



**ANNUAL REPORT FROM THE NOMINATION AND REMUNERATION
COMMITTEE OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.**

YEAR: 2018

I. Introduction

The Nomination and Remuneration Committee (hereinafter, also the "**Committee**") of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. ("**DIA**" or the "**Company**") has drafted this annual report on its activities with the purpose of evaluating its operations and organisation in 2018, highlighting the main incidents that have arisen with respect to the specific functions it has been assigned.

This report has been prepared in compliance with Articles 6.2 and 39.9 of the Regulation of the Board of Directors of DIA, and pursuant to the recommendations on good corporate governance for listed companies approved by the CNMV (Spanish Securities Market Commission) in February 2015 (the "**Code of Good Governance**").

This report also complies with the provisions of Article 529 nonies of Legislative Royal Decree 1/2010 of 2 July, which approves the consolidated text of the Corporate Enterprises Act (the "**Companies Act**"), which stipulates that the Board of Directors shall evaluate the operation of its committees once a year, based on the report issued by each of them, and in this specific case by the Nomination and Remuneration Committee.

This report will be available to shareholders and investors on the Company's website (www.diacorporate.com) from the moment that the Annual General Meeting is convened.

II. Nominations and Remuneration Committee Regulations

The organisational and operating rules of the Nominations 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).

III. Structure

According to article 42 of the Bylaws and article 39 of the Regulation of the Board of Directors, the Nomination and Remuneration Committee will solely consist of external or non-executive directors, mostly independent, in the number determined by the Board of Directors, with a minimum of three and a maximum of five. The members of this Committee will be appointed by the Company's Board of Directors.

In accordance with those regulations, it will be ensured that all committee members have the necessary knowledge, skills and experience for the duties assigned. To this effect, both their professional knowledge and experience, gathered when performing tasks directly related to these matters, will be taken into account, as well as any knowledge and experience resulting from management and executive tasks and responsibilities that have a relevant impact on said



matters, amongst others (e.g. CEOs, top executives or senior managers supervising and controlling human resources, corporate governance, remuneration policies, etc.).

In particular, when the Board of Directors determines the structure of this Committee, it must make sure that the Committee members have, overall, knowledge and experience in the following areas: (a) corporate governance; (b) strategic analysis and assessment of human resources; (c) management selection; (d) senior management duties; and (e) design of director and senior management remuneration policies and plans.

Likewise, the Board of Directors must ensure diversity on the Committee. The aim is to provide proportionality in terms of gender, professional experience, competence, sector knowledge and geographical origin.

The Committee will appoint a chairperson from amongst its members, who must be an independent director. The chairperson will be replaced every four years and may be re-elected one year after leaving office. The chairperson should have previous experience as the member of a Nomination and Remuneration Committee, as an executive director or as a senior manager, preferably in the human resources area, at a comparable company.

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

Changes to the structure

In 2018, there were some changes to the Committee's structure as a result of events which took place in the Board itself.

On occasion of the appointment of Mr Stephan DuCharme as a proprietary director and considering his experience at the highest level in managing human resources at international retail groups (X5 in the case of Mr DuCharme), on 8 May 2018 the Committee resolved to propose to the Board of Directors (i) the establishment of five Committee members and (ii) the appointment of Messrs Stephan DuCharme and Richard Golding as new members, respecting the provisions of article 42 of the Bylaws and article 39 of the Board Regulation. As a result of Mr Golding's track record managing large business groups (such as RJR Nabisco and Dorna and, more recently, Grupo Parques Reunidos), he is especially qualified to contribute to the strategic assessment of the Group's human resources and the management selection, among other functions. The Board of Directors adopted the aforementioned resolutions on 9 May 2018, thus providing significant reinforcements to the Committee.

Mr Stephan DuCharme left as a Committee member as a result of resigning as a director, effective from 4 December 2018.

The composition of the Nomination and Remuneration Committee at the 2018 year-end was as follows:



Name of director	Type of director	Position in the Committee
Mr Mariano Martín Mampaso	Independent external	Chairman
Mr Antonio Urcelay Alonso	Other external	Member
Ms Angela Spindler	Independent external	Member
Mr Richard Golding	Independent external	Member

- Mr Mariano Martín Mampaso was appointed as a director and member of DIA's Nomination and Remuneration Committee on 5 July 2011. He was re-elected as member of the Committee on 19 March 2014 and as director of DIA on 25 April 2014 and on 28 April 2017, the date on which he was also re-elected as member of the Committee.

Mr Mariano Martín Mampaso has been the Committee Chairman since May 2015. On 14 March 2018, he was re-elected for one year.

Mr Martín is a graduate in Economics from Madrid Complutense University. In 1976, he joined Procter & Gamble, where he spent 33 years, holding different responsibilities in Spain and elsewhere. In June 2009, he resigned from his last position as the company's world sales president. He has been a member of the Board of Directors of Asociación Española de Codificación Comercial (AECOC), of the Governing Board of GS1 US, of the Executive Board of Global Commerce Initiative and of the Board of Directors of Zinkia Entertainment S.A.

- Mr Antonio Urcelay Alonso was appointed as a director on 5 July 2011 and re-elected for the last time on 28 April 2017. He was elected as a member of the Committee on 25 June 2015 and re-elected on 28 April 2017.

Mr Urcelay is a graduate in Law from Madrid Complutense University. During his career, he has held the following posts, amongst others: Marketing Department of Procter & Gamble, General Manager of Ahold España, a practising lawyer at J. y B. Cremades, General Manager of the Digma, S.A. supermarket chain and, subsequently, of Leche Pascual, S.A. In 1996, he joined Toys R Us, where he has held various positions in Spain and abroad. Between 2013 and June 2015, he chaired the Board of Directors of Toys R Us Inc. and was appointed CEO, with responsibility for the company's entire business worldwide. In 2016, he was a member of the Board of Directors of Tuc Tuc, S.L. and, since 2016, he is a member of the Board of Directors of the following companies: Calidad Pascual, S.A., Corporación Empresarial Pascual, S.L. and Kipenzi, S.L.



- Ms Angela Spindler was appointed director on 15 February 2016 by co-option and ratified by the Annual General Meeting on 22 April 2016 as director, the date on which she was also elected as a member of the Committee through a Board resolution.

Ms Spindler is a graduate in Psychology from Manchester University. In 1983, Ms Spindler began her career by working in the sales and marketing area at different companies such as Cadbury Plc., Coca Cola Schweppes Beverages Ltd. and Pedigree Masterfoods. She later became an executive manager and carried out business transactions at Asda Stores Ltd., between 1997 and 2007, and at Debenhams Plc in 2008. Likewise, between 2009 and 2013, Ms Spindler was the CEO of The Original Factory Shop Ltd. Between 2013 and October 2018, she was the CEO of N Brown Group Plc and, therefore, the person responsible for its operating company.

- Mr Richard Golding was appointed as a director on 5 July 2011 and re-elected for the last time on 28 April 2017. He was elected as a Committee member on 9 May 2018.

Mr Golding is a graduate in Business Administration from London Thames University. He has held a number of positions during his career, including Marketing Manager at Cadbury Schweppes, and Chairman, Director and Regional Chief Executive Officer at RJR Nabisco. He has also been CEO at Dorna Promoción del Deporte; Chairman, CEO and member of the Board of Directors of Parques Reunidos; and Chairman of the Memora Group.

He is currently an operating partner consultant at Hill Path Capital, an industry advisor at Advent International and a non-executive Chairman at Parques Reunidos.

All the information about the Committee members is available on the Company's website (www.diacorporate.com).

Mr Ramiro Rivera Romero, who is the non-member Secretary of the Board, acts as the non-member Secretary of the Committee; while Mr Miguel Ángel Iglesias Peinado, the Group's Corporate Secretary, acts as the non-member Vice Secretary of the Committee.

In view of the above, the structure of the Committee at 31 December 2018 conforms to that stated in the Bylaws and Board Regulation since it comprises four members (three independent directors and one classified as "other external").

Furthermore, the Committee fulfils article 529 quincecies of the Corporate Enterprises Act as well as the recommendations of the Code of Good Governance, particularly number 47, recommending that the chairperson of the Nomination and Remuneration Committee be an independent director and that the majority of its members be independent directors, to guarantee impartiality and objectiveness.



IV. Functions and tasks carried out in 2018

The Nominations and Remuneration Committee complied with its functions under Article 529 quaterdecies of the Companies Act, Article 42 of the Bylaws and Article 39 of the Regulation of the Board of Directors of the Company.

The Committee's main functions are as follows:

- (i) assess the competences, knowledge, experience and level of dedication of the members of the Board of Directors;
- (ii) submit proposals to the Board of Directors regarding the appointment, re-election and removal of independent directors in order for them to be designated by co-option or to be subject to the General Meeting's resolutions;
- (iii) inform the Board of Directors of the proposals to appoint the other directors, for approval by the Board of Directors;
- (iv) inform the Board of Directors about the appointment, re-election and removal of the internal Board positions;
- (v) re-elect the Chairperson of the Nomination and Remuneration Committee;
- (v) inform on proposals for the appointment, removal and promotion of the Company's senior management and the basic conditions of their contracts;
- (vi) supervise compliance with the rules on corporate governance applicable to the Company so that it achieves its mission to foster corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders;
- (vii) analyse, draft and review periodically the remuneration policy applied to executive directors and to the management team, including the systems of remuneration by shares and their application; and guarantee that such remuneration is proportional to what is paid to other directors and members of senior management and other Company employees;
- (viii) propose to the Board of Directors of the annual remuneration system for directors and its amount; the individual remuneration of executive directors and senior managers; and the basic conditions of their contracts;
- (ix) draft the Annual Remuneration report and submit it to the Board;
- (x) inform the Board of Directors on matters of gender diversity and, in particular, ensure that selection procedures for directors and senior managers do not have any implicit bias making the selection of female directors difficult;
- (xi) organise the Succession Plans; and



(xii) deal with other matters of interest regarding the policies related to the Group's human resources management.

The following tasks and main activities were carried out in 2018:

1. Assess the competences, knowledge, experience and level of dedication of the members of the Board of Directors

The Nomination and Remuneration Committee adapted to the mandate included in article 6 of the Board Regulation and continued to assess the competences, knowledge, experience and level of dedication of the members of the Board of Directors.

As part of those functions, the Committee coordinated the annual process of assessing the performance, quality and efficiency of the Board of Directors as a body, and the individual work performed by the Chief Executive Officer, the Chairperson of the Board and of the Committees, and of the directors themselves.

The process of assessing the competence, knowledge, experience and level of dedication of the Board members forms part of the policy to comply with the provisions of article 529 nonies of the Companies Act and conforms to Recommendation 36 of the Code of Good Governance.

That assessment was made for 2017 in the period which ended on occasion of the meeting held on 19 February 2018, which resolved to complete and approve the Committee's assessment in a satisfactory way under the terms of Article 6 of the Board Regulation and submit the report's conclusions to the Board of Directors.

The assessment process was carried out through questionnaires given to each Board member. The extracted data were consolidated, evaluated and provided in that report. A detailed analysis was also made of the individual and group profile of the Board and of the specific needs in the light of the DIA Group's business characteristics themselves, of its current and future geographical implementation, of the requirements defined in its strategic plan and of the new challenges resulting from the digital evolution.

The Committee members provided a positive view of the operations of the Board of Directors and of its Committees during 2017 and identified areas for improvement in accordance with the Assessment Report. Specifically, and among others, the Board's assessment evidenced the need to continue thinking about the Group's overall strategy and, consequently, the suitability of creating a Strategy Committee within the Board.

After the corresponding discussion, the Committee resolved to propose to the Board the creation of a Strategy Committee. The Company's Board of Directors, which agreed with that proposal, unanimously resolved to create that Committee in February 2018, which was notified to the markets and the Annual General Meeting accordingly.



An assessment was also made for 2018 in the period which ended on occasion of the meeting held on 19 January 2019, which resolved to complete and approve the Board's assessment in a satisfactory way. Based on the recommendations included in the Code of Good Governance (Recommendation 36), the Committee had expert external advice from Heidrick & Struggles to assess the Board members and review in detail the Board's current abilities and skills; it was hired by the Company in line with the best corporate governance practices guaranteeing the consultant's independence.

2. Submit and, where applicable, inform on the proposals to appoint, re-elect and remove directors and senior managers

Pursuant to article 529 quincecies and article 39.4 of the Board Regulation, the Nominations and Remuneration Committee is responsible for informing and, where applicable, submitting to the Board of Directors the proposals to appoint, re-elect and remove directors and senior managers.

2.1 Inform the Board of the proposals to remove the Chief Executive Officer and appoint the new Chief Executive Officer by co-option

During the year, the Board of Directors carried out two CEO search and selection processes to fill the vacancies after Mr Ricardo Currás de Don Pablos left on 24 August 2018 and Mr Antonio Coto left on 28 December 2018.

2.2 Inform the Board of the proposals to appoint directors by co-option

During the year, the Board carried out several director selection processes to deal with the requests received from the significant shareholder LetterOne to appoint two proprietary directors (and, subsequently, a third) and fill the vacancies that took place (i.e. of Messrs Juan María Nin, Stephan DuCharme, Karl-Heinz Holland, Sergio Ferreira Dias, Ricardo Currás de Don Pablos and Antonio Coto).

As a result, the several director selection processes conformed to the context and circumstances of each case and the following directors were designated in 2018: Messrs Stephan DuCharme, Karl-Heinz Holland and Sergio Ferreira Dias (proprietary directors), Messrs Coto and Iglesias (executive directors), and Mr Garcia-Legaz (independent director, although he accepted the position on 10 January 2019).

2.3 Inform on proposals to promote the Company's senior managers and amend the basic conditions of their contracts

The Nomination and Remuneration Committee analysed the reasons and motives for the proposals to approve the promotion and the subsequent review and change of the status of four senior managers.

After considering the managers' duties and hearing the CEO's report, the Committee resolved to submit the proposal to the Board.



2.4 Inform on proposals to hire senior managers and arrange the basic conditions of their contracts

With support from the Committee, the Management carried out a search and selection process for three new senior managers to fill the vacancies or the new positions created in 2018. To do this, the Committee supervised each search process which was entrusted to external firms, previously analysing the features of each position to be filled, the Group's needs and, when the moment arrived, the profiles of the candidates identified. The Committee actively contributed to the interviews with many of them and participated in analysing the basic contractual conditions of each candidate, requiring external legal advice and remuneration analysis services in each case.

To do this, the Management carried out a thorough senior management selection process, with support from external firms specialising in identifying and attracting potential candidates. In particular, the Committee participated with the Management to define the necessary functions and skills among the candidates proposed to fill the vacancies or the newly created positions and to identify the competences, knowledge and experience required to carry out the duties inherent to each position.

The Nomination and Remuneration Committee thus submitted to the Board the proposal to hire three new senior managers for the Company. The proposals were adopted by the Board in all cases.

Lastly, and at the proposal of the Management, the Committee also examined and accordingly informed on the senior managers who left during the year, to be submitted to the Board.

3. Re-elect the Chairperson of the Nomination and Remuneration Committee

On 14 March 2018, the members of the Nomination and Remuneration Committee resolved to re-elect Mr Mariano Martín Mampaso as Chairman for a one-year term.

4. Supervise compliance with the rules on corporate governance applicable to the Company so that it achieves its mission to foster corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders

At its meeting on 19 February 2018, the Committee examined the personal and professional situation of all the directors and, in view of each case, it proposed the Board to maintain Ms Ana María Llopis, Mr Juan María Nin and Mr Antonio Urcelay Alonso as "other external directors". Regarding the other directors, the Committee resolved to propose the Board to maintain the same director category. Those proposals were adopted by the Board at its meeting on 21 February 2018.

The Committee also reviewed the 2017 Annual Corporate Governance Report which, in accordance with Article 538 of the Companies Act, must be included in a separate section in the directors' report, making sure that the following were complied with: (i) Order



ECC/461/2013 of 20 March; and (ii) CNMV Circular 5/2013 of 12 June, regarding the matters in its competence, as amended by virtue of CNMV Circular 2/2018 of 12 June. In particular, the Committee reviewed the matters concerning it based on the duties that correspond to it.

5. Analyse, draft and review periodically the remuneration policy applied to executive directors and to the management team, including the systems of remuneration by shares and their application; and guarantee that such remuneration is proportional to what is paid to other directors and members of senior management and other Company employees

To discharge its duties, the Nominations and Remuneration Committee reviews and submits to the Board, for final approval, all the remuneration policies for senior management and the board, in accordance with the recommendations contained in the Code of Good Governance.

Those proposals are clear and precise, they are based on objective criteria and they are in line with the Company's circumstances.

In particular, in 2018 the Committee reviewed and submitted to the Board of Directors, for approval, all the matters regarding the variable remuneration for senior management and the Chief Executive Officer for 2017 (in relation to the final variable remuneration) and 2018 (in general and in relation to all the salary items); they were dealt with at the meetings held on 19 February, 14 March, 8 May, 29 October, 21 November and 17 December 2018.

Likewise, since the meeting held on 19 February 2018, the annual process was implemented to review the salary policies for senior management and the Chief Executive Officer for 2019.

This was completed with an update of the remuneration policy in force ("2015-2018 Remuneration Policy") since it had expired at the end of 2018. In particular, the new remuneration policy ("2019-2021 Remuneration Policy") was submitted for approval by the 2018 Annual General Meeting after a justified report from this Committee.

The 2019-2021 Remuneration Policy is in line with the principles, grounds and structure of the 2015-2018 Remuneration Policy, with certain adjustments considering the changes to the Group's structure and strategy, and with the purpose of introducing different adjustments to ensure the remuneration structure's competitiveness.

– Long-Term Incentive Plan for DIA Group 2016-2018

The Nomination and Remuneration Committee periodically monitored in detail the Company's Long-Term Incentive Plan for 2016-2018 (LTIP III) and its targets and metrics based on the information provided periodically by the Management.

– Long-Term Incentive Plan for DIA Group 2018-2022

Likewise, the Nomination and Remuneration Committee, in line with the discussion maintained by the Committee members in 2017, monitored in 2018 the analysis, design and



definition of the bases for a Long-Term Incentive Plan for DIA Group 2018-2022 (LTIP IV). To do this, the Committee received external advice from Garrigues Human Capital Services. Once that design was completed and based on the report drafted by the Committee, the Board submitted to the Annual General Meeting on 20 April 2018 the approval of the Long-Term Incentive Plan for DIA Group 2018-2022 (LTIP IV), whose execution was delegated to the Board. For such purposes, the Annual General Meeting resolved that the details for applying and executing the Plan would be regulated by the general terms and conditions approved by the Company's Board of Directors, at the proposal of the Nomination and Remuneration Committee.

However, the extraordinary circumstances under which the Group operated in the second half of the year, together with the implementation since the start of 2018 of the process to design a new and ambitious strategic and business plan for the Group, warranted successive adjustments to the initially envisaged design and structure with the aim of ensuring that the remuneration and loyalty tools would be duly aligned with the Strategic Plan's objectives.

At present, the Committee actively supports the Management in analysing the long-term incentive plans for 2018-2022.

6. Propose to the Board of Directors (i) the annual remuneration system for directors and its amount; (ii) the individual remuneration of executive directors and senior managers; and (iii) the basic conditions of their contracts

In addition to the aforementioned duties of the senior managers, the Nomination and Remuneration Committee reviewed and resolved to submit to the Board of Directors, for approval, among other decisions, the following:

- (i) modify and apply the remuneration policy for the Board of Directors, including, inter alia, the distribution of 2018 remuneration in favour of the directors in accordance with the same criteria and amounts agreed in the previous year, and approve the remuneration policy for 2019-2021;
- (ii) modify and apply the remuneration policy for the senior management for 2018, in particular regarding the proposal to establish a fixed and variable salary.

To discharge the aforementioned duties, the Nomination and Remuneration Committee received external advice from Mercer Consulting.

7. Annual Remuneration Report

On 19 February 2018, the Nomination and Remuneration Committee drafted the 2017 Annual Remuneration Report of the directors, in accordance with Article 541 of the Companies Act, and submitted it to the Board of Directors for approval and for submission to a consultative vote by the Annual General Meeting.



8. Inform the Board of Directors on matters of gender diversity and, in particular, ensure that selection procedures for directors and senior managers do not have any implicit bias making the selection of female directors difficult

The Nomination and Remuneration Committee reviewed and monitored the indicators of parity and equality in DIA Group and the Company's policy on matters of gender diversity and equal opportunities, as well as the measures already implemented and that will be implemented in 2019.

In accordance with article 540.4.c.6 of the Corporate Enterprises Act, in the wording introduced by Act 11/2018 of 28 December, which amends the Spanish Code of Commerce, the consolidated text of the Corporate Enterprises Act approved by Legislative Royal Decree 1/2010 of 2 July, and Audit Act 22/2015 of 20 July regarding non-financial information and diversity, the Annual Corporate Governance Report of listed companies must include, among others, a description of the diversity policy applied in relation to the Board of Directors, including its objectives, the measures adopted, the way in which they have been applied, and the results in report presentation period, as well as the measures which, where applicable, have been resolved to that end by the nomination committee.

The Director Selection Policy (approved in December 2015 and inspired by article 19 of the Board Regulation) establishes, among others, the following principles which inspire the director selection procedures:

- It must not have an implicit bias nor discriminate on grounds of race, gender or any other type.
- It must favour diversity of knowledge, experience and gender among the Board.
- It must enable the Board of Directors to have diversity and plurality regarding the members' training, culture and internationalisation.
- To avoid hampering the selection of female directors, the Company must deliberately seek and include, among the potential candidates, women who meet the professional profile requirements with the target that in 2020 the number of female directors should represent at least 30% of all the members of the Board of Directors.

Likewise, the Selection Policy requires that all the candidates must have the necessary training, qualifications and professional experience, thus favouring the Board's cultural diversity and internationalisation.

The recent experience in applying such rules shows that age, disability or gender are not an obstacle to join the Company's Board and, where applicable, retain the talent in the last few years.

Moreover, further to the provisions derived from amendments made to the Corporate Enterprises Act in corporate governance matters, the Nomination and Remuneration



Committee was entrusted with establishing a representation target for the least represented gender on the Board and has engaged itself in achieving this target.

Consequently, the Committee continues to provide constant support to the gender diversity policies so that the Group can continue with its efforts to foster the presence of more women in positions of greater responsibility, in line with the objective contained in Recommendation 14 of the Code of Good Governance.

However, special circumstances led Ms Ana María Llopis, the Board Chairwoman, to leave, effective from 31 December 2018, so the presence of women on the Board has decreased.

With support from the Committee, the Board has activated a Chairperson Succession Plan, which is currently in place, to replace the former Chairwoman. Likewise, the Committee has implemented director selection processes to fill the vacancies and is focusing especially on its Director Selection Policy and on the recommendations contained in the Code of Good Governance to fill the vacancies.

9. Succession plans

The Succession Plan approved by the Board of Directors at its meeting on 22 February 2017 was implemented several times in 2018.

The Company activated the Board Chairperson Succession Plan in view of Ms Llopis's resignation as Chairwoman, effective from 15 October 2018, which was followed by her resignation as a director on 31 December 2018.

Likewise, the Company implemented the CEO Succession Plan in view of the resignation by Mr Ricardo Currás de Don Pablos on 24 August 2018, which led to the designation of Mr Antonio Coto as his replacement; the latter's subsequent resignation on 28 December 2018 resulted in the appointment of Mr Borja de la Cierva on the same day as the new CEO.

The Committee also continued with its periodic updating process of the proposed Succession Plans and notified the Company's Board so that the latter could approve the features and profile for the candidates to succeed the Chairperson or CEO. In particular, the Board of Directors, after the proposal from the Committee, approved the update of the list of conditions and requirements which must be met by all the candidates to succeed the Group Chairperson or CEO on 25 July 2018.

All the Committees assisted in the process to select the persons who were designated as the Company's Chief Executive Officer.

Additionally, in 2018 the Committee continued to receive periodic updates from the Management of the succession plans implemented at Group level in relation to all the senior management posts and other key positions in the organisation, plans which include identifying the candidates to fill each post both in the short term (as a result of an unexpected permanent situation) and in the medium and long term (internal promotion), as well as



development and training programmes to reinforce the capabilities of the managers affected by the plans and ensure continuous improvement in their skills to take over the corresponding position.

10. Other information of interest

During the year, the Committee was periodically informed of the main management decisions regarding the Group's human resources. Other activities monitored or managed by the Committee included (i) the periodic update of the Company's human resources classification system and of the DIA Group's talent management; and (ii) the implementation of a process to define the suitable Board size and its personal and professional profiles based on the Group's short- and medium-term needs and on a periodic examination of the competences, knowledge and experience required by the Group and the Board's current abilities and skills.

V. Meetings held in 2018

The Company's Nomination and Remuneration Committee held eleven formal meetings in 2018. All the meetings convened were attended by all the Committee members, in person or by telephone. The Committee adopted resolutions in writing and without a meeting on three other occasions.

In addition, the Committee members hold periodic work meetings by remote means (conference calls and video conference calls), both between themselves and the managers of the Human Resources Department of the DIA Group. In particular, in 2018 the Committee members held numerous work meetings within the framework of the tasks required to design and draft the Long-Term Incentive Plan 2018-2022, which was approved by the Annual General Meeting on 20 April 2018. Likewise, the Committee members met by telematic means to deal with and review the remuneration criteria for the Board, the Chief Executive Officer and the senior management, and examine the senior management search and selection processes.

Consequently, the Committee met with the necessary frequency for the good performance of its duties, complying, in any case, with Article 39.5 of the Regulation of the Board of Directors, which establishes that it must meet as many times as necessary, in the Chairperson's opinion, who must convene a meeting whenever a report has to be issued or proposals have to be adopted and, in any case, provided that this is appropriate for the good performance of its duties.

When deemed appropriate, such as the analysis of the remuneration benchmarks and of the market regarding the remuneration policy, the senior management search and selection processes, the design of long-term incentive plans and the legal advice for senior management appointment and removal processes, the Committee received advice from external experts, who enriched the debate and the Committee's decision-making.



VI. Conclusions and proposals for improvement

In 2018, the Nomination and Remuneration Committee carried out all the functions entrusted to it by the law and Bylaws in an appropriate and efficient manner, as deduced in the assessment that was conducted. Therefore, in the coming months, the Committee will:

- Continue to actively search for more women on the Company's Board to ensure diversity and balance; and
- Analyse the need to have a Nomination and Remuneration Committee Regulation to regulate its operations.

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In Madrid on 5 February 2019