



ANNUAL REPORT ON DIRECTORS' COMPENSATION

2012

Distribuidora Internacional de Alimentación, S.A.



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I. INTRODUCTION

This report sets out Distribuidora Internacional de Alimentación, S.A. (the “**Company**” or “**DIA**”) compensation policy in respect of its directors and has been prepared in accordance with the provisions in article 61 *ter* of Spanish Act 24/1988, on the Securities Market, of July 28, the Recommendation no 40 of the Unified Good Governance Code (*Código Unificado de Buen Gobierno*) approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on May 22, 2006, and articles 39 and 32, respectively, of the Articles of Association and the Board of Directors Regulation (the “**Board Regulation**”) of the Company.

This report has been approved –following a proposal of the Appointment and Compensation Committee– by the Board of Directors of the Company on February 20, 2013, for submission to the General Shareholders’ Meeting on a consultative basis as a separate item in the agenda.

I.1 Board of Directors of the Company

In accordance with article 39.6 of the Articles of Association and article 32.12 of the Board Regulation, the Board of Directors of DIA is the competent body to prepare and issue, together with the annual report on corporate governance (“**ARCG**”), this annual report on directors’ compensation.

Pursuant to the aforementioned provisions, the report should include complete, clear and understandable information on the Company’s compensation policy as approved by the Board of Directors for the present year and, if appropriate, as foreseen for future years. The report shall also include a global summary detailing the application of the compensation policy during the year, and details of any compensation accrued by each individual director.

Additionally, pursuant to article 31 of the Articles of Association and article 5 of the Board Regulation, the Board of Directors of the Company is authorised, among others, to:

- set out, in accordance with the Articles of Association and subject to any restrictions therein, the compensation and remuneration policies for the directors, upon a proposal by the Appointment and Compensation Committee; and
- set out, regarding executive directors, any additional compensation for its executive functions and any other terms and conditions that must observe their contracts.

I.2 Appointment and Compensation Committee

I.2.1 Competence in respect of compensation

Pursuant to article 38.4 of the Board Regulation of the Company, the Appointment and Compensation Committee is authorised, among others, to:

- submit a proposal to the Board of Directors in respect of: (i) the mechanism and amount of the annual compensation payable to the directors; (ii) the individual compensation payable to each executive directors and the senior managers as well as other terms and conditions of the agreements governing their relationship with the Company; and (iii) the basic terms



and conditions of the agreements governing the relationship between the Company and such senior managers;

- consider, set out and review from time to time the Company's compensation policy as applicable to the executive directors and senior managers, including any compensation in the form of shares, and to ensure that any such compensation remains appropriate when compared to any compensation payable to the other directors and members of the management team and other members of the staff;
- ensure compliance with any compensation policies set out by the Company; and
- support the Board of Directors in respect of the preparation of the report on directors' compensation policy, and to submit to the Board any other reports on compensation provided for by the Board of Directors Regulation.

Accordingly the Appointment and Compensation Committee has played a significant role in the preparation of this report, by carrying out an internal process of preparation and assistance so as to ensure the Company's alignment with best corporate governance practices and applicable laws and regulations.

1.2.2 Composition in 2012

As of December 31, 2012, the members of the Appointment and Compensation Committee were as follows:

Name of Director	Office in the Commission	Type of Director
Mr. Pierre Cuilleret	Chairman	External independent Director
Mr. Mariano Martín Mampaso	Member	External independent Director
Mr. Nicolás Brunel	Member	External proprietary Director

The Secretary non member of the Appointment and Compensation Committee is Mr. Ramiro Rivera Romero, who is also the Secretary non director of the Board of Directors of the Company. The Vice-secretary non member of the Appointment and Compensation Committee is Mr. Miguel Ángel Iglesias Peinado, who is also the Vice-secretary non director to the Board of Directors of the Company and the Chief Lawyer of the Company's legal department.

No changes have taken place to the composition of the Appointment and Compensation Committee during 2012.

The Articles of Association and the Board Regulation states that the Appointment and Compensation Committee shall be made up of a minimum of three and maximum of five external directors, mostly independent directors, to be determined by the Board of Directors. The members of the Appointment and Compensation Committee shall be appointed by the Board of Directors of the Company.

The Board Regulation state that this Committee shall meet as often as necessary in the opinion of its chairman, who shall be required to call a meeting of this Committee whenever a report is to



be issued or a proposal is to be submitted and otherwise whenever appropriate to perform its functions properly.

I.2.3 Proceedings of the Appointment and Compensation Committee

As required by the Board Regulation, all resolutions passed by the Appointment and Compensation Committee shall be recorded in minutes, and any such resolutions shall be reported to the full Board of Directors of the Company. The minutes shall be available for inspection by each member of the Board of Directors.

Additionally the Appointment and Compensation Committee may request the advice of any external expert, in accordance with the rules set out in the Board Regulation.

The members of the Board of Directors, the management team or the employees of the Company shall be required to attend the meetings of the Appointment and Compensation Committee and provide any cooperation and access to information if so requested by the Committee.

I.2.4 External advisors

In 2012, the Appointment and Compensation Committee has requested the assistance of external advisors to assess the performance of the Board of Directors (Korn / Ferry) and to review DIA's compensation policy and, specifically, the incentive and long-term compensation for top managers of the Company (including the executive director), which was performed by Towers Watson as market information provider and advisor of the management team. .

II. COMPANY'S COMPENSATION POLICY.

The Board of Directors, assisted by the Appointment and Compensation Committee, has prepared this report in accordance with the provisions in the Articles of Association and the Board Regulation which obligates the Board of Directors to approve a compensation policy in respect of the Company's directors.

II.1 Principles and objectives of the compensation policy.

For the purposes of this compensation policy for directors, the guidelines set out by the Company to the effect that the compensation offered to directors must be appropriate to attract, retain and motivate directors with outstanding professional profiles suitable for helping to achieve the strategic goals of the Company have been kept in mind at all times.

Specifically, the Company's compensation policy for directors is based on the following principles:

- The Appointment and Compensation Committee proposes to the Board of Directors of the Company this compensation policy and assists the Board so that such policy may be submitted and approved by the Board and then made available to the shareholders with occasion of the notice convening the next General Meeting of the Company.



- Directors' compensation shall consist of a fixed monthly amount and, as the case may be, of expenses for attendance to each session of the Board of Directors and its committees.
- The maximum whole compensation payable by the Company to the directors shall be established by the General Meeting and shall remain in effect unless and until amended by such meeting. Starting from such a maximum figure the Board of Directors of the Company shall allocate the particular compensation payable to each director on the basis of: (i) the nature of such a director as a member of any corporate body exercising functions delegated by the Board; (ii) the positions held by a director in such a body; and (iii) the director's level of commitment in respect of any management tasks or service to the Company.
- The Board shall procure that compensations are moderate and appropriate in light of the compensations of other companies of similar size and activity, so that any compensation paid by the Company is in line with best market practices. The Company's compensation policy shall take into account the competitive environment where the attainment of goals depends largely on the quality, dedication, responsibility, knowledge of the business and commitment to the Company of the individuals in key positions leading the organization.
- Any remuneration derived from the position as a board member shall be compatible with and independent from any other professional or employment compensation due to a director as a result of any executive or advisory functions performed by such a director other than those of supervision and collegiate decision typical of its position as such, which shall be governed by any applicable laws and regulations.
- External and executive directors' compensation shall be detailed in the Company's annual report on an individual basis.
- In respect of external directors, the Board shall take all appropriate measures to ensure that their compensation, including where appropriate any compensation payable to an external director as a member of any Committee, complies with the following criteria:
 - a. the external director should be compensated on the basis of their actual commitment, qualification and responsibility;
 - b. the amount of such compensation shall be designed so that it offers an incentive for his commitment but does not hinder his independence; and
 - c. the external director shall not be eligible for compensation in the form of shares, stock options or other instruments linked to the price of the shares, and shall not benefit from any benefits funded by the Company in case of removal, death or other instances. The above restrictions shall not apply in respect of compensation in the form of shares if the external director must keep such shares until his removal as director.
- Directors shall also be entitled to be paid any duly justified expenses incurred in order to attend the meetings of the Board of Directors or any Committees.
- The Company may purchase Directors and Officers liability insurance ("D&O") in respect of its directors.



- Executive directors may receive compensation in the form of shares of the Company or in other group company, as well as stock options or other instruments linked to their listing price.

If the compensation is linked to the shares of the Company or to instruments linked to the share price then any such compensation must be submitted for approval to the General Meeting. The resolution of the General Meeting shall include, where appropriate, the number of shares to be delivered, the exercise price for any option rights, the reference value of the shares and the period during which this kind of compensation shall be available.

Any delivery of shares and exercise of any stock options or options to buy any shares or rights to receive compensation on the basis of a variation in the share price shall be subject to duly measurable performance criteria laid down in advance.

No stock options or rights may be exercised until a minimum period of two (2) years has elapsed from the date when such options or rights were granted. Following the acquisition of full title over the shares, the directors shall be required to retain a minimum number of shares until the end of their office subject, where appropriate, to any need to finance any costs arising in respect of such acquisition. To that effect the number of shares to be retained shall be equivalent to twice the value of the director's aggregate annual compensation.

Executive directors' compensation may also include variable remuneration linked to the performance of the Company or benefits packages.

Any fixed element of compensation should be appropriately sized so that the Company may withhold any variable remuneration if the director fails to comply with any performance criteria established by the Company.

If variable remunerations are agreed, the Company should ensure that any amounts paid thereunder are related to the professional performance of the director rather than merely to general developments in the market or industry where the Company operates or other similar circumstances. Specifically, any variable remuneration shall:

- a. be linked to duly measurable performance criteria laid down in advance;
- b. promote the sustainability of the Company in the long term and include non-financial criteria such as compliance with rules and procedures designed to create long-term value in the Company;
- c. at the time of payment, a substantial portion thereof shall be deferred for a minimum period of time to verify that the relevant performance criteria are met;
- d. any deferred amount of the remuneration shall be determined on the basis of the relative weight of the variable remuneration when compared to the fixed remuneration; and
- e. in the case of any contractual undertakings entered into with the directors, a clause shall be included entitling the Company to claim for reimbursement of any variable amounts if payment thereof did not take place in accordance to the relevant



performance criteria or took place on the basis of patently inaccurate data as evidenced after such payment.

- Any other (non-executive) directors may be remunerated by delivering any shares, provided always that they agree to retain such shares until such time as they cease as directors.

II.2 Directors' compensation policy and application thereof during the year 2012

The General Shareholders' Meeting of the Company held on June 13, 2012 set out a maximum gross amount of one million and five hundred thousand Euros (€1,500,000) per year as remuneration for the Board of Directors.

The General Shareholders' Meeting resolved that the 2012 remuneration would be paid during 2012, 50% in cash and the remaining 50% by means of delivery of Company shares.

Notwithstanding the foregoing, the Board of Directors of the Company resolved that in 2012 the whole remuneration for the Board of Directors in 2012 shall not be higher than one million Euros (1,000,000 €).

The Board of Directors is responsible for the allocation of such amount, and shall distribute it, among its members (subject to the abovementioned maximum amount), taking into particular account, among others, the functions and responsibilities of each director as a member of the Board of Directors or its Committees.

The Board of Directors of the Company held on February 24, 2012 set forth the remuneration of the members of the Board of Directors and of the members of the Committees as described below:

Office	Amount (€)
Chairman of the Board of Directors	150,000
Member of the Board of Directors	75,000
Chairman of the Appointment and Compensation Committee	30,000 (additional)
Member of the Appointment and Remuneration Committee	20,000 (additional)
Chairman of the Audit and Compliance Committee	30,000 (additional)
Member of the Audit and Compliance Committee	20,000 (additional)

The Board of Directors of the Company unanimously approved in such meeting, following a favourable report issued by the Appointment and Compensation Committee, said remuneration proposal as follows:

- Number of shares to be delivered: the total number of shares finally delivered shall result from dividing the 50% of the compensation received by each director (after deducting any withholding taxes) by the volume-weighted average price of the shares of the Company determined on the basis of its closing prices during the 15 trading days prior to February 24, 2012 (inclusive)..



- Non executive directors shall be required to keep their shares until they cease as directors of the Company.
- Executive directors shall not received any remuneration as “directors” during year 2012.
- Both cash and all shares accrued by each director shall be delivered in full from December 15 (including, in such a case, any compensation corresponding to December).
- Any shares to be delivered to the directors shall be calculated after deducting any withholdings or taxes that the Company may be required to deduct or pay by reason of the tax circumstances of each director.
- Other terms and conditions: all directors other than executive directors shall be required to keep their shares until they cease as directors.

Accordingly, the resulting compensation accrued in favour of the members of the Board of Directors of DIA is detailed in paragraph III below.

II.3 Directors’ compensation policy based on incentives for years 2011-2014 (including the compensation of the executive director).

On December 7, 2011 the Board of Directors approved, on the basis of a report and proposal submitted by the Appointment and Remuneration Committee, two plans for remuneration and incentives for its directors (thus including the executive director) (the “**Remuneration Plans**”).

The General Shareholders’ Meeting held on June 13, 2012 approved the Remuneration Plans. One of the two plans that were approved, the long-term incentive Plan, which is described below, includes the executive directors.

For clarification purposes and in accordance with article 32.4 of the Board Regulation, it should be noted that this compensation is paid to the executive directors on the basis of the relevant services or labour relationship, as appropriate, and thus separately and independently from any remuneration accruing to him as board member, where applicable.

The Board of Directors believes that the design of such Remuneration Plans allows for a link between the remuneration payable to the directors of DIA and its subsidiaries and compliance with the financial and business goals of the Company and its group, thus reinforcing the key management’s commitment and alignment with the Company’s and its shareholders’ goals.

As noted above, such Remuneration Plans should be deemed established and granted in view of the executive functions of the beneficiaries (including the executive directors in DIA or directors holding any authority under delegation by the Board of DIA under article 39.3 of the Articles of Association), and thus are separate and independent from any annual compensation payable to the members of the Board.

II.3.1 Long-Term Incentive Plan

Beneficiaries: Senior officers (including executive directors) of DIA and its present or future subsidiaries as determined by the Board of Directors and complying with the requirements set out in the relevant general terms and conditions, who voluntarily accept to join the plan. The Board of Directors may, upon a proposal by the Appointment and Compensation Committee, include other officers as beneficiaries of this plan.



Purpose: The purpose of this plan is to grant and pay variable compensation in shares of DIA subject to compliance with a series of business targets of the Company and its Group and certain indicators linked to the value of the shares of the Company, provided always that the beneficiary maintains their employment or commercial relationship with DIA and/or its subsidiaries on the reference dates.

Term: The plans shall be in effect until December 31, 2014 with several settlement dates provided.

III. COMPENSATION ACCRUED TO INDIVIDUAL BOARD MEMBERS OF THE COMPANY DURING 2012.

The following table sets out the remuneration accrued to each director in 2012 as a member of the Board of Directors and of the relevant Committee:

Name of director	Board of Directors	Audit and Compliance Committee	Appointment and Compensation Committee	Total remuneration (thousand €)
Ms. Ana María Llopis Rivas	150	0	0	150
Mr. Ricardo Currás de don Pablos	0	0	0	0
Mr. Nicolás Brunel	75	0	20	95
Mr. Pierre Cuilleret	75	0	30	105
Mr. Julián Díaz González	75	30	0	105
Mr. Richard Golding	75	20	0	95
Mr. Mariano Martín Mampaso	75	0	20	95
Mr. Nadra Moussalem	75	20	0	95
Ms. Rosalía Portela de Pablo	75	0	0	75
Mr. Antonio Urcelay Alonso	75	0	0	75
Total	750	70	70	<u>890</u>

Delivery of shares: As described in Section II.2 above, the aforementioned remunerations have been paid 50% in shares of DIA and 50% in cash.

After making the relevant deductions and tax withholdings, as applicable in each case, each individual director has received the following remuneration, partly in shares and partly in cash:



- Ms. Ana María Llopis Rivas: she qualifies under “other external directors” and is the Chairman of the Board of Directors of DIA: 12,231 shares of DIA and €43,500 in cash.
- Mr. Mariano Martin Mampaso qualifies as independent external director. He is a member of the Appointment and Compensation Committee: 10,050 shares of DIA and €35,743.75 in cash.
- Mr. Ricardo Currás de don Pablos: he qualifies as executive director. By virtue of a resolution approved by the Board of Directors, Mr. Currás has not received any compensation as member of the Board of Directors of the Company during year 2012. Additionally, total compensation accrued by reason of his executive functions (though not as a member of the Board) amounted to €34,000. Out of such figure, €449,000 have accrued to him as fixed remuneration and remuneration in kind, while €600 relate to life insurance premiums, and €384,000 correspond to his variable remuneration (estimated at December 31, 2012 to be €342,000); accordingly, Mr. Currás’ variable remuneration represents 46% of his total remuneration. Variable remuneration (which only applies to the executive director in the Board of Directors) is based on objective criteria designed to assess the executive director’s contribution (as an officer of the Company) to the business targets set out for the Company and its Group, including both business targets at the level of the DIA Group (for instance, like-for-like increase in sales, in Adjusted EBIT or in market share, etc.) and individualised targets customised for the relevant officer (including quantitative and qualitative targets) for the period under consideration. Specifically during 2012, and on the basis of the degree of compliance with the targeted objectives and an assessment of the individual targets, the system of annual premium (or bonus) for the executive director allowed for a fluctuation between 0 and 200% of the so-called *bonus target* (or bonus for the target initially set).
- Mr. Nicolás Brunel: he qualifies as an external proprietary director. He is a member of the Appointment and Compensation Committee: 10,050 shares of DIA and €35,743.75 in cash.
- Mr. Pierre Cuilleret qualifies as an external independent director. He is the chairman of the Appointment and Compensation Committee: 11,108 shares of DIA and €39,506.25 in cash.
- Mr. Julián Díaz González qualifies as an external independent director. He is the chairman of the Audit and Compliance Committee: 11,108 shares of DIA and €39,506.25 in cash.
- Mr. Richard Golding: he qualifies as an external independent director. He is a member of the Audit and Compliance Committee: 7,747 shares of DIA and €27,550 in cash.
- Mr. Nadra Moussalem qualifies as an external proprietary director. He is a member of the Audit and Compliance Committee: 10,050 shares of DIA and €35,743.75 in cash.
- Ms. Rosalía Portela de Pablo qualifies as an external independent director: 6,116 shares of DIA and €21,750 in cash.



- Mr. Antonio Urcelay Alonso qualifies as an external independent director: 6,116 shares of DIA and €21,750 in cash.

The Company also has taken out D&O insurance for the benefit of its directors, including a maximum coverage of €50,000,000. Except as otherwise noted above in relation to Mr. Currás, the Company has no other liability in respect of pensions, life insurance or other obligations in favour of the directors of the Company. The Company has not distributed any amounts as allowances (*dietas*) to directors.

The executive director receives no remuneration as a director in other companies within the DIA group.

Benefits for the executive director: DIA meets the cost of a life insurance policy for the benefit of the executive director Mr. Ricardo Currás covering against death from any cause whatsoever (distinguishing between death from any cause, death due to any accident other than road accidents and death due to a road accident) and against total permanent disability. During 2012, the premium for such policy paid for by the Company amounted to €600.

Fundamental terms and conditions governing the agreement of the executive director: In addition to any terms and conditions governing remuneration as described above, the following terms and conditions qualify as fundamental terms and conditions of the agreement with the executive director:

- *Term:* indefinite.
- *Advance notice:* in the event of resignation or voluntary departure the executive director shall notify the Company in writing at least three months before the actual date of resignation or departure. On the other hand, if the Company intends to terminate the agreement, in case of management dismissal, the Company shall notify the director at least six months before the actual date of termination.
- *Compensation:* In accordance with the provisions in the agreement with the executive director, the executive director is entitled to receive compensation -in the event that the Company terminates his agreement and employment relationship (and any other contractual relationship) for any reason other than a lawful dismissal for misconduct- equal to 45 days of salary per year of service (for the period from November 24, 1986 to April 30, 2009) plus eight days of salary per year of service (for the period starting on May 1, 2009), up to the limit of his latest gross annual salary, excluding any salary in kind and any capital gains or income derived from the receipt or exercise of any stock options or bonus shares or any other similar benefits.

IV. DIRECTORS' COMPENSATION POLICY FOR YEARS 2013 AND BEYOND.

For year 2013, the Board of Directors have resolved the following aspects in relation to the compensation policy for directors (including the executive directors):

- There is no intention to pay any allowances (*dietas*) due to directors' attendance to Board of Directors meetings during year 2013;
- Structure of remuneration for directors during year 2013: 50% payable in cash, and 50% payable in shares of the Company;



- The compensation of the members of the Board of Directors and of the members of the Committees is as follows:

Office	Amount (€)
Chairman of the Board of Directors	160,000
Member of the Board of Directors	80,000
Chairman of the Appointment and Compensation Committee	35,000 (additional)
Member of the Appointment and Compensation Committee	25,000 (additional)
Chairman of the Audit and Compliance Committee	35,000 (additional)
Member of the Audit and Compliance Committee	25,000 (additional)

- Number of shares to be delivered as remuneration as a Board member in year 2013: the number of shares to be delivered shall be calculated by reference to the result of dividing 50% of the remuneration of each director by the volume-weighted average price of DIA shares determined on the basis of its closing prices during the fifteen business days prior to February 20, 2013 (inclusive);
- Other terms and conditions: non-executive directors shall be required to retain their shares until they cease as directors; and
- Any cash and shares attributable to each director shall be delivered in a single occasion from December 16, 2013 (including, in such a case, any compensation due in respect of December).

• Additionally, the Board of Directors of DIA has passed the following resolutions in respect of the remuneration due to the executive director, Mr. Ricardo Currás, by reason of his functions as senior executive in accordance with its contractual relationship with the Company, regardless of any remuneration as a director and any participation by the executive director in the incentive plans described in Section II.3 above. The Board of Directors has resolved:

- To establish the fixed compensation for year 2013 at €456,000; and
- In light of the policy adopted by the Company to the effect that a substantial portion of the compensation should be linked to the attainment of certain objectives based on the results and other indicators of the Group (established, among others, in accordance with objective criteria and targets in the medium and long term), to establish Mr. Currás' bonus target at 75% if 100% of the objectives are attained (which means that Mr. Currás' variable compensation may eventually reach 150% of his fixed remuneration).

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This report on directors' Compensation has been approved –following a proposal of the Appointment and Compensation Committee– by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. on February 20, 2013, for submission to the General Shareholders' Meeting on a consultative basis as a separate item in the agenda.