

**Directors' Consolidated Remuneration Policy of Distribuidora  
Internacional de Alimentación, S.A.**

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## TABLE OF CONTENTS

<b>1. Introduction: Legislative framework</b>	<b>1</b>
<b>1.1 Obligation to approve the Directors' remuneration policy</b>	<b>2</b>
<b>1.2 Transitional regime</b>	<b>3</b>
<b>2. Internal rules and regulations of DIA</b>	<b>4</b>
<b>2.1 Functions of the Board and of the NRC of DIA</b>	<b>5</b>
<b>2.2 Internal rules and regulations of DIA</b>	<b>6</b>
<b>3. General principles governing the remuneration policy for the Directors of DIA</b>	<b>9</b>
<b>3.1 Principles and cornerstones</b>	<b>9</b>
<b>3.2 Characteristics of the Directors' remuneration policy for their services as such</b>	<b>10</b>
<b>3.3 Characteristics of the executive Directors' remuneration policy</b>	<b>11</b>
<b>4. Directors' remuneration system for their services as such</b>	<b>12</b>
<b>5. Remuneration system for executive Directors</b>	<b>14</b>
<b>5.1 Fixed remuneration</b>	<b>14</b>
<b>5.2 Variable remuneration</b>	<b>14</b>
5.2.1 Annual variable remuneration	14
5.2.2 Long term variable remuneration	15
<b>5.3 Welfare benefits</b>	<b>19</b>
<b>5.4 Principal terms and conditions of executive Directors' contracts</b>	<b>20</b>
<b>5.5 Addition of new executive Directors</b>	<b>21</b>
<b>6. Implementation of the policy</b>	<b>22</b>
<b>7. Term of the remuneration policy</b>	<b>22</b>

## **1. Introduction: Legislative framework**

On December 6, 2014 Law 31/2014, of December, 2014, amending the Spanish Companies Act to enhance corporate governance (“**SCA**”) was published in the Official State Gazette. The amended SCA stipulates, inter alia, the need for listed corporate enterprises to have a remuneration policy for their Directors and to submit such policy to their approval by way of a binding vote of the shareholders’ meeting of the enterprise, at least every three years.

With a view to complying with the provisions of the SCA, the Board of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“**DIA**” or the “**Company**”), at the proposal of the Nomination and Remuneration Committee (“**NRC**”), has approved the current remuneration policy.

The current policy was approved by the Board having regard to the statutory changes included in the aforesaid SCA, thus complying with the provisions on Directors’ remuneration stipulated in the SCA. The current policy was also approved having regard to the Company’s internal rules and regulations (bylaws and Board regulations) in force on the date of its approval. If the Company’s internal rules and regulations have to be amended in order to be brought into line with the provisions of the SCA (as will be proposed at the next shareholders’ meeting), the current policy will be modified accordingly.

The following is an analysis of the main aspects included by the SCA in connection with the obligations to approve the remuneration policy mentioned above.

## **1.1 Obligation to approve the Directors' remuneration policy**

Article 529 *septdecies* of the SCA stipulates the obligation for listed companies to have a remuneration policy for their Directors detailing not only the various remuneration items that Directors are entitled to receive, as Directors, but also the characteristics and cornerstones of the remuneration of Directors who discharge executive functions at the company.

This policy should be approved at listed companies by the shareholders' meeting. Article 529 *novodecies*, subarticle 1, of the SCA introduces the obligation for listed companies to have the shareholders' meeting adopt a binding resolution on their Directors' remuneration policy at least once every three years, as a separate item on the agenda:

*"1. The Directors' remuneration policy shall be brought into line, as necessary, with the remuneration policy provided for in the bylaws and shall be approved by the shareholders' meeting at least once every three years as a separate item on the agenda."*

Article 529 *novodecies*, subarticle 3, provides that:

*"3. The Directors' remuneration policy thus approved shall remain in force for three years after the year in which it was approved by the shareholders' meeting. Any amendment or replacement of the policy during that time shall require prior approval by the shareholders' meeting in accordance with the procedure established for its approval."*

In connection with the procedure for approving the policy, Article 529 *novodecies*, subarticle 2, provides that the proposal for a remuneration policy must be reasoned and must be accompanied by a report from the NRC:

*"2. The proposal for the Board's remuneration policy shall be reasoned and must be accompanied by a specific report from the nominations and remuneration committee. Both documents shall be made available to shareholders on the company's website as soon as the shareholders' meeting has been called, and shareholders may also ask to have it delivered or sent to them free of charge. The call notice of the shareholders' meeting shall mention this right."*

## 1.2 Transitional regime

In connection with the approval of the Directors' remuneration policy, the SCA introduced a transitional provision with the following wording:

*“2. Article 529 novodecies of the Revised Corporate Enterprises Law shall come into force on January 1, 2015 and shall apply to listed Spanish corporations in the following manner:*

- a) Where the first annual shareholders' meeting held after January 1, 2015 approves, on a consultative basis, the report on Directors' remuneration, the company's remuneration policy set forth therein shall also be deemed to have been approved for the purposes of article 529 novodecies, and such article shall apply to the company thereafter.*
- b) Where the aforesaid annual shareholders' meeting does not approve, on a consultative basis, the report on Directors' remuneration, the Director's remuneration policy must be submitted to the binding approval of the shareholders' meeting by the end of the following year, at the latest, pursuant to article 529 novodecies and with effects from the following year.”*

According to this transitional regime, the Directors' remuneration policy can be deemed to have been approved in 2015 if the shareholders' meeting of DIA to be held in 2015 approves the annual Directors' remuneration report (“**ADRR**”) with a consultative vote.

Thus, if the shareholders vote in favor of the ADRR in the consultative vote at the 2015 shareholders' meeting, article 529 *novodecies* will be applied and the consequences thereof will be as follows:

- The Directors' remuneration policy described in the ADRR approved in a consultative vote at the 2015 shareholders' meeting will remain in force for three years after the year in which it was approved by the shareholders' meeting (i.e., through 2018).

- Three years after the approval of the ADRR by the 2015 shareholders' meeting (i.e., in 2018), the remuneration policy must again be submitted to a binding vote at the shareholders' meeting following a specific report from the NRC. This remuneration policy will remain in force for three years after its approval (i.e., 2019, 2020 and 2021).
- If any amendment not reflected in the ADRR approved by the 2015 shareholders' meeting is made to the remuneration policy, a new approval by the shareholders' meeting will be required.

Pursuant to the transitional provision in the SCA, the Board of DIA has resolved:

- (i) to approve the Company's current Directors' remuneration policy;
- (ii) to avail itself of the aforesaid transitional provision in the SCA, and submit the 2014 ADRR to a consultative vote at the next shareholders' meeting. The 2014 ADRR will contain the principles and cornerstones of the current remuneration policy and, accordingly, its approval by the Company's shareholders' meeting will also entail the approval of the Directors' remuneration policy for 2015 and for the following three years.

## **2. DIA's internal rules and regulations**

The remuneration of the Directors of DIA is determined pursuant to the legislation governing corporate enterprises, to the Company's bylaws and Board regulations and to the resolutions adopted by the shareholders' meeting.

The SCA stipulates that, among other non-delegable powers, the Board of a listed company has the power to make decisions relating to Directors' remuneration, in line with the bylaws and the remuneration policy approved by the shareholders' meeting.

## 2.1 Functions of the Board and of DIA's NRC

Pursuant to article 31 of the bylaws ("Authority of the Board"):

- "(...)
4. *In any case, the Board shall hold, on a non-delegable basis, all powers reserved to it directly, by law, as well as all others necessary for the diligent discharge of the general function of supervision. In particular, without limitation, the following powers are non-delegable powers of the Board:*
- (...)
- (j) *the approval of the remuneration policy for Directors and managers (...).*"

In connection with the powers of the NRC, pursuant to article 42 of the bylaws of DIA ("The Nominations and Remuneration Committee"):

- "(...)
3. *The following powers shall fall to the nominations and remuneration committee in all cases, notwithstanding any other tasks that may be assigned to it by the Board at any given time:*
- (...)
- (f) *to propose to the Board (i) the system and amount of the Directors' annual remuneration, (ii) the individual remuneration of executive Directors and senior managers, as well as the other terms of their contracts; and (iii) the basic terms of the contracts of senior managers;*
- (g) *to ensure compliance with the remuneration policy established by the Company;*
- (...)"

Article 5 of the Board regulations of DIA stipulates that the Board shall have the non-delegable power to establish the remuneration policy of the leadership team and to set the remuneration of Directors for their executive functions. Pursuant to article 38 of the Board regulations of DIA, on the NRC:

**"Article 38. The Nomination and Remuneration Committee**  
(...)

4. *The following powers shall fall to the nominations and remuneration committee in all cases, notwithstanding any other tasks that may be assigned to it by the Board at any given time:*

(...)

- (a) *to propose to the Board (i) the system and amount of the annual remuneration of Directors, (ii) the individual remuneration of executive Directors and senior managers, as well as the other terms of their contracts; and (iii) the basic terms of the contracts of senior managers;*
- (b) *to analyze, formulate and review periodically the remuneration policy for executive Directors and for the management team, including share-based remuneration schemes and their application, and to ensure that such remuneration is proportional to that paid to other Directors and members of the management team and to other members of the Company's personnel;*
- (c) *to ensure compliance with the remuneration policy established by the Company; (i) in general, to supervise compliance with the corporate governance rules applicable to the Company;*
- (d) *to inform the shareholders of the discharge of their functions, assisting the shareholders' meeting in this connection; and*
- (e) *to assist the shareholders' meeting in its preparation of the report on the Directors' remuneration policy and to forward to the Board any other reports on remuneration stipulated in these regulations.*

(...).”

Accordingly, DIA's bylaws and Board regulations regulate the specific functions of the Company's Board and NRC in connection with Directors' remuneration.

With respect to the principles for such remuneration, the following is stipulated in the bylaws and in the Board regulations.

## **2.2 DIA's internal rules and regulations**

Both the bylaws and the Board regulations of DIA stipulate the principles and cornerstones on which the Directors' remuneration policy of the Company is based. In connection with Directors' remuneration, article 39 of the bylaws of DIA provides as follows:

***“Article 39.- Directors’ Remuneration***

1. *Directors’ remuneration shall consist of a fixed monthly emolument and of attendance fees for meetings of the Board and of its committees. The maximum amount of remuneration payable by the Company to its Directors for such items shall be stipulated by the shareholders’ meeting and shall remain in force until a resolution is adopted to change it.*
2. *Each year the Board, within the limits set by the shareholders’ meeting, shall stipulate the specific amount receivable by each Director, and may scale the amount receivable by each one according to:*
  - (a) *whether or not they are members of the Board’s managing bodies;*
  - (b) *the offices they hold on the Board or, in general,*
  - (c) *their dedication to management tasks or to the service of the Company.*
3. *The remuneration provided for in the preceding paragraph, payable for membership on the Board, shall be compatible with and independent from other amounts receivable by Directors as employees or independent professionals for the discharge of executive or advisory duties other than those of collective supervision and decision-making specific to their status as Director, which shall be subject to the applicable statutory regime.*
4. *Executive Directors may be compensated with the award of shares in the Company or in another company in the group to which the former belongs, of stock options or of instruments referenced to the market price of the shares.*

*Other Directors may be compensated with the award of shares, provided that they are obliged to keep the shares until they cease to be Directors.*

*Where such remuneration refers to Company shares or to instruments linked to the market price of the shares, it must be approved in a resolution by the shareholders’ meeting. The resolution shall state, as the case may be, the number of shares to be awarded, the exercise price of the option rights, the share value taken as a reference and the term of this form of remuneration.*
5. *Directors’ remuneration shall be reported in the notes to financial statements for each Director individually.*

*(...)”.*

The DIA’s Board regulations stipulate the following additional provisions on Directors’ remuneration:

***“Article 32.- Directors’ Remuneration***

“(…)

6. *Directors’ remuneration may also comprise variable remuneration linked to the performance of the Company or employee welfare systems.*

*The fixed remuneration must be sufficient for the Company to retain the variable remuneration if the Director fails to comply with the stipulated performance criteria.*

*Any variable remuneration must be consistent with the professional performance of its beneficiaries and cannot simply derive from the general performance of the markets or of the industry in which the company operates or of other similar circumstances. In particular, variable remuneration items must:*

- (a) be linked to predetermined and measurable performance criteria;*
  - (b) promote the sustainability of the Company on the long term and comprise non-financial criteria, such as compliance with rules and procedures, which are suitable to the creation of long-term value at the Company;*
  - (c) when paid, a significant portion must be deferred for a minimum time period in order to ensure that the stipulated performance criteria have been complied with;*
  - (d) the portion of remuneration subject to deferred payment shall be determined having regard to the relative weight of the variable remuneration when compared with the fixed remuneration; and*
  - (e) contractual agreements executed with Directors shall include a clause that enables the Company to demand the return of the variable remuneration items where their payment was not in line with performance criteria or where they were paid having regard to data clearly proven to be inaccurate thereafter.*
7. *Payments for contract termination shall not exceed a stipulated amount equal to two years of the annual fixed remuneration and shall not be paid if the contract is terminated due to unsuitable performance.*
  8. *With respect to nonexecutive Directors, the Board shall take all measures within its power to ensure that their remuneration, including any received as committee members, is consistent with the following criteria:*
    - (a) the nonexecutive Director must be compensated according to his actual dedication, skills and responsibilities;*

- (b) the amount of the nonexecutive Director's remuneration must be calculated so as to offer incentives for dedication, but without constituting an obstacle to his independence; and*
  - (c) the nonexecutive Director cannot be compensated with share-based remuneration, stock options or instruments linked to the share price, or with employee welfare systems financed by the Company for cases of resignation, death or any other. The foregoing limitation shall not apply to share-based remuneration where the award is conditional on the external Directors keeping the shares until they are removed from office as Directors.*
9. *Directors shall be entitled to the payment of duly supported travel expenses incurred to attend meetings of the Board or of its committees.*
10. *The Company may take out civil liability insurance for its Directors.*
- (...)”.*

According to all of the foregoing, the following is a description of the principles and cornerstones of DIA's Directors' remuneration policy.

### **3. General principles governing the remuneration policy for the Directors of DIA**

#### **3.1 Principles and cornerstones**

When defining the Directors' remuneration policy, DIA's Board decided that the policy must be governed by the following principles:

- **Prudence:** the Board will endeavor to ensure that remuneration will be moderate and consistent with the trends and references concerning remuneration implemented in the market at companies with a similar size and activity, to align remuneration with the best market practices.
- **Commitment:** the aim of the remuneration policy will be to reward quality, dedication, responsibility, knowledge of the business and commitment to the Company and to the people who are in key positions and lead the organization.

- Alignment with earnings: the policy is based on the need for remuneration to be linked to the Company's earnings, such that the relative proportion of variable remuneration will be suitable to reward efficiently the achievement of targets and the contribution of value to the Company.
- External and internal equity. The external competitive environment and internal equity will be taken into account to set remuneration.

The aim behind the general principles and cornerstones of the remuneration system established for the Directors is for their remuneration to continue to be reasonably proportionate to the Company's importance, its economic position and the market standards of comparable companies. The established remuneration system, especially in the case of the executive Directors, is geared towards encouraging long-term profitability and sustainability for the Company and the necessary safeguards have been built in to prevent the taking of excessive risks and the rewarding of unfavorable results.

The remuneration system establishes a distinction between the Directors in their positions and those carrying on executive functions at the Company.

### **3.2 Characteristics of the Directors' remuneration policy for their services as such**

The principles described in point 3.1 above governing the remuneration policy for DIA's Directors for their services are implemented with the following characteristics:

- It is transparent in the information on Directors' remuneration.
- It provides an incentive by rewarding their dedication, skills and responsibility, without constituting an obstacle to their duty of loyalty.
- Its principal component is a remuneration for belonging to the Board and, if applicable, to the Committee, which is complemented with per diems accrued

in connection with the attending the Board and Committee sessions, and which are settled in cash.

- The fixed remuneration will depend on the functions or positions held on the Board and on its subcommittees.
- A portion of the fixed remuneration is awarded in shares, which must be held until they are removed from office as Directors.
- Directors will be paid for their expenses in relation to trips, travel and others incurred to attend the Company's meetings or to discharge their duties.

The objective of the parameters used to determine the various components of the Directors' remuneration package, in the case of external Directors is to compensate the Directors according to their professional worth and dedication to office and the responsibility they take on, while not allowing the remuneration they receive to affect their objectivity in acting in the company's interests.

### **3.3 Characteristics of the executive Directors' remuneration policy**

The remuneration system for Directors performing executive duties at the Company is based on the remuneration policy for DIA's senior executives. The general principles and cornerstones of that system are as follows:

- Remuneration must be granted for the performance of executive duties according to the policy established for the remuneration of senior executives and according to the terms set out in their respective contracts.
- It must present a balanced and efficient relationship between the fixed and variable components.
- The variable remuneration of executive Directors must be designed as a medium- and long-term vision driving the Director's actions in strategic terms, as well as a means of achieving results in the short term.

- The remuneration system must be compatible with proper and efficient risk management, and with the Company's long-term business strategy, and interests, and it must be ensured that their variable remuneration cannot jeopardize the Company's ability to maintain its solvency and financial position.
- It must draw on market practices, and be positioned on the market in line with the Company's strategic plans, so as to result in providing an efficient tool to attract and retain the best professionals.

The remuneration policy is therefore geared towards creating value for the Company, seeking alignment with the shareholders' interests, with prudent risk management and with strict compliance with the legislation in force on Directors' remuneration at listed companies.

Below is a description of the Directors' remuneration, based on the principles and cornerstones explained above.

#### **4. Directors' remuneration system for their services as such**

The Directors' remuneration for their services as such consists of a sum established according to their position and responsibility- greater weight being given to the duties of Board Chairman and of President and members of Board Committees - and per diem fees for Board meetings or Board committee meetings.

The maximum remuneration for Directors as members of the Board, under any circumstances, cannot not exceed the maximum limit approved each year by the shareholders' meeting, though the Board may establish a lower amount.

For fiscal year 2015, the maximum limit on remuneration of the Directors as members of the Board amounts to € 1.500.000. For the valid term of this policy, the maximum limit on remuneration will remain in the same terms.

Of said amount, the Board has approved as fixed remuneration for fiscal year 2015 an amount of 1,055,000 euros. As per diems, the Directors will receive in cash 2,000 euros for attendance at each meeting of the Board of Directors, and 1,000 euros for attending Committees. These attendance fees will remain in the same terms during the valid term of this policy.

The Directors' fixed remuneration for their services as such is paid in a 50 percent portion in cash and the remaining 50 percent by awarding shares in the Company towards the end of the fiscal year. These shares are awarded net of the corresponding PIT withholdings, for which the Director is responsible.

The number of shares to be awarded as remuneration for their services as Directors is calculated by reference to a figure calculated by dividing 50 percent of each Director's remuneration by a reference share price that the Board uses, and matches the volume weighted average price (VWAP) from the closing prices for DIA shares in the 15 trading days on the stock market before the date of the Board meeting that prepares the financial statements.

- The Directors (including the executive Directors) must hold the shares they receive for this remuneration until they are removed from office as Directors.
- The detail of the remuneration is broken down by year in the relevant ADRR.

## **5. Remuneration system for executive Directors**

The components of the remuneration system for executive Directors are:

### **5.1 Fixed remuneration**

- Its aim is to reward performance of their executive duties. For the Company's only executive Director, his fixed remuneration amounts to € 600,000 in 2015. No variation in this remuneration during the term of the policy is foreseen.
- Given additional items of remuneration in kind including a life insurance policy with cover for death by any cause and total permanent disability, a medical insurance policy and the use of a Company vehicle, under DIA's policy in this respect.

The fixed remuneration and remuneration reviews for the positions of the executive Directors and members of DIA's Management Committee are based principally on market factors determined having regard to pay surveys and ad hoc specific studies prepared by external advisors in remuneration policies. The fixed remuneration for the executive Director has been established by the Board of Directors under the advice of external consultants (Russell Reynolds) in light of the duties effectively undertaken and the high responsibilities assumed by the executive Director. In addition, the Board believes that, in the current conditions and except for extraordinary circumstances, this fixed remuneration is duly aligned with remunerations paid by peer group companies both locally and internationally, and represents a fair assessment of the business knowledge, dedication and high level of commitment shown by the executive Director and leader of the DIA Group organization.

## **5.2 Variable remuneration**

### **5.2.1 Annual variable remuneration**

Within the Board, the variable remuneration will only apply to the executive Director as a percentage of his fixed remuneration. Variable remuneration is based on objective parameters aimed at assessing the Director's contribution, in performing his executive duties, to the business targets of the Company and of the DIA Group.

The targets for the variable remuneration are:

- (i) quantitative objectives (sales-related targets, both globally or on an separate basis; profit-related targets - e.g. distribution costs, commercial margin, EBITDA, EBIT, net profit, profit per share, etc.; balance sheet-related targets - e.g. working capital evolution, CAPEX, debt; quantitative objectives measuring evolution of any of the above targets against peer group companies - e.g. market share), being the weight of these targets over the total annual variable remuneration 70%; and
- (ii) individual targets which, in turn, may include quantitative targets which may be priority targets from time to time in the Board's opinion for the success of the business in the short term, and qualitative or relating to short or long-term business development (e.g. consumer engagement; stronger organization; stakeholder relations and satisfaction), being the weight of these targets over the total annual variable remuneration 30%.

In the executive Director's case, the setting of the percentage that it represents of the fixed remuneration, the targets and the performance appraisal will lie with the Board of Directors, which will subsequently determine the degree of achievement of the business targets used as reference and the assessment of the individual targets.

The executive's annual variable remuneration may range between 0% and 200% of the annual fixed remuneration.

The annual variable remuneration system of managers, included the executive Director, has been analyzed in 2011 by the NRC and reviewed on an annual basis ever since, concluding that it is suitable to measure the contribution of the leadership team, including the executive Directors, to the results of the DIA Group. On an annual basis, the Board of Directors determines, at the proposal of the NRC, the quantitative and qualitative targets of the variable remuneration system, evaluating the achievement degree.

#### 5.2.2 Long term variable remuneration

The executive Directors may take part in long-term incentive plans linked to strategic conditions and targets, and payable in cash or in shares, established by the Company for its senior executives. These plans shall recur over time, their successive approvals being proposed by the Board of Directors to the Shareholders' Meeting.

(a) 2011-2014 incentive plan

The Company's Board approved on December 7, 2011, in light of the report and of the proposal by the NRC, an incentive plan for executives (the "**Incentive Plan I**") which includes the Company's executive Director.

The Incentive Plan I allows its beneficiaries to receive an incentive (the "**Incentive**") payable in DIA shares, linked to the fulfillment of a condition to stay at the company until each one of the respective award dates and to the fulfillment of given "conditions precedent" and business targets (Adjusted EBITDA and Adjusted EBIT). After fulfillment of the "conditions precedent" has been verified, the Incentive that will vest is calculated on the basis of a base incentive ("**Base Incentive**"), subject to the following (i) an initial target which must be achieved to be able to receive the incentive under the Plan, (ii) a presence ratio reflecting fulfillment of the condition to remain at the company and, lastly, (iii) a multiplier based on changes in the TSR ratio ("**Total Shareholder Return**"), measured over the term of the Plan. The Base Incentive is equal to beneficiary's fixed salary for 2011.

In the event of fulfillment of the "conditions precedent" and of the business targets, the multiplier tied to the TSR indicator determines the Incentive to be received, subject to the limit of 30%, above which the number of shares to be awarded to the beneficiaries whose degree of achievement of the target so permits, will remain fixed. The Incentive thus calculated will be paid in shares, by reference to the average listed price for DIA's shares in the 15 trading sessions on the stock market following the announcement of the annual results for 2014.

The upper limit on the number of shares to be awarded to the executive Director amounts to 432,514 shares. Similarly, the Incentive Plan I includes a schedule for deferred delivery of shares. In the case of the executive

Director, the scheduled payment dates are those initially provided, namely, before April 30 2015 (60% of the number of shares due), December 2015 (20% of the number of shares due) and September 2016 (the remaining 20% of the number of shares due).

(b) 2014-2016 Incentive Plan

The Company also has a long-term term plan (the “**Incentive Plan II**”), approved by the Company’s shareholders’ meeting in 2014, which consists of a grant of Restricted Stock Units (“**RSUs**”) which will allow the participants to receive DIA shares in the future, subject to given metrics and to shareholder return. The number of RSUs granted depends on the participant’s level of responsibility in the organization. Every RSU entitles the participant to receive one DIA share if certain conditions are met.

The aims sought with DIA’s Incentive Plan II are:

- To attract and retain people who will make a greater contribution to the Company’s results.
- To motivate participants to obtain solid long-term operating results.
- To align the executives’ remuneration with the Company’s and its shareholders’ interests in relation to the term (multiyear) and the measurement of the results.
- To build up the executive team’s investment in the company’s capital stock.
- To align the measurement period with the Company’s business cycle and strategy.

To achieve this, the Plan:

- Establishes transparent and demanding targets measured on a long-term basis (three years).
- Includes metrics and vesting conditions which are clearly linked to the achievement of demanding financial and operating targets and which increase value for shareholders.
- Uses a single operating and shareholder return metric to give a more complete view of the company's performance.
- Establishes for the leadership team, the delivery of a portion of their total remuneration in share-based remuneration, which is in step with the shareholders' long-term interests and targets.
- Defers the delivery of a portion of the shares to ensure that remuneration is not paid on the basis of incorrect results (malus and claw-back rules).
- Fulfills the requirements for disclosure to the shareholders of the metrics employed.

The Incentive is linked to Minimum Operational Performance (“**MOP**”). Each time the Incentive Plan II is granted, the Board determines a MOP level based on its best estimate of the Company's specific requirements and challenges, market practices and the performance of competitors. If the MOP level is achieved, a minimum number of RSUs will be converted into DIA shares. As a result of the changes in perimeter experienced by the DIA Group, MOP has been reviewed by the Board of Directors at the proposal of the NRC, establishing a new MOP of €1,861 m of a Cumulated Adjusted EBITDA for 2014 – 2016.

If the MOP level is achieved, the initial RSUs will be converted into DIA shares, in accordance with the TSR obtained. The TSR for the Plan will be measured taking as the market value the weighted average prices for DIA shares relating to the 15 trading sessions on the stock market before the date on which the Board calls the Shareholders' Meeting that approved the Plan, which was €6.1384), as well as the weighted average prices for the 15 trading sessions on the stock market following the announcement date of the results for fiscal year 2016.

### **5.3 Welfare benefits**

DIA will bear the cost of a life insurance policy for its executive Director, with cover for death by any cause (with distinction between the cases of any cause, by accident and by traffic accident) and total permanent disability.

Additionally, the Company has included the executive Director for the remuneration supplement called pension assistance, established by the Company for its executives, whereby, the Company pays a cash sum equal to two-thirds of the upper limit on the individual contribution set by the legislation on individual pension plans, in force at December 31, 2014, with an obligation for the employee to support the contribution made by him to his pension plan.

As a result of the amendment to the law on pension plans in Spain which has reduced the limit on annual contributions, the Board intends to analyze the option of using another procedure or vehicle to fund those payments, without giving rise to an increase in the amounts with respect to those currently contributed for the employees' benefit.

Except as far as the executive Director is concerned, no pension, life insurance or other obligations have been entered into with the Company's Directors.

#### **5.4 Principal terms and conditions of executive Directors' contracts**

The main terms and conditions of the executive Director's contract are as follows:

- Term: indefinite.
- Notice period: in the event of dismissal or resignation, the executive Director must send a written notification to the Company informing it of that circumstance at least three months before the effective date of the dismissal or resignation.

For its part, the Company, in the event of unilateral withdrawal by the employer, must give six months' notice before the effective date of the withdrawal.

- Severance: the Director's contract states that he is entitled to receive a severance payment in the event the Company decides to terminate his contract and ordinary employment relationship together with any other contractual relationship, for any reason other than due to a disciplinary dismissal held to be justified by the labor courts, or in the event of termination of his contract and employment relationship due to a change in the ownership of the Company, in an amount equal to 45 days' salary per year of service (for the period between November 24, 1986 and April 30, 2009), plus eight days' salary per year of service (for the period between May 1, 2009 and the termination the of the contract and of the employment relationship) which cannot exceed the amount of his latest gross annual salary, not including any salary in kind, capital gains or revenues obtained from obtaining or exercising stock options or free shares or from other similar benefits.

- Exclusivity: the executive Director's contract includes a condition that the services must be provided completely and exclusively for the Company and he cannot provide services or carry on professional activities, under any contractual relationship, to other individuals or entities, without the Company's prior consent.
- Continuity: the executive Director's contract does not contain any continuity or loyalty clauses.
- Non-compete clause: the executive Director's current contract do not include a post-contractual non-compete clause.

In any case, the Board of Directors will review the contract with the executive Director and will include, if necessary, the appropriate amendments within the framework of the remuneration policy of the Company. To this end, among these changes, the Board of Directors will consider the possibility of including a not post contractual competition clause in the terms and conditions commonly applicable to comparable companies, which clause would, if appropriate, be remunerated as per market standards and in an amount pending to be agreed, but which, on an annual basis, would not exceed his total remuneration.

## **5.5 Addition of new executive Directors**

In principle, the remuneration system and the basic contractual terms and conditions described above will also be applicable to any new executive Directors joining the Board while this policy is in force, by reference, in particular, to the duties assigned to them, the responsibilities they take on and their professional experience. In this respect, an amount of fixed remuneration commensurate with those characteristics will be established by a Board resolution, in line with the fixed remuneration of the current executive Director and by reference to the competitive environment, and also, the variable remuneration system set out in this policy will be implemented.

**6. Implementation of the policy**

Subject to the provisions in the SCA on the Directors' remuneration policy, DIA's Board, following the relevant reports of the NRC, will adopt and review periodically the general principles of the Directors' remuneration policy, and will be responsible for supervising its implementation. To that end, DIA's Board will carry out an annual review of the principles and procedures contained in this document, to include, or where applicable, propose the required amendments, adaptations, implementation rules or governing principles.

**7. Term of the remuneration policy**

Subject to the provisions in the SCA on the Directors' remuneration policy, the policies and procedures contained in this document will be valid in the year in which they are approved by the shareholders' meeting and in the following three years, except for any amendments, adaptations, updates or replacements that may be decided from time to time, which will be submitted to DIA's shareholders' meeting.