



APPENDIX I

**ANNUAL CORPORATE GOVERNANCE REPORT OF PUBLICLY TRADED COMPANIES**

**IDENTIFYING DATA OF ISSUER**

**CLOSING DATE OF THE FINANCIAL YEAR OF REFERENCE** 31/12/2015

**C.I.F.** A28164754

**Company name:** DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

**Registered address:** C/ JACINTO BENAVENTE, 2A (EDIFICIO TRIPARK), (LAS ROZAS), MADRID



## ANNUAL CORPORATE GOVERNANCE REPORT OF PUBLICLY TRADED COMPANIES

### A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Last modification date	Share capital (€)	Number of shares	Number of voting rights
11/09/2015	62,245,651.30	622,456,513	622,456,513

Indicate whether there are different types of shares with different associated rights:

YES  NO

A.2 Provide details of the direct and indirect owners of significant shareholdings in your company at year end, excluding directors:

Shareholder name or company name	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
BAILLIE GIFFORD & CO	0	65,286,174	10.49%
BLACKROCK INC.	0	30,716,665	4.93%
AMERIPRISE FINANCIAL, INC	0	19,007,957	3.05%
BLACK CREEK INVESTMENT MANAGEMENT INC	0	19.103.193	3.07%
FIDELITY INTERNATIONAL LIMITED	0	6,332,085	1.02%

Name or company name of indirect shareholder	Through name or company name of direct shareholder	Number of voting rights
BAILLIE GIFFORD & CO	BAILLIE GIFFORD OVERSEAS LIMITED	65,286,174
BLACKROCK INC.	VARIOUS	30,716,665
AMERIPRISE FINANCIAL, INC	VARIOUS	19,007,957
BLACK CREEK INVESTMENT MANAGEMENT INC	VARIOUS	19.103.193
FIDELITY INTERNATIONAL LIMITED	VARIOUS	6,332,085

Indicate the most significant changes in the shareholder structure during the year:

Name or company name of shareholder	Date of operation	Description of operation
BAILLIE GIFFORD & CO	14/04/2015	Exceeded 10% of the share capital
AMERIPRISE FINANCIAL, INC	19/11/2015	Exceeded 3% of the share capital
BLACK CREEK INVESTMENT MANAGEMENT INC.	03/12/2015	Exceeded 3% of the share capital
BLACKROCK INC.	11/12/2015	Decreased 5% of the share capital
FIDELITY INTERNATIONAL LIMITED	15/10/2015	Exceeded 1% of the share capital (only tax havens)



**A.3 Complete the following tables on the members of the company's board of directors who have voting rights over shares in the company:**

Shareholder name or company name	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MS. ROSALÍA PORTELA DE PABLO	39,720	0	0.01%
MR. MARIANO MARTÍN MAMPASO	41,271	0	0.01%
MR. RICARDO CURRÁS DE DON PABLOS	369,649	0	0.06%
MR. JULIÁN DÍAZ GONZALEZ	45,217	0	0.01%
MS. ANA MARÍA LLOPIS RIVAS	71,950	0	0.01%
MR. ANTONIO URCELAY ALONSO	26,524	0	0.00%
MR. RICHARD GOLDING	33,628	0	0.01%
MR. PIERRE CUILLERET	44,031	391,976	0.07%
MR. JUAN MARÍA NIN GÉNOVA	1,172	0	0.00%

Name or company name of indirect shareholder	Through name or company name of direct shareholder	Number of voting rights
MR. PIERRE CUILLERET	FAMILY RELATED PERSON	391,976

<b>% total voting rights held by members of the board of directors</b>	<b>0.17%</b>
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Complete the following tables in respect of members of the of the company's board of directors who own rights over shares in the company

**A.4 Indicate, where applicable, any family, commercial, contractual or corporate relations between the holders of significant shareholdings, where they are known by the company, unless such relations are irrelevant or arise from normal trading activities:**



**A.5 Indicate, where applicable, any commercial, contractual or corporate relations between the holders of significant shareholdings, and the company and/or its group, unless such relations are irrelevant or arise from normal trading activities.**

**A. 6 Indicate whether any shareholder agreements have been notified to the company that affect it under Articles 530 and 531 of the Ley de Sociedades de Capital (Companies' Act). If so, describe them briefly and specify the shareholders bound by such agreements:**

Yes [ ] No [X]

**Indicate whether the company knows of the existence of any concerted between its shareholders. If so, describe them briefly:**

Yes [ ] No [X]

**If any modification or cancellation of these covenants, agreements or concerted actions has taken place during the year, please make express mention of this:**

On 19/05/2015, concerted action was cancelled in relation to the voting rights inherent to the shares of Distribuidora Internacional de Alimentación, S.A. owned by the companies Cervinia Europe, S.à r.l. and Blue Partners, S.à.r.l., further to the sale by Cervinia Europe, S.à r.l. and Blue Partners, S.à r.l. of all their respective shareholdings in DIA.

**A.7 Indicate whether there is any individual person or corporate entity that exercises, or may exercise, control over the company, pursuant to Article 4 of the Ley del Mercado de Valores (Securities Market Act). If so, identify this person:**

Yes [ ] No [X]

**A.8 Complete the following tables on the company's treasury stock:**

**At year end:**

Number of direct shares	Number of indirect shares (*)	% of share capital
1,183,782	7,000,000	1.31%

**(\*) Through:**

Name or company name of direct shareholder	Number of direct shares
SOCIÉTÉ GÉNÉRALE	1,000,000
BANCO SANTANDER	6,000,000
Total	7,000,000



**Explain any significant changes occurring during the year, pursuant to Royal Decree 1362/2007:**

<b>Explain any significant changes</b>
<p>The Company has sent five communications on its treasury stock over the 2015 financial year, announcing:</p> <ul style="list-style-type: none"><li>• The acquisition of indirect shares under an Equity Swap agreement formalised with Société Générale.</li><li>• Purchases under the equity repurchase plan notified as a relevant event on 23 February 2015 (no. 218886).</li><li>• Transfers as a result of assigning shares as remuneration to directors and executives.</li><li>• A transfer of shares further to the redemption of treasury stock through a capital decrease.</li></ul> <p>For more information, all notification are available at web <a href="http://www.cnmv.es">www.cnmv.es</a></p>

**A.9 Give details of the terms and conditions corresponding to the General Meeting of Shareholders' current mandate to the board of directors to issue, acquire or assign own shares**

The General Shareholders' Meeting held on 13 June 2012 authorised the Board of Directors to increase the share capital, attributing the authority to exclude the preferential right to subscription up to a maximum nominal amount, equal to 20% of the share capital on the date of authorisation within the limits and with the requirements established in the Companies Act, for a term of five years from the date of the Meeting decision.

The General Shareholders' Meeting of the Company held on 24 April expressly agreed to authorise the Board of Directors with express powers of substitution in accordance with the terms of article 146 of the Companies Act, for the derivative purchase of company shares in the following conditions.

(a) The Company may acquire shares directly or indirectly through their dependent companies in the same terms of this decision.

(b) The shares can be acquired through sales transactions, swaps or any other operation permitted under law.

(c) The purchases may be made at any time up to the maximum amount permitted under law.

(d) Purchases may not be made at a price exceeding that of listed market price or less than the registered value of the share.

(e) This authorisation is granted for a maximum term of five years from the time of this decision.

(f) If as a result of the purchase of shares including those that the Company or the person acting in their own name but on behalf of the company had acquired previously and had in their portfolio the resulting net equity may not be reduced to an amount less than the sum of the share capital plus the reserves which legally or statutorily are unavailable, all of which shall be in accordance with article 146.1 b) of the Companies Act.

It was expressly stated that shares purchased as a result of this authorisation may be used both for transfer or redemption and for application of the remunerative systems considered in paragraph three a) article 146.1 of the Companies Act, in addition to developing the programmes which will promote participation in the Corporate capital such as, for example, dividend reinvestment plans, incentive plans or other analogous instruments.

This decision overturned and rendered ineffective, for the unused amount, the authorisation for derivative acquisition of treasury stock granted to the Board of Management by the sole shareholder of DIA at that time on 9 May 2011.

Furthermore, Article 31.4 (f) of the Bylaws of DIA establishes that it will be the non-transferable responsibility of the board of directors to set and specify the policy on the company's own shares within the framework of the authorisations from the Annual General Meeting.



**A. 9 bis Estimated floating capital:**

	%
Estimated floating capital	75.95

**A.10 Indicate, where applicable, whether there is any restriction to the transfer of securities and/or any other restriction on voting rights; in particular, any type of restrictions that may make it difficult to take control of the company by the acquisition of its shares on the market must be reported.**

Yes [ ] No [X]

**A.11 Indicate whether the General Meeting has agreed to adopt neutralisation measures against a takeover bid by virtue of the provisions in Law 6/2007.**

Yes [ ] No [X]

If appropriate, explain the approved measures and the terms in which the restrictions would be neutralised:

**A.12 Indicate whether the Company has issued securities not traded on a regulated community market.**

Yes [ ] No [X]

If appropriate, indicate the different categories of shares and for each type of share the rights and obligations that it confers.

**B GENERAL MEETING**

**B.1 Indicate and, where applicable, list the differences with respect to the minimum regime under the Companies Act with of the quorum for establishing the Annual General Meeting.**

Yes [ ] No [X]

**B. 2 Indicate and, where applicable, list the differences with respect to the regime under the Companies Act for adopting the company resolutions:**

Yes [ ] No [X]

Describe how the regime established in the Companies Act differs.

**B.3 Indicate the rules applicable to the modification of the company's bylaws. In particular, report the majority required to amend the bylaws and, where applicable, the rules for preserving the rights of shareholders in the amendment of the bylaws.**

The rules applicable are in line with the regulations established by the Companies Act. Thus according to Article 16 of the Bylaws, the Annual General Meeting is the competent body to amend the Bylaws. With respect to the right to information in the case of amendment, Article 19 of the Bylaws sets forth that in addition to the mentions required by law, the notice of an Annual General Meeting must include the right corresponding to all the shareholders to examine at the registered office the complete text of the modification proposed and the report on it, and to request the delivery or free submission of these documents.

Equally, under Article 286 of the Companies Act, when an amendment is proposed to the Bylaws, the directors must draft the whole text of the proposed amendment and a report justifying it, which must be made available to the shareholders with the notice of the Annual General Meeting that is to deliberate on this amendment.

With respect to the quorum and the majorities needed to agree an amendment to the Bylaws of DIA, Article 23 of the Bylaws, pursuant to Article 194 of the Companies Act, requires that in order for the General Meeting to validly convene, at first call, shareholders must be present or represented holding at least 50% of the voting capital subscribed. At second call, it will suffice for 25% of the capital to attend. In order to adopt a decision to amend the Bylaws, pursuant to Article 201 of the Companies Act, if the capital present or represented exceeds 50%, at first or



second call, it will suffice for the resolution to be adopted by absolute majority. However, the favourable vote of two thirds of the capital present or represented at the Meeting will be necessary if, at second call, shareholders are present representing 25% or more of the voting capital subscribed up to 50%.

**B.4 Indicate the attendance figures at the General Meetings held each year to which this report refers and those of the previous year:**

Date of Annual General Meeting	Attendance data				Total
	% physical presence	% representation	% distance vote		
			Electronic vote	Other	
25/04/2013	0.98%	58.61%	0.00%	0.00%	59.59%
24/04/2015	3.85%	62.13%	0.00%	0.00%	65.98%

**B.5 Indicate whether there is any restriction in the bylaws establishing a minimum number of shares needed to attend the AGM:**

Yes [ ] No [X]

**B6 Section deleted**

**B. 7 Indicate the direction and form of accessing the information on corporate governance through the company's website and other information on AGMs that should be made available to the shareholders through the Company's website.**

DIA's website is [www.diacorporate.com](http://www.diacorporate.com). In order to access to corporate governance information, please select "Shareholders and Investors", then enter "Corporate Governance" to obtain information on the Board of Directors, Commissions or the Company's internal regulations, and the "AGM" tab in order to access all information on the General Meetings that should be available to the shareholders.

Furthermore, during the calling term for the AGM, all related information is available to the shareholders through a specific link provided on the home page.

**C. MANAGEMENT STRUCTURE OF THE COMPANY**

**C.1 Board of directors**

**C.1.1 Describe the maximum and minimum number of directors set forth in the bylaws:**

Maximum number of directors	15
Minimum number of directors	5

**C.1.2 Complete the following table with the members of the board:**



Name or company name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MS. ROSELA PORTELA DE PABLO		INDEPENDENT	MEMBER	05/07/2011	26/04/2013	VOTE AT GENERAL MEETING
MR. MARIANO MARTÍN MAMPASO		INDEPENDENT	VICE CHAIRMAN	5/07/2011	25/04/2014	VOTE AT GENERAL MEETING
MR. RICARDO CURRÁS DE DON PABLOS		EXECUTIVE	CEO	28/06/2000	26/04/2013	VOTE AT GENERAL MEETING
MR. JULIÁN DÍAZ GONZÁLEZ		INDEPENDENT	MEMBER	05/07/2011	26/04/2013	VOTE AT GENERAL MEETING
MS. ANA MARÍA LLOPIS RIVAS		OTHER EXTERNAL	CHAIRPERSON	05/07/2011	26/04/2013	VOTE AT GENERAL MEETING
MR. ANTONIO URCELAY ALONSO		INDEPENDENT	MEMBER	05/07/2011	25/04/2014	VOTE AT GENERAL MEETING
MR. RICHARD GOLDING		INDEPENDENT	MEMBER	05/07/2011	25/04/2014	VOTE AT MEETING OF BOARD OF DIRECTORS: APPOINTMENT BY CO-OPTION
MR. PIERRE CUILLERET		INDEPENDENT	MEMBER	05/07/2011	26/04/2013	VOTE AT GENERAL MEETING
MR. JUAN MARÍA NIN GÉNOVA		INDEPENDENT	MEMBER	15/10/2015	15/10/2015	COOPTED

<b>Total number of board members</b>	9
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Indicate any resignations that have taken place in the board of directors during the reporting period:

Director's identity or company name	Category held by the director at the resignation date	Resignation date
MR. NICOLAS BRUNEL	INDEPENDENT DIRECTOR	17/06/2015
MR. NADRA MOUSSALEM	INDEPENDENT DIRECTOR	17/06/2015





**C.1.3 Complete the following tables on the members of the board and their status:**

**EXECUTIVE DIRECTORS**

Name or company name director	Position in the company's organisation chart
MR. RICARDO CURRÁS DE DON PABLOS	CEO

<b>Total number of executive directors</b>	1
<b>% of the total board</b>	11.11%

**EXTERNAL PROPRIETARY DIRECTORS  
INDEPENDENT DIRECTORS**

**Director's identity or company name**

MS. ROSALÍA PORTELA DE PABLO

**Profile**

Ms. Portela is a graduate in Economics from Universidad Complutense de Madrid and holds a Masters in Economics from the University of Memphis. Following a long career at Procter & Gamble she had worked for Repsol, Kimberly Clark and Telefónica, holding varying responsibilities. She then joined ONO, where she worked as CEO until September 2014. She enjoys long-term experience in the consumer good sector, retail food sector and telecommunications sector. She currently belongs to the Board of Directors of Deoleo, S.A.

**Director's identity or company name**

MR. MARIANO MARTIN MAMPASO

**Profile**

Mr. Martín holds a Degree in Economics from Universidad Complutense de Madrid. In 1976 he joined Procter & Gamble, where he worked for 33 years holding various responsibilities in Spain and abroad. In June 2009 he retired from his last post as the company's global Sales Chairman. He has belonged to the Board of Directors of AECOC, the Governing Council of GS1 US, the Executive Council of Global Commerce Initiative and the Board of Directors of Zinkia Entertainment S.A.

**Director's identity or company name**

MR. JULIÁN DÍAZ GONZÁLEZ

**Profile**

Mr. Díaz holds a degree in Business Administration & Management from Universidad Pontificia de Comillas – ICADE. After his appointment as General Manager of TNT Leisure, S.A., General Manager of the Airport Division of Aldeasa, General Manager of Aeroboutiques de México, S.A. de C.V. and General Manager of Deor, S.A. de C.V., he joined Latinoamericana Duty-Free, S.A. de C.V. Since 2004 he is the C.E.O. (Chief Executive Officer) of Dufry AG. He also belongs to the Board of Directors of Dufry International AG and of Duty Free Caribbean Holdings, is Director and Chairman of the Group Executive Committee of Dufry AG and Vice-Chairman of Dufry South America.

**Director's identity or company name**

MR. ANTONIO URCELAY ALONSO

**Profile**

Mr. Urcelay is a graduate in Law from Universidad Complutense de Madrid. During his career, he has held the following posts, amongst others: Marketing Department of Procter & Gamble, General Manager of Ahold España, a practising lawyer at J. y B. Cremades, General Manager of the Digma, S.A. supermarket chain and, subsequently, of Leche Pascual, S.A. In 1996 he joined Toys R Us, where he has held various positions in Spain and abroad. Between 2013 and June 2015, he chaired the Board of Directors of Toys R Us Inc. and was appointed CEO, with responsibility for the company's entire business worldwide.

**Director's identity or company name**

MR. RICHARD GOLDING

**Profile**

Mr. Golding holds a degree in Business Administration from London Thames University. During his professional career he has held the following positions, amongst others: Marketing Manager of the Cadbury Schweppes Group, CEO of Aspro Ocio, CEO of Dorna Promoción del Deporte, CEO of Two Wheel Promotion; and Head of the Tobacco Business and part of the Food Business of RJR Nabisco for Spain, Portugal, Italy, France, Andorra and the United Kingdom. He has also been the Chairman, CEO and member of the Board of Directors of Parques Reunidos Group and, until January 2016, has acted as Senior Advisor for Parques Reunidos. He is currently a director of Grupo Memora and Industry Advisor for Advent International.

**Director's identity or company name**

MR. PIERRE CUILLERET

**Profile**

Mr Cuilleret is a graduate of Ecole des Hautes Etudes Commerciales (HEC) (Paris) and completed further studies at the University of Berkeley and the Stockholm School of Economics. After working for the Bouygues Group in the United Kingdom and for Gemini Consulting in France, he founded The Phone House in 1996. In 2000 he became CEO of the Carphone Warehouse Group Plc. (insurance). Since August 2005 until 2014 he has worked as CEO of Micromanía and, between 2011-2014, was the Senior Vice-President of Gamestop. He currently belongs to the Board of Directors of Desigual, company in which he has been appointed "chief client officer", responsible for the areas of customer, marketing and communication.

**Director's identity or company name**

MR. JUAN MARÍA NIN GÉNOVA

**Profile**

Mr. Nin holds a joint degree in Law & Economics from Universidad de Deusto and a Master in Laws from the London School of Economics and Political Sciences. His career has essentially taken place in the public and financial sector. He worked as Programme Manager with the Ministry for European Community relations. He was the General Manager of Banco Santander Central Hispano, CEO of Banco Sabadell, General Manager of "la Caixa" and, finally, Vice-Chairman and CEO of CaixaBank, Critería and Fundación La Caixa. He has also belonged to the Board of Directors of other listed companies with varying activities, such as Cepsa, Repsol, Gas Natural, Inbursa and Erste Bank. He belongs to the Board of Trustees of Universidad de Deusto, ESADE and Fundación Consejo España-Estados Unidos. He currently belongs to the Board of Directors of Indukern, S.A., is an independent director of Naturhouse Health, S.A., director of Azora Capital, S.L. and director of Grupo de Empresas Azvi, S.L. Furthermore, he manages his own holding company, Officio-1, S.L., and provides advice to the Presidents of the companies Ditecsa and Levante Capital Partners

<b>Total number of independent directors</b>	7
<b>% total of the board of directors</b>	77.78%



**Indicate whether any director classified as independent receives any sum or benefit from the company or from its group, for an item other than the remuneration of directors; or has or has had in the last year a business relationship with the company or with any company in its group, whether in his or her own name or as a significant shareholder, director, or senior manager of a company that has or may have had such a relationship.**

One of the independent directors, Ms. Rosalía Portela, is, in turn director of Deoleo, S.A., which holds a business relationship with the Company as one of DIA's suppliers.

After examining the business relationship between DIA and Deoleo, S.A.– to include, amongst other factors, the turnover figures exchanged by both groups and the nature of their commercial relations- the Board of Directors has reached the conclusion that this supply relationship is not material for the purposes of Art. 529 *duodecies* of the Companies Act. Consequently, it does not hinder the independence of this director.

### **OTHER EXTERNAL DIRECTORS**

**Please name any other external directors and describe the reasons why they are not proprietary or independent directors, and any links held with the company, its executives or shareholders:**

#### **Director's identity or company name**

MS. ANA MARÍA LLOPIS

#### **Company, director or shareholder with whom she is related to**

SOCIÉTÉ GÉNÉRALE

#### **Reasons**

On 24 May 2011, the Annual General Meeting of Société Générale appointed Ms. Ana María Llopis as an independent member of the latter's Board of Directors.

In addition, Société Générale has held business relations with DIA over the 2015 financial year (it is party to a syndicated facility agreement, counterparty to an equity swap agreement over DIA shares and has exercised the right to purchase treasury stock).

As a result, Ms. Ana María Llopis is classified under "other external directors", based on her independent director status in Société Générale, on the one hand, and on the fact that Société Générale holds the business relations with DIA referred to above, on the other.

In any case, Ms. Llopis has never participated in Société Générale's selection process to hire the provision of services to DIA and has always refrained from participating in any discussions and decision-making that simultaneously affected both companies.

Below is a brief summary of Ms. Ana María Llopis's profile: Degree in Physics from the University of Maryland and PhD in Engineering of Material Sciences from the University of Berkeley. After working for Procter & Gamble, Banesto and Schweppes, she founded and worked as CEO of Openbank, after which she belonged to the Supervisory Body of ABN Amro. Until April 2011 she worked as director of British American Tobacco.

She currently enjoys status as an independent director in Société Générale, CEO of Global Ideas4all, S.L. and is the Vice-President of Fundación José Félix Llopis.



Total number of other external board members	1
Total % of the board	11.11%

Indicate any changes that may have arisen during the reporting period, in each director's category:

**C.1.4 Complete the following table with information on the number and category of female directors at the closing date of the last 4 financial years:**

	Number of female directors				% over the total directors in each category			
	2015	2014	2013	2012	2015	2014	2013	2012
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	1	1	1	1	14.28%	16.67%	16.67%	16.67%
<b>Other external</b>	1	1	1	1	100%	100%	100%	100%
<b>Total:</b>	2	2	2	2	22.22%	20%	20%	20%

**C.1.5 Explain the measures that may have been adopted to include a number of women on the board of directors so that there is a balanced presence of women and men.**

**Explanation of measures**

According to Article 19 of the Regulation of DIA's Board of Directors, the Board will ensure that all director selection procedures promote gender diversity, as well as diverse experience and knowledge, with no implicit biases that may hinder the selection of female directors, ensuring that the Company deliberately looks for, and includes amongst potential candidates, any women who meet the professional profile sought.

Moreover, further to the provisions derived from amendments made to the Companies Act in corporate governance matters, the Appointment and Remuneration Committee has been entrusted with establishing a representation target for the least represented gender on the Board, and has drawn up guidelines on how to achieve this target.

As a result, at its meeting held on 11 December 2015 the Company's Board of Directors, further to a proposal from the Appointment and Remuneration Committee, approved a Directors Selection Policy, whereby the Company has undertaken to deliberately search for and include, amongst potential candidates, women who meet the professional profile sought, in order to not hinder the selection of female directors; the aim is for the number of female directors, by the year 2020, represent at least 30% of the total members of the Board of Directors, a target which on the date of this report has already been achieved.

**C.1.6 Explain the measures that may have been agreed by the appointments committee so that the selection procedures do not include any implicit bias that prevent the selection of female directors, and so that the company deliberately searches for and includes women with the appropriate profile among the potential candidates:**



### Explanation of measures

In 2015, the two female directors belonging to DIA's Board have continued in their posts. One of these directors is the Chairperson of the Company's Board of Directors.

Ever since the two vacancies arose on DIA's Board, the idea was to cover them with at least one woman. The first vacancy was filled with the appointment of an independent director on 15 October 2015. Although a man was selected for the post, as a result of these endeavours the list of potential candidates included a large number of women. The second vacancy was filled in February 2016 with a new independent female director, consequently achieving the target of 30% of female directors set both in the Code of Good Governance for Listed Companies, approved by the Spanish Securities Market Commission (CNMV) on 18 February 2015 (the "Good Governance Code"), and in the Directors Selection Policy .

**When despite the measures that may have been adopted, the number of female directors is zero or limited, explain the reasons justifying this:**

### Explanation of reasons

N/A. As explained in C.1.5 and C.1.6 above, the Regulation of DIA's Board of Directors ensures that pre-selection criteria are objective and do not hinder the selection of female directors. As a result, at February 2016, 30% of DIA's Board is covered by female directors and, in addition, the Chairperson of the Board is also female.

**C.1.6 bis Explain the conclusions reached by the Appointment Committee on verified compliance with the directors selection policy, to particularly include how this policy is working towards the target that by 2020 the number of female directors represent, at least, 30% of all the Board members.**

### Explanation of Conclusions

Since the Directors Selection Policy was approved at the last Board Meeting held in December 2015, the appointment made on 8 February 2016 has followed the procedure described in said Policy.

In particular, as regards the target that by 2020 the number of female directors represent, at least, 30% of the total Board members, at the issue date of this report this target has already been met in DIA.

**C.1.7 Explain the form of representation in the board of directors of the shareholders with significant holdings.**

There is no representation on the Board of shareholders with significant holdings.

**C.1.8 Explain, where applicable, the reasons for the appointment of proprietary directors at the suggestion of shareholders whose holding is below 3% of the share capital:**

Indicate whether formal petitions have been met for the presence of shareholders on the board whose holding is equal to or greater than that of others at whose request proprietary directors may have been appointed. In this case, explain the reasons why they have not been granted:

Yes [ ] No [X]

**C.1.9 Indicate whether any director has resigned before the end of his or her term in office, if the said director has explained the reasons for the resignation and how, to the board, and if the resignation was in writing to all the board, explain at least the reasons given:**

**Director's name**

MR. NICOLÁS BRUNEL

**Reason for the resignation**



The relevant shareholder he represented, Cervinia Europe, S.à r.l., sold its entire shareholding in DIA's capital stock. His resignation was announced in a letter dated 17 June 2015, and was circulated as a relevant event on 18 June.

**Director's name**

MR. NADRA MOUSSALEM

**Reason for the resignation**

The relevant shareholder he represented, Cervinia Europe, S.à r.l., sold its entire shareholding in DIA's capital stock. His resignation was announced in a letter dated 17 June 2015, and was circulated as a relevant event on 18 June.

**C.1.10 Indicate, where applicable, the delegated powers of the CEO(s):**

**Director's name**

MR. RICARDO CURRÁS DE DON PABLOS

**Reason for the resignation**

Mr. Ricardo Currás de Don Pablos, the Company's CEO, has been granted all the powers and rights able to be delegated by law, the Bylaws and the Board Regulation, by virtue of a resolution adopted by the Board of Directors and formalised in a public deed on 21 June 2013.

**C.1.11 Identify, where applicable, the members of the board who occupy positions as directors or executives in other companies that form part of the group of the traded company:**

Name or company name of director	Company name of the company in the group	Position	Does he have executive tasks?
MR. RICARDO CURRÁS DE DON PABLOS	FINANDIA. E.F.C. S.A.U.	Chairman of the Board of Directors	No

**C.1.12 Identify, where applicable, the directors of the company who are members of the board of directors of companies not in your group that are traded on official stock exchanges, and that have been reported to the company:**

Name or company name of the director	Company name of the company	Position
MS. ROSALÍA PORTELA DE PABLO	DEOLEO, S.A.	DIRECTOR
MR JULIAN DIAZ GONZALEZ	DUFY AG	CEO
MS. ANA MARÍA LLOPIS RIVAS	SOCIÉTÉ GÉNÉRALE	DIRECTOR
MR. JUAN MARÍA NIN GÉNOVA	NATURHOUSE HEALTH, S.A.	DIRECTOR



**C.1.13 Indicate, and where applicable, explain whether the company has established rules on the number of boards of directors that its directors may be members of:**

Yes [] No []

**Explanation of rules**

Article 19.6 of the Board of Directors Regulation foresees that directors who, in addition to the Company Board, belong to more than six boards of directors in other companies may not be appointed. To this effect, any boards to which a director belongs as a proprietary director, proposed by the Company or by any group company, will not be taken into account; nor will other appointments be taken into account if the director is not actually and truly dedicated to a commercial activity.

**C.1. Section deleted**

**C.1.15 Indicate the Board of Directors' global remuneration:**

<b>Remuneration of the board of directors (thousands of euros)</b>	5,242
<b>Total remuneration corresponding to the current pension rights accumulated by directors (thousands of euros)</b>	0
<b>Total remuneration corresponding to the pension rights accumulated by old directors (thousands of euros)</b>	0

**C.1.16 Identify the members of senior management who are not also executive directors, and indicate the total remuneration paid to them during the year:**

<b>Identity or company name</b>	<b>Position(s)</b>
MR. AMANDO SANCHEZ FALCON	Executive Director for Portugal and Corporate Director of Services
MR. JUAN CUBILLO JORDÁN DE URRIES	Head of Sales and Merchandise, Grupo DIA
MR. IGNACIO GOSÁLBEZ QUINTANA	Head of Organization and Systems, Grupo DIA
MR. JAVIER LA CALLE VILLALÓN	Executive Director for China and Corporate Director of Resources
MS. ISABEL FERNÁNDEZ DE CÓRDOBA MONCADA	Internal Auditing Manager
MR. ANTONIO COTO GUTIÉRREZ	Executive Director for America and Partnerships
MR. DIEGO CAVESTANY DE DALMASES	Operational Executive Manager for DIA España
MS. CONCEPCIÓN BRAVO CABANILLAS	Human Resources Manager, Grupo DIA
MR. JUAN PEDRO AGUSTÍN MARTÍN	Head of Digital Strategy
MR. JOSÉ ANTONIO LOMBARDÍA DE SAINT-GERMAIN	Corporate Marketing Manager

<b>Total remuneration of senior management (thousands of euros)</b>	10,912
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**C.1.17 Indicate the members of the Board being also members of the board of directors of significant shareholders and/or entities of the group:**

Provide details, as appropriate, of the different relevant relations mentioned in the previous section, of members of the board of directors that link them to significant shareholders and/or companies in your group.

**C.1.18 Indicate if any changes have taken place to the regulation of the board of directors during the year:**

Yes [X] No [ ]

Description of changes
<p>The Board Regulation has been amended for the following purposes:</p> <p>(i) to incorporate the regulatory changes made further to the coming into force of Act 31/2014, of 3 December, amending the Companies Act, to improve corporate governance;</p> <p>(ii) to update the Company's corporate governance system, including certain recommendations on good governance recognised in Spain; and</p> <p>(iii) to include certain technical improvements, in order to clarify and facilitate the understanding of some provisions.</p> <p>Below are the articles to which the most relevant changes were made:</p> <ul style="list-style-type: none"><li>- Article 5: Board competences.</li><li>- Article 6: evaluation of the Board of Directors and its Committees.</li><li>- Article 7: the corporate interest.</li><li>- Article 9: director categories.</li><li>- Article 10: composition of the Board of Directors.</li><li>- Article 11: Chairperson of the Board.</li><li>- Article 12: Vice-Chairperson of the Board.</li><li>- Article 13: Board Secretary.</li><li>- Article 14: Vice-Secretary of the Board.</li><li>- Article 16: Board meetings.</li><li>- Article 18: development of Board meetings and adoption of resolutions.</li><li>- Article 19; appointment of Directors.</li><li>- Article 20: appointment of external directors.</li><li>- Article 22: resignation and dismissal of directors.</li><li>- Article 25: general obligations of directors.</li><li>- Article 27: non-compete obligation.</li><li>- Article 28: conflicts of interest.</li><li>- Article 29: use of the company assets.</li><li>- Article 30: business opportunities.</li><li>- Article 32: duties of information.</li><li>- Article 33: directors' remuneration.</li><li>- Article 34: director-shareholder relations.</li><li>- Article 38: the Auditing and Compliance Committee.</li><li>- Article 39: the Appointment and Remuneration Committee.</li><li>- Article 40: the Annual Corporate Governance Report.</li><li>- Article 41: annual report on directors' remuneration.</li><li>- Article 42: the website.</li></ul>





**C.1.19 Indicate the selection, appointment, re-election, assessment and removal procedures for board members. Specify the competent bodies, the procedures to follow and the criteria to use in each of the above procedures.**

**I. Selection, appointment and re-election**

The selection, appointment and re-election of directors is regulated in Articles 5, 19, 20, 35 and 39 of the Board of Directors' Regulation, as well as in the Directors Selection Policy, approved by the Board .

The bodies in charge of selecting and appointing the directors will ensure that they are honourable, suitable, of reputed solvency, competence and experience, and will be particularly strict in relation to any persons appointed to cover independent director positions or to belong to the committees.

As regards the selection process, the Board of Directors, as part of its non-delegable powers, will agree whether it is adequate to (i) appoint a new director by co-option to cover any vacancy; (ii) propose to the AGM the appointment or ratification of a director and/or increase the number of Board members; (iii) fulfil a shareholder's request to uphold its right of proportional representation; or (iv) appraise the possible re-election of a director whose term is nearing expiration.

In any of the foregoing cases the Board, or its Chairperson, on its behalf, will formally entrust the Appointment and Remuneration Committee with an examination and selection of directors amongst the candidates.

The Appointment and Remuneration Committee, further to express instructions from the Board of Directors, will convene as soon as possible in order to begin the selection process, and may be assisted by independent professionals specializing in selection processes and head hunting, in order to find the most suitable candidates.

Once the Appointment and Remuneration Committee has selected the directors, it will individually interview each candidate separately. The opinions gathered on the various candidates will be jointly examined and the relevant conclusions drawn, which will be recorded in an explanatory report from the Appointment and Remuneration Committee, to be presented to the Board.

Any proposal to the AGM will in any case include an explanatory report from the Board of Directors, evaluating the competence, experience and merits of the candidate proposed; this will be attached to the minutes of the AGM or of the Board of Directors' meeting.

If the Board of Directors does not follow the proposals and reports provided by the Appointment and Remuneration Committee, it must explain the reasons for its actions and duly record this in the minutes.

All Directors will be appointed by the General Meeting or Board of Directors, as the case may be, following the provisions of the Companies Act, the Bylaws and Board of Directors' Regulation, as well as the Directors Selection Policy.

An appointment will be announced to the market and, after a General Meeting is called, the c.v. of the candidate will be made available to the shareholders, as well as an explanatory report from the Board of Directors and from the Appointment and Remuneration Committee, as the case may be, on the Company website.

**II. Evaluation**

Article 6 of the Board Regulation foresees that the quality and efficiency of the Board will be evaluated once a year, as well as performance by the Board Chairperson and Company CEO, the operation and composition of its Committees, diversity in Board composition and competences, and the performance and contribution made by each director, particularly examining the managers of the various Committees.

In order to evaluate the various Committees, the reports presented by the latter to the Board will be examined. When evaluating the Board, the report presented by the Appointment and Remuneration Committee will be taken into account.

This task is covered by the policy to fulfil corporate governance rules applicable to the Company, thereby fulfilling Recommendation 36 of the Good Governance Code.



### III. Dismissal

Article 22 of the Board Regulation foresees that directors will no longer hold office upon the expiration of their term, if this is agreed by the AGM further to its powers, or when a director resigns or is dismissed.

Any directors affected by proposed dismissals will refrain from participating in any related discussion and vote.

The Board of Director may only propose the severance of an independent director before expiration of the bylaw term, and only if there is just cause, ascertained by the Board of Directors after receiving an opinion from the Appointment and Remuneration Committee. To this effect, a breach of the duties inherent to director status will constitute just cause, or if the director has subsequently incurred any of the circumstances foreseen in Article 22.2, gathered in C.1.21 below. A dismissal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that significantly change the Company's capital structure.

#### **C.1.20 Explain to what extent the Board's annual evaluation has entailed relevant changes in its internal organization and procedures applicable to its activities:**

Description of changes
The 2015 annual evaluation of the Board, in conjunction with an expert and internationally renowned firm (Heidrick & Struggles), has very positively assessed the operation of the Board and its committees. Nevertheless, it has indicated room for improvement in certain matters. For the time being, none of these issues has required any relevant change in the Board's internal organization or in its applicable procedures.

#### **C.1.20.bis) Describe the evaluation process and the areas evaluated by the Board of Directors, with the assistance of an external consultant, as the case may be, with respect to diversity in its composition and competences, the operation and composition of its committees, performance of the Board Chairperson and Company CEO and performance/contributions made by each director.**

According to Article 6 of the Board Regulation, the Board will evaluate once a year the quality and efficiency of its operation, as the manager of the corporate governance policy, as well as performance by the Board Chairperson and CEO of the Company, the operation and composition of its committees, diversity in its composition and competences, and the performance and contributions made by each director, particularly focusing on the various committee managers.

During the 2015 financial year, the Board has been assisted by an internationally renowned external consultant (Heidrick & Struggles), which has following an evaluation process with proven experience, in order to examine the performance and actual contribution of the Board, its committees and each individual director, and to identify room for improvement.

The areas evaluated include the following: (i) strategic alignment and management; (ii) structure and diversity in the Board's composition; (iii) operation and composition of its committees; (iv) performance of the Board Chairperson and Company CEO; (v) each director's contribution; (vi) processes and practices; and (vii) Board policy and its commitment to the Company.

This process has been based on questionnaires and individual interviews with each Board member. The data obtained have been consolidated and assessed, and compared with those of other relevant entities in the domestic and international market (benchmark). The consultancy firm has drawn up a comprehensive report, for the Board overall, and other individual reports for each director, and has identifies their key skills and experience, of benefit to the Board. Subsequently the Board, in a plenary meeting and with the prior intervention of the Appointment and Remuneration Committee, has been fully presented the conclusions of these reports and has agreed to take a series of steps in order to delve in any matters where there is room for improvement.



**C.1.20.ter) Provide a breakdown, as the case may be, of the business relations that the consultant or any group company holds with the Company or any group company.**

The consultancy firm, Heidrick & Struggles, has been involved in the selection process of the Company's Marketing Manager.

**C.1.21 Indicate the cases in which directors are compelled to resign.**

The Regulation of the Board of Directors regulates this aspect in Article 22, which stipulates that directors must present their resignation to the Board of Directors and complete the corresponding resignation if the Board deems it appropriate, in the following cases:

- (a) when they are involved in one of the cases of conflict of interest or prohibition specified in the provisions of a general nature and in the Bylaws;
- (b) when due to events imputable to the directors acting as such serious damage is caused to its credit and social reputation, or there is a loss of the business and professional honour needed to be a director of the Company;
- (c) when those who were associated with the person's appointment as director resign from their executive positions;
- (d) if they are put on criminal trial or are the object of disciplinary proceedings due to a serious or very serious infringement by the supervisory authorities; and
- (e) if their remaining on the Board could endanger the interests of the Company, or when the reasons for which they were appointed are no longer in place; in particular, in the case of the representative external directors, when the shareholder they represent sells or transfers all or part of the stake, with the result that it is no longer significant or sufficient to justify the appointment.

In any of the cases specified above, the Board of Directors, given the specific circumstances, may require the board member to resign from his or her position, and propose the director's removal to the General Meeting, where applicable. Without prejudice of the communication of the removal as a relevant event, the Board shall explain the reason for the removal in the annual corporate governance report.

All directors affected by a proposed dismissal will refrain from participating in any related discussion and vote.

The Board of Directors may only propose the severance of an independent director before expiration of the bylaw term, and only if there is just cause, ascertained by the Board of Directors after receiving an opinion from the Appointment and Remuneration Committee. To this effect, if the director is appointed to new posts or undertakes new obligations preventing him/her from dedicating the necessary time to his/her director duties will constitute just cause, as well as a breach of the duties inherent to director status, or if the director has subsequently incurred any of the circumstances depriving him/her of independence. A dismissal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that significantly change the Company's capital structure, if such changes in the Board's structure are a result of the proportionality principle foreseen in Article 10.2 of the Board of Directors' Regulation.

If a director is removed from office before the end of his/her term, due to a dismissal or for any other reason, he/she will duly explain the reasons for this in a letter sent to all the Board members. The reasons described therein will be referred to in the Annual Corporate Governance Report.

**C.1.22 Section deleted**

**C.1.23 Are reinforced majorities other than those under law required for any type of decision?**



Yes  No

If so, describe the differences.

Description of differences
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Any amendment to the Board Regulation must be approved in a resolution adopted by an absolute majority of the Board members in attendance at the meeting, provided that the favourable vote is also obtained of the majority independent directors.
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**C.1.24 Indicate whether there are specific requirements other than those relating to directors, to be appointed chairman of the board of directors.**

Yes  No

**C.1.25 Indicate whether the chairman has a casting vote:**

Yes  No

**C.1.26 Indicate whether the bylaws or the regulation of the board of directors establishes any age limit for directors:**

Yes  No

**C.1.27 Indicate whether the bylaws or regulation of the board of directors establishes a limited mandate for independent directors, other than that established by law:**

Yes  No

**C.1.28 Indicate whether the bylaws or regulation of the board of directors establishes specific rules for delegation of votes in the board of directors, the method of casting such votes, and in particular the maximum number of delegated voters that a director may hold; and whether the delegated vote must be delegated to a director of the same type. If so, give a brief outline of these rules.**

Article 18 of the Regulation of the Board of Directors establishes that the directors must attend the Board meetings, so non-attendance is limited to unavoidable cases. When members cannot attend in person, they must try to delegate their vote in writing and in particular for each session to another member of the Board to the extent possible with instructions. Independent directors may only delegate their vote to another independent director and outside directors may only delegate their vote to another outside director. There is no limit on the number of director proxies.

The vote may be delegated by any postal, electronic or fax means, provided that the identity of the director and the meaning of any instructions included is safeguarded.

**C.1.29 Indicate the number of meetings that the board of directors has held during the year. Also indicate the number of times, where applicable, that the board has met without the chairman being present. For the purposes of this calculation, attendance will include votes delegated with specific instructions.**

Number of board meetings	9
Number of meetings of the board without the chairman being present	0

**If the chairman is also the CEO, please indicate the number of meetings held, without the attendance or representation of any executive director and under the chairmanship of the coordinating director.**

N/A

Number of meetings	0
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Indicate the number of meetings held in the year by the different board committees:

Committee	N. of Meetings
Auditing and Compliance Committee	5
Appointment and Remuneration Committee	6

C.1.30 Indicate the number of meetings that the board of directors has held during the year with all its members attending. For the purposes of this calculation, attendance will include delegated votes with specific instructions:

Number of meetings attended by all directors	9
% of attendance out of the total votes during the year	100.00%

C.1.31 Indicate whether the individual and consolidated annual accounts submitted for approval to the board have been previously certified:

Yes  No

Where applicable, identify the person(s) who has/have certified the company's individual and consolidated annual accounts for their preparation by the board:

Name	Position
MR. AMANDO SÁNCHEZ FALCÓN	EXECUTIVE MANAGER FOR PORTUGAL AND CORPORATE MANAGER OF SERVICES

C.1.32 Explain, where applicable, the mechanisms established by the board of directors to prevent the individual and consolidated accounts prepared by it to be presented to the general meeting of shareholders with qualifications in the auditor's report.

Article 36 of the Regulation of the Board of Directors provides that the Board of Directors shall make a final draft of the annual accounts so that there are no auditor's qualifications. However, when the Board considers that it must maintain its criterion, it will explain the content and scope of the discrepancy publicly.

At the same time, with the aim of preventing individual and consolidated accounts prepared by the Board of Directors from being presented at the General Meeting with auditor's qualifications, before they are prepared, Article 38 of the Regulation of the Board of Directors establishes that the Audit and Compliance Committee must, among other points:

- (a) supervise and review the process of preparation and presentation of the regulated financial report, which in accordance with Article 35 of the Securities Market Act must be submitted by the Board to the markets and its supervisory bodies; and in general, supervise compliance with the legal requirements in this matter, the adequate outline of the scope of consolidation and the correct application of the generally accepted accounting principles, as well as inform of the proposals to modify the accounting principles and criteria suggested by management;
- (b) supervise and review regularly the effectiveness of the Company's internal control procedures and the risk management systems, both financial risks and non-financial risks, tax risks included, checking their sufficiency and integrity; and propose the selection, appointment and replacement of those responsible for them; prepare the budget for these services, approve the orientation and working plans checking that the members of the management team take into account the conclusions and recommendations of their reports; and discuss with the auditor of the Company's accounts any significant weak points in the internal control system that may be detected during the audit;



- (c) establish appropriate relations with the auditors or audit firms to receive information on those questions that may endanger their independence, for examination by the Committee, and any others relating to the process of development of the accounts auditing process, as well as other communications included in the legislation governing auditing and audit regulations.

In any event, they must receive from the external auditors annually a confirmation of their independence in regards to the company or entities linked to it directly or indirectly, as well as information of the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned external auditors, or by the persons or entities linked to them, in accordance with the provisions of the Audit and Accounts Act.

In the event of a waiver from the external auditor, it will examine the circumstances leading to this decision and will ensure that the Company announces the new auditor, as a relevant event to the CNMV, in addition to a statement on the potential existence of disagreements with the outgoing auditor and the content thereof, if any.

- (d) serve as a communication channel between the Board of Directors and the auditors, evaluate the results of each audit and the responses of the management team to their recommendations and mediate in cases of discrepancies between the auditors and the management team with respect to the principles and criteria applicable in preparing the financial statements.

The Committee will ensure that the external auditor holds a meeting each year with the Plenum of the Board of Directors in order to inform it about its work and progress in the Company's accounting position and risks.

**C.1.33 Is the secretary of the board a director?**

Yes [ ] No [X]

If the secretary is not a director complete the following table:

Name or corporate name of the secretary	Representative
MR. RAMIRO RIVERA ROMERO	

**C.1.34 Section deleted**

**C.1.35 Indicate, where applicable, the mechanisms established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.**

DIA has various mechanisms in place to preserve the independence of the auditor. Among them is that one of the main roles of the Audit and Compliance Committee consists in supervising the independence of the auditor, with duties including the following:

- (a) propose to the Board of Directors the proposed selection, appointment, re-election and replacement of external auditors, as well as their conditions of hiring, and to regularly gather information on the auditing plan and its execution, as well as preserving their independence in the exercise of their tasks; and
- (b) establish appropriate relations with the auditors or audit firms to receive information on those questions that may endanger their independence, for examination by the Committee, and any others relating to the process of development of the accounts auditing process, as well as other communications included in the legislation governing auditing and audit regulations.



In any event, they must receive from the external auditors annually a confirmation of their independence in regards to the entity or entities linked to it directly or indirectly, as well as information of the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned external auditors, or by the persons or entities linked to them, in accordance with the provisions of the Audit and Accounts Act.

In the event of a waiver from the external auditor, it will examine the circumstances leading to this decision and will ensure that the Company announces the new auditor, as a relevant event to the CNMV, in addition to a statement on the potential existence of disagreements with the outgoing auditor and the content thereof, if any.

In addition, Article 36 of the Regulation of the Board of Directors regulates the relations of the Board of Directors with the external auditor, establishing that (1) The Board of Directors shall establish a relationship that is objective, professional and ongoing with the Company's external auditors, respecting their independence as far as possible, (2) The relationship referred to in the above point will normally be channelled through the Audit and Compliance Committee, (3) The Board of Directors shall publicly inform of the total fees paid by the Company to the audit firm, both for auditing services and services other than auditing. In this regard, in the selection process of external auditors, the Committee will conduct a thorough comparative analysis on the fees proposed by various auditing firms.

The Economic-Finance Division coordinates relations with financial analysts, investment banks and rating agencies as required, handling their requests for information and those of the institutional or private investors, based on the principles of transparency, non-discrimination, veracity and reliability of the information provided.

To put these principles into practice, and always within the strictest compliance with the regulations relating to Securities Markets, DIA has available various channels of communication such as (a) Publication of information relative to the quarterly results and other one-off events, such as those relating to the presentation of the results or to corporate operations; (b) Presentations to investors; and (c) Submission of statements and press releases.

**C.1.36 Indicate whether during the year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:**

Yes [ ] No [X]

Should there have been any disagreement with the outgoing auditor, provide details of the discrepancy

**C.1.37 Indicate whether the audit firm carries out other tasks for the company and/or its group other than those of auditing. If so, specify the amount of fees received for this work and the percentage this amount represents of the total fees invoiced to the company and/or its group:**

Yes [X] No [ ]

	Company	Group	Total
Amount of other work other than those of auditing (thousands of euros)	505	67	572
Amount for work other than auditing / total invoiced by the audit firm (as %)	78.78%	8.86%	40.94%

**C.1.38 Indicate whether the audit report on the annual accounts for the previous year includes any reservations or qualifications. In this case, indicate the reasons given by the chairman of the audit committee to explain the content and scope of these reservations or qualifications.**

Yes [ ] No [X]

**C.1.39 Indicate the number of continuous years that the current audit firm has been carrying out the audit of the company and/or its group's annual accounts. Also, indicate the percentage that the number of years**



audited by the current audit firm represents out of the total years in which the annual accounts have been audited:

	Company	Group
Number of continuous years	24	24
No. of years audited by the current audit firm / No. of years the company has been audited (%)	100.00%	100.00%

**C.1.40 Indicate and, where applicable, specify whether there is a procedure for which directors can have external advice:**

Yes  No

#### Details of the procedure

Article 24 of the Regulation of the Board of Directors governs this matter, and establishes the following:

In order to be assisted in the exercise of their duties, external directors may request the contracting of legal advisors, accountants, specialists, commercial, financial or other experts. These may be requested for dealing with specific problems having a certain significance and degree of complexity which may arise during the performance of its duties.

The request to contract these services will be channelled through the Chairwoman of the Board of Directors of the Company, who may condition it on the prior authorisation from the Board of Directors, which may be refused when there are reasons justifying such refusal, including the following circumstances:

- (a) It is not required for the proper performance of the duties charged to the external directors;
- (b) Their cost is not reasonable in view of the importance of the problem and the Company's assets and revenue;
- (c) If the technical assistance could be adequately provided by experts and specialists within the Company; or
- (d) If it may represent a risk for the confidentiality of information that has to be handled and provided to the expert.

Further to the foregoing, the Company's Board of Directors has requested external advice when it has deemed this appropriate.

**C.1.41 Indicate and specify, where applicable, whether there is a procedure for directors to have the information needed to prepare the meetings of the management bodies in sufficient time:**

Yes  No

#### Details of the procedure

Under Article 23 of the Regulation of the Board of Directors, directors have the duty to inform themselves properly of the Company's business. To do so, the directors may request information on any aspect of the Company and examine its books, registers, documents and other documentation.

Furthermore, this article foresees that all duties of information will be previously channelled through the Board Chairwoman, who will forward the request to the relevant interlocutor within the Company.

In addition, Article 16 of the Board Regulation requires that all meetings be called at least five days in advance, except for emergency situations. Likewise, Article 11 of the Regulation of the Board of Directors establishes that the Chairwoman, in charge of the Board's effective operation, will ensure that all directors previously receive sufficient information, stimulating discussions and the active participation of directors during Board meetings.





**C.1.42 Indicate, and specify where applicable, whether the company has established rules that oblige directors to inform or resign in cases that may damage the credit and reputation of the company:**

Yes  No

**Explain the rules**

Article 22 of the Regulation of the Board of Directors establishes in this respect that the director will have to resign immediately when for reasons attributable to the director as such he or she may have caused serious damage to the credit and company reputation, or could have lost the commercial and professional reputation needed to be a director of the Company.

**C.1.43 Indicate whether any member of the board of directors has informed the company that he or she has been prosecuted or legal proceedings have been initiated against him or her, for any of the offences specified in Article 213 of the Companies Act:**

Yes  No

Indicate whether board of directors has analysed the case. If so, provide a reasoned explanation for the decision regarding whether or not the director should continue in his/her post or, as appropriate explain the action taken by the board of directors to date or those actions that it plans to take.

**C.1.44 Specify the significant agreements that the company may have concluded and that enter into force, are amended, or terminate if the control of the company changes due to a takeover bid, and its effects.**

See Section H.

**C.1.45 Identify as a whole, and indicate in detail the agreements between the company and its administrative and managerial positions or employees who have compensation, guarantee or golden parachute clause, when these directors resign or are dismissed unfairly, or if the contractual relationship reaches its conclusion due to a takeover bid or other types of operations.**

**Number of beneficiaries**

2

**Type of beneficiary:**

CEO, Executive Manager for Portugal and Corporate Manager of Services

**Description of the agreement**

The CEO's contract foresees, among other clauses that the CEO will be entitled to indemnification equivalent to two (2) years' remuneration, should the Board of Directors decide to terminate his contract, if this is not a consequence of a breach of the CEO's duties, or a disciplinary dismissal declared as fair.

Additionally, the contract includes a post-contractual non-compete clause in return for which the CEO will receive, compensation equivalent to one year of the annual fixed remuneration that was being paid at the contractual termination date.

(For further information, see the Annual Report 2015 on the Remuneration paid to Directors of listed stock companies.)

The contract of the Executive Manager for Portugal and Corporate Manager of Services establishes that, in the event of termination of the contract and the employment relationship, for any reason other than a fair disciplinary dismissal, declared by the labour courts, the Executive will be entitled to the following indemnification: (i) 548 days' salary; plus (ii) the amount equivalent to 8 days' salary for each year he worked for the company.



The director in the event of any change of control, may terminate his contract pursuant to the terms of article 10.3 of Royal Decree 1382/1985 with entitlement to a gross indemnification of (i) 548 days' salary; plus (ii) the amount equivalent to 8 days' salary for each year he worked for the company.

**Please indicate whether these contracts need to be reported to and/or approved by the bodies of the company or its group:**

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorising the clauses</b>	Yes	No

	<b>Yes</b>	<b>No</b>
<b>Is the General Meeting informed of the clauses?</b>	x	

## C.2 Committees of the board of directors

**C.2.1 Specify all the committees of the board of directors, their members and the proportion of representative and independent directors who are members of them:**

### APPOINTMENTS AND REMUNERATION COMMITTEE

<b>Name</b>	<b>Post</b>	<b>Category</b>
MR. JULIÁN DÍAZ GONZÁLEZ	MEMBER	INDEPENDENT DIRECTOR
MR. RICHARD GOLDING	CHAIRMAN	INDEPENDENT DIRECTOR
MS. ROSALÍA PORTELA DE PABLO	MEMBER	INDEPENDENT DIRECTOR
MR. JUAN MARÍA NIN GÉNOVA	MEMBER	INDEPENDENT DIRECTOR

<b>% proprietary directors</b>	0.00%
<b>% independent directors</b>	100%
<b>% other external directors</b>	0.00%



**Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarise its most relevant activities during the year.**

Further to Article 41 of the Bylaws and Article 38 of the Regulation of the Board of Directors, the Auditing and Compliance Committee will consist of at least three and a maximum of five directors, designated by the Board of Directors from amongst its external or non-executive directors; the majority of its members must be independent directors.

Likewise, the members of the Auditing and Compliance Committee, to particularly include the chairman, will be designated according to their knowledge and experience in accounting, auditing or risk management matters. To this effect, both their knowledge and professional experience will be taken into account, gathered further to the tasks directly associated thereto, as well as any knowledge and experience resulting from management and executive tasks and responsibilities that have a material effect on said matters, amongst others (e.g. CEOs, top executives or senior managers entrusted with supervision and control of finances, accounting, risk management, etc.).

Pursuant to DIA's internal regulations, the chairman of this Auditing and Compliance Committee will be designated from amongst independent directors. This chairman will be replaced every four years and may be re-elected after one year elapsed since he left office.

The executive directors, members of the management team or Company staff will be obliged to attend all meetings of the Auditing and Compliance Committee, collaborating and providing access to any information they may have, at the Committee's request. The Committee may also request that its meetings be attended by the Company's auditors; if it deems this necessary for the adequate performance of its tasks, the Auditing and Compliance Committee may be advised by external experts, duly informing the secretary or vice-secretary of the Board, who will be in charge of hiring the necessary services.

The composition of the Auditing and Compliance Committee conforms to the Bylaws and Regulation of the Board of Directors. Furthermore, given that the four Committee members are independent directors, one of whom is the Chairman, this fulfils Article 529 *quaterdecies* of the Companies Act, which was introduced through Act 31/2014, of 3 December, amending the Companies Act for the improvement of corporate governance. Furthermore, DIA's Auditing and Compliance Committee meets Recommendation No. 39 of the Good Governance Code.

The Auditing and Compliance Committee, by virtue of the tasks foreseen in Article 529 *quaterdecies* of the Companies Act, Article 41 of the Bylaws and Article 38 of the Regulation of the Company's Board of Directors, has focused the objective of its meetings held over the 2015 on the following main activities: (i) to review any periodic financial data; (ii) to review the annual accounts; (iii) to supervise independence matters and other provisions related to external auditors; (iv) to design, supervise and periodically update the Company's internal control procedures, to include the risk management system and internal control systems related to the financial data reporting process (IFRS); (v) the supervision and control of corporate and financial risk management; (vi) to ensure that the Internal Code of Conduct is fulfilled, as well as the Board's Regulation and, in general, all other corporate governance rules of the Company over the 2015 financial year; in this regard, no relevant infringement has been detected, to particularly include the 2014 Annual Corporate Governance Report and approval of the policy on corporate social responsibility, communications and shareholder relations, tax strategy and risk management; and (vii) to supervise any circulation and information on the Code of Ethics and Channels, during the 2015 financial year.

The Company's Auditing and Compliance Committee has met up five times during the 2015 financial year. In one of these meetings, one director excused his failure to attend. All other Committee members have attended all these meetings, in person or through a representative.

This Committee had met up enough times to ensure the adequate performance of its duties, in any case fulfilling section 5 of Article 38 of the Regulation of the Board of Directors, which foresees that it must meet at least once a quarter.



Please name any director belonging to the auditing committee who was appointed based on his knowledge and experience in accounting or auditing matters, or both, and include the number of years during which the committee Chairman has held office.

<b>Name of the experienced director</b>	MR. RICHARD GOLDING
<b>No. of years holding office as Chairman</b>	-

**APPOINTMENT & REMUNERATION COMMITTEE**

<b>Name</b>	<b>Post</b>	<b>Category</b>
MR. MARIANO MARTÍN MAMPASO	CHAIRMAN	INDEPENDENT DIRECTOR
MR. PIERRE CUILLERET	MEMBER	INDEPENDENT DIRECTOR
MR. ANTONIO URCELAY ALONSO	MEMBER	INDEPENDENT DIRECTOR

<b>% of proprietary directors</b>	0.00%
<b>% of independent directors</b>	100%
<b>% of other external directors</b>	0.00%

**Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarise its most relevant activities during the year.**

According to Article 42 of the Bylaws and Article 39 of the Regulation of the Board of Directors, the Appointment and Remuneration Committee will exclusively consist of external directors, mostly independent, in the number determined by the Board of Directors, with a minimum of three and a maximum of five. The members of this Committee will be appointed by the Company's Board of Directors.

It will be ensured that all committee members have the necessary knowledge, skills and experience for the duties assigned. To this effect, both their professional knowledge and experience, gathered when performing tasks directly related to these matters, will be taken into account, as well as any knowledge and experience resulting from management and executive tasks and responsibilities that have a relevant impact on said matters, amongst others (e.g. CEOs, top executives or senior managers supervising and controlling human resources, corporate governance, remuneration policies, etc.).

The Appointment and Remuneration Committee will appoint a chairman from amongst its members, who must be an independent director. The chairman will be replaced every four years and may be re-elected once one year has elapsed since he left office.

The members of the Board of Directors, management team or Company staff will be obliged to attend all meetings of the Committee, collaborating and providing access to any information they may have, at the Committee's request. Furthermore, if it deems this necessary for the adequate performance of its tasks, it may be advised by external experts.

Further to the foregoing and as the Committee consists of three directors- all of whom are independent- the composition of the Appointment and Remuneration Committee conforms to the Bylaws and Board Regulation. Furthermore, the Appointment and Remuneration Committee fulfils Article 529 *quindecies* of the Companies Act, introduced through Act 31/2014, of 3 December amending the Companies Act to improve corporate governance, as well as the good corporate governance recommendations of the Good Governance Code, particularly number 47, recommending that the chairman of the Appointment and Remuneration Committee be an independent director and that the majority of its directors be



independent, in order to guarantee impartiality and objectiveness.

The Appointment and Remuneration Committee, further to the duties foreseen in Article 39 of the Regulation of the Board of Directors, has executed the tasks assigned over the 2015 financial year, to include the following: (i) to evaluate the competences, knowledge, experience and level of dedication offered by the members of the Board of Directors; (ii) to propose to the Board any proposed appointments of independent directors; (iii) to appoint a new Chairman of the Appointment and Remuneration Committee; (iv) to supervise compliance with any corporate governance rules applicable to the Company, in order to achieve its aim of promoting the corporate interest, taking into account, as the case may be, the legitimate interests of all other stakeholders; (v) to inform on any proposed appointments of senior executives and the basic terms of their contracts; (vi) to analyse, draw up and periodically update the remuneration policy applied to executive directors and the management team, including any stock option plans and their application, and to guarantee that this is proportionate to what is paid to other directors and members of the management team and to other members of the Company's staff; (vii) to propose to the Board of Directors a system and amount of annual remuneration paid to directors, the individual remuneration of executive directors and senior managers and the basic terms of their contracts; (viii) to draw up the Annual Remuneration Report and Policy for DIA directors; (ix) to inform the Board of any matters related to gender diversity, and to particularly ensure that the selection procedures of directors and senior managers are free of any implicit bias that could hinder the selection of women; (x) to approve the Directors Selection Policy in order to be presented to the Board; and (xi) to promote succession plans.

The Appointment and Remuneration Committee of the Company has held six formal meetings over the 2015 financial year adopting resolutions in writing and without holding a meeting on another occasion. All the meetings called have been attended by all the Committee members, in person or through a representative. In addition, the Committee members hold periodic work meetings by remote means (conference calls and video conference calls), both between themselves and the managers of the Human Resources Department of Grupo DIA.

Further to Article 39 of the Regulation of the Board, this Committee has convened enough times to ensure that its tasks are adequately executed.

**C.2.2 Fill in the following table with information related to the number of female directors making up the Board of Directors' committees during the last four years:**

	Number of female directors							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
<b>Auditing Committee</b>	1	25%	0	0.00%	0	0.00%	0	0.00%
<b>Appointments and Remuneration Committee</b>	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**C.2.3 Section deleted**

**C.2.4 Section deleted**



**C.2.5 Indicate whether there is any regulation governing the board's committees, the place where they may be available for consultation and any modifications made during the year. Also, indicate whether any annual report has been prepared voluntarily on the activities of each committee.**

The organisational and operating rules of both the Audit and Compliance Committee and the Appointments and Remunerations Committee are included in the Regulation of the Board of Directors, which is available for consultation on DIA's website ([www.diacorporate.com](http://www.diacorporate.com)).

Each committee prepares an annual report on its operation, with the aim of evaluating its operation and organisation in 2015, highlighting any significant events that have taken place related to its duties. These reports are made available to the shareholders on the Company's corporate website at the time of notice of the Annual General Meeting.

The Company modified its internal regulation to adapt it to the legal changes introduced by Act 31/2014 of 3 December, which amended the Companies Act to improve corporate governance. Specifically, at its meeting on 17 March 2015, the Board of Directors approved a modification to its Regulation to adapt it to the new legal requirements. This modification has been entered in the Companies Register, and among the changes are some related to the regulation of committees.

**C.2.6 Section deleted**

**D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS**

**D.1 Where appropriate, explain the procedure for approving related-party and intra-group transactions.**

<b>Procedure for reporting approval of related-party transactions</b>
<p>Further to article 38 of the Regulation of the Board the audit and compliance committee will have the authority to supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the board; in particular, it will report to the board regarding such related party transactions and, in general, regarding transactions that imply or may imply conflicts of interest, for purposes of their approval, and will see to it that information in respect thereof is communicated to the market as required by law.</p> <p>In relation with the approval, the Article 5 of the Regulation of the Board provides that the Board will have the authority to approve the transactions entered into by the Company or companies of its group with directors, as defined by the Act, or with shareholders who own, individually or jointly, a significant stake, including shareholders represented in the board of directors of the Company or companies of its group or individuals linked to them</p>

**D.2 Specify any transactions that are significant due to their amount or relevant due to their content carried out between the company or entities of the group, and the company's significant shareholders:**

**D.3 Specify any transactions that are significant due to their amount or relevant due to their content carried out between the company or entities of the group, and the company's administrators or directors:**

**D. 4 Report on the significant transactions carried out by the company with other entities belonging to the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the normal business operations of the company in terms of its purpose and conditions.**



**In any event, any intra-group transactions carried out with entities established in countries or territories that are considered tax havens must be reported:**

**D.5 Indicate the amount of the transactions carried out with other related parties.**

0 (in thousands of Euros)

**D.6 Specify the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.**

Without prejudice to the legal provisions on the duty to avoid situations of conflicts of interest, situations of conflicts of interest shall be governed by the following rules:

- (a) The director shall aim to avoid situations that may represent a conflict of interest between the Company and the director or persons related to the director.
- (b) In any event, the director must communicate the existence of conflicts of interest to the Board of Directors when he or she has knowledge of them.
- (c) In any event, the director must refrain from attending and intervening in the deliberations and voting affecting matters in which he or she is personally involved. The votes of directors affected by the conflict of interest who have to abstain shall be deducted for the purpose of calculating the majority of votes needed.
- (d) In any event, the situations of conflict of interest for directors shall be reported in the annual corporate governance report and financial report.

Resolutions or decisions that affect the director as board member, such as his or her appointment or removal from positions on the governing body or others of similar purpose, shall be excluded from the above obligation to abstain.

The director may not carry out directly or indirectly any professional or business transactions with the Company, unless he or she reports the situation of conflict of interest in advance and the Board of Directors approves the transaction, following a report by the Audit and Compliance Committee.

**D.7 Is more than one company of the Group traded publicly in Spain?**

Yes  No

**Identify the subsidiaries traded publicly in Spain:**

**Publicly traded subsidiaries**

**Indicate whether the respective areas of activity and possible business relations between them have been identified precisely, as well as those of the publicly traded subsidiary with other companies in the group;**

**Define the possible business relations between the parent company and the publicly traded subsidiary, and between the latter and the other companies in the group**

**Identify the mechanisms in place to resolve possible conflicts of interest between the publicly traded subsidiary and the other companies in the group:**



## **E. CONTROL AND RISK MANAGEMENT SYSTEMS**

### **E.1 Explain the scope of the company's Risk Management System, including for tax risks.**

The risk management policy is applicable for the Company and all its subsidiaries. Its correct application requires the involvement of all the personnel in the organisation. The update of this policy in line with the new recommendations of the new Code of Good Governance was approved by the Board of Directors of the DIA Group on 11 December 2105.

The decision of the Management Committee of the DIA Group in all its activities influence in the creation of value, from the establishment of the strategy to the day-to-day operations in the organisation. This value is maximised when a strategy and objectives are established with an optimum balance between the growth and profitability targets and the risks associated.

In applying the corporate risk management (CRM) model, DIA must consider all its activities in the different levels of the organisation, from those at corporate level to those of the business units and processes. The CRM model must therefore be applicable at the following levels: (i) execution of the DIA strategy; (ii) achievement of the business objectives; and (iii) correct execution of operations.

The whole organisation plays an important role in the achievement of the CRM objectives. Its focus is therefore integrated and systematic, and applicable for the whole Company and its subsidiaries.

**Key Principles and Methodology:** The DIA Group has a risk management system in place based on COSO II (Enterprise Risk Management) methodology. It is a systematic and detailed approach that can identify events, evaluate, priorities and respond to the risks related to the achievement of its business objectives. DIA's CRM ensures that the different types of financial and non-financial risk (among others, operational, technological, social, environmental, political and reputational) faced by the Organization are identified. Included among the financial or economic are tax risks, contingent liabilities and other off-balance-sheet risks.

The CRM has a tool called the GRC Suite to provide support to all the committees for monitoring and follow-up of risks.

### **E.2 Identify the company's bodies responsible for preparing and executing the Risk Management System, including tax risks.**

#### *The company's bodies*

In accordance with Article 5 of the Regulation of the Board of Directors, the Board is responsible for approving and determining the policy of risk control and management, identifying the main risks to the Company and its subsidiaries, including tax risks, and organising appropriate internal control and information systems. On the basis of this, the Board of Directors has approved the risk management policy for the DIA Group.

#### *Responsibilities*

The Board of Directors, the Audit and Compliance Committee and the DIA Group Management Committee are responsible for ensuring good CRM management.

The Audit and Compliance Committee is responsible for supervising and reviewing regularly the effectiveness of the internal control procedures of DIA, the internal audit and the risk management systems, checking their appropriateness and integrity; the determination of the risk control and supervision policy for the internal information and control systems may not be delegated by this body or by the Board. Risk analysis is carried out by the Committee before the meetings in which the strategic plan is deliberated and decided on by the Board of Directors, and an analysis of the specific risks with relation to the strategic and M&A operations is carried out.

Management of Internal Audit, within the organisational structure, answers directly to the Audit and Compliance Committee. This guarantees the due autonomy and independence of its functions, and the responsible exercise of supervising the risk control and management system.





Every year, the Board of Directors evaluates the quality and efficiency of the operation of the Board and the committees through questionnaires and interviews carried out with each director. It will be dealt with as a relevant section in evaluating the responsibility of the Board in the key risk management and supervision function.

At the same time, the Board of Directors, through the Audit and Compliance Committee, has carried out specific monitoring of the financial risks of the DIA Group, which have been monitored by this Committee, as analysis of liquidity, credit, solvency and market risks is a recurring point on the Agenda of all the meetings. The monitoring of these risks, together with supervision of the internal control systems of financial information, was the subject of timely reporting by the Chairman of the Committee at the Board meetings.

The Management Committee of the DIA Group is responsible for its internal implementation, as well as for establishing the strategy, culture, persons, processes and technology making up the Company's CRM system.

#### Corporate Risk Committee

DIA has set up a Risk Committee at corporate level, and within this Committee it has appointed a Corporate Risks Coordinator whose duties include communication and coordination of meetings, as well as the collection and dissemination of information. The coordinator also acts as a contact in risk management matters with the different jurisdictions in which DIA operates.

In turn, in each jurisdiction, a Country Risk Committee has been set up and within each Committee a Country Risk Coordinator has been appointed. The Corporate Risk Coordinator has the due independence within the Organisation. The Corporate Risk Coordinator reports directly and regularly to the Audit and Compliance Committee. This body may, at any time, request extraordinary meetings to consult any incident or relevant event for risk management in the Group.

The basic responsibilities of the Risk Committee are as follows:

- Analysis of the environment and new projects that may directly or indirectly influence the risks for DIA; determination of inclusion of new risks and/or removal of some existing ones.
- Recommendation for developing specific action plans, planning their monitoring and continuity of existing action plans.
- Continuous monitoring of the risks identified in the key risks map, and particularly those closely related to the main DIA stakeholders, such as its Customers, Franchises and Suppliers.

In addition, the Risk Committee carries out an assessment and detailed analysis of DIA's risks every year. The conclusions and information extracted from the CRM analysis of DIA are notified to the DIA Group Management Committee and the Audit and Compliance Committee on a regular basis. In addition, the Risk Committee informs the DIA Group Management Committee when relevant issues are detected in its analysis. Finally, the DIA Group's Management Committee may request information on the results of the Risk Committee if it considers it opportune.

In the responsible and independent exercise of its functions, the Audit and Compliance Committee and the Internal Audit function are responsible for supervising the risk control and management system.

As part of its supervisory function, the Internal Audit Department evaluates the complete operation of the risk control and management system, the performance of the governing bodies and the effectiveness of the control activities implemented. The results of this supervision are reported to the Audit and Compliance Committee.

The minutes of the meetings of the Board of Directors and the Committees are stored in a documentary management system, to which all the directors have confidential access.

### **E.3 Explain the main risks, including tax risks, that may affect the achievement of the business objectives.**

The DIA Group defines risk as any internal or external contingency that, should it materialise, may impede or make difficult the achievement of the objectives set by the organisation. It therefore considers that a risk arises as a result of the lack of opportunities and/or strengths, as well as the materialisation of a threat and/or increase in a weakness.

The main risks may be grouped into the following categories:



Environment: these include risks related to competition, regulatory risks and the political and social environment of the countries in which the Group operates.

Corporate Governance: corporate social responsibility, reputational and stock market.

Operations: product quality and safety, environmental risks, Human Resources management and risks associated with information systems.

Financial and tax: market risks, credit risk, liquidity risk and solvency and tax risks.

The Group has a system for monitoring and updating risks. It allows it to identify and incorporate any risk newly identified over the year to the company's risk map. It also ensures that all the risks are reviewed at least once a year.

The process of monitoring the risks consists of constant monitoring of the internal and external variables that may help anticipate or prevent the materialisation of all the relevant risks for the Group.

#### **E.4 Identify whether the entity has a risk tolerance level, including for tax risks.**

DIA's Executive Committee reviews the level of DIA's risk tolerance, and presents it to the Board of Directors for its review and annual approval.

The scales for risk evaluating (probability and impact) are updated at least annually to adapt them to the strategy and circumstances of the business. These evaluation scales consider the different areas of risk impact (financial, sales, operations, regulatory framework, human resources and reputation) and represent uniform levels that allow a uniform evaluation of risks to be made in each country and at corporate level. These scales are the basis for defining the Group's tolerance level.

The DIA Group's Risk Management Model defines tolerance as "the acceptable level of change that DIA is prepared to accept in order to achieve its objectives." It is therefore the maximum specific risk that the Organisation is prepared to assume.

This tolerance level is used to prioritise and specify the management and monitoring needed for each type of risk, with the aim of maintaining the risks within the approved level of tolerance.

#### **E.5 Indicate what risks, including tax risks, have materialised during the year.**

Some risks related to the company's activity and the specific circumstances of different markets have materialised during the year. However, none of these risks have had a relevant impact on the DIA Group's business, as the risk prevention and/or mitigation measures have operated correctly.

#### **E.6 Explain the response and supervision plans for the main risks to the entity, including tax risks.**

The supervision model of the risk management system is based on the definition of risk indicators, whose information is reported to the Risk Committees, where the response plans proposed by the risk managers are presented and evaluated. At the same time, significant events are reported at the Risk Committee that occurred during the reference period, together with their corresponding mitigation plans.

The successive Risk Committee meetings follow up on the response plans presented in preceding meetings. The risk managers of each of the risk units follow up and monitor risks continuously through the risk indicators. Depending on the tolerance level established, the indicators provide information on whether the risk has materialised or the risk levels have increased.

Implementation of the Legal Compliance and Corporate Social Responsibility systems



DIA has set policies and procedures designed to inform and train employees on certain principles of behaviour and to prevent and detect inappropriate behaviour. It is important to note in this respect:

(i) the DIA Group's Ethical Code and Ethical Channel for Consultation and Information.

As of 9 May 2012, the Board of Directors of DIA approved the first Ethics Code. It was the result of consensus and reflected the diversity in the DIA Group. On 27 July 2015 the Board of Directors of DIA approved the II Ethical Code, which entered into force on 1 January 2016 (available at [www.diacorporate.com](http://www.diacorporate.com)).

The Company considers that the Ethical Code is the best instrument for putting into practice a top-down policy of compliance, guiding employees by example with guidelines for conduct and behaviour. This Code, as is the case with the rest of the rules defined by the Company, is mandatory for all employees.

The main new points in the II Code of Ethics is distribution of the Code to franchisers and suppliers of services and goods so that they can check and report unethical practices carried out by DIA. Another of the main new points is that it allows anonymous consultation and reporting, although whoever identifies himself will continue to have the maximum guarantees of confidentiality and no reprisals.

There is also an Ethics Consultation and Information Channel (via e-mail or ordinary post) at group level and in each jurisdiction in which DIA operates, with the aim of clarifying any doubts on interpretation and analysing and resolving possible breaches of the Code, in accordance with the internal and external regulation applicable. A Corporate Ethics Committee and an Ethics Committee in each country or jurisdiction have also been set up. They are responsible for managing the Ethics Consultation and Information Channel in each jurisdiction, making its existence known and supervising its correct operation.

(ii) Crime Prevention Model ("CPM")

DIA has implemented a CPM, with the aim of establishing the most appropriate procedures and internal control policies to prevent the commission of illegal actions, and where necessary to mitigate or avoid liability for the Company following the reform of Fundamental Law 1/2015, of 30 March, amending Fundamental Law 10/1995, of 23 March, approving the Criminal Code.

A person responsible for crime prevention has also been appointed within the organisation, who informs and assists the Corporate Compliance Manager and the Ethics Committee at corporate level and is responsible for the maintenance and appropriate operation of the prevention model. The CPM was the object of analysis and examination by a consulting firm with experience in the forensic area. The model implemented by DIA has adequate control measures that are effective for attempting to prevent and detect the commission of crimes for which DIA could be criminally liable.

(iii) Anti-fraud and Anti-corruption Programme

DIA has implemented an Anti-fraud and Anti-corruption Programme in Spain. As a part of this programme, the DIA Group has a matrix of fraud risks analysed in terms of frequency and impact, which includes the controls that are in place to avoid this conduct. A person has been put in charge of anti-fraud prevention, who in turn is responsible for crime prevention.

The programme has been executed in Spain, and work continues to implement it in the rest of the countries within the Group's scope of consolidation.

(iv) Corporate Social Responsibility

DIA continues to ensure the integration of social and environmental values in all its management areas.

CONTINUES IN H



## **F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS (SCIIF)**

Describe the devices included in control and risk management systems related to the financial reporting process (SCIIF) of your company:

### **F.1. Entity's control surroundings**

**Report, indicating as a minimum the main characteristics of**

**F.1.1. Indicate which bodies and/or functions are in charge of: (i) the existence and maintenance of an adequate and effective Internal Control System for Financial Reporting (SCIIF); (ii) its implementation; and (iii) its supervision.**

The Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective Internal Control System for Financing Reporting (hereinafter, "SCIIF"). To this effect, Article 5 of the Regulations of DIA's Board of Directors provides that one of the competences that may not be delegated by this body is the approval of "a policy to control and manage risks, including tax risks, identifying the Company's main risks and organizing adequate internal control and reporting systems".

In September 2013, the Group's Financial Manager and Executive Manager for Portugal and Corporate Manager of Services formally approved the Group's Internal Control System Policy for Financial Reporting, which provides that the Group's Financial Management, through the Group's Internal Control System for Financial Reporting (Group SCIIF) and each country's functions (Country SCIIF) is in charge of the design, implementation and operation of the SCIIF, encouraging control awareness in the Group's countries, beginning with information on control requirements at all organizational levels, carried out through continuous support in their tasks, both when defining SCIIF-associated documentation and starting up the action plans entrusted.

Each Country SCIIF manager will functionally report to the Group SCIIF manager and hierarchically depends on the Country's Financial Management. The Group SCIIF manager hierarchically reports to the Group's Financial Management.

SCIIF supervision is entrusted to the Auditing and Compliance Committee. Article 38 of the Board of Directors' Regulations provides that the Auditing and Compliance Committee will hold the following competences, amongst others: "to supervise and review the process used to issue and present mandatory financial data" and "to supervise and periodically review the effectiveness of any internal control", receiving support from the Internal Auditing Management; the latter's rules foresee, amongst others, that it will be in charge of supervising the efficacy and efficiency of the internal control system's operation.

**F.1.2. Please indicate whether the following exist, particularly as regards the financial reporting process:**

- **Departments and/or systems entrusted with: (i) the design and review of the organizational structure; (ii) clearly defining any lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for adequate internal circulation.**

The senior manager of the design and review of the Group's organizational structure, the responsibilities undertaken by each member and the status held by such members according to their responsibilities is the CEO, followed by the Country Promotion Committees and/or Group Promotion Committee. In order to establish the relationship between the structure, functions/work posts and status of the persons holding these posts, the HAY method is used for work post appraisal, based on their description.

The DIA Group has the following tools:



(i) A flowchart indicating, through positions and the persons assigned thereto, the hierarchical relations existing within the Company.

(ii) A position map for panels and executives, indicating the title of the post and associated status according to its description. During the 2015 financial year, the work post map has been updated and reviewed.

(iii) Descriptions of each post, gathered in a software tool; these descriptions are mandatory for all executive and management positions and foresee explicit references, if the post is related to the SCIF.

SCIF documentation includes a risk and check matrix, which has clearly defined the organizational structures that hold each check in relation to the financial reporting process. These structures have been validated by the Managers through formal approval channels and have been notified to the Country Management Committees and Group Management Committee. Since November 2014, all this information is being managed in the SAP Governance, Risk and Compliance tool (hereinafter, "SAP GRC"), individually identifying the holder of each check, his/her immediate superior and the competent Managers.

- Code of conduct, approval body, level of dissemination and instruction, principles and values included (indicating whether a specific reference is made to operations records and financial reporting), the body in charge of analysing any non-conformities and proposing corrective actions and sanctions.

On 27 July 2015, DIA's Board of Directors approved the II Code of Ethics of the DIA Group, which came into force on 1 January 2016. The Board of Directors still considers that the Code of Ethics (hereinafter, "the Code") is the best instrument to put into practice a "trickle-down" compliance policy, guiding its employees in an exemplary fashion with certain lines of conduct or behaviour.

The new Code, like its precedent, establishes and develops five conduct principles; the first refers to "compliance with all external (e.g. laws and regulations) and internal rules, consolidated in policies, procedures and checks", and reinforces certain principles in tax, employment and environmental matters; in turn, it highlights the autonomous and independent role played by the Corporate and Country Ethical Committees.

As regards financial reporting, the third principle- "protection of assets and information"- explains DIA's commitment to "providing accurate and complete information, ensuring the reliability and accuracy of all financial data, whether internal or that provided to the market. The organisation, as well as each one of us, have undertaken transparency and diligence as principles of our conduct".

The Code, like other DIA Group Rules, is mandatory for all employees.

All of the Group's Managers have formalized their adhesion to the Code in writing, which is centralized by the Group's Human Resources Management, with a commitment to uphold all ethical principles, to ensure that their teams uphold the same and put them into practice. Furthermore, all new employees, when signing their employment contract, will receive a copy of the Code and need to sign their adherence thereto.

Further to the premise that what is important is not whether or not a Code exists, but its knowledge and compliance, the DIA Group has a Corporate Ethical Committee and another Ethical Committee (hereinafter, the "Committee") in each country or jurisdiction.

The Corporate and Country Committees, amongst their main tasks, will enable the Code to be disseminated and implemented, ensuring that it is observed, understood and upheld.

- A complaints channel, informing the Auditing Committee of any financial and accounting irregularities, in addition to any future infringements of the code of conduct and irregular activities within the organization, indicating whether it is confidential, as the case may be.

The DIA Group has an Ethical Channel for Consultation and Information (via e-mail and ordinary post), within the corporation and in each jurisdiction where the Group is present, in order to clarify any interpretation doubts and analyse and resolve any potential infringements of the Code. Furthermore, effective as of 1 January 2016, the following measures will be applicable, approved by the Board of Directors in order to encourage its use:



- (i) To accept anonymous reports.
- (ii) To invite third parties, i.e. franchisees, suppliers of merchandise and services, to use the Channel and report any unethical conduct on the part of employees, executives and directors in any company belonging to the DIA Group.
- (iii) To publish, on a yearly basis, the statistics of the consultation and information channel, meeting in any case the principles of confidentiality and personal data protection.

The Corporate Ethical Committee, in conjunction with each country's Committee, is in charge of managing the Ethical Channel for Consultation and Information, circulating its existence and supervising its adequate operation.

Any infringement of the Code is analysed and processed by the Corporate and/or Country Ethical Committee, in accordance with its operating protocol, and is settled in accordance with applicable internal and external regulations.

Formalization of the Corporate Ethical Committee's activities is included in the DIA Group Rules, which gather the qualifications and functions of the Corporate Ethical Committee and the Ethical Committee in each country, including the responsibilities of the Group's Human Resources Manager in order to guarantee implementation of the necessary actions to ensure that all workers are aware of the Code of Ethics.

Any communications and/or reports received, whether or not anonymous, will be evaluated and treated whilst upholding three general basic principles: (i) confidentiality; (ii) no retaliation; and (iii) personal data protection. Thus, the details of the reporting parties and of any person involved in the investigation will be treated confidentially in accordance with personal data protection regulations applicable in each jurisdiction; no retaliation will be tolerated against any good faith employees who have used the Ethical Channel for Consultation and Information in order to inform the Committee of any possible irregularities.

As regards the way in which communications and/or reports will be managed, the Ethical Committee will issue an official record and establish whether the communication is related to

- a) Infringements of the Code of Ethics.
- b) Irregularities that may have criminal consequences.

These circumstances will entail the filing of proceedings. If the content of the communication is not covered by a) or b) above, the proceedings will be shelved.

The proceedings will be supervised by the Investigation Manager, designated by the Ethical Committee from amongst its members. If the information is related to any Committee members, the Investigation Manager will be the Head of the Legal Department.

The Investigation Manager will confirm receipt of the report to the reporting party and will inform him/her if any additional information is necessary.

The information contained in the communication or report and, as the case may be, the credibility of the reporting party, will be assessed by the Investigation Manager from a two-fold perspective: i) reliability of the reporting party; and ii) accuracy of the information contained in the report.

- i) In order to determine the reporting party's level of reliability, the guarantee offered by the reporting party will be classified, according to his/her capacity to obtain the data provided and based on certain objective criteria.
- ii) The accuracy of the information provided will result in the classification granted, based on content, determining whether it is consistent with the procedures and data known of the department or area where the reported facts have taken place, including any circumstances occurring in the sequence of events reported along with other situations that may exist in the Company, which could affect its veracity.



Each quarter, the Ethical Committees in each country will provide the Corporate Ethical Committee with a breakdown of all consultations and/or communications received during the immediately preceding quarter, indicating the reference number or registration, date of receipt, ethical principle breached, assessment on the reliability/accuracy of the facts reported, current status of the proceedings and settlement, if applicable. Furthermore, on an annual basis, a report will be presented to the Auditing and Compliance Committee, providing detailed and consolidated statistics for the Group based on the information received from each jurisdiction.

During the 2015 financial year, a total of eight reports were received, of which three were ongoing at 31 December 2015.

Of the five reports settled, two have been shelved due to insufficient evidence; two have resulted in disciplinary dismissals- to include an executive-; and the last one has entailed a coaching plan for the reported party.

In addition, one consultation has been received in the Ethical Channel.

- Training and periodic refreshment courses for the staff involved in preparing and reviewing financial information, including SCIIF evaluation, to at least cover accounting rules, auditing, internal control and risk management.

DIA's training plan is aimed at becoming a cornerstone in the achievement of strategic objectives and the professional and personal development of its collaborators. To do this, it is articulated in two separate chapters:

- Technical training plan: to endow its collaborators, through official training, with the necessary technical knowledge to perform their tasks. All areas are assigned a training budget, depending on the number of members and their status, which are managed according to their needs.
- Training plan to develop skills: through official training, it is aimed at providing the necessary skills to hold positions of greater responsibility. This includes special programmes such as Masters, languages, competence development, cross-awareness, etc.

As regards technical training, both external and in-house formative actions have been completed.

Thus, over the 2015 financial year, 21 external formative actions have been completed by 42 participants, with a total of 792 hours' training. These formative actions consist of training and periodic refreshment courses for the staff involved in preparing and reviewing financial information, SCIIF evaluation included, and cover accounting rules, auditing, internal control and risk management, amongst other areas of knowledge.

As regards in-house training related to risk management and the SCIIF, throughout the 2015 financial year training has been provided at technical workshops, with a total of 205 hours' training on SCIIF, its various key issues (control activities, risk associated to financial information and its management through the SAP GRC tool) and risk management. At these workshops, arranged in all countries where the Group is present, all risk managers have participated as well as SCIIF check managers, totalling 160 participants.

## **F.2. Risk evaluation of financial information**

**F.2.1. Please describe the main features of your risk identification system, including errors or fraud, as regards:**

- **Whether the process exists and is documented.**

DIA has decided to base its error or fraud risk identification process in financial information on the COSO ("Committee of Sponsoring Organizations for the Commission of the Treadway Commission") methodology, implementing practices to design and maintain an internal control system that is able to provide reasonable safety as to the reliability of regulated financial information.



The Group has an Internal Control System Policy for the group's Financial Information, formally approved by the Group's Financial Manager and the Executive Manager for Portugal and Corporate Manager of Services. This policy, available on the Intranet and on the SAP GRC tool, has been circulated by e-mail to the Managements involved and to the Country SCIIF, and provides a general description of the system and its objectives, SCIIF roles and responsibilities, and a defined matrix of the SCIIF scope and methodology to develop internal control functions related to financial information and risk management.

On 11 December 2015, the Board of Directors novated the Risk Management Policy, in order to adjust it to the new recommendations introduced by the Code of Good Governance for Listed Companies published by the Spanish Securities Market Commission (CNMV) in February 2015. Said policy describes the key principles to achieve adequate operation of the risk management system, the methodology applicable for effective management that enables the achievement of business objectives.

The Group's Financial Management is in charge of detecting any error or fraud risks in its financial information, through the SCIIF scope matrix, as well as documenting the design of any checks to mitigate said risks.

- Whether the process covers all financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

The SCIIF scope matrix is used to identify any accounts and breakdowns entailing a significant associated risk, whose potential impact on financial information is material. In this process to identify relevant accounts and breakdowns, both quantitative and qualitative factors have been taken into account (transaction complexity, risk of fraud, level of process homogenization, etc.).

This SCIIF scope matrix is based on the current financial position, P&L account and statement of global consolidated results included in the audited Consolidated Annual Accounts. This matrix has been updated according to Intermediate Financial Statements at 31 March 2014, and has been approved by the Auditing and Compliance Committee. All relevant business mix transactions arising during the 2015 financial year have been included in the processes identified in this scope matrix.

- The existence of a consolidation perimeter identification process, taking into account the possible existence of complex corporate structures, instrumental entities or special purpose vehicles, amongst other issues.

Each quarter, the Legal Management of the Group verifies the data on companies included within the corporate perimeter and informs the Consolidation Department which, in the organizational structure, reports to the Administration, Accounting and Consolidation Management of the Group (organizationally dependent on the Group's Financial Management).

The Auditing and Compliance Committee's competences include the supervision and review of an adequate definition of the consolidation perimeter, as foreseen in Article 38 of the Board of Directors' Regulations.

DIA Group Rules regulate the responsibility of each country's legal department in keeping the corporate and control structure updated in the country, and the duty to duly report to the Financial Management in the country and the Legal Management of the Group, on a quarterly basis and/or in the event of change. In turn, the Financial Management in each country and the Legal Management of the Group will inform the Financial Management of the Group of the country's consolidation perimeter and corporate and control structure in the Group, respectively, in order for the Group's Financial Management to determine the Group's consolidation perimeter.





The supervision and updating of each country's corporate structure, as well as the reporting and/or communication process to the Group's Legal Management and Financial Management will be mandatory, as it constitutes a Corporate Governance rule included in the DIA Group Rules.

- Whether the process takes into account the effects of other risk typologies (operative, technological, financial, legal, reputational, environmental, etc.), insofar as the financial statements are affected.

For each one of these relevant accounts and breakdowns, key processes and sub-processes associated to each one have been defined, identifying any risks that may generate errors and/or fraud in the financial information, covering all financial information objectives (existence and occurrence; integrity valuation; presentation, breakdown and comparability; and rights and obligations).

Furthermore, the risk identification process has considered:

- Understanding of the control surroundings of each Group country.
- Identification of the particularities of the business process flows of the Company in each country, and their impact on financial information, in order to identify the main control risks inherent thereto.
- The effects of other risk typologies (operational, financial, strategic, regulatory compliance and others) that may have an adverse effect on the reliability of financial information.

The foregoing results in an integrated framework of control risks within the Group, as well as a structured group of checks, differentiating between common checks that are applicable in all countries, and specific checks for each one.

- Which governing body within the company is in charge of supervising the process?

As part of the Group's general Compliance strategy, in accordance with Article 31.bis) of the Spanish Criminal Code and in order to guarantee to third parties that the Company has the necessary control measures in place to avoid the commission of offences by its directors or employees under their management, in Spain the Group has a "Crime Prevention Model", which was audited and professionally verified by the forensic department of a renowned consultancy firm, with long-term experience in the issue of this type of report; the main conclusion reached was that DIA's "Crime Prevention Model" has adequate and effective control measures to prevent and detect the commission of offences.

In Spain, in turn, the company has implemented a programme to fight fraud and corruption. As a result of this programme, the Group in Spain has a fraud risk matrix, analysed in terms of frequency and impact, which includes all existing checks to avoid criminal conduct, including any risks and checks affecting financial information.

Although the plan has been fully executed in Spain, work continues to export, adapt and implement the plan in all other countries of the Group.



### **F.3. Control activities**

**Report indicating the main characteristics of the following as a minimum :**

**F.3.1. Procedures to review and authorise financial information and the SCIIF description, to be published in securities markets, indicating the persons in charge as well as any documentation describing activity flows and checks (including the risk of fraud) in the various types of transactions that may have a material effect on the financial statements, including the accounting closure procedure and a specific review of any relevant opinions, estimates, valuations and forecasts.**

The Group conducts periodic reviews on the financial information it draws up, and on the SCIIF description, according to varying levels of responsibility, in order to guarantee quality information.

The Country Financial Managers and Manager of the Group's Administration, Accounting and Consolidation (organizationally reporting to the Group's Financial Management) review and validate the financial information issued and reported to the Consolidation department through a consolidation tool (HFM), in order to guarantee its reliability, on a quarterly basis.

The procedure to review and authorise financial information is formalised each year through internal certifications, issued by the Country Financial Manager, Executive Manager for Portugal and Corporate Manager of Services, with approval from the Country Executive Manager and CEO, and culminates with its presentation at the Auditing and Compliance Committee by the Executive Manager for Portugal and Corporate Manager of Services, before the Board of Directors draws up the Annual Accounts.

The Group SCIIF manager, proposed by the Group's Financial Management and appointed by the Auditing and Compliance Committee, is entrusted, amongst other tasks, with providing a description of the SCIIF, in conjunction with the Managements involved. This description is formally validated by the Managements, the Group's Financial Manager and Executive Manager for Portugal and Corporate Manager of Services. This proves culminates with approval of the overall Annual Corporate Governance Report by the Board of Directors.

According to the SCIIF scope matrix, the Group's Financial Management, through the Group SCIIF function, has documented any risks of error or fraud in the financial information and checks to mitigate these risks, affecting all the processes/sub-processes identified as essential in Spain and in all other Group countries.

These processes/sub-processes cover the various types of transactions that may materially affect the financial statements:

- Creditor management and general expenses.
- Treasury cash and banks.
- Closing, consolidation and reporting.
- Purchases.
- Stocks.
- Goodwill valuation.
- Management of franchisee receivables.
- Management of corporations tax.
- Management of tangible fixed assets.
- Contingent liabilities.
- Staff.
- Sales.

Of particular relevance is the closing, consolidation and reporting, as well as any issues affected by relevant opinions, estimates, valuations and forecasts.



In all Group countries the processes/sub-processes have been documented, not only covering key processes in each, but cross-documenting most of those identified as essential for Spain, as defined in the SCIIF scope matrix, irrespective of whether they were material in those specific countries. This has required an extension of the scope of the SCIIF process documentation in all countries, reaching a much greater coverage than the one required in terms of materiality.

The documentation of each one of these processes includes:

- Details of relevant accounts and breakdowns.
- Details of information systems affecting the sub-processes.
- Details of any procedures and internal rules approved by the Management, regulating said sub-processes.
- Details of organizational structures.
- Descriptions of each sub-process associated to each process.
- Flowcharts for each sub-process.
- Details of significant risks in financial information (including those related to fraud) and other operational and/or compliance risks associated to the various sub-processes and control objectives.
- Detailed description of essential and non-essential checks to mitigate each identified risk.
- Outcome of evaluating the internal control design provided by the Group SCIIF, identifying any room for improvement and defining action plans, the persons in charge and implementation deadlines.

The following has been identified for each check:

- Back-up evidence for the checks.
- Organizational structures and/or functions inherent to the posts assigned to each identified check. In addition, the SAP GRC tool has individually identified each owner and the validation managers.
- Check frequency.
- Degree of check automation.
- Type of check: preventive or detective.
- Whether it covers the risk of fraud.

All documentation is owned by the owners of each check and the persons in charge of their supervision. Since November 2014, the Group has implemented the SAP GRC Process Control tool, guaranteeing a continuous update, self-assessment and supervision of adequate operation of the internal control system for financial reporting, reasonably guaranteeing its quality and reliability in a single centralized environment.

This GRC solution helps strengthen control surroundings at all organizational levels, enabling an evaluation of check effectiveness and design and the monitoring of action plans.

For each check, the owner and validation managers have been individually identified in order to ensure the maximum traceability.

Additionally, this tool has incorporated all documentation associated to SCIIF processes (flowcharts, descriptions, control and risk matrixes, as well as rules, policies, procedures and reporting systems backing up the same), establishing devices to manage supervision and updating in the tool itself.

Throughout the 2015 financial year, we have tested the checks in key SCIIF processes through the SAP GRC tool. We have carried out both self-assessment of check effectiveness by their owners, and evaluations of check design, monitored by the Group SCIIF manager.

**F.3.2. Internal control policies and procedures for information systems (to include access security, change control, operation, operative continuity and segregated functions), supporting relevant processes in the company in relation to the issue and publication of financial information.**



The DIA Group Rules include Group Information Security Rules and a Security Policy for Corporate Information, describing the strategy followed to protect information in relation to access control, user responsibilities, safe communications and operations, management of change, security in development, incident management, business continuity and compliance. The policy and associated regulatory framework are based on ISO 27000 international rules.

The policy defines criteria to mitigate any risks affecting confidentiality, integrity and availability of all information, including financial reporting.

The management of technological risk is a process whereby the Group identifies any threats and establishes action plans to guarantee business objectives derived from the dependence of information systems.

In general, the following checks are in place to endow the Group with reasonable guarantees over its internal control of information systems:

- Specific regulations in access control matters. In addition, over the 2015 financial year, we have continued to develop a regulatory security framework as regards the classification of corporate information.
- A periodic review of data user access, and a review of privileged application users.
- Software development methodology is in place, as well as differentiated surroundings, in order to guarantee that any changes in information systems are adequately authorised and tested.
- Software and project follow-up plan.
- Information systems are classified and segmented in the network by relevance and are hosted in specialized locations, guaranteeing both their continuity and physical security (TIER 3).
- Alternative communication systems.
- Any operation and monitoring of information systems is carried out by authorised staff, according to exploitation procedures.
- Back-up copies are periodically made of all information, stored in a safe place, and recovery tests are completed.
- Daily verification and monthly back-up reports.
- An incident management system aimed at resolving any difficulty that may arise in business processes.
- The security service under management has been extended, both in internal and external networks, protecting and alerting the Group of any security threats. In addition to this service, measures to fight cybercrime have been implemented.

The Group's critical business processes have different organizational and technological solutions to guarantee the continuity of information systems.

In addition to the foregoing, which is being implemented throughout the Group, a Disaster Recovery Plan (DRP) has been implemented in Spain and is expected to be deployed in all other Group countries during 2016.

In turn, we have defined and approved a rule to Classify Company Information. Its implementation is expected to end during 2016.

**F.3.3. Internal control policies and procedures to supervise the management of activities outsourced to third parties, as well as any evaluation, calculation or valuation matters entrusted to independent experts, which may have a material effect on the financial statements.**



The Group does not usually outsource any activities to third parties, which could materially affect its financial statements. In any case, when the Group outsources certain work to third parties, it ensures that adequate technical qualifications, independence, competence and solvency are guaranteed.

In 2015, the only two significant activities outsourced to third parties, with an effect on the financial statements, have been: the use of independent experts to assign business mix costs amongst the net assets purchased and determination of the impact of the new incentives plan. These activities have been executed by firms of renowned prestige, and validated by duly qualified Group staff with the Management's supervision, checking the fundamental hypotheses used by the external provider, as well as the reasonableness of its conclusions.

#### **F.4. Information and communication**

**Report, indicating the main characteristics if you have as a minimum:**

**F.4.1. A specific function in defining, maintaining updated accounting policies (accounting policy area or department) and settling any doubts or conflicts derived from its interpretation, maintaining fluent communications with the organization's operations managers, and an updated accounting policy manual, circulated to the units through which the entity operates.**

In April 2012, the Administration, Accounting and Consolidation Management of the Group (organizationally dependent on the Group's Financial Management) issued an Accounting Policy Manual for the DIA Group, adjusted to the Group's needs and circulated to all countries. These accounting policies are based on International Financial Reporting Standards adopted by the European Union (IFRS-EU). The Accounting Policy Manual is updated each year and distributed to all the staff involved in the various countries, by e-mail. The latest update of this Manual was in June 2015. In the event of significant changes affecting any of the Accounting Policies, an e-mail will be sent to the managers involved.

The tasks entrusted to the Group's Administration, Accounting and Consolidation Management include the settlement of any doubts derived from the interpretation of accounting policies, which will be included into DIA's Accounting Policy Manual in the next update.

**F.4.2. Systems to collect and prepare financial information in a homogenous format, applied and used by all units of the entity or the group, backing up the main financial statements and notes, as well as any information described in the internal control systems for financial reporting [sistemas de control interno de la información financiera] ("SCIIF").**

Since September 2011, the Group has an HFM consolidation computer tool in all its countries which, after downloading SAP data in each country, is able to prepare financial information in a homogenous format to facilitate the consolidation process. This is possible because all countries have the same financial reporting system, i.e. SAP.

Data are downloaded either automatically from SAP or by hand; preventive checks are defined in the tool itself to ensure an adequate data loading. In this way, all information on individual financial statements of all Group entities are centralized in a single tool, with the same accounting plan. This same tool has formalised the financial reporting validation process by the Financial Managers in each country, as described in F.3.1 above.

Most of the information backing up the breakdowns and notes of the annual report is included in the HFM tool. For specific breakdowns not included in the HFM, homogenized and previously defined formats are used, which are forwarded to the Consolidation Department.

The collection and preparation of detailed SCIIF information is centralized by the Group SCIIF manager, who holds interviews with the various Managers of the departments involved in order to gather information that backs up and justifies the SCIIF description.

#### **F.5. Supervision of system operation**



**Report, indicating the main characteristics if you have as a minimum:**

**F.5.1. The SCIIF supervision activities carried out by the Auditing Committee, as well as whether the entity has an internal auditing function entrusted, amongst other competences, with supporting the committee in its supervision of the internal control systems, including the SCIIF. Furthermore, please provide information on the scope of the SCIIF evaluation completed this year and the procedure whereby the evaluation manager announces its results, whether the entity has an action plan describing any future corrective measures, and whether their impact on financial reporting has been taken into account.**

As indicated in section F.1.1 above, the Auditing and Compliance Committee is entrusted with “supervising and periodically reviewing the efficacy of internal control”.

Both the outcome of a self-assessment of Group SCIIF check effectiveness carried out by its owners, and an evaluation of check design by the Group’s Financial Management, through the Group SCIIF function and SAP GRC tool, have been presented and updated for the Group’s Management Committee in July 2015, and the Auditing and Compliance Committees convened over 2015.

The Group has an Internal Auditing function that hierarchically depends on the CEO and is functionally dependent on the Auditing and Compliance Committee. Amongst its tasks, the Internal Auditing Management will support the Auditing and Compliance Committee when supervising adequate operation of the Internal Control System for Financial Reporting, reporting the outcome of any audits both to the Group’s Management Committee and Auditing and Compliance Committee.

Members of the Internal Auditing function are exclusively entrusted with internal auditing tasks.

The Internal Auditing Management is in charge of executing an internal auditing plan for the 2015 financial year, which was approved in December 2014 by the Auditing and Compliance Committee.

The three-year internal auditing plan (2013-2015) includes an audit of key processes in the Group SCIIF. Consequently, over 2015, a total of six audits have been completed in four countries, on SCIIF processes defined as essential. These audits have evaluated check design and have verified their adequate operation; for each one, proposals for improvement have been identified in order to reinforce internal control.

In each case, the relevant report has been issued and reported to the Auditing and Compliance Committee, describing the work executed, recommendations and action plans for any improvement opportunities identified, appraised by risk level.

During the 2016 financial year, supervision audits will continue on adequate operation of the SCIIF in key processes, both in Spain and in other countries covered by the Group.

As for the risk identification and evaluation process for financial information (review of the SCIIF scope matrix, updated each year after the Consolidated Annual Accounts have been drawn up), it was reviewed during the first quarter of 2015.

The Auditing and Compliance Committee issues an annual report on its operation (Annual Activity Report), highlighting the main incidents, if any, in relation to its tasks. Amongst other issues, the 2015 annual report includes:

- Supervision and review of the process to issue and present quarterly and six-monthly financial information, both individual and consolidated, announced to the markets.



- An adequate definition of the consolidation perimeter and accurate application of generally accepted accounting standards.
- A follow-up on the outcome of the SCIIF design evaluation.
- An evaluation of the effectiveness of key SCIIF checks in six of its key processes.
- Supervision of the implementation of an integrated risk management system (tax risks included) and performance in the main risk indicators within the Group.
- Quarterly follow-up on financial risks (liquidity, solvency, exchange rate and credit).
- Review and approval of the following policies: Corporate Social Responsibility Policy, Corporate Risk Management Policy, Corporate Tax Policy, Corporate Policy for Investor Relations.
- Supervision of any circulation and information of the Code of Ethics and Complaints Channel.

**F.5.2. If a negotiating procedure is in place whereby the auditor (in accordance with NTAs), the internal auditing function and other experts, are able to inform the senior management and Auditing Committee or the company directors of any significant internal control weaknesses identified during the review processes of annual accounts, or any others entrusted. Furthermore, please indicate whether an action plan is in place to correct or mitigate the weaknesses observed.**

The Board of Directors' Regulations gathers the power of the Auditing and Compliance Committee to "serve as a communications channels between the Board of Directors and the auditors, to evaluate the outcome of each audit and the response given by the management team to its recommendation, intermediating in any differences between the former and the latter in relation to the principles and criteria applicable when drawing up the financial statements".

Over the 2015 financial year, five meetings have been held of the Auditing and Compliance Committee.

Each year, the auditor formally informs the Auditing and Compliance Committee of any future relevant weaknesses in the internal control system, detected during its work.

The Internal Auditing Management periodically informs the Group's Management Committee and Auditing and Compliance Committee of the outcome of a SCIIF review and of the other internal audits completed during the financial year, as well as the current state of any action plan implementation, arising as a consequence.

## **F.6. Other relevant information**

None.

## **F.7. External auditor's report**

**Report on:**

**F.7.1. Whether SCIIF information sent to the markets has been reviewed by an external auditor, in which case the company should include the relevant report as an Annex. Otherwise, please provide the reasons.**

DIA has handed over SCIIF information, sent to the markets in the 2015 financial year, to be reviewed by an external auditor. The scope of the auditor's review procedures has followed the Guide of Action and standard auditor's report referred to in information on the internal control system for financial information of listed companies (July 2013), issued by the auditing firms.



## **G LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS**

Please describe the extent to which the company has complied with the recommendations of the Code of Good Governance of Publicly Traded Companies.

If any recommendation is omitted or only partly followed, a detailed explanation must be given of the reasons for this, in order to ensure that the shareholders, investors and the market in general have enough information to be able to assess the company's conduct. General explanations will not be accepted.

**1. The Bylaws of listed companies do not limit the number of votes that may be issued by the same shareholder, nor do they contain any other restrictions that hinder the taking of a company's control by purchasing its shares on the market.**

Compliance  Explain

**2. If the parent company and one of its dependent companies are both listed, a public and accurate definition of the following:**

**a) the respective areas of activity and possible business relations between them have been identified precisely, as well as those of the publicly traded subsidiary with other companies in the group.**

**b) The devices foreseen to resolve any future conflicts of interest that may arise.**

Compliance  Compliance in part  Explain  Not applicable

**3. During the General Shareholders' Meeting, as a supplement to the distribution in writing of the annual corporate governance report, the chairman of the Board of Directors informs the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company, and in particular:**

**a) Of the changes that have occurred since the previous General Shareholders' Meeting.**

**b) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and of any alternative rules that may be applicable in this matter.**

Compliance  Compliance in part  Explain

**4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisers that is fully respectful of the rules against market abuse and gives a similar treatment to shareholders that are in the same position.**

**The company makes public this policy through its website, including information relating to the way in which it has been implemented and identifying the contacts or those responsible for carrying it out.**

Compliance  Compliance in part  Explain

**5. The Board of Directors does not submit to the General Meeting of Shareholders a proposal for delegating powers to issue shares or convertible securities, except for the right to preferential subscription, for an amount greater than 20% of the share capital at the time of delegation.**

**And when the Board of Directors approves any issue of shares or convertible securities, not including the right to preferential subscription, the company immediately publishes on its website the reports on this exclusion referred to be company law.**

Compliance  Compliance in part  Explain

**6. Listed companies preparing the reports mentioned below, whether as an obligation or voluntarily, publish them on their websites in sufficient time before the General Meeting of Shareholders, even if their publication is not mandatory:**





- a) Report on the independence of the auditor.
- b) Reports on the operation of the Auditing and Appointments and Remuneration committees.
- c) Auditing Committee report on related operations.
- d) Report on the policy of Corporate Social Responsibility.

Compliance  Compliance in part  Explain

**7. The company broadcasts the general meetings of shareholders live via its website.**

Compliance  Explain

**8. The Auditing Committee oversees the Board of Directors to ensure that if possible it presents the accounts to the General Meeting of Shareholders without any limitations or qualifications in the auditor's report; and that in the exceptional cases when there are qualifications, both the chairman of the Auditing Committee and the auditors explain clearly to the shareholders the content and scope of these limitations or qualifications.**

Compliance  Compliance in part  Explain

**9. The company posts publicly and permanently on its website, the requirements and procedures that it will accept to accredit the ownership of the shares, the right of attendance to the General Meeting of Shareholders and the exercise of delegation of this voting right.**

**These requirements and procedures favour attendance and the exercise of voting rights by the shareholders and are applied in a non-discriminatory way.**

Compliance  Compliance in part  Explain

**10. When a duly registered shareholder has exercised the right to add to the Agenda or present new proposed resolutions before the general meeting of shareholders, the company:**

- a) Immediately makes public these supplementary points and new proposed resolutions.
- b) Makes public the model of attendance card or form of delegating the vote or distance vote, together with the precise modifications, so that the new points on the Agenda and the alternative proposed resolutions can be voted on in the same terms as those proposed by the Board of Directors.
- c) Subjects all these points or alternative proposals to the vote and applies to them the same voting rules as those issued by the Board of Directors, including in particular any assumptions or deductions regarding voting intention.
- d) Following the General Meeting of Shareholders, reports the breakdown of the vote on these supplementary points or alternative proposals.

Compliance  Compliance in part  Explain  Not applicable

**11. If the company plans to pay attendance bonuses to the General Meeting of Shareholders, it should establish in advance a general policy on such bonuses and this policy should be stable.**

Compliance  Compliance in part  Explain  Not applicable

**12. The Board of Directors performs its duties with a single purpose and with independent criteria, treats all shareholders who are in the same position in the same way and is guided by the corporate**



interest, meaning the achievement of a profitable and sustainable business in the long term that promotes its continuity and the maximization of the company's economic value.

In aiming for the corporate interest, as well as respecting the laws and regulations and a good behaviour based on good faith, ethics and respect for commonly accepted customers and good practices, it aims to reconcile the corporate interest with the legitimate interests of its employees, suppliers, customers, and the other stakeholders that may be affected, as appropriate, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliance  Compliance in part  Explain

**13. The Board of Directors is of the right size to ensure effective and participative operation, which means that it is advisable for it to have between five and fifteen members.**

Compliance  Explain

**14. The Board of Directors approves a policy on appointing directors that:**

**a) Is specific and verifiable.**

**b) Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors.**

**c) Favours the diversity of knowledge, experiences and gender.**

The result of the prior analysis of the needs of the Board of Directors is included in the justificatory report from the Appointments Committee published when calling the General Meeting of Shareholders to which the ratification, appointment or re-election of each director is subject to.

The policy for selecting directors fosters the target that in 2020 the number of female directors should represent at least 30% of all the members of the Board of Directors.

The appointments committee shall check compliance with the policy for selecting directors every year and report on this in the annual Corporate Governance Report.

Compliance  Compliance in part  Explain

**15. The nominee and independent directors constitute a broad majority of the Board and that number of executive directors is the smallest possible, taking into account the complexity of the corporate group and the percentage participation held by executive directors in the company's capital stock.**

Compliance  Compliance in part  Explain

**16. The percentage of nominee directors out of the total number of non-executive directors is not greater than the proportion between the company's capital stock represented by these directors and the rest of the capital.**

**This criterion may be eased:**

**a) In companies with a high market value, when there are few shareholdings that are legally considered to be significant.**

**b) When it is a case of companies where there are a number of shareholders represented on the Board and there is no relation between them.**

Compliance  Explain

**17. The number of independent directors is at least half of all the directors.**

However, when the company does not have a high market value, or when it does but has one shareholder or a number acting together who control more than 30% of the capital stock, the number of independent directors is at least a third of the total number of directors.



Compliance  Explain

**18. The companies publish and keep updated the following information on their directors on their website:**

- a) Professional and personal background.
- b) Other boards of directors to which they belong, whether or not of listed companies, as well as information on other remunerated activities they engage in, whatever their nature.
- c) Indication of the type of director, specifying in the case of nominee directors, the shareholder they represent or to which they are related.
- d) Date of the initial appointment as director of the company, as well as the subsequent re-elections.
- e) Shares in the company, and options on such shares, that they own.

Compliance  Compliance in part  Explain

**19. The annual Corporate Governance Report, following review by the Appointments Committee, explains the reasons for the appointment of the nominee directors at the request of shareholders whose holding is under 3% of the capital; and, where appropriate, explains the reasons for not approving formal requests for representation on the Board from shareholders whose holding is at least equal to that of the others at whose request nominee directors have been appointed.**

Compliance  Compliance in part  Explain  Not applicable

**20. Any nominee directors should resign if the shareholder they represent fully transfers its shareholding. They should also resign, in the necessary number, if the shareholder reduces its shareholding down to a figure that requires a decrease in the number of nominee directors.**

Compliance  Compliance in part  Explain  Not applicable

**21. The Board of Directors does not propose the removal of any independent director before expiration of the term of appointment foreseen in the By-laws, unless there is just cause, ascertained by the Board subject to a prior report from the Appointments Committee. In particular, just cause will be deemed to exist if the director takes on a new position or undertakes new duties that prevent him or her from dedicating the time needed to perform the duties of director, infringes the duties inherent to his post or is involved in any of the circumstances entailing loss of independence under applicable law.**

**The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations, entailing a change in the company's capital structure, if such changes in the Board's structure are triggered by the proportionality principle indicated in Recommendation 16.**

Compliance  Explain

**22. The companies establish rules obliging their directors to report and resign, if necessary, in any situations that may damage the company's creditworthiness and reputation. In particular, they should be obliged to inform the Board of any criminal proceedings in which they are charged, including any subsequent procedural vicissitudes.**

**If a director is prosecuted or an order initiating a public trial is delivered against him, for any of the offences foreseen in Company Law, the Board should examine the case as soon as possible and, in light of specific circumstances, decide whether or not the director should remain in his post. The Board should report all of the foregoing, in a reasoned manner, in the Annual Corporate Governance Report.**

Compliance  Compliance in part  Explain



**23. All directors are able to clearly expressly their disagreement if they consider that any proposed decision presented to the Board may be contrary to the corporate interest. The foregoing will also apply, in particular, in the case of independent directors and others not affected by a potential conflict of interests, for decisions that may be detrimental to shareholders not represented on the Board.**

**If the Board adopts significant or reiterated decisions on which a director has made serious reservations, the latter is able to reach the necessary conclusions and, if he decides to resign, should explain his reasons in the letter referred to in the recommendation below.**

**This Recommendation also covers the Secretary of the Board of Directors even if he does not hold director status.**

Compliance  Compliance in part  Explain  Not applicable

**24. If further to a resignation or for other reasons, a director abandons his post before the end of his term, the reasons for this should be explained in a letter forwarded to all of the Board members. Without prejudice to such abandonment being notified as a relevant event, the Annual Corporate Governance Report should explain the reasons for his abandonment.**

Compliance  Compliance in part  Explain  Not applicable

**25. The Appointments Committee should ensure that non-executive directors have sufficient time available for the correct performance of their duties.**

**And the Regulation of the Board of Directors establishes the maximum number of boards of directors of which its directors may form part.**

Compliance  Compliance in part  Explain

**26. The Board of Directors meets as frequently as necessary to perform its duties effectively, and at least eight times a year, following the schedule of dates and issues it establishes at the start of the year. Each director can individually propose Agenda items that are not initially included.**

Compliance  Compliance in part  Explain

**27. Non-attendance by directors is limited to unavoidable cases that are listed in the annual Corporate Governance Report. When non-attendance has to occur, a proxy is granted with instructions.**

Compliance  Compliance in part  Explain

**28. When the directors or the Secretary express concern regarding a proposal, or in the case of directors, on the performance of the company, and these concerns are not resolved by the Board of Directors, this is noted in the minutes at the request of the person who has raised the concerns.**

Compliance  Compliance in part  Explain  Not applicable

**29. The company establishes appropriate channels allowing directors to obtain precise advice on the performance of their duties, including, if circumstances require, external advice at the company's expense.**

Compliance  Compliance in part  Explain

**30. Apart from the knowledge required from the directors to perform their duties, the companies also offer their directors refresher courses to update knowledge where required by the circumstances.**

Compliance  Explain  Not applicable

**31. The Agenda of the meetings indicates clearly those points on which the Board of Directors have to adopt a decision or resolution so that the directors can study or gather in advance the information required for adoption.**



Exceptionally, when for reasons of an emergency, the chairman wishes to submit decisions or resolutions to the Board of Directors for approval that are not included on the Agenda, the prior consent of the majority of directors present will be required, and due note of this will be included in the minutes.

Compliance  Compliance in part  Explain

**32. The directors are regularly informed of changes in the shareholder structure and of the opinions of significant shareholders, investors and ratings agencies on the company and its group.**

Compliance  Compliance in part  Explain

**33. The chairman, as responsible for the efficient operation of the Board of Directors, not only performs the duties established by law and the Bylaws, but prepares and submits to the Board of Directors a schedule of dates and issues to be considered; organises and coordinates the regular evaluation of the Board, and where appropriate, of the company's chief executive; is responsible for the management of the Board and for its effective operation; ensures that it dedicates sufficient time to discussion of strategic questions, and agrees and reviews the programmes for updating each director's knowledge, where advisable.**

Compliance  Compliance in part  Explain

**34. When there is a coordinating director, the Bylaws or the Regulation of the Board of Directors, as well as the corresponding duties under law, the Bylaws or Regulation of the Board of Directors establish for him the following duties: chair the Board of Directors in the absence of the Chairman and of the Deputy Chairmen, where there are such; respond to the concerns raised by the non-executive directors; maintain contacts with investors and shareholders to discover their points of view in order to form an opinion on their concerns, in particular in relation to the company's corporate governance; and coordinate the succession plan for the Chairman.**

Compliance  Compliance in part  Explain  Not applicable

**35. The Secretary of the Board of Directors pays particular attention to ensuring that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in the Code of Good Governance and applicable to the company.**

Compliance  Explain

**36. The full Board of Directors evaluates once a year and adopts, where appropriate, an action plan to correct any deficiencies identified with respect to:**

- a) The quality and efficiency of the operation of the Board of Directors.
- b) The operation and composition of its committees.
- c) The diversity in composition and competences of the Board of Directors.
- d) The performance of the Chairman of the Board of Directors and the company's chief executive.
- e) The performance and contribution of each director, with particular attention to those responsible for the different Board committees.

The evaluation of the different committees is based on the report that they submit to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted in carrying out the evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

The business relations that the consultant and any company in his group have with the company or any company in its group must be disclosed in the annual Corporate Governance Report.

The process and the areas evaluated will be described in the annual Corporate Governance Report.

Compliance  Compliance in part  Explain



**37. When there is an Executive Committee meeting, the structure of participation by the different categories of directors is similar to that of the Board of Directors, and its Secretary is that of the Board.**

Compliance  Compliance in part  Explain  Not applicable

**38. The Board is always informed of the matters discussed and decisions adopted by the Executive Committee, and all the Board members receive a copy of the minutes of all Executive Committee meetings.**

Compliance  Compliance in part  Explain  Not applicable

**39. The members of the Auditing Committee and in particular its chairman, shall be appointed taking into account their knowledge and experience in matters of accounting, auditing and risk management, and most of these members should be independent directors.**

Compliance  Compliance in part  Explain

**40. Under supervision of the Auditing Committee, a unit is in place that assumes the internal audit function and ensures the correct operation of the information and internal control systems. It answers to the non-executive chairman of the Board of Directors or the Auditing Committee.**

Compliance  Compliance in part  Explain

**41. The person in charge of the unit that assumes the function of internal auditing should present his annual work plan to the Auditing Committee, directly informing it of any incidents that may arise and presenting an activity report at the end of each financial year.**

Compliance  Compliance in part  Explain  Not applicable

**42. In addition to those provided for by law, the Auditing Committee has the following duties:**

**1. In relation to data and internal control systems:**

- a) To supervise the drafting process and the integrity of the financial information relating to the company, and where appropriate to the group, reviewing compliance with regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria.
- b) To ensure the independence of the unit that assumes the function of internal auditing; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose the budget for this department; to approve the approach and the work plans, ensuring that their activity is focused mainly on relevant risks for the company; to receive periodic information on its activity; and to check that senior management takes into account the conclusions and recommendations made in its reports.
- c) To establish and supervise a device that enables employees to communicate any irregularities of potential importance, in a confidential and even anonymous manner, if deemed appropriate and possible, to particularly include financial and accounting irregularities, noticed within the company.

**2. In relation to external auditors:**

- a) If the external auditor resigns, examine the circumstances that may have caused this.
- b) Ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
- c) Supervise that the company informs the CNMV of a change of auditor, as a relevant event, including a statement about the future existence of disagreements with the outgoing auditor and the content thereof, if any.
- d) Ensure that the external auditor holds a meeting every year with the full Board of Directors to inform it about the work being done and changes in the accounting situation and risks in the company.



**e) Ensure that the company and the external auditor respect the regulations in place on provision of services other than auditing, the limits to the auditor's business concentration, and in general other regulations on the independence of auditors.**

Compliance  Compliance in part  Explain

**43. The Auditing Committee may summon any company employee or executive, and even order their declaration without the presence of any other executive.**

Compliance  Compliance in part  Explain

**44. The Auditing Committee should be informed of structural and corporate modifications that the company plans in order to review them and inform the Board of Directors in advance of the financial conditions and their accounting impact, in particular of the proposed exchange ratio, where applicable.**

Compliance  Compliance in part  Explain  Not applicable

**45. The risk control and management policy should identify at least:**

**a) The different types of risk, financial and non-financial (among others, operational, technological, social, environmental, political and reputational) faced by the Company. The financial or economic risks include tax risk, contingent liabilities and other off-balance-sheet risks.**

**b) A specific risk threshold that the Company considers acceptable.**

**c) The measures planned to mitigate the impact of risks identified, if they should materialise.**

**d) The information and internal control systems that will be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.**

Compliance  Compliance in part  Explain

**46. Under the direct supervision of the Auditing Committee or, where appropriate, a specialised committee of the Board of Directors, an internal risk control and management function is exercised by an internal unit or department in the Company that has the following functions expressly attributed to it:**

**a) Ensure the proper operation of the systems of risk control and management; in particular they should appropriately identify, manage and quantify all the important risks affecting the company.**

**b) Participate actively in preparing the risk strategy and the important decisions with respect to its management.**

**c) Ensure that the risk control and management functions mitigate the risks sufficiently within the framework of the policy defined by the Board of Directors.**

Compliance  Compliance in part  Explain

**47. The members of the Appointments and Remuneration Committee, or of the Appointments Committee and the Remunerations Committee, if they are separate, are appointed with the idea that they should have the knowledge, attitudes and experience that are appropriate to the functions they are to perform and that most of these members should be independent directors.**

Compliance  Compliance in part  Explain

**48. Companies with a high market value should have a separate Appointments Committee and Remunerations Committee.**

Compliance  Explain  Not applicable

The Board of Directors has carefully assessed this possibility and has preferred to maintain the current structure of a single committee for the present time, without this ruling out any future decisions in this respect. The reasons justifying this decision are: (a) the high level of know-how and experience of the current



members of the Committee, whose combined experience in the specific matters relating to the Committee suggest that action should be joint and interactive, leading to more effective and productive work; (b) the recent constitution of the current Board of Directors (2011), which so far has not made it necessary to undertake an in-depth plan to renew its members; (c) the limited number of executive directors (only 1), which facilitates the handling of these issues; (d) the accumulated experience in these first 5 years since the Company went public, which means we can state that the tasks have been undertaken competently, opportunely and with good results; and (e) the composition and size of the Board of Directors, with only 10 members and the Group's relatively simple corporate structure.

**49. The Appointments Committee should consult the Chairman of the Board of Directors and the Company's chief executive, particularly in the case of matters related to executive directors.**

**The possibility of any director being able to request that the Appointments Committee take potential candidates into account, if deemed suitable in its opinion, in order to cover director vacancies.**

Compliance  Compliance in part  Explain

**50. The Remunerations Committee should exercise its functions independently and as well as the tasks attributed to it by law, it has the following duties:**

- a) To propose to the Board of Directors the basic conditions of the contracts of senior managers.
- b) To check that the remuneration policy established by the company is being adhered to.
- c) To review periodically the remunerations policy applied to directors and senior management, including the share-based remuneration systems and their application; and to guarantee that individual remuneration is proportionate to what is paid to other directors and senior managers in the Company.
- d) Ensure that possible conflicts of interest do not harm the independence of the external advice provided to the committee.
- e) Check the information on the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliance  Compliance in part  Explain

**51. The Remuneration Committee should consult the Company's Chairman and chief executive, particularly in the case of matters related to executive directors and senior managers.**

Compliance  Compliance in part  Explain

**52. The rules on the composition and operation of the supervision and control committees appear in the Regulation of the Board of Directors and are consistent with those applicable to the legally obligatory committees in accordance with the above recommendations, including:**

- a) They are composed exclusively of non-executive directors, with a majority of independent directors.
- b) Their chairmen are independent directors.
- c) The Board of Directors appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the duties of each committee, and deliberates on their proposals and reports; and the Board reports on their activity at the first full Board of Directors meeting following its meetings, where they answer for the work done.
- d) The committees may have recourse to external advice when they consider it necessary to perform their duties.
- e) Minutes are drafted of the meetings, and made available to all the directors.

Compliance  Compliance in part  Explain  Not applicable

**53. Supervision of compliance with the rules on corporate governance, the internal codes of conduct and the policy on corporate social responsibility is attributed to one committee or is divided between a number of committees of the Board of Directors. They may be the Auditing Committee, the**





Appointments Committee, the Corporate Social Responsibility Committee (if there is one), or a specialised committee that the Board of Directors, in the exercise of its faculty of self-organisation, decides to create for this purpose, to which the following minimum tasks are specifically attributed.

- a) Supervision of compliance with the internal codes of conduct and the rules of the company's corporate governance.
- b) Supervision of the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodic evaluation of the appropriateness of the company's system of corporate governance, with the aim of complying with its mission to promote the corporate interest and take into account the legitimate interests of the other stakeholders, as appropriate.
- d) Review of the company's corporate social responsibility policy, ensuring that it is geared to creating value.
- e) Monitoring of the strategy and practice of corporate social responsibility and evaluation of the level of compliance.
- f) Supervision and evaluation of the processes of engagement with the different stakeholders.
- g) Assessment of everything related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting non-financial information and information on diversity, in accordance with the regulations applicable and international standards in the area.

Compliance  Compliance in part  Explain

**54. The corporate social responsibility policy includes the principles or commitments assumed by the company voluntarily in its relations with different stakeholders, and should identify at least:**

- a) The goals of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to the sustainability, environment, and social questions.
- c) The specific practices on questions related to: shareholders, employees, customers, suppliers, social questions, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal conduct.
- d) Methods or systems of monitoring the results of the application of specific practices specified in the above point, associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for communication, participation and dialogue with stakeholders.
- g) Responsible communication practice that prevents formation manipulation and protects integrity and honour.

Compliance  Compliance in part  Explain

**55. The company should report in a separate document or management report on the issues related to corporate social responsibility, using some of the internationally accepted methodologies for this purpose.**

Compliance  Compliance in part  Explain

**56. The remuneration of directors should be sufficient to attract and retain the directors with the required profiles and to remunerate the dedication, qualification and responsibility required by the position, but not so high that it compromises the independent judgment of non-executive directors.**

Compliance  Explain



**57. Variable remuneration linked to the company's performance and personal performance should be limited to executive directors, as should remuneration based on delivery of shares, options or rights to shares, or instruments that depend on the value of the shares and the systems of long-term savings such as pension plans, retirement plans or other social insurance systems.**

**Delivery of shares may be used as remuneration for non-executive directors when it is conditional on them being held until their end their period as directors. The above will not be applicable to the shares that the director may need to dispose of in order to pay the costs related to their acquisition.**

Compliance  Compliance in part  Explain

**58. In the case of variable remuneration, the remuneration policies include limits and precise technical thresholds to ensure that the remuneration is related to the professional performance of their beneficiaries and does not only derive from the general movements of market prices or the company's sector of activity, or other similar circumstances.**

**And in particular, the variable component of remunerations:**

- a) Should be linked to predetermined and measurable performance criteria, and these criteria should consider the risk assumed to obtain a result.**
- b) Should promote the company's sustainability and include non-financial criteria that are appropriate for the creation of value in the long-term, such as compliance with the company's rules and internal procedures and its policies for risk control and management.**
- c) Should be organised on the basis of a balance between compliance with short-term, medium-term and long-term objectives, which allow remuneration of performance for continued work during a period of time that is sufficient for its contribution to the sustainable creation of value to be appreciated, so that the elements for measuring this performance do not solely involve one-off, occasional or extraordinary events.**

Compliance  Compliance in part  Explain  Not applicable

**59. The payment of a significant part of the variable components of remuneration is deferred for a minimum period of time that is sufficient to check that the previously established conditions for performance have been complied with.**

Compliance  Compliance in part  Explain  Not applicable

**60. The remuneration related to the company results takes into account the possible exceptions included in the external auditor's report that reduce these results.**

Compliance  Compliance in part  Explain  Not applicable

**61. A significant percentage of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments linked to their value.**

Compliance  Compliance in part  Explain  Not applicable

**62. Once the shares or options or rights on the shares corresponding to the remuneration systems have been allocated, the directors may not transfer the ownership of a number of shares equivalent to twice their fixed annual remuneration, nor may they exercise the options or rights for at least three years from the time of their allocation.**

**The above will not be applicable to the shares that the director may need to dispose of in order pay the costs related to their acquisition.**

Compliance  Compliance in part  Explain  Not applicable

The Company partially complies with this recommendation as the directors have established a limitation on the transfer of the shares that they receive as directors, insofar as external directors may be remunerated through provision of shares provided that they undertake to maintain the shares until their resignation as directors.



In the case of executive directors who may be remunerated through corporate shares, according to the Regulation on the Board of Directors (article 33) once the shares or options or rights in shares corresponding to remuneration systems have been allocated, the directors may not transfer ownership of a number of shares equal to twice the amount of their fixed annual remuneration, nor may they exercise the options or rights until a term of at least three years has elapsed from the time of their allocation. The foregoing shall not apply to (a) shares that the director needs to dispose of, as appropriate in order to defray the costs of their acquisition; and (b) delivery schedules for shares, share options or instruments linked to their market value which were current on the date of entry into force of aforementioned article 33 of the Regulation.

As a result shares delivered to executive directors within the framework of the delivery schedules prior to the last amendment of the Regulation on the Board (17 March 2015) would not be subject to this limitation on transferability .

**63. The contractual agreements include a clause that allows the company to claim the repayment of the variable components of the remuneration when the payment has not met the performance conditions, or when payment has been based on data that is subsequently proved to be erroneous.**

Compliance  Compliance in part  Explain  Not applicable

**64. Severance payments should not be greater than the equivalent to two years of total annual remuneration and should not be paid until the company has checked that the director has complied with the previously established criteria for remuneration.**

Compliance  Compliance in part  Explain  Not applicable

## H. OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect related to corporate governance in the company or its group entities, not covered in the other sections of this report, but which should be included in order to gather full and justified information about governance structure and practice in the company or its group, please describe briefly.
2. This section may also include any other information, clarification or specification related to the foregoing sections of this report, insofar as relevant and not repetitive.

Specifically, please indicate whether the company is subject to laws other than Spanish legislation on corporate governance and, if applicable, any other information it is obliged to provide, other than the one required in this report.

3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practice, whether international, in each sector or other. If so, please provide the code and date of adhesion. In particular, indicate whether it has adhered to the Code of Good Tax Practices of 20 July 2010.

### SECTION A.2

The information in this section relates to the information contained in the official records of significant holdings of the "Comisión Nacional del Mercado de Valores" (CNMV). In some cases there may be differences between the information in the records of the CNMV and the information provided to the Company. This can be partly explained by the fact that notifications of significant holdings are not updated for example with the new share capital figure following the Company's capital reduction or because holdings are communicated in CNMV which include financial instruments. (Norges Bank).

Furthermore it is stated that on 27 January 2016, AMERIPRISE FINANCIAL, INC notified cancellation of its indirect holding in DIA's share capital and on that same date, COLUMBIA WANGER ASSET MANAGEMENT, LLC notified the indirect title to 3.282% of voting rights through various investment funds and other accounts.

### SECTION C.1.2

Please note that at the date of issue of this report the Board of Directors of the Company has agreed at the request of the Appointments and Remuneration Committee, to appoint Ms. Angela Spindler as independent director of the Company, covering the vacancy produced by the resignation of Mr. Nicolas Brunel on 17 June 2015.

### SECTION C.1.16

The total amount of senior management remuneration at a consolidated level contained in this section includes the value of the shares delivered to senior executives as part of the incentives plan for managers (2011-2014), as well as



the remuneration payable to Ms. Concepción Bravo, member of senior management until May 2015 and the remuneration of Mr. Juan Pedro Agustín and Mr. José Antonio Lombardía, new members of the senior management in 2015.

#### **SECTION C.1.29**

For the purpose of clarification, please note that of the nine meetings of the Board of Directors in 2015, seven were formal meetings and the other two were meetings to debate on strategic aspects, with no formal minutes being taken of this meeting.

#### **SECTION C.1.37**

It is hereby stated that the professional fees incurred by the auditors for auditing services and non-auditing services, provided to the DIA Group during the year to which this Report refers, have totalled 1,397 Million Euros

#### **SECTION C.1.39**

In order to calculate the years during which the current auditing firm has audited the Company's accounts in an uninterrupted manner, the first registration date of the firm as DIA's auditor has been taken into account, i.e. 1992.

#### **SECTION C.1.44**

The Company has entered into finance agreements that include modifications to or terminations of this finance if there is a change in the control of the Company, although it is not specified that this is so in case of a takeover bid.

Apart from the above, it is worth mentioning that the Company has entered into certain lease agreements for shop premises (not considered individually significant agreements) that include clauses with modifications or the repudiation or termination of these agreements in case of company operations that represent changes of control in the Company or its partners, though they do not refer expressly to changes in control derived from takeover bids.

#### **SECTION C.2.1**

It is hereby stated that the members of the Auditing and Compliance Committee, and not only its Chairman, has been appointed based on his knowledge and experience in accounting or auditing matters, or both.

#### **SECTION D.6**

Without prejudice of the mechanisms detailed in this Section, it is hereby stated that the Company during 2015 has identified the following situations:

- The consultancy Global Ideas4all S.L., of which the Chairwoman of the Board, Ms. Ana María Llopis is Chief Executive Officer, invoiced the Company for a total of 3,630 euros in 2015 for advice on a project for launching ideas with the participation of the directors (Innovation Agora). This amount is not relevant, and it is not therefore necessary to report this transaction, pursuant to Order EHA/3050/2004, of 15 September, on reporting related-party operations that must be provided by companies issuing securities traded on official secondary markets, to the extent that this can be understood as a case of transactions involved in the company's ordinary business or operations, which have been made in normal market conditions and are of little significance, these being understood to be those whose information is not required to express a true and fair view of the company's equity, financial situation or earnings.
- The Director Mr. Pierre Cuilleret has stated that his spouse remains an independent Director of the Board of Carrefour Société Anonyme (company that has the same corporate object of DIA). Additionally, the spouse of Mr. Cuilleret is the owner of 34,580 shares of Carrefour Société Anonyme (0.005% of the capital of the aforementioned company). This information was included for the first time in the 2012 Annual Corporate Governance Report of publicly traded Companies, year in which his spouse was appointed as an independent Director of the referred company, according to the information required in the Annual Corporate Governance Report of publicly traded Companies model applicable at that time.

#### **SECTION E.6**

On 11 December 2015, the Board of Directors of DIA approved the Corporate Social Responsibility Policy, which is a framework of reference at corporate level that responds to DIA's commitment in the following areas:



1. Responsible management. Compliance with best practices of Good Governance and the establishment of a framework of action based on ethics, transparency and efficient risk management.
2. Commitment to the people and groups with which it interacts. Job creation, the development of the franchise, agreements with suppliers, collaboration on the socio-humanitarian aid programmes and the creation of value for shareholders and the company.
3. The franchises. Offer franchisees the appropriate knowledge and tools to manage their business efficiently.
4. Quality and price. Offer consumers solutions to their food and mass market product needs based on a commitment to quality and price that is unique on the market.
5. Caring for the environment. DIA innovates in its day-to-day work to reduce energy consumption, limit the environmental footprint of its logistical activities and manage its emissions, consumption and waste properly.

DIA endorsed the United Nations Global Compact on 15 March 2012, subscribing to its 10 principles and integrating them into the core strategic elements of its CSR policy. DIA also joined the entities associated to Forética (a global network of organisations and professionals involved in the development of CSR) on 6 May 2013.

Compliance procedures for various regulations affecting the Company:

The Company should identify, measure and minimize any legal risks, continuously observing the regulatory framework applicable and informing about compliance with legal obligations to the internal persons in charge of operations.

In order to execute and adequately fulfil this task, the Company has an organizational structure that consists of a Human Resources Department, a Financial & Tax Department and a Legal Department, in all jurisdictions where it operates; the foregoing are in charge of identifying applicable regulations and ensuring their compliance.

In order to adequately identify the regulatory framework and supervise its compliance, DIA has undertaken the following steps:

1. To establish an identification and regulatory monitoring procedure

The Legal Department has provided to the Company a so-called “regulation map”, identifying and describing all regulations applicable to DIA, to specifically include key legislation in the main supply chain processes, classified into six sections:

- legislation applicable to the product negotiation process, i.e. DIA’s relationship with its services and merchandise suppliers, competitors, regulating boards, trademarks, etc.;
- legislation applicable to logistics, i.e. merchandise storage, distribution and transport;
- legislation applicable to the wholesale and retail trade;
- legislation applicable to commercial premises, urban leases, horizontal property, local taxes, opening hours, etc.;
- legislation applicable to DIA’s relationship with its clients, personal data protection, supplies consumed, method of payment, advertising and promotion of sales, etc.;
- legislation applicable to DIA, as a listed company, securities market matters, internal conduct regulations, etc.

In turn, the Legal Department is in charge of informing the rest of the Company about the content and scope of any novelties and/or regulatory changes, arranging and holding formative meetings, either in person or as e-learning, if the legislative novelty has a relevant effect on DIA’s activity.

In order to carry out this task, the Legal Department has established a procedure to supervise and update regulations and communications, whereby it defines the resources, responsibilities and internal/external tools required to perform this task and achieve a double objective: providing an updated regulatory map and an organization that is aware of its legal obligations.

The Financial Department and Human Resources Department, in turn, respectively have the necessary procedures to check all tax and employment regulations; they are in charge of a subsequent cross-implementation in all of the Company’s lines of business.

2. Incorporation of a Regulatory Compliance Unit and appointment of a Regulatory Compliance Manager.



DIA has a Regulatory Compliance Unit (hereinafter, "RCU"), entrusted with duties in regulatory compliance and Company corporate governance matters. The RCU is in charge of ensuring that obligations are effectively fulfilled, foreseen in the Internal Regulations on Conduct in Securities Market Matters (hereinafter, "IRC"). Its main tasks are the following, amongst others:

- To encourage awareness of the IRC and rules of conduct in securities market matters, and ensure their compliance.
- To determine who is affected by the IRC and any restricted activity periods, dispensation or required authorisations to carry out operations with securities.
- To file disciplinary proceedings for a breach of the IRC.
- To periodically inform the Auditing and Compliance Committee of the Board of Directors about any measures adopted to promote IRC awareness and ensure its compliance.

The RCU is a collegiate and independent body, consisting of three members, who are in charge of the human resources, financial and legal departments. Furthermore, it is backed up by an external advisor in securities market matters.

Likewise, the company has a Regulatory Compliance Manager (hereinafter, the RCM), designated by the Board of Directors' Secretary and ratified by the Auditing and Compliance Committee. The RCM belongs to the RCU and, in turn, acts as the Legal Manager of the DIA Group and as Vice-Secretary of the Board of Directors. The RCM is in charge of adequate operation of the RCU, acts as spokesman with the CNMV, and ensures compliance with the IRC, controlling and registering any operations with securities.

As regards the task of control and registration of operations with securities, the Company has established a procedure to communicate any operations with securities, which is mandatory for anybody subject to the IRC.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 23/02/2015.

Please note if any directors voted against or abstained, in relation to approval of this Report.

Yes  No



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Auditors' Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of Distribuidora Internacional de Alimentación, S.A. for 2015

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

To the Directors

Distribuidora Internacional de Alimentación, S.A.

As requested by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (the "Company") and in accordance with our proposal letter dated 19 January 2016, we have applied certain procedures to the "Information concerning the ICFR" attached in section F of the Annual Corporate Governance Report of Distribuidora Internacional de Alimentación, S.A. for 2015, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Action Guide referring to the Auditors' Report on Information on Internal Control over Financial Reporting for listed entities*, published on the website of the Spanish Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2015 described in the attached Information concerning the ICFR. Consequently, had additional procedures been applied to those defined in the Action Guide, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to the current Audit Law in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

- 1 Reading and understanding of the attached information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the ICFR description, of the standard Annual Corporate Governance Report pursuant to CNMV Circular 7/2015 of 22 December 2015.
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Spanish Companies Act and CNMV Circular 7/2015 of 22 December 2015 for the purposes of describing ICFR in the Annual Corporate Governance Reports.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Carlos Peregrina García

23 February 2016