

## APPENDIX I

### ANNUAL CORPORATE GOVERNANCE REPORT OF PUBLICLY TRADED COMPANIES

#### IDENTIFYING DATA OF ISSUER

<b>CLOSING DATE OF REFERENCE FISCAL YEAR</b>	31/12/2014
<b>C.I.F.</b>	A28164754

#### COMPANY NAME

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

#### REGISTERED OFFICE

CL 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
29/08/2013	65,107,055.80	651,070,558	651,070,558

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

YES

No [X]

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
JOINT ACTION	0	57,977,183	8.90%
BAILLIE GIFFORD & CO	0	52,450,384	8.06%
BLACKROCK INC.	0	20,475,064	3.14%

Name or company name of the indirect holder of the shares	Name or company name of the direct holder of the shares	Number of voting rights
JOINT ACTION	GROUP ARNAULT SAS	0
JOINT ACTION	CERVINIA EUROPE	32,023.905
JOINT ACTION	BLUE PARTNERS, S.À.R.L.	25,953.278
BAILLIE GIFFORD & CO	BAILLIE GIFFORD OVERSEAS LIMITED	52,450,384
BLACKROCK INC.	SEVERAL	20,475,064

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

Name or company name of shareholder	Date of operation	Description of operation
JOINT ACTION	25/03/2014	Exceeded 5% of the share capital
BAILLIE GIFFORD & CO	22/01/2014	Exceeded 5% of the share capital

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:

Name or company name of board member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MS ROSALÍA PORTELA DE PABLO	34,861	0	0.01%
MR MARIANO MARTÍN MAMPASO	34,248	0	0.01%
MR RICARDO CURRÁS DE DON PABLOS	56,647	0	0.01%
MR JULIÁN DÍAZ GONZÁLEZ	38,373	0	0.01%
MS ANA MARÍA LLOPIS RIVAS	43,329	0	0.01%
MR ANTONIO URCELAY ALONSO	21,665	0	0.00%
MR RICHARD GOLDING	27,806	0	0.00%
MR NADRA MOUSSALEM	34,841	0	0.01%
MR NICOLAS BRUNEL	34,248	0	0.01%
MR PIERRE CUILLERET	37,187	391.976	0.07%

Name or company name of the indirect holder of the shares	Name or company name of the direct holder of the shares	Number of voting rights
MR PIERRE CUILLERET	RELATED PERSON	34,580
MR PIERRE CUILLERET	RELATED PERSON	119,132
MR PIERRE CUILLERET	RELATED PERSON	119,132
MR PIERRE CUILLERET	RELATED PERSON	119,132

% total voting rights held by members of the board of directors	0.14%
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Fill in the following tables on members of the company's board of directors who own stock options 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 [X]

No []

Those involved in the shareholder agreement

BLUE PARTNERS S.À.R.L.  
CERVINIA EUROPE

Percentage of share capital affected: 8.90%

Brief outline of the agreement:

On 2 October 2013, notice was given of the existence of a shareholder agreement that involved Blue Partners S.à r.l and Cervinia Europe in relation to the concerted action notices involving Groupe Arnault SAS, Colyzeo Investors II, LP and Colony Investors VIII, LP that had been submitted to the CNMV register on 25 September 2013 (registration number 193,399). Furthermore, these notices resulted from a shareholder agreement affecting the voting rights of the shares of Distribuidora Internacional de Alimentación, S.A. ("DIA" or the "Company") that Cervinia Europe and Blue Partners S.à r.l. had received following the demerger of Blue Capital S.à r.l.

Those involved are parties to the existing shareholder agreement.

Indicate whether or not the Company is aware of the existence of concerted actions amongst its shareholders.

If so, describe briefly:

Yes

No

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

The shareholder agreement has not been amended during the year.

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

Comments

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
8,762	11,500,000	1.77%

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
SOCIÉTÉ GÉNÉRALE	11,500,000
<b>Total:</b>	11,500,000

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

Notification date	Total direct shares acquired	Total indirect shares acquired	% share capital
05/08/2014	66,698	6,207,317	0.96

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

The Sole Shareholder of Distribuidora Internacional de Alimentación, SA (“DIA” or the “company”), on 9 May 2011, agreed to authorise the Board of Directors to undertake a derivative acquisition of own shares, under the terms and conditions given below:

Expressly authorise the Board of Directors, with express functions of delegation, in accordance with Article 146 of the Companies Act, to undertake a derivative acquisition of shares of the Company, in the following conditions:

- (a) The acquisitions may be made directly by the Company or indirectly through its dependent companies under the terms specified herein.
- (b) The acquisitions shall be made through purchase/sale, exchange or any other transactions permitted under law.
- (c) The acquisitions may be carried out at any time, up to the maximum amount permitted by law.
- (d) The acquisitions may be carried out at any price that is justified, although once the shares of the Company are admitted to trading, they may not be made at a price above the stock market trading price.
- (e) The above authorisation is granted for a maximum period of five (5) years from the entry into force of the agreement in which it was adopted.

It was expressly noted that the shares acquired as a result of this authorisation may be used for their direct delivery to workers or directors of the Company, or as a result of the exercise of the option rights of which the workers or directors are holders, in accordance with the provisions of paragraph three of section 1 a) of Article 146 of the Companies Act.

Article 31.4 (f) of DIA’s articles of association provides 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.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

**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

If applicable, explain the measures approved and the terms under which the restrictions would not be enforceable:

**A.12 Indicate whether the company has issued shares that are not traded on a regulated Community market.**

Yes  No

Where applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations they confer.

## **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

**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

Describe in what way the regime under the Companies Act is different.

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

The rules applicable are in line with the regulations established by the Companies Act. Hence, according to Article 16 of the Articles of association, the General Shareholders Meeting is the competent body to amend the Articles of association.

With respect to the right to information in the case of amendment, Article 19 of the Articles of association lays down that in addition to the mentions required by law, the notice of a General Shareholders 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 it.

Likewise, under Article 286 of the Companies Act, when an amendment is proposed to the articles of association, 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 General Shareholders Meeting that is to deliberate on this amendment. With respect to the quorum and the votes needed to agree an amendment to DIA's Articles of association, the shareholders present or represented at the first call must own at least 50% of the paid-up share capital with voting rights. In the second call, shareholders representing 25% of the paid-up share capital with voting rights will be sufficient, but when less than 50% of this share capital is represented, the resolution to modify the Articles of association will require a positive vote of two thirds of the share capital present or represented at the Annual General Meeting.

It is noted that the Company is preparing a revision and amendment of its internal regulation to adapt it to the legal reforms introduced by Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance.

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	
26/04/2013	7.99%	51.28%	0.00%	0.00%	59.27%
25/04/2014	0.98%	58.61%	0.00%	0.00%	59.59%

B.5 Indicate whether there is any restriction in the articles of association establishing a minimum number of shares needed to attend the GSM:

Yes  No

B.6 Indicate whether any specific decisions have been agreed that involve a structural modification to the company ("subsidiarisation", purchase/sale of essential operational assets, operations equivalent to the liquidation of the company, etc.) must be subject to approval by the GSM, even though this is not expressly required by mercantile law.

Yes  No

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

DIA's URL is [www.diacorporate.com](http://www.diacorporate.com). Corporate governance information can be accessed by selecting the "Shareholders and Investors" tab and then clicking on the "Corporate Governance" tab. This will display information on the Board of Directors, Committees or internal rules and regulations of the Company. The "General Meeting" tab displays information regarding the Company's General Meetings that must be made available for shareholders.

When an GSM is called, information on the General Meeting is also made available to all shareholders 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 articles of association:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5

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

Name or company name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MS ROSALÍA PORTELA DE PABLO		CHAIRPERSON	05/07/2011	26/04/2013	GENERAL MEETING RESOLUTION
MR MARIANO MARTÍN MAMPASO		VICE CHAIRPERSON	05/07/2011	25/04/2014	GENERAL MEETING RESOLUTION
MR RICARDO CURRÁS DE DON PABLOS		CEO	28/06/2000	26/04/2013	GENERAL MEETING RESOLUTION
MR JULIÁN DÍAZ GONZÁLEZ		DIRECTOR	05/07/2011	26/04/2013	GENERAL MEETING RESOLUTION
MS ANA MARIA LLOPIS RIVAS		CHAIRPERSON	05/07/2011	26/04/2013	GENERAL MEETING RESOLUTION
MR ANTONIO URCELAY ALONSO		DIRECTOR	05/07/2011	25/04/2014	GENERAL MEETING RESOLUTION
MR RICHARD GOLDING		DIRECTOR	05/07/2011	25/04/2014	GENERAL MEETING RESOLUTION
MR NADRA MOUSSELEM		DIRECTOR	05/07/2011	25/04/2014	GENERAL MEETING RESOLUTION
MR NICOLAS BRUNEL		DIRECTOR	05/07/2011	26/04/2013	GENERAL MEETING RESOLUTION
MR PIERRE CUILLERET		DIRECTOR	05/07/2011	26/04/2013	GENERAL MEETING RESOLUTION

<b>Number of board members</b>	10
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Indicate any resignations that have taken place in the board of directors during the reporting period:

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

## EXECUTIVE DIRECTORS

Name or company name director	Committee proposing appointment	Position in the company's organisation chart
MR RICARDO CURRÁS DE DON PABLOS	NOMINATION AND REMUNERATION COMMITTEE	CEO

Total number of executive directors	1
% of the total board	10.00%

## OUTSIDE PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Name or company name of the significant shareholder he or she represents or who proposed appointment
MR NADRA MOUSSALE	NOMINATION AND REMUNERATION COMMITTEE	BLUE PARTNERS S.À R.L.

Name or company name of board member	Committee informing of his/her appointment	Name or company name of the significant shareholder he or she represents or who has proposed his or her appointment
MR NICOLAS BRUNEL	NOMINATION AND REMUNERATION COMMITTEE	CERVINIA EUROPE

Total number of proprietary directors	2
% of the board	20.00%

## OUTSIDE INDEPENDENT DIRECTORS

### Name or company name of director:

MS ROSALÍA PORTELA DE PABLO

#### Profile:

Ms. Portela has a degree in Economics from Universidad Complutense de Madrid and a master's degree in Economics from the University of Memphis. After a long career at Procter & Gamble, she worked for Repsol, Kimberly Clark and Telefónica. She subsequently transferred to ONO, where she was Managing Director until September 2014. Ms Portela has extensive experience in the consumer goods, retail food, and telecommunications sectors. She's currently in the Board of Directors of Deoleo, S.A.

### Name or company name of director:

MR MARIANO MARTÍN MAMPASO

#### Profile:

Mr Martín Mampaso has a degree in Economics. He joined Procter and Gamble in 1976 and stayed with the company for 33 years, taking different responsibilities both in Spain and abroad. He retired as president for global sales in June 2009. He is currently a member of the board of directors of AECOC, of the Governing Board of GS1 US, and the Executive Committee of the Global Commerce Initiative and of the Board of Directors of Zinkia Entertainment S.A.



**Name or company name of director:**

MR JULIÁN DÍAZ GONZÁLEZ

**Profile:**

Mr Díaz González is a graduate in Business Administration and Management from the Universidad Pontificia de Comillas - ICADE. After holding the positions of General Manager with TNT Leisure, S.A., General Manager of the Airports Division of Aldeasa, General Manager of Aeroboutiques de México S.A. de CV and General Manager of Deor S.A. de CV, he joined Latinoamericana Duty-Free, S.A. de CV. Since 2004 he has served as CEO (Chief Executive Officer) of Dufry AG. He is also a member of the Board of Directors of Dufry International AG and of Duty Free Caribbean Holdings, and President of the Group Executive Committee of Dufry AG.

**Name or company name of director:**

MR ANTONIO URCELAY ALONSO

**Perfil:**

Mr Urcelay has a Law degree from Universidad Complutense de Madrid. Throughout his professional career he has had several roles, including the following: member of the marketing department of Procter & Gamble, General Manager of Ahold Spain, lawyer at the J & B Cremades firm, General Manager of the Digsa, S.A. supermarket chain and subsequently, of Leche Pascual. In 1996 he joined Toys R Us Europe, where he has held several positions in Spain and internationally.

He is Chairperson of the Board of Directors and CEO of Toys R US Inc. since 2013, where he is responsible for the company's businesses around the world.

He is also in the Executive Board of AECOC, Spain's barcode association, and represents Paurig, S.L. on the advisory board of the BodyBell Group.

**Name or company name of director:**

MR RICHARD GOLDING

**Profile:**

Mr Golding holds a BA in Business Administration from the London Thames University. During his career he has held positions including the following: Marketing Manager at Cadbury Schweppes, CEO of Aspro Ocio, CEO of Dorna Promoción del Deporte, CEO of Two Wheel promotion, Chairperson for the tobacco business and part of the food business of RJR Nabisco for Spain, Portugal, Italy, France, Andorra and the United Kingdom and Executive Chairman and Member of the Board of Directors of the Parques Reunidos group. He is currently Senior Advisor to Parques Reunidos and Industry Advisor to Advent International.

**Name or company name of director:**

MR PIERRE CUILLERET

**Profile:**

Mr Cuilleret is a graduate of the HEC in Paris. He also studied at the University of Berkeley and the Stockholm School of Economics. After a period with the Bouygues group in the United Kingdom and Gemini Consulting in France, he founded The Phone House in 1996. In 2000 he became Managing Director of Carphone Warehouse Group Plc. insurance group. Since August 2005 until 2014, he has held the position of Managing Director of Micromanía and from 2011 to 2014 he served a Senior Vice President for GameStop. He currently serves as independent director of Desigual, S.A. and is a mentor at the Institut du Mentorat Entrepreneurial.

<b>Total number of independent directors</b>	6
<b>% total of the board of directors</b>	60.00%

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.

No independent director is paid any sums by the Company, other than his or her remuneration as director, or has had a business relationship with the Company or its group.

Where appropriate, a reasoned statement must be included from the board on the reasons why it is considered that this director may perform his or her functions as independent director.

## OTHER OUTSIDE DIRECTORS

Name or company name of director	Committee that has informed or proposed their appointment
MS ANA MARÍA LLOPIS RIVAS	NOMINATION AND REMUNERATION COMMITTEE

<b>Total number of other external directors</b>	1
<b>% total of board members</b>	10.00%

Specify the reasons why consideration cannot be given to proprietary or independent directors and their bonds with the company or its executives or with its shareholders:

### Name or company name of the director:

MS ANA MARÍA LLOPIS RIVAS

### Company, executive or shareholder with whom she maintains the bond:

#### SOCIÉTÉ GÉNÉRALE

#### Reasons:

On 24 May 2011, Société Générale's General Shareholders Meeting appointed Ms Ana María Llopis as independent director of the Board of Directors of the company for a period of four years.

In addition, Société Générale maintained significant business relations with DIA in 2014 (it is party to a syndicated agreement, counterparty to an equity swap agreement on DIA shares, acts as global coordinator for DIA's bond issue, and it also advised DIA on obtaining a financial rating).

As a result of these circumstances, Ms Ana María Llopis is considered another outside director, in accordance with, on the one hand, her classification as independent director in Société Générale and, on the other hand, the fact that Société Générale has the abovementioned business relations with DIA.

In any event, Ms Ana María Llopis has never participated in the selection process of Société Générale for the provision of services to DIA, and has always abstained from taking part in the deliberations and decision-making processes affecting both companies.

The following is a brief summary of the profile of Ms Ana María Llopis. She has a degree in Physics from the University of Maryland and a PhD in Materials Sciences Engineering from the University of Berkeley. After a period in Procter & Gamble, Banesto and Schweppes, she was the founder and CEO of Openbank, after which she formed part of the Supervisory Board of ABN Amro. Until April 2011, she was a director of British American Tobacco. She is also director of Société Générale and AXA España.

Indicate any changes that have taken place during the period in the type of each director:

C.1.4 Complete the following table with the information relating to the number of female directors in the last 4 years, as well as their nature:

	Number of female directors				% of total directors of each type			
	2014	2013	2012	2011	2014	2013	2012	2011
<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	16.67%	16.67%	16.67%	16.67%
<b>Other outside</b>	1	1	1	1	100.00%	100.00%	100.00%	100.00%
<b>Total:</b>	2	2	2	2	20.00%	20.00%	20.00%	20.00%

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 the measures**

Article 18 of the Regulation of the Board of Directors states that the Board shall ensure that the selection process for directors do not have any implicit bias that makes the selection of female directors difficult; and that the Company should deliberately search for and include women with the appropriate profile among the potential candidates.

Furthermore, pursuant to the legal amendments to the Companies' Act regarding corporate governance matters, the Nomination and Remuneration Committee will be responsible for setting a gender representation target for the least represented gender in the Board.

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 the measures**

In 2013, the General Shareholders Meeting re-elected two DIA female directors, who continued in 2014. One of these two female directors is also Chairwoman of the Company's Board of Directors.

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**

This section does not apply, because, as it has been explained in section C.1.5 above, the Regulation of the Board promotes that pre-selection criteria be objective and do not hinder the selection of female directors. As a result, 20% of DIA's Board is composed of female directors and it is one of the few Board of Directors of the Ibex-35 companies in which the Chairperson is also a woman.

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

The shareholders with significant holdings Blue Partners S.à r.l. and Cervinia Europe (see section A.2 of this report) have proprietary shareholders on the Company's Board of Directors. The list of external proprietary shareholders is provided in section C.1.3 above.

C.1.8 Explain, where applicable, the reasons for the appointment of proprietary directors at the suggestion of shareholders whose holding is below 5% 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

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:

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

**Name or company name of the director:**

MR RICARDO CURRÁS DE DON PABLOS

**Brief description:**

Mr Ricardo Curras de Don Pablos, DIA's CEO, has all the powers and faculties granted that are not non-delegable under law, DIA's articles of association and the Regulation of the Board of Directors, in accordance with the resolution passed by DIA's board of directors which was notarised 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
MR RICARDO CURRÁS DE DON PABLOS	FINANDIA. E.F.C. S.A.U.	Chairperson of the Board of Directors

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
MR JULIÁN DÍAZ GONZÁLEZ	DUFREY AG	CEO
MS ANA MARÍA LLOPIS RIVAS	Société Générale	DIRECTOR
MR NADRA MOUSSALEM	EDENRED, SA	DIRECTOR
MR NICOLAS BRUNEL	ISCOOL ENTERTAINMENT, S.A.	DIRECTOR
MR NADRA MOUSSALEM	ACCOR SA	DIRECTOR
MS ROSALÍA PORTELA	DEOLEO, 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 the rules**

Article 18.5 of the Regulation of the Board of Directors lays down that directors being part of more than six (6) boards of directors of companies, not including the Company, shall not be appointed. This restriction does not include boards of which a representative director proposed by the Company or by any company in its group is a member, nor those that do not represent an individual and effective dedication to a business on the part of the director in question.

C.1. 14 State the company's general strategies and policies that are reserved for approval by the board in full session:

	Yes	No
Investment and finance policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, as well as the annual management and budget objectives	X	
Remuneration policy and performance evaluation of senior executives	X	
Risk control and management policy, as well as the regular monitoring of internal information and control systems	X	
The dividend policy, as well as treasury shares, in particular, their limits	X	

Remuneration of the board of directors (thousands of euros)	1,875
Total remuneration corresponding to the pension rights accumulated by directors (thousands of euros)	0
Total remuneration of the board of directors (thousands of euros)	1,875

Name or company name	Position
MR JUAN CUBILLO JORDÁN DE URRIES	Business and Merchandise Manager of DIA Group
MR IGNACIO GOSÁLBEZ QUINTANA	Organisation and Systems Manager of DIA Group
MR JAVIER LA CALLE VILLALÓN	Senior Manager for Portugal and China
MS ISABEL FERNÁNDEZ DE CÓRDOBA MONCADA	Internal Audit Manager
MR ANTONIO COTO GUTIÉRREZ	Senior Manager for Latin America and responsible for Partners and Franchises
MR DIEGO CAVESTANY DE DALMASES	Senior Manager for Operations of DIA España
MS CONCEPCIÓN BRAVO CABANILLAS	Human Resources Manager for DIA Group
MR BRUNO PERTRIAUX	Senior Manager of DIA France
MR AMANDO SÁNCHEZ FALCÓN	Corporate Senior Manager

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:

Total remuneration of senior management (thousands of euros)	4,989
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C.1.17 Indicate, where applicable, the identity of the members of the Board of Directors who are also members of the board of directors of companies with significant shareholders and/or companies in their group:

Specify, where applicable, the relevant relations other than those included in the above item, of members of the board of directors, which link them to significant shareholders and/or in companies in their group.

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

Yes

No

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.

The Regulation of the Board of Directors in this regard sets out the following:

1. Appointment/re-election

Article 18. Appointment of directors

1. Directors shall be appointed by the General Shareholders Meeting or the Board of Directors, in accordance with the provisions included in the Companies Act and in the articles of association.

2. The proposals for appointment of directors that the Board of Directors submits to the General Shareholders Meeting and the resolutions on appointment adopted by this body in accordance with the faculties for co-opting it has legally attributed must be preceded by:

(a) the corresponding proposal by the Nomination and Remuneration Committee, in case of independent directors; and

(b) the report of the Nomination and Remuneration Committee, in the case of the remaining directors.

3. When the Board does not accept the proposals of the Nomination and Remuneration Committee, the reasons for its actions must be explained and be specified in the minutes.
4. The Company will provide the support needed so that the new directors can acquire a quick and sufficient knowledge of the Company and of its corporate governance rules. Special guidance programmes may be implemented to this effect. Similarly, it will also offer programmes for the directors to update their knowledge when circumstances make this advisable.
5. Directors being part of more than six (6) boards of directors of companies, not including the Board of Directors of the Company shall not be appointed This restriction does not include boards of which a representative director proposed by the Company or by any company in its group is a member, nor those that do not represent for the director an individual and true dedication to a business.
6. The Board shall ensure that its selection procedures for directors do not have any implicit bias that makes the selection of female directors difficult; and that the Company should deliberately search for and include women with the appropriate profile among the potential candidates.

In accordance with Article 5 of the Regulation of the Board of Directors, the Board of Directors assumes the powers to submit proposals to the General Meeting of Shareholders regarding appointments, ratifications, re-elections or replacement of directors.

In addition, the Nomination and Remuneration Committee, under Article 38 of the Regulation of the Board of Directors, has the following powers: (i) submit to the Board of Directors the proposals for the appointment of independent directors for their appointment by co-option or, where applicable, submission to the decision of the General Meeting, as well as the proposals for the re-election or removal of these directors by the Company; and (ii) inform the proposals of the Board of Directors for the appointment of the remaining directors for their appointment by co-option or, where applicable, for their subjection to the decision of the General Meeting of Shareholders, as well as the proposals for re-election or removal of these directors by the General Meeting.

## II. Evaluation

Pursuant to Article 5 of the Regulation of the Board of Directors, the Board is responsible for the corporate governance policy, and as such it shall once a year evaluate the quality and efficiency of the operation of the Board of Directors, the performance of the functions of the Chairperson of the Board and of the CEO of the Company, as well as the operation of its committees, based on the reports that the committees shall submit to it. This task is also part of the policy of compliance with the rules of corporate governance applicable to the Company, as they comply with Recommendation No. 22 of the Unified Code of Good Governance.

In this context, the Board of Directors of the Company, the Chairperson of the Board and the CEO underwent an evaluation process, under the coordination of the Secretary of the Board and the Chairperson of the Nomination and Remuneration Committee. The exercise included an evaluation of the performance, quality and efficiency of the Board as a multi-member body, as well as an evaluation of the work carried out by the CEO and the Chairperson of the Board. Evaluations were based on questionnaires and individual interviews with all Board members. As a result of this evaluation process, the Secretary prepared a report containing the conclusions of this evaluation process to be presented to the members of the Board of Directors, The Board of Directors agreed to seek the advice of external experts, who could lead the self-assessment process on a regular basis.

## III. Removal

Article 21 of DIA's Regulation of the Board of Directors sets out that Directors will be removed from their position when the period for which they were appointed has come to an end, upon decision by the General Shareholders Meeting, or when they present their resignation.

The directors affected by proposals for removal may not intervene in deliberations and votes that affect them.

The Board of Directors may only propose to remove an independent director before his or her term of office has expired if, in the opinion of the Board of Directors, there are just causes for doing so, prior submission by the Nomination and Remuneration Committee of the relevant report. For these purposes, a just cause for removal includes the failure by the director to comply with his or her duties or unexpectedly incurring in any of the circumstances foreseen in section 2, Article 21. Such circumstances are described in section C.1.21 below. Proposals for removal may also result from takeover bids, mergers, or similar operations entailing a significant change in the structure of the Company's stock capital.

### C.1.20 Indicate whether the board of directors has during the year carried out an evaluation of its activity:

Yes

No

If so, explain to what extent the self-assessment has given rise to important changes in its internal organisation and the procedures applicable to its activities:

#### Description of changes

Pursuant to Article 5.6 of the Regulation of the Board of Directors, the Board, as a whole, has evaluated the quality and efficiency of its own operation and that of its committees on the basis of the reports prepared and

submitted by the latter. So far, no evaluations have resulted in significant changes to its internal organisation or the procedures applicable to its activities.

#### 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 21, 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 articles of association;
- (b) when, due to events imputable to the Directors acting as such, serious damage is caused to the Company's 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 director to resign from his or her position, and propose the director's removal to the General Shareholders 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.

#### C.1.22 Indicate whether the duties of the Company's CEO correspond to the chairperson of the board. If so, explain the measures that have been taken to limit the risks of accumulation of powers in a single person:

Yes

No

Indicate and, where applicable, explain whether rules have been established that allow one of the independent directors to request a meeting of the board of directors to be called or to include new points on the agenda, and to reflect the concerns of external directors and direct the evaluation by the board of directors

Yes

No

##### Explanation of the rules

Pursuant to Article 15 of the Regulation of the Board of Directors, the Board shall meet when it is so requested by at least two independent directors, in which case the Board shall be called by the Chairperson. These independent directors may ask the Chairperson to include certain issues on the agenda of any Board session, without prejudice to the individual power of every director to propose issues for the agenda. Independent directors may especially be elected with the purpose of coordinating and conveying the concerns of the external directors, as well as for leading the evaluation of the Board's Chairperson.

#### 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 the differences

The change to the Regulation of the Board of Directors requires a resolution adopted by a simple majority of the members of the Board of Directors, provided that there is also a favourable vote by the majority of the independent directors.

#### C.1.24 Indicate whether there are specific requirements other than those relating to directors, to be appointed Chairperson of the board of directors.

Yes

No

C.1.25 Indicate whether the chairperson has a casting vote:

Yes

No

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

Yes

No

C.1.27 Indicate whether the articles of association 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 articles of association 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 17 of the Regulation of the Board of Directors provides that the directors must attend the Board meetings, so non-attendance is limited to unavoidable cases. Whenever directors 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 and, as far as possible, with instructions. DIA's internal regulation does not contemplate a maximum number of votes delegated by one director to another director, provided that independent directors may only delegate their vote to another independent director.

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 chairperson being present. For the purposes of this calculation, attendance will include votes delegated with specific instructions.

<b>Number of board meetings</b>	9
<b>Number of meetings of the board without the chairperson being present</b>	0

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

<b>Committee</b>	<b>No. of meetings</b>
AUDIT AND COMPLIANCE COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	5

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:

<b>Attendance by directors</b>	8
<b>% of attendance out of the total votes during the year</b>	98.87%



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	Corporate Senior Manager

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 35 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 Shareholders Meeting with auditor's qualifications, before they are prepared, Article 37 of the Regulation of the Board of Directors sets out that the Audit and Compliance Committee must, among other aspects:

(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, internal audit and risk management systems, checking their sufficiency and integrity; and propose the selection, appointment and replacement of those responsible for them; prepare the budget for these services and check 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 weaknesses 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, the auditors of accounts or audit companies must receive written confirmation annually of their independence from the company or entities linked to it directly or indirectly, as well as information of the additional services of any kind provided to these entities by these auditors or audit companies, or by persons or entities linked to them, in accordance with the provisions of the Audit and Accounts Act; and

(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, as well as examining the circumstances that may have motivated the auditor's rejection.

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

Yes

No

C.1.34 Explain the procedures for appointing and removing the secretary of the board, indicating whether the appointment and dismissal have been reported by the appointments committee and approved by the plenary meeting of the board.

#### Procedure for appointment and dismissal

In accordance with Article 12 of the Regulation of the Board of Directors, the Board shall elect a secretary, who may be appointed from any of the directors or a person not in the Board with an aptitude to carry out the functions of this position. The secretary shall be appointed, where applicable, by a plenary meeting of the Board, following a report in both cases by the Nomination and Remuneration Committee.

	Yes	No
Does the appointments committee report the appointment?	X	
Does the appointments committee report the dismissal?	X	
Is the appointment approved by a plenary session of the board?	X	
Is the dismissal approved by a plenary session of the board?	X	

Does the secretary of the board have the duty to ensure in particular the monitoring of the recommendations on good governance?

Yes [X]

No []

#### Comments

In accordance with Article 12 of the Regulation of the Board of Directors, among the duties assigned to the secretary are the following: a) take care of the formal and material legality of the actions of the Board of Directors and its delegate organs, checking whether they fulfil the spirit and letter of the laws and their regulations, including those approved by regulatory bodies; and ensure observance of the rules of the Articles of association, Regulation of the Board of Directors, the Regulation of the General Meeting and other internal rules and regulations of the Company; and (b) check compliance with the recommendations on good corporate governance accepted by the Company.

It is noted that the Company is preparing an amendment to its Regulation of Board of Directors in order to adapt it to the legal reforms introduced by Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance.

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 for submission to the General Shareholders Meeting, the appointment of the external auditors, as well as their conditions of hiring, the scope of their professional mandate and their termination or non-renewal, where applicable.
- (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, the auditors of accounts or audit companies must receive written confirmation annually of their independence from the company or entities linked to it directly or indirectly, as well as information of the additional services of any kind provided to these entities by these auditors or audit companies, or by persons or entities linked to them, in accordance with the provisions of the Audit and Accounts Act; and

- (c) issue every year, before the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must in all cases include the provision of additional auditing services, ensuring that they respect the rules in force governing them, the limits to concentrating the auditing business and in general other rules established to ensure the independence of auditors.

In addition, article 35 of the Regulation of the Board of Directors regulates the relations of the Board of Directors with the external auditor, establishing the following: (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. For the purposes of selecting an external auditor, the Committee conducts a comprehensive comparative analysis of the fees charged by the various auditing firms.

DIA Finance Division coordinates relationships 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, (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

If there have been any disagreements with the outgoing auditor, explain what they were:

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

No

	Company	Group	Total
Amount of other work other than those of auditing (thousands of euros)	29	22	51
Amount for work other than auditing / total invoiced by the audit firm (as %)	18.50%	2.02%	4.10%

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 chairperson of the audit committee to explain the content and scope of these reservations or qualifications.

Yes

No

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	23	23
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 23 of the Regulation of the Board of Directors governs this matter, and set out the following:

1. 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.
2. The request to contract these services will be channelled through the Chairperson of the Board of Directors of the Company, who may subject it to the prior authorisation of 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 outside directors.
  - (b) If the 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.

3. If it may represent a risk for the confidentiality of information that has to be handled and provided to the expert.

Pursuant to this provision, the Company's Board of Directors has requested external advice whenever deemed convenient.

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 22 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, records, documents and other documentation.

In addition, the exercise of this faculty to information shall be initially channelled through the Chairperson of the Board of Directors, who will submit the request to the appropriate contact person in the Company

Apart from the above, Article 15 of the same Regulation provides that the meetings will be called at least five days in advance, unless there are urgent reasons. The Chairperson, who is responsible for ensuring the effective operation of the Board, is also expected to ensure that directors receive sufficient information in advance and to encourage discussion, as well as the active participation of directors at the sessions of the Board.

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 21 of the Regulation of the Board of Directors sets out in this regard that the director will have to resign immediately when, due to events attributable to the director as such, serious damage is caused to the Company's credit and social reputation, or there is a loss of the commercial and professional honour 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 the board of directors has analysed the case. If the response is affirmative, explain the decision taken on whether or not the director should remain in his position; or, if appropriate, explain the actions carried out by the board of directors until the date of this report or that it plans to carry out.

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.

There are no agreements of this type within the Company.

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, Corporate Senior Manager

**Description of the Agreement:**

The contract of the CEO sets out that he has the right to receive compensation if the Company decides to terminate his contract and employment relation, as well as any other contractual relationship, for any reason that is not fair dismissal, in an amount equivalent to 45 days' salary per year of service (for the period between 24 November 1986 and 30 April 2009), plus eight days of salary per year of service (for the period starting 1 May 2009), with the limit of the last gross annual salary, excluding salary in kind, capital gains or income obtained due to obtaining or exercise of share options or free shares, or in virtue of other similar benefits.

the contract of the Corporate Senior Director provides that, if the contract and employment relationship with the director is terminated for any reason other than disciplinary dismissal as declared by the employment tribunal, the director will be entitled to the following compensation: (i) 548 days' salary; (ii) plus 8 days' salary per year of service in the company. If there is a change of control in the Company, the director may terminate his contract pursuant to Article 10.3 of Royal Decree 1382/1985 with the right to a gross compensation of: (i) 548 days' salary. (ii) plus 8 days' salary per year of service in the Company.

Indicate whether these contracts have to be communicated and/or approved by the company's bodies or those of its group:

	Board of directors	General Meeting
Body authorising the clauses	Yes	No

	Yes	No
Is the General Meeting informed of the clauses?	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:

**AUDIT AND COMPLIANCE COMMITTEE**

Name	Position	Type
MR JULIAN DIAZ GONZALEZ	CHAIRPERSON	Independent
MR RICHARD GOLDING	MEMBER	Independent
MR NADRA MOUSSALEM	MEMBER	Proprietary

% executive directors	0.00%
% representative directors	33.00%
% independent directors	67.00%
% other external directors	0.00%

## NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
MR MARIANO MARTÍN MAMPASO	MEMBER	Independent
MR NICOLAS BRUNEL	MEMBER	Proprietary
MR PIERRE CUILLERET	CHAIRPERSON	Independent

% executive directors	0.00%
% representative directors	33.00%
% independent directors	67.00%
% other external directors	0.00%

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							
	2014		2013		2012		2011	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
NOMINATION AND REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Specify if the following duties correspond to the audit committee:

	<b>Yes</b>	<b>No</b>
Supervise the process of preparing and ensuring the integrity of the financial information relative to the company, and where applicable the group, reviewing compliance with the legal requirements, the appropriate limitation of the scope of consolidation and the correct application of accounting criteria.	X	
Review periodically the internal control and risk management systems so that the main risks are identified, managed and known as appropriate.	X	
Ensure the independence and efficiency of the internal audit function; propose the selection, appointment, re-election and dismissal of the person responsible for the internal audit; propose the budget for this service; receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.	X	
Establish and supervise a mechanism that allows employees to communicate confidentially, and if considered appropriate anonymously, any irregularities of potential importance, particularly financial and accounting, which they note within the company.	X	
Submit proposals for selection, appointment, re-election and replacement of the external auditor to the board, as well as the conditions for appointment.	X	
	<b>Yes</b>	<b>No</b>
Receive information regularly from the auditor on the audit plan and the results of its execution, and check that senior management takes its recommendations into account.	X	
Ensure the independence of the external auditor.	X	

C.2.4 Describe the rules of organisation and operation, as well as the responsibilities that each of the board's committees has attributed to them.

AUDIT AND COMPLIANCE COMMITTEE

The main rules for organisation and operation of the Audit and Compliance Committee are included in Article 37 of the Regulation of the Board of Directors and Article 41 of the Articles of association, as follows: The Board of Directors shall create, on a permanent basis, an Audit and Compliance Committee, which shall be made up of a minimum of three members and a maximum of five. At least one of the members of the Committee shall be independent. The members of the Committee, and in particular its chairperson, shall be appointed taking into account their knowledge and experience in the field of accounting, auditing and risk management. The Committee is responsible for: (a) informing the General Shareholders Meeting on questions submitted to it by shareholders related to questions of its competence; (b) supervise and review the process of preparing and presenting regulated financial information; (c) supervise and review regularly the effectiveness of the internal control procedures of the Company, internal audit and the risk management systems; (d) propose to the Board of Directors, for submission to the General Shareholders Meeting, the appointment of the external auditors, as well as the conditions for their contracting, the scope of their professional mandate and, where applicable, their renewal or non-renewal; (e) establish the appropriate relations with auditors of accounts or audit companies to receive information on those questions that may endanger their independence, for examination by the Committee; (f) issue annually, before the issue of the auditor's report, a report expressing an opinion on the independence of the auditors or audit firms; (g) serve as a communication channel between the Board of Directors and the auditors; (h) supervise compliance with the law on related transactions; (i) supervise compliance with internal codes of conduct; (j) establish an internal mechanism allowing employees to communicate confidentially any irregularities of potential transgression that they note within the Company; (k) prepare and maintain updated a declaration of ethical values with respect to the reliability of financial information; (l) establish procedures to ensure that the principles of integrity and professional ethics are upheld, as well as measures for identifying and correcting any deviations from these values within the organisation; and (m) any others that may be attributed to it under the law and other regulations applicable to the Company.

The Committee shall be called by the Chairperson of the Committee, who shall be appointed from among the non-executive directors or members who do not have directors' or executive duties in the Company, and who do not have a contractual relation other than that for the position they are appointed for. The Committee shall appoint a secretary.

The Committee shall be validly constituted when the majority of its members are present or represented. The resolutions shall be adopted by a majority of the members present or represented. The Committee shall prepare an annual report on its operations. The Committee may seek the advice of external experts.

#### NOMINATION AND REMUNERATION COMMITTEE

The main rules are included in Article 38 of the Regulation of the Board of Directors and Article 42 of the Articles of association. The Committee is made up of external directors, the majority of them independent, with the number determined by the Board of Directors, with a minimum of three and a maximum of five. The Committee shall appoint an independent chairperson from its members. At least one of the members of the Committee must have knowledge and experience in matters of remuneration policy. The Committee is responsible for: (a) evaluating the competence, knowledge, experience and level of dedication of the members of the Board; (b) submitting to the Board the proposals for appointing independent directors and proposals for re-election or removal of these directors by the Company; (c) informing the proposals of the Board for the appointment of the remaining directors for appointment by co-option or for their submission to the decision of the General Shareholders Meeting; (d) informing of the appointments and resignations of senior executives that the chief executive of the Company proposes to the Board; (e) informing the Board on questions of gender diversity; and (f) propose to the Board of Directors (i) the system and amount of annual remuneration of directors, (ii) the individual remuneration of the executive directors and senior executives; and (iii) the basic contractual conditions for senior executives; (g) analysing, formulating and reviewing regularly the remuneration policy applied to executive directors and the management team; (h) ensuring the observance of the remuneration policy established by the Company; (i) in general, supervising compliance with the corporate governance rules applicable to the Company; (j) informing shareholders of the exercise of its duties; and (k) assisting the Board in preparing the report on the remuneration policy of directors and submitting to the Board any other reports on remuneration included in the Regulation of the Board of Directors.

The Nomination and Remuneration Committee shall meet as often as necessary. It shall be called by the Chairperson of the Committee. The Committee shall be deemed validly constituted when the majority of its members are present or represented. The resolutions shall be adopted by a majority of the members present or represented.

It is noted that the Company is preparing a revision and amendment of its internal regulation to adapt it to the legal reforms introduced by Law 31/2014.

**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.

#### AUDIT AND COMPLIANCE COMMITTEE

The organisational and operating rules of the Audit and Compliance 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)). In addition, when the Audit and Compliance Committee considers it opportune, it will include in this report proposals to improve the Company's rules of governance.

#### NOMINATION AND REMUNERATION COMMITTEE

The organisational and operating rules of the Nomination and Remuneration 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)).

Both committees prepare annual reports on their activities, in order to evaluate their operation and performance during the 2014 period, highlighting any significant events that may have taken place related to their duties. Both reports are available for shareholders in the Company's website.

C.2.6 Indicate whether the composition of the delegate or management committee reflects participation in the committee of the different directors according to their condition:

Yes

No

**If not, explain the composition of the delegate or executive committee**

Not applicable, as DIA has not set up an executive committee.

## D RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and where necessary explain the procedure for approving related-party and intra-group transactions.

#### **Competent body for approving related-party transactions**

The authority to approve related-party transactions lies with the Board of Directors.

#### **Procedure for approving related-party transactions**

The approval of related-party transactions requires prior favourable report of the Audit and Compliance Committee.

**Explain whether approval of related-party transactions has been delegated, indicating where applicable the body or persons to whom it has been delegated.**

The approval of related-party transactions has not been delegated; the authority to approve such transactions lies with the Board of Directors of the Company.

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 Inform of 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 (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.

Article 27 of the Regulation of the Board of Directors provides that a conflict of interest shall be deemed to exist in those situations where the interest of the Company or of the companies in the group enters into conflict directly or indirectly with the personal interest of the director. Personal interest of the director is deemed to exist when it affects the director or a related person.

For the purpose of this Regulation, persons related to the directors are considered to be those determined by Article 231 of the Companies Act currently in force.

Situations of conflict 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 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 is personally involved. The votes of the 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.

The director may not carry out directly or indirectly any professional or business transactions with the Company, unless he 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:

**Subsidiary traded publicly**

Indicate if the respective areas of activity and any possible business relations between them, as well as between the subsidiary that is traded publicly and all other Group companies, have been publicly and accurately defined;

Define any possible business relations between the parent company and the subsidiary that is publicly traded, as well as between the latter and another Group company

Identify any planned mechanisms to solve possible conflicts of interests between a subsidiary that is traded publicly and another Group company:

Mechanisms to solve possible conflicts of interest

## E CONTROL AND RISK MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management System.

The risk management policy is applicable for the Company and all its subsidiaries. Its correct application requires the involvement of all the employees of the organisation.

The decision of DIA Group Management Committee 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 concepts and methodology: DIA Group's risk management system is based on the COSO II methodology (Enterprise Risk Management). This systematic and detailed approach makes it possible to identify events, and assess, prioritize and respond to risks related to the achievement of business goals. The MGR uses the GRC Suite tool, which provides support to all Committees for risk follow-up and monitoring.

## E.2 Identify the company's bodies responsible for preparing and executing the Risk Management System.

The company's bodies

According to Article 5 of the Regulation of the Board of Directors, the Board of Directors is responsible for approving and determining the policy of risk control and management, identifying the main risks to the Company and its subsidiaries 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; in no case is the determination of the risk control and supervision policy for the internal information and control systems 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 in 2014 of the financial risks of the DIA Group, being 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 Chairperson 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 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 and depends hierarchically on the Internal Audit Manager. The Corporate Risk Coordinator reports directly and regularly to the Audit and Compliance Committee. This Committee may request the Coordinator's presence at any time to report on any events or relevant facts regarding risk management.

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 DIA Group Management Committee and the Audit and Compliance Committee on a regular basis. In addition, the Risk Committee informs DIA Group Management Committee when relevant issues are detected in its analysis. Finally, DIA Group's Management Committee may request information on the results of the Risk Committee if it deems it convenient.

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.

The Internal Audit Management assesses the operation of the risk control and risk management system at all levels, as well as the performance of the governing bodies and the effectiveness of any control actions that have been implemented. The results are reported to the Audit and Compliance Committee.

The minutes of the meetings of the Board and the Committees are kept on a documentary management system that can be accessed by all directors on a confidential basis.

### E.3 Explain the main risks that may affect the achievement of the business objectives.

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 company operates.

Corporate governance: Corporate social responsibility and stock market.

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

Financial: Market risks, credit, liquidity and solvency risks and fiscal risks.

The Group has a system for monitoring and updating risks, which allows 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.

### E.4 Identify whether the entity has a risk tolerance level.

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.

According to the evaluation by probability of occurrence and impact, the key risks for DIA Group are determined.

The risk tolerance level is approved by the corresponding Country Risk Committees and the Corporate Risk Committee, which approve their risk map each year.

### E.5 Indicate what risks have materialised during the year.

Some risks related to the Company's activity and the specific circumstances of different markets materialised during the year. However, none of these risks have had a relevant impact on 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.

The supervision model of the risk management system is based on the definition of risk indicators, whose information is reported to the Risk Committees. The Risk Committees are presented with and evaluate the response plans proposed by the risk managers. 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 established for these indicators its value provides knowledge of 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 the following aspects:

(i) Ethics Code and Ethics Consultation and Information Channel

On 9 May 2012, the Board of Directors of DIA approved the first Ethics Code (available at [www.diacorporate.com](http://www.diacorporate.com)). It was the result of consensus and reflected the diversity within DIA Group. The Company considers that the Ethics Code is the best tool to implement a compliance policy from the top-down, guiding employees through example with a number of conduct or behaviour patterns. This Code is mandatory for all employees, as are the rest of the rules defined by the Company.

The Board of Directors of DIA also promoted the creation and establishment of 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 regulations of application. Corporate Ethics Committees and Ethics Committees have also been set up in every country or jurisdiction. These are responsible for the operation of the Ethics Questions and Information Central in each jurisdiction by conducting outreach activities and monitoring its proper operation.

(ii) Crime Prevention Model ( “CPM” )

DIA has implemented a Crime Prevention Model, 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 Law 10/1995, of 23 November, approving the Criminal Code.

A person responsible for crime prevention has also been appointed within the organisation. This person informs and attends the DCN and Ethics Committee at corporate level and is responsible for the maintenance and appropriate operation of the prevention model. The Crime Prevention Model was the object of analysis and examination by a consulting firm with experience in the forensic area. The result of the examination is that 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 result of this program, DIA Group implemented a fraud risk matrix in Spain that analyses risks in terms of frequency and impact, and includes the existing fraud prevention controls. The Group also reviewed and improved its global policies. A fraud prevention official has been designated who is also responsible for crime prevention.

DIA will implement this program in the remaining countries within the Group's perimeter from 2015.

(iv) Corporate social responsibility

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

On 6 May 2013, DIA's Board of Directors approved the Corporate Social Responsibility policy, based on the following eight principles:

- a) Promote best corporate governance practices, giving priority to transparency, ethical management of business and appropriate risk management.
- b) Create and maintain fluid two-way communication with stakeholders (consumers, employees, franchisees, suppliers, civil society and shareholders) to discover their expectations and adapt the operation of the business efficiently to satisfying them.
- c) Work on the continuous improvement of all the processes to favour access to quality food at the best price for the consumer, also linking the company's social action with access to food by the most disadvantaged or vulnerable groups, with particular emphasis on children.
- d) Boost and ensure compliance with the United Nations Global Pact.
- e) Promote respect for diversity, developing the appropriate conditions for the operation of teams with different capacities.
- f) Promote care for the health and safety of all the people making up the Company.
- g) Support the training and development of people who form part of the Company.
- h) Contribute to a better management of natural resources and the environment, with efficiency, innovation and effectiveness, minimising the negative impacts derived from our activity.

DIA has also joined the international organisation Forética.

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

Describe the mechanisms that make up the risk management and control systems in relation to the process of financial reporting (ICFR) in the company.

### F.1 The company's control environment

Provide information, noting the main characteristics, of at least:

#### F.1.1 What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective System of Internal Control of Financial Reporting ("ICFR"). In this regard, Article 5 of DIA's Regulation of the Board of Directors provides that one of the non-delegable competences of this body is the approval of "the risk control and management policy, identifying the main risks for the Company and organising adequate internal control and information systems."

In September 2013, the Internal Financial Information Control System Policy of the Group was formally approved. It lays down that the Group's Financial Management through the Group Internal Financial Information Control System (Group ICFR) and the functions of each country (Country ICFR) is responsible for the design, implementation and operation of the ICFR, promoting awareness of control in all the countries of the Group, which begins with awareness with respect to control requirements at all organisational levels, and takes place through continuous support in work both on the definition of documentation associated with ICFR and the implementation of the action plans entrusted to them.

The person responsible for the Country ICFR reports functionally to the person responsible for the Group ICFR and answers hierarchically to the Country Financial Management.

Supervision of the ICFR is the responsibility of the Audit and Compliance Committee. Article 37 of the Regulation of the Board of Directors lays down that the competences of the Audit and Compliance Committee will include that of "supervising and reviewing the process of preparing and presenting financial information" and "supervising and reviewing periodically the effectiveness of the internal control procedures", based on the Internal Audit Management, which has a set of rules regulating aspects such as its mission to supervise the efficiency and effectiveness of the operation of the internal control system.

#### F.1.2 Are the following elements in place, in particular with respect to the preparation of financial information:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring sufficient procedures are in place to ensure they are disseminated throughout the entity.

Responsibility for the design and review of Group DIA's organizational structure, the responsibilities assumed by each of its members, and the rules applicable to these members according to the responsibilities they assume lies with the CEO in the first place, and then with the Country Management Committee and/or the Group Management Committee. The HAY method for assessing job positions is used to establish the relationship between the structure, functions, jobs, and status of incumbents on the basis of each job description.

A job description and job reassessment policy was approved and published in August 2014. This policy is mandatory for all staff levels, including managers, in all countries. The use of a uniform job classification system that cuts across the entire DIA Group makes it possible to have valid international standards and establish equivalents between local and international classifications. This policy contains:

- The procedures to prepare and update job descriptions.
- The way in which roles can be reassessed and standardized, thereby ensuring that incumbents are included in the Group's organizational chart.
- The links between the job description and reassessment process and other human resources processes: definition of charts and structures, internal promotion, and internal selection.

The above is organised through three tools:

- An organisation chart that indicates the hierarchical relations within the Company through the jobs and those occupying them.
- A map of jobs for managers and directors indicating the name of the job and the associated status in the description.
- Descriptions of jobs included in a computer tool that are mandatory for management and executive positions.

The description and valuation of the job (and thus the revision of the organisation chart, job map and job descriptions) are carried out or updated when those responsible for the position communicate the information to Human Resources.

For this reason, the process of describing and evaluating jobs is in a constant process of revision; either due to reorganisation of structures, or the appearance of new responsibilities, or changes in the business. These processes of defining new work processes and revision of the current positions includes explicit references if the job is related with the ICFR system.

The documentation of the ICFR system includes a matrix of risks and controls clearly defining the organisational structures and/or functions of positions that are proprietors of each of the controls in relation to the process of preparing financial information. These responsibilities have been validated by the managers of these structures and/or functions through a formal flow of approval and communicated to the Country Management and Group Management Committees.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions to the register of operations and the preparation of financial information), the body responsible for analysing non-compliance and proposing corrective actions and penalties.

On 9 May 2012 the Board of Directors of DIA approved the first Ethics Code. It was the result of consensus and reflects the diversity within the Group. The Company considered that the Ethics Code (hereinafter, "the Code") is the best instrument to put into practice a policy of top-down compliance, guiding employees by example with specific lines of conduct or behaviour.

The Code sets out and develops five principles for behaviour, the first highlighting the "compliance with the external rules, laws and regulations and internal rules, enshrined in policies and procedures."

With respect to financial information, in the third principle "protect assets and information", DIA states its commitment to "always offer true and precise information to markets and all those that are related to us. The organisation, and each of us, assumes the transparency and reliability of financial information as principles of behaviour.

This Code is mandatory for all employees, as are the rest of the rules defined by the DIA Group.

All the directors of the Group subscribe to the Code in writing. It is centralised by the Group Human Resources Department, which has the commitment to respect ethical principles, make them respected in the teams under their control and put them into practice. At the same time, new hirings receive a copy of the Code when they sign their employment contract and have to sign their acceptance of it.

Based on the premise that it is not so much the existence of a Code that is important, as knowledge and observance of it, in 2012 an Ethics Committee was set up in the Group at corporate level and an Ethics Committee (hereinafter "Committee") in each country or jurisdiction.

Among the main tasks of the corporate and country Committees are to facilitate the dissemination and implementation of the Code, aiming for its observance, understanding and respect.

- A channel for reports, which allows communication to the Audit Committee of irregularities of a financial or accounting nature, in addition to possible breaches of the Code of Conduct and irregular activities within the organisation, reporting if necessary if this is confidential in nature.

The Board of Directors of DIA also approved in 2012 the creation and establishment of an Ethics Consultation and Information Channel (via e-mail or ordinary post) at corporate level and in each jurisdiction in which the Group operates, with the aim of clarifying any doubts on interpretation and analysing and resolving possible breaches of the Code. The corporate Ethics Committee, in coordination with the country Committees, is responsible for managing the Ethics Consultation and Information Channel, for making it known and supervising its correct operation.

Breaches of the Code are analysed and managed by the corporate and/or country Ethics Committee in accordance with its operating protocol. They are resolved in accordance with the internal and external regulations applicable. The formal specification of the activities carried out by the corporate Ethics Committee is included in the DIA Group Regulations, which include the formation and functions of the Ethics Committee at corporate level and the country Ethics Committees, and the duties of the Group Human Resources Department as a guarantee of implementation of the actions needed to guarantee that all the workers have knowledge of the Ethics Code.

The communications and/or claims received are evaluated and handled to guarantee three general basic principles: (i) confidentiality; (ii) non-reprisal; and (iii) protection of personal data. Thus information on those making reports and any person participating in the investigation will be treated confidentially in accordance with the regulation on protection of personal data applicable in each jurisdiction. No reprisals will be tolerated against employees who have made use of the Ethics Consultation and Information Channel in good faith to make known possible irregularities to the Committee.

With respect to the method of managing communications and/or reports, the Ethics Committee will issue a record and establish whether the communication is related with (a) infringements of the Ethical Code, (b) irregularities that may lead to criminal proceedings.

These circumstances will involve instituting an investigation. If the content of the communication cannot be included in sections a) or b) above, they will be filed, and no investigation will be instigated.

The investigation will be supervised by a person designated by the Ethics Committee from among its members. If the communication is related to any member of the Committee, the Manager of Legal Services becomes the person responsible for the investigation.

The person responsible for the investigation will notify the person submitting the report of its reception and will notify him or her if it is necessary to gather additional information.

The information contained in the communication or report and, where applicable, the credibility of the person making the report, will be assessed by the person responsible for the investigation from two aspects: i) the reliability of the person submitting the report; and ii) the precision of the information contained in the report.

- i) In order to determine the level of reliability of the person submitting the report, the person submitting it will be classified according to his or her capacity to obtain the data included in it according to certain objective data.
- ii) The precision of the information contributed is the classification given according to content. It is determined whether this information is coherent with the known procedures and data in the department or area where the events reported took place, as well as with all those circumstances during the time of the events reported with other possible events that may take place in the Company and that may affect their plausibility.

On a quarterly basis, the Ethics Committees of each country must report to the corporate Ethics Committee the details of the consultations and/or communications received in the immediately preceding quarter, indicating the reference or registry number, date of reception, ethical principle that has been contravened, assessment on reliability/accuracy of the facts considered the aim of the communication, process of the file, and where applicable, resolution. Also, on an annual basis, a report will be submitted to the Audit and Compliance Committee providing detailed consolidated statistical information at Group level in accordance with the information received from each of the jurisdictions.

- Regular training and updating programmes for staff involved in the preparation and review of financial information, as well as the ICFR system evaluation, covering at least accounting regulations, auditing, internal control and risk management.

The training plan in DIA aims to be a key piece in the achievement of strategic objectives and the professional and personal development of its collaborators. It is in two distinct parts:

- Technical training plan that aims to provide collaborators with the technical knowledge needed to work in the job position, through regulated training. All the areas have a training budget based on the number of people part of the team and their status. It is managed according to their needs.
- Training plan for skills development with the aim of developing the skills needed to work in positions of greater responsibility through regulated training. This includes special training programmes such as Masters, languages, skills development and others.

Both external and internal training actions have been carried out with respect to technical training.

Therefore, in 2014 a total of 15 external training actions were carried out on 34 participants, with a total of 538 hours of training. These training actions consist of training and regular updating programmes for staff involved in the preparation and review of financial information, as well as the ICFR system evaluation, covering areas such as accounting regulations, auditing, internal control and risk management ICFR management through SAP GRC tool implanted along 2014

With respect to internal training involving the ICFR system, training was provided in 2014 through technical workshops on the ICFR system and its different key aspects (control activities, risks associated with financial reporting, and system management through the SAP-GRC tool), with a total of 243 hours of instruction. These workshops have been carried out in all countries where the Group operates, except from Spain. Participants included those responsible for Country ICFR systems, those in charge of risk matrix controls and ICFR controls, and those responsible for validating systems. In total, 92 participants took part of these programmes. In Spain, such workshops will take place during the first trimester of 2015.

## F.2 Evaluation of financial information risks

Report, at least, on:

### F.2.1 What the main characteristics are of the process of identifying risks, including those of error or fraud, with respect to:

- If the process exists and is documented.



DIA has decided to base its process for identifying risks of error or fraud in financial information on the COSO (“Committee of Sponsoring Organisations for the Commission of the Treadway Commission”) methodology, developing practices that design and maintain a system of internal control that allows a reasonable level of security with respect to the reliability of regulated financial information.

The Group owns a Financial Information Internal Control Policy System, which was formally approved by the Group Financial Manager and the Corporate Executive Manager. This policy is available on the Intranet and in SAP GRC tool and has been communicated via e-mail to the Departments involved and to the ICFR Country. It includes the general description of the system and its objectives, the roles and responsibilities of the ICFR system, as well as the definition of the matrix of the scope of the ICFR system and the methodology for development according to the internal control function of financial information and risk management.

The Group’s Financial Management is responsible for identifying mistake or fraud risks in financial reporting through the ICFR scope matrix and documenting the design of controls mitigating such risks.

- If the process covers all the objectives of financial information (existence and occurrence; integrity; evaluation; presentation, analysis and comparability; and rights and obligations), if it is updated and how frequently.

The matrix of the scope of the ICFR system aims to identify the accounts and breakdowns that have a significant associated risk, whose potential impact on financial information is material. Both quantitative and qualitative factors (complexity of the operations, risk of fraud, level of standardisation of the processes and others) have been considered in this process of identifying the accounts and significant breakdowns.

This matrix of the scope of the ICFR model is prepared based on the financial situation statements and the global consolidated profit and loss account included in the audited Consolidated Annual Accounts. This matrix is revised annually after the preparation of the Consolidated Annual Accounts and/or whenever there is a change in the scope of consolidation. It is approved by the Audit and Compliance Committee every year.

The scope matrix was last updated in 2014 on the basis of the audited Consolidated Annual Accounts as at 31 December 2013. The matrix was updated on the basis of the Interim Statements as at 31 March 2014, and approved by the Audit and Compliance Committee.

- The existence of a process identifying the scope of consolidation, taking into account aspects such as the possible existence of complex company structures, instrumental or special-purpose vehicles.

The Group’s Legal Department confirms every quarter the data on companies forming the scope of consolidation to the Consolidation department, which in the organisational structure depends on the Administration, Accounting and Group Consolidation Department, (which in turn reports to the Group Finance Division).

The Audit and Compliance Committee is responsible, inter alia, for monitoring and reviewing the appropriate delimitation of the consolidation perimeter, as set out in Article 37 of the Regulation of the Board of Directors

DIA Group Rules regulate the responsibility of the legal services of each country to maintain the company and control structure in the country updated and to inform to the Finance Division of the country and the Group Legal Services every quarter and/or whenever there is a change. In turn, the country Finance Division and the Group Legal Services will inform the Group Finance Division of the scope of consolidation of the country and the company and control structure in the Group, so that the Group’s Finance Division can determine the Group’s scope of consolidation.

The monitoring and update of the company structure in each country, as well as the process of reporting and/or communicating to the Group’s Legal Department and Finance Division is mandatory as it is a rule on Corporate Governance included in the DIA Group Rules.

- If the process considers the impact of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

For each of these significant accounts and breakdowns, associated key processes and sub-processes have been defined, and the risks that may lead to mistakes and/or fraud in the financial information have been identified, thus covering all financial reporting assertions (existence and occurrence, completeness, valuation, presentation and disclosure, breakdown and comparability, and rights and obligations).

In addition, the process of identifying risks considers the following:

The understanding of the control environment of each of the countries in the Group. Identification of the special business process flows of the Company in different countries and their impact on financial information, with the aim of identifying the main inherent control risks.



The effects of other types of risks (operational, financial, strategic, of regulatory compliance, etc.) that may have an adverse impact on the reliability of financial information.

This gives rise to the creation of an integrated risk control framework at Group level, as well as a structured set of controls. They include both common controls applicable to all the countries and those specific to each country.

- Governing body supervising the process

Pursuant to the provisions of Article 31 bis of the Criminal Code and in order to be able to prove to a third party that the Company has adopted the necessary control measures to prevent its managers or the staff under their supervision from breaking the law, the Group's general compliance strategy establishes a "Crime Prevention Model" for Spain. This model was verified and inspected by the forensic area of a well-known consultancy firm with extensive experience in the preparation of reports of this nature. The main conclusion of the report was that DIA's "Crime Prevention Model" includes appropriate and effective control measures to try to prevent and detect breaches.

This "Crime Prevention Model" set the basis in 2013 for the implementation in Spain of an anti-fraud and anti-corruption program. Implementation of the program was completed in the last quarter of 2014. As a result, the Group's fraud risk matrix in Spain analyzes risks in terms of frequency and impact, and includes the existing prevention controls, including the risks and controls affecting financial reporting.

The plan has been fully executed in Spain and work to export, adapt, and implement the plan in all other countries where the Group carries out its activities has started.

## F. 3 Control activities

Report, noting the main characteristics, on at least:

**F.3.1 Procedures for the review and authorisation of financial information and the description of the ICFR system, to be made public through securities markets, indicating the persons responsible, and documentation describing activity and control flows (including those relating to fraud risks) for the different types of transactions that may have a material impact on the financial statements, including the procedure used for the accounting close and the specific review of relevant judgments, estimates, measurements and projections.**

The group periodically reviews the financial information prepared, and the description of the ICFR system, at the different responsibility levels necessary in order to guarantee their quality. The Country Financial Managers and the Administration, Accounting and Group Consolidation Manager (reporting to the Group Finance Division) review and validate the information prepared and reported formally through the consolidation tool (HFM) to the Consolidation Department (answering to the Administration, Accounting and Group Consolidation Department), with the aim of ensuring its reliability on a quarterly basis.

The procedure of reviewing and authorising financial information is carried out annually through internal certificates at the Country Financial Manager and Group Financial Manager level with the approval of the Senior Executive Officer with the approval of the Country Executive Manager and CEO. It is completed with the presentation at the Audit and Compliance Committee by the Senior Executive Officer before the preparation of the Annual Accounts by the Board of Directors.

The Group person responsible for the ICFR system, proposed by the Group Finance Division and named by the Audit and Compliance Committee, has duties that include the preparation of the description of the ICFR system, in coordination with the Departments involved. This description is validated formally by these Departments, the Group Financial Manager and the the Senior Executive Officer. This process culminates with the approval of the Annual Corporate Governance Report as a whole by the Board of Directors.

In accordance with the scope definition matrix of the ICFR system, the Group Finance Division through the Group ICFR function, documented the risks of error or fraud in financial information and the controls that mitigate these risks and that affect all the processes/sub-processes identified as key in Spain. In 2013 the key processes/sub-processes identified as material were documented in the rest of the countries.

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

- Management of creditors and general expenditure.
- Cash and banks.
- Closing, consolidation, and reporting.
- Purchases.
- Stock.
- Valuation of goodwill.
- Management of accounts receivable from franchisees.

- Management of the corporation tax.
- Management of property, plant and equipment.
- Contingent liabilities.
- Personnel.
- Sales.

The closing, reporting and consolidation stage, as well as all those affected by relevant judgements, estimates, valuations and projections are of special importance.

In 2014 the work of documenting processes/sub-processes continued in all the countries of the Group has been completed. It does not cover not only the processes defined as key and material in each, but also document in a cross-cutting fashion all those that were identified as key in Spain, as defined in the scope definition matrix of the ICFR, whether or not they were material in the countries. This has meant extending the scope of documenting the ICFR processes in all the countries, leading to a much higher coverage than required in terms of materiality.

The documentation of each is made up of:

- Details of the accounts and significant breakdowns.
- Details of the information systems affecting the sub-processes.
- Details of the procedures and internal regulations approved by Management, regulating these sub-processes.
- Details of the organisational structures.
- Description of each of the sub-processes associated with each process.
- Flow charts of each of these sub-processes.
- Description of the significant risks of financial information (including those related to risk of fraud), as well as others (operational and/or compliance) associated with the different sub-processes and control objectives.
- Detailed description of the key and non-key controls that mitigate each of the risks identified.
- Result of the evaluation of the design of internal control carried out by the Group ICFR, identifying the opportunities for improvement and defining the action plans, those responsible and the deadline for their implementation.

The following have been identified for each of the controls:

- Support evidence of the controls.
- Organisational structures and/or functions for the positions of those responsible for each of the controls identified. In addition, the owner and those responsible for validation have been individually identified in the SAP-GRC tool.
- Frequency of the controls.
- Level of automation of the controls.
- Type of control (preventive or detective).
- Definition if covers the risk of fraud.

All the documentation is known by the owners of each control and those responsible for its supervision. It has been validated by the Departments responsible for the controls documented in the control and risk matrix of the ICFR, through a formal approval flow. It has been submitted to all the Departments, which have validated the documentation, and to the Country Management Committee and Group Management Committee, owners and responsible for the supervision.

During 2014, the SAP GRC Process Control tool implementation project was executed. The purpose of implementing this project was to establish a process for the continued updating, self-assessment, and supervision of the correct functioning of the internal financial reporting control system, ensuring its quality and reliability in reasonable terms under a unique, central environment.

The GRC solution became operational in November 2014. DIA's ICFR system had been managed through automatic tools until then.

The implementation, which is taking place in all countries where the Group operates, has been led by the ICFR Group. Those responsible for key ICFR system controls, Country ICFR systems, managers responsible for validating the documentation of every ICFR process, and the Group's Steering Committee are all participating in the implementation process.

The GRC solution helps reinforce the control environment at all levels of the organization, facilitating the process, whereby the effectiveness and design of the controls are evaluated, as well as the monitoring of action plans.

For each control, the owner and the persons responsible for validation have been individually identified. This has been done to ensure traceability as much as possible.

In addition, all documentation related to the ICFR processes (flowcharts, descriptions, control and risk matrixes, as well as rules, policies, procedures, and the information systems that support them) has been incorporated into this tool, and the mechanisms required to manage the monitoring and updating of the tool have also been established within the tool itself.

### **F.3.2 Internal control policies and procedures for information systems (including access security, control over changes, implementation of changes, operating continuity and segmentation of duties) which support the entity's significant processes with respect to the preparation and publication of financial information.**

Within DIA Group Rules, the Group has a Corporate Information Security Policy and a Security Policy of Corporate Information in place that includes the strategy for protecting information related to access control, the responsibilities of users, security in communications and operations, change management, development security, incident management, business continuity and compliance. The policy and associated regulatory framework is based on the international catalogue of standards ISO 27000.

The policy defines the criteria for mitigating risks that affect confidentiality, integrity and availability of all information, including financial reporting.

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

In general, the following controls provide the Group with a reasonable guarantee of the internal control of information systems:

- In 2014 a security regulatory framework was developed focusing on access control and functions segregation, and ensuring compliance in all countries where the Group conducts its activities. In 2015 it will be mainstreamed into the systems with financial implications, as well as in other systems deemed critical by the Group.
- Regular reviews of users.
- A software development methodology for different environments is in place with the aim of guaranteeing that the changes in the information systems are duly authorised and tested.
- Software and project monitoring plan.
- The information systems are classified and segmented at the network level according to their relevance. They are housed in specialised locations that guarantee their continuity and physical security (TIER 3).
- Alternative communication systems.
- Any operation or monitoring on information systems is carried out by authorised persons in accordance with operating procedures.
- Backup copies are made of the information regularly and stored in secure locations, and restoration test are carried out on them.
- Daily verification and reports on monthly backup copies.
- There is an incident management system aimed at resolving any type of problem that may arise in the business processes.
- Security in internal and external networks protecting from and alerting of security threats has been enhanced.

The critical business processes for the Group have different organisational and technological solutions that guarantee business continuity. Thus there is a continuity plan for systems that replicates their main applications in sufficiently distant locations. The critical processes, such as storage and re-supplying have sufficient alternatives to allow activity to continue if there is no access to the offices.

In 2014 technical solutions and contingency plans were implemented and developed in the financial information systems in Spain.

### F.3.3 Internal control policies and procedures for supervising the management of activities subcontracted to third parties, as well as the assessment, calculation and measurement of activities entrusted to independent experts that may have a material impact on the financial statements.

The Group does not tend to subcontract activities to third parties that may affect the financial statements in any material way. In any event, when the Group subcontracts certain work to third parties, it ensures the subcontractor has the necessary technical capacity, independence, competence and solvency of the subcontracted entity.

In 2014 the only two significant activities that were subcontracted to a third party and had implications for the financial statements were: (i) the use of independent experts for the allocation of the cost of a combination of businesses to the net assets acquired; and (ii) the determination of the impact of the new incentives plan. These activities were carried out by well-known firms and validated by qualified Group employees under the supervision of the Management. The Management also verified the main assumptions used by the external auditor and the reasonableness of the conclusions.

## F.4 Information and communication

Report, noting the main characteristics, on at least:

### F.4.1 A specific function to define and update accounting policies (the accounting policy area or department), as well as to resolve any queries or conflicts arising from their interpretation, ensuring that there is fluent communication with the persons responsible for the operations in the organisation, and an updated accounting policies manual which has been communicated to the units through which the entity operates.

The Group Administration, Accounting and Consolidation Department (answering within the organisation to the Group Finance Department) prepared a DIA Group Accounting Policies Manual in 2012 adapted to the needs of the Group. It has been communicated to all the countries. These accounting policies have been developed on the basis of the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The Accounting Policies Manual is updated every year and distributed to all the personnel involved in the different countries by e-mail. The latest update of the Manual was in June 2014. If there are significant changes that affect any of the Accounting Policies, notice is sent via e-mail to those in positions of responsibility who are involved.

Among other tasks, the Group Administration, Accounting and Consolidation Department assumes the responsibility to resolve doubts arising from the interpretation of accounting policies by providing written answers to queries that will be included in the DIA Accounting Policies Manual on its next update.

#### F.4.2 Mechanisms for gathering and preparing financial information using standard formats, which are applied and used by all the entity or group units and which support the main text of the financial statements and their notes, as well as the information on ICFR indicated.

Since September 2011 the Group has had the HFM computer consolidation tool in all the countries where it operates. After loading the data extracted from SAP for each country, it prepares the financial information with standard formats to make the consolidation process easier. This is possible as all the countries have the same SAP financial information system.

The loading of data is carried out either automatically from SAP or manually, and the preventive controls within the tool to guarantee the data load correctly has also been defined. This centralises the information on the individual financial statements of all the Group units within a single tool, with the same account plan. The tool also formalises the process of validation of financial information by the Financial Managers of each country, as specified in section F.3.1.

Most of the information that includes the breakdowns and notes in the report is included in the HFM tool. For specific breakdowns that are not included in the HFM, standardised previously defined formulas are used that are submitted to the Consolidation Department.

The gathering and preparation of information specified on ICFR is centralised by the person responsible for the Group ICFR, who meets with the different Managers of the departments involved to gather information that supports and justifies the description of the ICFR system.

### F. 5 Supervision of the system operation

Report, noting the main characteristics, of at least:

#### F.5.1 The supervision activities on the ICFR carried out by the audit committee and whether the entity has an internal audit function whose competences include supporting the committee in its supervision of the internal control system, including ICFR. Similarly, report as to the scope of the ICFR assessment performed during the year and the procedure whereby the person responsible for this assessment reports his or her results, whether the entity has an action plan that details possible corrective measures to be taken, and whether the impact on financial information has been considered.

According to section F.1.1, the Audit and Compliance Committee is responsible for "regularly supervising and reviewing the effectiveness of the internal control procedures."

The results of the evaluation of the design of ICFR controls in the Group carried out by the Group Finance Department through the Group ICFR function have been presented and updated to the Group Management Committee in February and December 2013, and in the Audit and Compliance Committee meetings held in 2014.

The Group has an Internal Audit function that answers hierarchically to the CEO and functionally to the Audit and Compliance Committee. The functions of the Internal Audit Department include support to the Audit and Compliance Committee in the supervision of the correct operation of the Internal Control System for Financial Information and reports the results of the audits carried out both to the Group Management Committee and the Audit and Compliance Committee.

The members of the Internal Audit function only carry out Internal Audit work.

The Internal Audit function is responsible for execution of the internal audit plan for 2013 that was approved in December 2012 by the Audit and Compliance Committee.

The 3-year internal audit plan (2013-2015) includes the auditing of processes that are considered to be key for the Group's ICFR system. In this sense, a total of six audits were conducted in 2014 of the ICFR system processes identified as key in four countries. These audits assessed control design and verified the proper functioning of such controls. In addition, improvements for reinforcing internal controls were identified in each audit.

The corresponding report has been issued and reported to the Audit and Compliance Committee in each case, with the details of the work carried out, recommendations and action plans for the opportunities for improvement identified, and valued according to the risk level.

In 2015 audits will continue to be carried out to supervise the correct operation of the ICFR system for key processes, both in Spain and other countries in the Group.

It is expected that the review of the risk identification and assessment process related to financial reporting (review of the ICFR system scope matrix, which is updated every year after the consolidated annual accounts have been prepared) will take place in the first half of 2015.

The Audit and Compliance Committee prepares an annual report on its operation (the Annual Activity Report), which highlights any significant events that may have taken place in relation to its functions. Among other aspects, the annual report for 2014 includes:

- Supervision and review of the process of preparing and presenting individual and consolidated quarterly and half-yearly financial information, before providing it for the markets.
- The appropriate definition of the scope of consolidation and the correct application of the principles of generally accepted accounting principles.
- Monitoring of the degree of progress in the documentation of the ICFR processes and implementation of SAP-GRC tool.
- Follow-up on the results of the ICFR system evaluation.
- Evaluation of effectivity of the key ICFR controls in six of its key processes.
- Supervision of the implementation of the integrated risk management system at Group level
- Approval of the ICFR system scope matrix for 2014.
- Quarterly monitoring of financial risks (liquidity, solvency, exchange rate, and credit).

**F.5.2** Whether there is a discussion process whereby the auditor (in accordance with the NTA technical standards governing auditing), the internal audit function and other experts can inform senior management and the audit committee or the entity's directors of significant internal control weaknesses detected during the review processes of the annual accounts, or any other processes entrusted to them. Also, report as to whether there is an action plan to correct or mitigate the weaknesses identified.

The Board of Directors includes in its Regulation the faculty of the Audit and Compliance Committee with respect to "serving as a channel for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in cases of disagreements between the auditors and the team with respect to the principles and criteria applicable in preparing the financial statements."

In 2014 the Audit and Compliance Committee met five times, adopting resolutions in writing and without a session in one other occasion.

Every year the auditor formally communicates to the Audit and Compliance Committee the possible significant internal control weaknesses detected during his work.

The Internal Audit Management communicates regularly to the Group Management Committee and the Audit Compliance Committee the result of the ICFR review and the rest of the internal audits carried out during the year, as well as the state of implementation of the action plans that were started as a result of them.

## F.6 Other relevant information

None.

## F.7 External audit report

### Report on:

**F.7.1** Whether the ICFR information submitted to the markets has been reviewed by the external auditor, in which case the entity should include the corresponding report as an appendix. If not, the reason for this should be reported

The ICFR system information, which had been presented to the markets for 2014, was submitted to the external auditor for review by DIA. The scope of the auditor's review procedures is compliant with the Performance Guidelines and the auditor's report template for information on the internal control systems applicable to the financial reporting of listed institutions of July 2013, which was issued by the corporations representing the account auditors.

## G LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

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

If any recommendation is omitted or partly followed, provide a detailed explanation 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 Articles of association 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.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

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) Their respective areas of activity and future business relations between the companies, including relations between the listed dependent company and other group companies;

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

See sections: D.4 and D.7

Compliance

Compliance in part

Explain

Not applicable

3. Although this is not expressly required by commercial laws, the General Shareholders Meeting is submitted, for approval, with any operations that entail a structural change in the company, to particularly include the following:

a) The transformation of listed companies into holding companies, through "subsidiarization" or incorporation into dependent companies of basic activities until then executed by the company itself, even if the latter still holds full control over the same;

b) The acquisition or disposal of basic operating assets, if the corporate object is effectively amended;

c) Any operations entailing effects that are equivalent to the company's liquidation.

See section: B.6

Compliance

Compliance in part

Explain

4. The described proposals of resolutions to be adopted by the General Shareholders Meeting, including the information referred to in Recommendation 27, are made public upon publication of the announcement of the calling of the Meeting.

Compliance

Explain

5. The General Shareholders Meeting separately votes on any matters that are substantially independent, in order to enable the shareholders to separately exercise their voting preference. This rule is particularly applied to:

a) The appointment or ratification of directors, which must be individually voted upon;

**b) If the articles of association are amended, each article or set of articles that is substantially independent.**

Compliance X

Compliance in part

Explain

6. The companies allow the fractioning of votes, in order to enable financial agents to hold standing as shareholders, despite acting on behalf of different clients, and to issue their votes following the latter's instructions.

Compliance X

Explain

7. The Board exercises its duties pursuing the same objective and in an unbiased manner, treating all shareholders the same and seeking the company's best interest, i.e. maximizing the company's economic value in a sustained manner.

Furthermore, that it ensures that the company's relations with its stakeholders complies with all laws and regulations; fulfils all its obligations and contracts in good faith; upholds usage and good practice in the sectors and territories where it is operating; and follows any additional social responsibility principles it has voluntarily accepted.

Compliance X

Compliance in part

Explain

8. The Board undertakes, as an essential mission, to approve the company's strategy and the necessary structuring to implement the same, including the supervision of the Management to make sure that it meets the objectives established, upholding the company's object and corporate interest. To this effect, the Plenary Meeting of the Board will reserve the right to approve:

**a) The company's general policies and strategies, to particularly include:**

- i) A Strategic Business Plan, as well as the management objectives and budget for the year;
- ii) Investing and financing policy;
- iii) Defining the company group structure;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration policy and appraisal of senior executive performance;
- vii) Risk control and management policy, as well as the periodic supervision of internal information and control systems.
- viii) Dividend policy, to include the treasury stock and particularly any limits.

See sections: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- i) As proposed by the company's leading executive, the appointment and future removal of senior executives, as well as indemnification clauses.
- ii) Directors' remuneration and, in the case of executives, additional remuneration for their executive duties and other conditions governing their contracts.
- iii) Any financial data which, due to the company's listing, needs to be periodically made public.



iv) Any investments or operations whatsoever which, due to the large amount involved or special characteristics, are strategic, unless the General Meeting is entrusted with their approval;

v) The creation or purchase of participations in special purpose vehicles or others domiciled in counties or territories that enjoy tax haven status, including any other similar transactions or operations which, given their complexity, may be detrimental to the group's transparency.

**c) Any transaction executed by the company with directors, relevant shareholders or shareholders represented on the board, or with related persons ("related transactions")**

Nevertheless, the Board's authorisation will not be necessary in any related transactions that simultaneously meet the following three conditions:

1<sup>a</sup>. Executed by virtue of agreements with standard conditions, applied *en masse* to many different clients;

2<sup>a</sup>. Carried out at prices or rates generally established by the party acting as supplier of the good or service in question;

3<sup>a</sup>. For an amount not exceeding 1% of the company's annual revenues.

It is recommended that the Board approve any related transactions subject to receiving a prior favourable report from the Auditing Committee or, if applicable, any other body entrusted with this task; and that any directors affected, in addition to not exercising or delegating their voting rights, be absent from the meeting room whilst the Board is discussing and voting on the matter.

It is recommended that any competences attributed to the Board be done on a non-delegable basis, except for those indicated in b) and c), which may be adopted in emergency situation by the Delegate Committee, if subsequently ratified by the Plenary Meeting of the Board.

See sections: D.1 and D.6

Compliance

Compliance in part

Explain

**9. The Board has the necessary size to ensure its effective and participative operation, rendering it advisable for it to have at least five and no more than fifteen members.**

See section: C.1.2

Compliance

Explain

**10. Any external nominee and independent directors constitute a broad majority of the Board, and the 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.**

See sections: A.3 and C.1.3.

Compliance

Compliance in part

Explain

**11. Within the external directors, the ratio of nominee directors and independent directors reflects the existing proportion between the company's capital stock- represented by nominee directors- and the remaining capital stock.**

**This strict proportionality principle may be adjusted, in such a way that there is a greater weight of nominee directors than would apply to the total capital percentage they represent:**

**1<sup>o</sup>. In highly capitalized companies where shareholding participations- legally considered as material- are scarce or nil, but which include shareholders owning valuable shareholding packages in absolute terms.**



**2°. In the case of companies with many different types of shareholder represented on the Board, who are unrelated.**

See sections: A.2, A.3 and C.1.3

Compliance

Explain

12. The number of independent directors represents at least a third of the total number of directors.

See section: C.1.3

Compliance

Explain

13. Each director's status is explained by the Board to the General Shareholders Meeting, which will appoint or ratify each appointment, confirming the same, or, if applicable, will each year review the Annual Corporate Governance Report, upon verification by the Appointments Committee. Said Report should also explain the reasons why nominee directors have been appointed at the request of shareholders whose shareholding is less than 5% of the capital stock; explaining why any formal petitions have not been fulfilled, requesting a presence on the Board, from shareholders whose shareholding participation is equal to or higher than that of others further to whom nominee directors have been appointed.

See sections: C.1.3 and C.1.8

Compliance

Compliance in part

Explain

14. If the number of female directors is scarce or nil, the Appointments Commission should new that when new vacancies arise:

**a) Selection procedures do not suffer any implicit bias hindering the selection of female directors;**

**b) The company deliberately looks for women, including them amongst potential candidates, who meet the professional profile required.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliance

Compliance in part

Explain

Not applicable

15. The chairperson, as the person in charge of effective operation of the Board, ensures that the directors previously receive sufficient information; stimulates discussion and the active participation of directors during board meetings, guaranteeing the free adoption of positions and opinions; and arranges and coordinates with the chairmen of the relevant committees a periodic appraisal of the board, to include that of the managing director or leading executive.

See sections: C.1.19 and C.1.41

Compliance

Compliance in part

Explain

16. If the board chairperson is also the company's leading executive, an independent director is empowered to request the calling of a board meeting or the inclusion of new points in the agenda; to coordinate and present the concerns of external directors; and to direct the board's appraisal of its chairperson.

See section: C.1.22

Compliance

Compliance in part

Explain

Not applicable

17. The board secretary particularly ensures that the board's conduct:

- a) Conform to the spirit and letter of all laws and regulations, including those approved by regulating bodies;
- b) Fulfil the Company Articles of association and Regulations governing General Meetings, Board Meetings and any others;
- c) Take into account the good governance recommendations contained in this Unified Code, accepted by the company.

In order to safeguard the Secretary's independence, unbiased nature and professionalism, his appointment and removal will be informed by the Appointments Committee and approved by the Plenary Meeting of the Board; said appointment and removal procedure must be included in the Board Regulations.

See section: C.1.34

Compliance

Compliance in part

Explain

18. The board meets as often as necessary to effectively execute its duties, following the calendar and matters scheduled at the beginning of the year; each director may propose other points of the agenda not initially foreseen.

See section: C.1.29

Compliance

Compliance in part

Explain

19. Any non-attendance of directors should be limited to indispensable situations and will be quantified in the Annual Corporate Governance Report. If representation is essential, instructions should be given.

See sections: C.1.28, C.1.29 and C.1.30

Compliance

Compliance in part

Explain

20. If the directors or secretary manifest concern about any proposal or, in the case of directors, about the company's progress, and such concerns are not resolved by the Board, at the request of the informant, due note will be made in the minutes.

Compliance

Compliance in part

Explain

Not applicable

21. The Plenary Meeting of the Board should evaluate the following once a year:

a) The quality and effectiveness of the Board's operation;

b) Based on the report presented to the Appointments Committee, performance of its tasks by the Board Chairperson and the company's leading executive;

c) Operation of its Committees, based on the report presented by the same.

See sections: C.1.19 and C.1.20

Compliance

Compliance in part

Explain

22. All directors are able to exercise their right to collect any additional information they deem appropriate on matters within the board's remit. Unless the Articles of association or Board Regulations provide otherwise, any such request should be addressed to the Board Secretary.

See section: C.1.41

23. All directors are entitled to obtain from the company the necessary advice to execute their tasks. The company has instrumented the necessary channels to exercise this right, which in special circumstances may include external advice, at the company's cost.

See section: C.1.40

24. The companies have established a guiding plan providing any new directors with fast and sufficient knowledge about the company, including its corporate governance rules. Directors are also offered recycling courses if the circumstances so advise.

25. The companies require that directors dedicate to their tasks the necessary time and effort to be able to execute it effectively. Consequently:

**a) The directors should inform the Appointments Committee of any other professional obligations, in case these interfere with the required dedication;**

**b) The companies should establish rules on the number of boards to which their directors may belong.**

See sections: C.1.12, C.1.13 and C.1.17

26. The proposed appointment or re-election of directors presented by the Board to the General Shareholders Meeting, including any provisional appointment by co-optation, is approved by the Board:

**a) As proposed by the Appointments Committee, in the case of independent directors.**

**b) Subject to a prior report from the Appointments Committee, in the case of all other directors.**

See section: C.1.3

27. The companies make the following information public about their directors, through their website, and keep it updated:

**a) Professional profile and biography;**

**b) Other boards of directors to which he belongs, in both listed and unlisted companies;**

**c) Indicating the director category to which he belongs; in the case of nominee directors, the shareholder represented or with whom a relation is held.**

**d) Date of his first appointment as a company director, and any subsequent appointments, and;**

**e) Any company shares and options he may own.**

Compliance

Compliance in part

Explain

28. Any nominee directors should resign if the shareholder they represent fully shares 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.

See sections: A.2, A.3 and C.1.2

Compliance

Compliance in part

Explain

29. The Board of Directors does not propose the removal of any independent director before expiration of the term of appointment foreseen in the Articles of association, unless there is just cause, ascertained by the Board subject to a prior report from the Appointments Committee. In particular, just cause will exist if the director has infringed the duties inherent to his post or is involved in any of the circumstances entailing his loss of independence, according to the provisions established in Order ECC/461/2013.

**The removal of independent directors may also be proposed as a result of Take-Over 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 11.**

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliance

Explain

30. 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 Article 213 of the Capital Stock Companies Act, 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.**

See sections: C.1.42, C.1.43

Compliance

Compliance in part

Explain

31. 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 interest, 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 Board Secretary, even if he does not hold director status.**

Compliance

Compliance in part

Explain

Not applicable

32. 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.

See section: C.1.9

Compliance

Compliance in part

Explain

Not applicable

33. Remuneration entailing a delivery of company or group company shares is limited to executive directors, to include stock options or share-value benchmarked instruments, variable remuneration linked to company performance or benefit plans.

**This recommendation will not include delivery of shares if a condition is for directors to hold onto the shares until the end of their posts.**

Compliance X      Compliance in part       Explain       Not applicable

34. Any remuneration paid to external directors is the amount necessary to compensate their dedication, qualifications and responsibility for the post in question, but not so high as to compromise their independence.

Compliance X      Explain       Not applicable

35. Any remuneration linked to the company's results take into account any future exceptions included in the external auditing report, which devalue these results.

Compliance       Explain       Not applicable X

36. As regards variable remuneration, the company's remuneration policy should include limits and the necessary technical precaution to ensure that this remuneration is connected to its beneficiaries' professional performance, and does not merely arise from general market performance or the company's activity sector or other similar circumstances.

Compliance [X]      Explain       Not applicable

37. In the case of a Delegate or Executive Committee (hereinafter, the "Delegate Committee"), the participation structure of the various director categories is similar to that of the Board itself, and the Committee Secretary is the Board Secretary.

See sections: C.2.1 and C.2.6

Compliance       Compliance in part       Explain       Not applicable X

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

Compliance       Explain       Not applicable X

39. The Board of Directors, in addition to the Auditing Committee required by the Securities Market Act, incorporates from amongst its members a committee or two separate committees, for appointments and remuneration.

**The composition and operating rules of the Auditing Committee and of the Nomination and Remuneration Committee(s) are included in the Board regulations, to cover the following:**

- a) **The Board designates the Committee members, in light of the directors' knowledge, skills and experience and the mission of each mandate; it is able to discuss their proposals and reports; and the Committees report to the Board, at the first Plenary Meeting held after the Committee Meeting, on their activity and work executed;**

- b) **Said Committees exclusively consist of external directors (at least three). The foregoing will apply without prejudice to the attendance of executive directors or senior executives, if this is expressly decided by the committee members.**
- c) **The Committee Chairmen are independent directors.**
- d) **They are able to receive external advice, if considered necessary to execute their tasks.**
- e) **Minutes are issued of all Committee Meetings, a copy of which will be sent to all the Board members.**

See sections: C.2.1 and C.2.4

Compliance X

Compliance in part

Explain

40. Supervision of compliance with internal codes of conduct and corporate governance rules is attributed to the Auditing Committee or Appointments Committee, or the Compliance or Corporate Governance Committees, if these separately exist.

See sections: C.2.3 and C.2.4

Compliance [X]

Explain

41. The members of the Auditing Committee, to particularly include its Chairperson, are all appointed based on their knowledge and experience in accounting matters, auditing or risk management.

Compliance [X]

Explain

42. Any listed companies provide for internal auditing which, under the Auditing Committee's supervision, ensures adequate operation of the information and internal control systems.

See section: C.2.3

Compliance X

Explain

43. The person in charge of the 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 X

Compliance in part

Explain

44. Any control and risk management policy should at least identify:

- a) **The various types of risk (operating, technological, financial, legal, reputational...) to which the company is exposed; financial or economic risks should include contingent liabilities and other risks not included in the balance sheet;**
- b) **Determining the level of risk deemed acceptable by the company;**
- c) **The measures foreseen to mitigate the impact of any identified risks, if these eventually materialize;**

- d) **Any data and internal control systems that will be used to control and manage said risks, to include contingent liabilities or risks not included in the balance sheet.**

See section: E

Compliance X

Compliance in part

Explain

45. **The Auditing Committee should be entrusted with the following:**

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

- a) The main risks identified as a result of supervising effective internal control of the company and internal auditing, if any, should be managed and adequately reported.
- b) To ensure the independence and effectiveness of internal auditing; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose a budget for this department; to receive periodic information on its activity; and to check that the 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, to particularly include financial and accounting irregularities, noticed within the company.

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

- a) To regularly receive from the external auditor information on the auditing plan and its execution results, and to ascertain that the senior management takes its recommendations into account.
- b) To guarantee the external auditor's independence, and to this effect:
- i) The company should inform 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.
- iii) If the external auditor presents a disclaimer, the company should examine the circumstances behind this.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliance [X

Compliance in part

Explain

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

Compliance X

Explain

47. **The Auditing Committee should inform the Board, before it adopts the relevant decisions, about the following matters described in Recommendation 8:**

- a) **Any financial data which, due to the company's listing, needs to be periodically published. The Committee should ensure that all intermediate statements are drawn up with the same accounting criteria as the annual statements and, to this effect, to consider the adequacy of a limited review by the external auditor.**
- b) **The issue or purchase of participations in special purpose vehicles or in entities domiciled in countries or territories enjoying tax haven status, as well as any other similar transactions or operations which, due to their complexity, may be detrimental to the group's transparency.**



**c) Any related operations, unless this prior information tasks has been attributed to another committee other than the Supervision and Control Committees.**

See sections: C.2.3 y C.2.4

Compliance

Compliance in part

Explain

48. The Board of Directors will try and present the statements to the General Meeting, without reservations or exceptions in the auditing report; in any exceptional situations, both the Chairperson of the Auditing Committee and the auditors should clearly explain to the shareholders the content and scope of said reservations or exceptions.

See section: C.1.38

Compliance

Compliance in part

Explain

49. Most of the members of the Appointments Committee- or Nomination and Remuneration Committee, if only one exists- should be independent directors.

See section: C.2.1

Compliance

Explain

Not applicable

50. The following tasks should be entrusted to the Appointments Committee, in addition to the tasks indicated in the preceding Recommendations:

**a) To evaluate the necessary Board competences, knowledge and experience, consequently defining the necessary tasks and skills expected of the candidates to cover each vacancy; to evaluate the time and dedication required for them to adequately perform their task.**

**b) To examine or arrange, in the manner deemed adequate, the succession of the Chairperson and leading executive and, if necessary, to make proposals to the Board in order for this succession to be carried out in an orderly and well-planned manner.**

**c) To inform of any appointments and removals of senior managers proposed by the leading executive to the Board.**

**d) To inform the Board of the gender diversity issues indicated in Recommendation 14 above.**

See section: C.2.4

Compliance

Compliance in part X

Explain

Not applicable

Internal regulations do not expressly provide that the Nomination and Remuneration Committee should examine and arrange the succession of the Chairperson and leading executive and, if necessary, make proposals to the Board in order for this succession to take place in an orderly and well-planned manner (point b) of this recommendation. However, the Board of Directors asked the Nomination and Remuneration Committee to review and organize the succession of the Company's top executive. The Committee initiated the task in 2013 and has continued developing it during 2014.

51. The Appointments Committee should consult the company's Chairperson and leading 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 order to cover director vacancies.**



Compliance

Compliance in part

Explain

Not applicable

52. The Remuneration Committee, in addition to the tasks indicated in the preceding Recommendations, should be entrusted with the following:

**To propose to the Board of Directors:**

- i) The remuneration policy applied to directors and senior executives;
- ii) Individual remuneration paid to executive directors and other contractual terms.
- iii) The basic terms of senior executive contracts.

**b) To ensure that the company's remuneration policy is upheld.**

See sections: C.2.4

Compliance

Compliance in part

Explain

Not applicable

53. The Remuneration Committee should consult the company's Chairperson and leading executive, particularly in the case of matters related to executive directors and senior managers.

Compliance

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.

## SECTION A.2

The information in this section relates to the information provided by the directors of DIA representing the significant shareholders of the Company at 31 December 2014 and 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 by the directors. This can be partly explained by the fact that sometimes there is no obligation to notify the CNMV the acquisition of shares if they not exceed or reduce the thresholds legally established for this purpose. This implies that, in certain cases, the percentage or number of shares that hold some significant shareholders vary from those included in the official records of the CNMV website.

On a separate note, it is hereby stated that 15,430,460 shares of the 41,383,738 shares owned by Blue Partners, S.à.r.l., are lent.

## SECTION A.3

Mr Pierre Cuilleret owns, in total, 429,167 DIA shares, including shares that he holds directly and the voting rights that correspond to related persons.

## SECTION A.5

It is hereby stated that, throughout the first semester of 2014, DIA and Carrefour have held commercial and contractual relations through the Carrefour World Trade subsidiary (derived from the transitional period following DIA's spin-off from the Carrefour Group, as well as others inherent to the Company's business or commercial activity); Cervinia Europe and Blue Partners, S.á r.l.. are relevant shareholders of both DIA and Carrefour. The abovementioned relations have been extinguished on 5 July 2014.

## SECTION A.8

DIA's Board of Directors, on 27 July 2011, approved DIA's treasury stock policy. To this effect, the Board of Directors, pursuant to Article 5.4.a)ix) of the Board of Directors Regulations, undertook a non-delegable duty to determine and specify the treasury stock policy, further to the authorisation granted by the sole shareholder.

Furthermore, Article 10.2 .of the Internal Regulations on Conduct in Securities Market Matters provides that the Company's Board of Directors will determine the treasury stock policy and, in particular and without prejudice to any delegations granted to implement said policy, instructions to execute treasury stock operations.

In order to meet the commitment assumed under the Long-Term Incentives Plan of the DIA Group to deliver Company shares, and with a view to allowing the Company to have shares through which the aforementioned commitment can be fulfilled, DIA's Board of Directors resolved at its meeting of 25 July 2014 to carry out derivative acquisitions of DIA's shares and financial instruments and any type of agreement (derivatives on own shares and hedging derivatives) for the acquisition of own shares (additional to those the Company already held as a result of the operations carried out in 2011, 2012 and 2013) not exceeding 7,000,000 shares, representing up to no more than 1.08% of DIA's capital stock as at the date of this agreement; all of the foregoing, pursuant to the authorization conferred upon this Board of Directors by virtue of the decision adopted on 9 May 2011 and in accordance with the Internal Rules on Conduct in Securities Markets and the Treasury Stock Policy, as approved by the Board of Directors.

Consequently, the number of own shares of DIA at the end of the 2014 financial year totals 11,508,762 shares, at an average purchase price of 5,1147 Euros/shares, representing a total of 58,864,186 Euros (1.766% of the vote rights), to be used, amongst others, to cover the obligations to deliver shares to executives within the remuneration plan.

## SECTION C.1.12

It is hereby states that Mr. Antonio Urcelay Alonso acts as external advisor of The Beauty Bell Chain, as the individual representative of Paurig, S.L.

Additionally, Ms Ana María Llopis is a director for Axa España, company which is, in turn, the insurance company for DIA Spain for its fleet of vehicles (cars, trucks and wheelbarrows). The business relationship between both companies cannot be considered relevant as the total amount paid by DIA to AXA España in 2014 was 170,034 Euros.

## SECTION C.1.15

It is hereby stated that the remuneration paid to the Chief Executive Officer is entered as remuneration of the Board of Directors. Thus, Directors' remuneration does not exceed the 1,500,000 Euro limit determined by the General Shareholders Meeting.

During 2014 and 2013, Directors of DIA have received remuneration in amounts equal to 978 and 1,098 Euros, respectively. In both years, the remuneration granted as financial instruments and cash has been 1,050 Euros. The difference in such amounts between 2014 and 2013 is due to the different value of the share at the moment of the delivery and to the date for the granting of such financial instruments.

#### SECTION C.1.16

2

The Company, in line with the Unified Code of Good Governance for listed companies, considers that the senior management includes any executives who are directly dependent on DIA's Board of Directors or leading executives and, in any case, the internal auditor.

In relation to the information provided for the remuneration for the senior management, it is hereby stated that Mr Bruno Petriaux was removed on 30 November 2014, when the subsidiary DIA France was sold to Carrefour. The remuneration that appears as the total amount received by the senior management includes the legal compensation paid to the outgoing executive. Excluding DIA France, the increase in remuneration for senior management would have been 4,03% in 2014 compared to 2013.

#### SECTION C.1.17

Ms Ana María Llopis acts as director in Société Générale and holds company shares.

It is hereby stated that Mr Nadra Moussalem is an employee of Colony Capital, which is the management body of the investment fund that controls Blue Partners, S.à r.l., and Mr Nicolas Brunel is an employee of an affiliate of Groupe Arnault, which is, in turn, the ultimate shareholder that controls Cervinia Europe.

#### SECTION C.1.22

Without prejudice to the fact that leading executive duties are not entrusted to the Chairperson of the Board, Article 10 of the Board of Directors Regulations provides that if the chairperson also holds the post of Company CEO (which is not the case in the Company, at today's date), the Board of Directors will empower one of its independent directors, as proposed by the Nomination and Remuneration Committee, in order to request that the Chairperson call a Board of Directors Meeting or include new points in the agenda whenever deemed appropriate, in order to coordinate and voice the concerns of external directors and to direct the Board's appraisal of the Chairperson.

#### SECTION C.1.29

For information purposes, the Audit and Compliance Committee has met 5 times during 2014, and has adopted resolutions in writing and without holding a meeting in another occasion. The Nomination and Remuneration Committee, in turn, has met 4 times during 2014, and has adopted resolutions in writing and without holding a meeting in another occasion.

#### SECTION C.1.34

It is hereby stated that the Secretary of the Company's Board of Directors, Mr. Ramiro Rivera Romero, was appointed before the Nomination and Remuneration Committee was established, for which reason the Committee has not yet been able to inform of his appointment. However, this authority is contained in the Board's Regulation.

#### 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 1,244 Million Euros (without VAT).

Furthermore, it is hereby stated that the professional fees incurred by auditors for non-auditing services provided to the DIA Group in 2014 total 51 thousand Euros (without VAT), representing 4,099% of professional fees. Of these 51 thousand Euros, 29 thousand Euros reflect the amount accrued against the Company for said services.

#### 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 D2

There are no relevant operations entailing a transfer of resources and obligations between the Company or its group entities, and relevant shareholders of the Company; there are relations inherent to ordinary business activity between the Company and Carrefour (Groupe Arnault, S.A.S., Colony Blue Investor, S.à r.l. and Blue Capital, S.à r.l. are relevant shareholders in both).

#### SECTION E.6

DIA adhered to the United Nations Global Compact network on 15 March 2012, agreeing to comply with the Compact's 10 principles by mainstreaming them into the strategic pillars of its CSR policy. DIA also became a member of Forética (global network of organizations and professionals involved in CSR development) 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 a control 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 20/02/2015.

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

Yes

No



**KPMG Auditores S.L.**  
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Informe de auditor referido a la “Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF)” de Distribuidora Internacional de Alimentación, S.A. correspondiente al ejercicio 2014

A los Administradores  
Distribuidora Internacional de Alimentación, S.A.

De acuerdo con la solicitud del Consejo de Administración de Distribuidora Internacional de Alimentación, S.A. (la “Sociedad”) y con nuestra carta propuesta de fecha 26 de enero de 2015, hemos aplicado determinados procedimientos sobre la “Información relativa al SCIIF” adjunta en el apartado F del Informe Anual de Gobierno Corporativo de Distribuidora Internacional de Alimentación, S.A. correspondiente al ejercicio 2014, en el que se resumen los procedimientos de control interno de la Sociedad en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Sociedad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Sociedad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Sociedad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la *Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas*, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Sociedad correspondiente al ejercicio 2014 que se describe en la Información relativa al SCIIF adjunta. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011, de 1 de julio, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

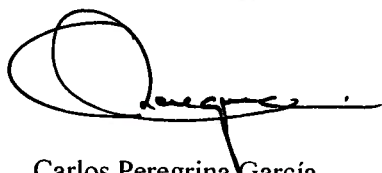
Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la Sociedad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013.
2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la Sociedad.
3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte al comité de auditoría.
4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la Sociedad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.
5. Lectura de actas de reuniones del consejo de administración, comité de auditoría y otras comisiones de la Sociedad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.
6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el contexto de los requerimientos establecidos por el artículo 540 de la Ley de Sociedades de Capital y por la Circular nº 5/2013 de la CNMV de fecha 12 de junio 2013 a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

KPMG Auditores, S.L.



Carlos Peregrina García

22 de febrero de 2015