although, due to their location, our direct business activities 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 we as a Group have decided to tackle in the Strategic Sustainability Plan.

To this end, in addition to consulting with various stakeholders to deepen our understanding of the associated issues, we have defined a work plan to ensure progress on two objectives: to **support best practices** in each field through certification programmes that are aligned with the ISEAL Alliance 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 has 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, the aim, in terms of raw material availability and our capacity to achieve a change in the field, is to define a raw materials sustainability policy with specific milestones for 2023.

*One of our priorities is to build satisfactory and trusting commercial relationships with suppliers*




 **Fishing:** In just one year, DIA Spain has gone from 7 private-label products with the seal in 2020 (just 1 in 2019) to 28 MSC-seal products (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). Furthermore, the DIA Group works with the NGO, Sustainable Fisheries Partnership, to obtain a map of the sustainability of all fisheries that do not have this certification, with the end goal of supporting and promoting plans to improve fisheries with other relevant actors in order to achieve more sustainable resources



 **Animal welfare:** We are committed to selling free-range eggs only (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.



 **Deforestation:** We have started a due diligence process on four key raw materials (palm oil, soy, beef and paper) to gain a better understanding of the supply chain and to identify potential negative impacts in order to start minimising them. Where we do not have sufficient information or influence to tackle complex and structural problems, we 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 this action plan.

Percentage of private-label goods that comply with **best practice**/come from countries with a low deforestation risk



*We have started a due diligence process on four key raw materials (palm oil, soy, beef and paper) to gain a better understanding of the supply chain and to identify potential negative impacts in order to start minimising them*

## Human rights

We are committed to ensuring that the people who provide the products and services we buy and sell are treated fairly and that their human and employment rights are protected and respected. **The Policy for Respecting Human and Employment Rights in the Supply Chain**, approved in July 2021 by the Executive Committee, aims to establish how we can prevent or mitigate the adverse impacts on human and employment rights that may be connected to our 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 we operate in and subsidiaries. In 2021, the commitment of suppliers and franchisees to these principles has become part of our contractual reality and around 70% of private-label suppliers have already committed to this policy (it is expected that 100% of suppliers will support this policy in the first half of 2022).

In 2021, we have begun a risk assessment and due diligence process so that we can proactively manage actual and potential human rights risks. To achieve this, we are working with **Sedex**, an ethical exchange platform that facilitates the definition and follow-up of the entire supply chain monitoring programme.

As the Human Rights Policy itself states, at DIA we place special emphasis on those commercial relationships in which we have the greatest responsibility and influence, where there can be greater risk of a breach of fundamental employment rights and where the

company's contribution can be even more significant. Whenever we cannot resolve complex issues by ourselves, the Company will work with others to drive a larger-scale transformational change.

*We are committed to ensuring that the people who provide the products and services we buy and sell are treated fairly and that their human and employment rights are protected and respected.*

### Summary of Sustainability Plan performance

Key matter	2021 indicator and result	Assessment
 General supplier satisfaction	General supplier satisfaction: improvement in three out of four countries.	⓪
 Sustainability of raw materials	Percentage of private-label products/percentage that meet best practice guidelines Fishing: 12% Deforestation: Palm oil 86% Soy (not at risk): 88% Meat: 89% Paper: 100% Animal welfare: 61%	E
 Human rights management in the supply chain	69% private-label suppliers that are signed up to the DIA policy on human rights.	⓪
	276 suppliers that have started the due diligence process.	⓪

⓪ Partially achieved    E Not applicable

# Supporting the community

In terms of social action, we are committed to making the most of **donations of surplus food** with a dual purpose: to reduce food waste and to help disadvantaged groups with food that is not suitable for sale but is suitable for consumption. During 2021, the traditional donations of excess food from the warehouses have been expanded with new processes to make donations from the darkstores (distribution centres where online orders are prepared). Specifically, this procedure has led to **over 19,000 kg of food being delivered to partners such as World Vision and Caritas** in Spain alone.

We also support the food collections organised by the Spanish food bank (*Banco de Alimentos*), which have raised approximately **€1 million or 250,000 litres of milk** in Spain alone in 2021. In Argentina, we have 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 2021, the DIA Group donated a total of 1,216 tonnes of food to support disadvantaged groups and to reduce food waste**





# Environmental responsibility

**R**especting and caring for the environment is a material issue for the company, which is why it occupies a prominent place in our Strategic Sustainability Plan. The plan outlines the proactive management of potential impacts related to our activity, which go beyond mere compliance, in order to eliminate or minimise them.

## Circular economy

In line with circular economy principles, the DIA Group works to limit the consumption of resources, minimise waste production and give a second life to materials and products that can be reused.

### Efficient use of inputs

In 2021, **we have reduced material use in almost all key input categories.** Paper use has decreased by 11.6%, as a result of promoting digital leaflets and increasing the use of recycled paper to almost 72% of what is used. Another major improvement is the almost 30% drop in the use of film in logistics operations, saving approximately 675,000 kg of plastic.



**We have reduced the paper used by 11.6% and plastic film by 30%**

## More sustainable packaging

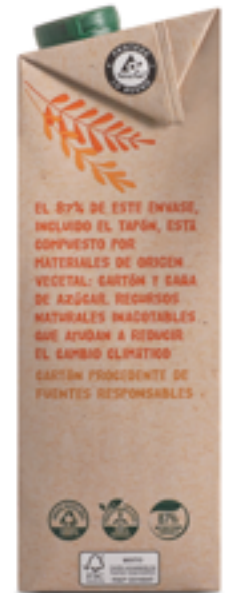
We are committed to **eliminating excess packaging and achieving more sustainable packaging**.

Specifically, we aim to improve the recyclability of packaging and reduce the use of virgin plastic. To do this, in 2021 we have classified packaging based on its recyclability and plastic content for the first time, and we have produced a '**Packaging Sustainability Guide**' that includes information on how each type of packaging can be used even more sustainably. In Spain alone, 302 private-label products (more than 20% of the total) have more sustainable packaging with eco-design measures aimed at reducing weight and impact and using mainly recycled material. As a result, **we have reduced the use of virgin plastic by 5,452,255 kg in Spain alone**.

## Improved waste and food waste management

In terms of waste, the objective is to **reduce the amount disposed of to landfill by 40%** compared to 2020. To do this, we've put in place a new management model (which will gradually be rolled out to all platforms), whereby waste that can be given a second life is separated at source. Under this premise, **we've reduced waste generation by over 8,500 tonnes in 2021** (around 7%) and have reduced waste taken to landfill by almost 9%.

**We are committed to eliminating excess packaging and achieving more sustainable packing**



**The new private-label cheese packaging uses 75% less plastic**



### Destination of non-hazardous waste

	2021	2020
% Recycled	63.55	59.82
% Reused	0.34	0.55
% Landfill/incineration	36.10	39.62



**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 dates** are the cornerstones of the strategy to prevent wastage. In Brazil, for example, these initiatives **have reduced waste at warehouses alone by 86% in 2021**, avoiding the generation of over 1.2 million kg of waste in the last two years.

We are also rolling out an **in-store circular waste segregation project**, which enables waste to be returned to the warehouse in separate lots, facilitating its reuse, recycling or recovery, thus avoiding landfill. These actions, which store 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%) and biogas (the remaining 16% of the waste).

At the DIA Group, we also pay special attention to **reducing food waste**. To enhance monitoring and management, we've created a common indicator to measure this parameter, for which a 40% reduction target has been set over three years. In this field, we have

also increased the sale of products with an imminent expiry date at a discounted price and donations of products fit for human consumption. The partnership with TooGoodtoGo in Portugal has made it possible to 'save' over 10,000 kg of food in just four months. As a result of these actions, food waste in Spain and Portugal **has dropped by 7% compared to 2020**.



# 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 our impact on climate change, we have produced a detailed picture of the carbon footprint associated with our business activity and, as far as possible, with the business activities included in the value chain. This work has been recognised with an **A- rating, repeating the outstanding ranking within the Carbon Disclosure Project's international standard.**

Furthermore, through our Strategic Sustainability Plan, we are committed to reducing CO<sub>2</sub> emissions by 20% across the Group in three years. To this end, in 2021 we have invested in air conditioning and heating and cooling equipment, we have increased electricity consumption from renewable energy sources to 94.7 million kWh and we've improved our logistics footprint. Despite the efforts made however, the footprint of the entire Group has grown by 3.9% in 2021, due in part to the increase in refrigeration facilities to go alongside the focus on fresh produce sales.



## Carbon footprint

	Energy (GJ) and refrigerant gas (Kg) consumption		CO <sub>2</sub> emissions (t CO <sub>2</sub> eq)		
	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	118,194.00	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>	



In 2021, more than €21 million has been allocated to projects aimed at mitigating climate change, such as the installation of doors in cooling walls and automation solutions so that our stores can be managed remotely

### Summary of Sustainability Plan performance

Key matter	2021 indicator and result	Assessment
 Packaging	66% recyclable private-label and fresh products.	<input checked="" type="checkbox"/>
	16.6% Decrease in plastic content in private-label products.	<input checked="" type="checkbox"/>
	9.2% recycled plastic in private-label bottles.	<input checked="" type="checkbox"/>
 Waste management and food waste	almost 9% Decrease in tonnes of waste to landfill.	<input checked="" type="checkbox"/>
	almost 7% Decrease in food waste (Spain and Portugal only).	<input checked="" type="checkbox"/>
 Climate change	3.9% Increase in CO <sub>2</sub> vs. 2020 footprint.	<input type="checkbox"/>

Achieved

Not achieved




# Ethical commitment

**B**uilding a culture of ethics and compliance forms part of the transformation process we are driving at DIA and it filters through everything we do. To this end, the Board of Directors has put in place a corporate governance system to **ensure both the achievement of the goals set and the growth of the company**, as well as the control of and compliance with internal and external regulations.

Our 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. We are also governed by our 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. Additionally, we go one step further and have a specific policy on Conflicts of Interest and Related Party Transactions.

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

## Board of Directors

Through its Appointments and Remuneration Committee, the Board of Directors ensures that director selection procedures **encourage a diversity of expertise, 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. On 30 August 2019, the extraordinary general shareholders' meeting set the maximum number of members at eight. For the purposes of transparency, directors' professional careers can be consulted on [DIA's corporate website](#). 

The Board is comprised of two committees, the Audit and Compliance Committee and the Appointments and Remuneration Committee, both chaired by independent directors.

# A solid supervision and control structure

One of the priorities of our Board of Directors is to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment. To this end, a supervision and control model has been designed based on the **three lines of defence model**:



**The first line:** in charge of day-to-day operations, responsible for setting out the controls that mitigate the risks linked to the lines of business.



**The second line:** 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.



**The third line:** 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 governance model of supervision and control rests with three committees made up of senior executives who, reporting to the Management Committee, ensure that business goals are achieved in line with the agreed values and applicable regulations:



**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. In 2021, work began on re-assessing the 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 Group's Management Committee.



**Internal Control Committee.** Promotes the effectiveness of the internal control system and develops and updates the internal rules governing it. It is the forum from where proposals for improvement are channelled and it helps strengthen the different areas.



**Ethics Committee.** Drives a culture of ethics and integrity 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 its effectiveness and of issuing the amendments it deems appropriate in order to meet the desired objectives.

*In 2021, the comprehensive risk management system has been re-assessed*



## The Code of Ethics - our cornerstone

Within the Group, we are led by the guidelines set out in the Code of Ethics, the cornerstone not only of our ethics and compliance system, but also the foundation upon which the remaining policies and standards that govern us are based.

This Code, which is mandatory for employees, managers, Group directors, franchisees and

suppliers, has been updated in 2021 to ensure that the ethical principles are fully aligned with our values. Furthermore, we have a Whistleblowing Hotline which can be used to anonymously communicate queries or to report any irregularities, guaranteeing the confidentiality and indemnity of the whistleblower at all times. **This hotline is provided by an external third party and is available to employees and any individual outside the company.**



We have given **ethics training** to **16,384** employees in 2021



meaning that **65.5%** of the workforce has received **training on the Code of Ethics**

### Ethics Committee Activity

	Argentina		Brazil		Spain		Portugal	
	2021	2020	2021	2020	2021	2020	2021	2020
No. internal reports	32	51	171	44	25	18	14	7
No. external reports	2	11	9	-	5	4	2	1
No. anonymous reports	69	34	136	82	54	38	14	11
<b>Total no. 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>Total no. 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>Total no. ongoing reports</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. internal enquiries	1	-	2	13	1	-	1	-
No. external enquiries	-	-	1	4	-	-	-	-
No. anonymous enquiries	2	-	4	16	3	4	-	2
<b>Total no. 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>Total no. 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>Total no. ongoing enquiries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Compliance

To complement all the above measures, we reinforce our commitment to total integrity through our Compliance Policy, which aims to identify, assess, control and report risks of non-compliance with applicable legislation, as well as an Anti-Bribery Policy, a Conflict of Interests and Related Party Transactions Management Policy, an International Sanctions Policy, a Crime Prevention and Anti-Corruption Policy and an Anti-Fraud and Anti-Corruption Programme.

*The aim of our Compliance Policy is to identify, assess, control and report risks of non-compliance with applicable legislation*



### Summary of Sustainability Plan performance

Key matter	2021 indicator and result	Assessment
	15 confirmed reports of corruption, discrimination or harassment	⊖
 Business ethics	65.5% participation (and completion) of training in ethics and compliance by employees	⊖
	78 Average number of days to resolve complaints.	☑

☑ Achieved

⊖ Partially achieved

# DIA

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