



POLICY ON DIRECTORS' REMUNERATION OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

August 30, 2019

1. INTRODUCTION

In accordance with the provisions of article 529 novodecies of the Capital Companies Law, the Shareholders' Meeting must approve the directors' remuneration policy at least every three years as a separate item on the agenda.

This policy on directors' remuneration (the "**Policy**") of Distribuidora Internacional de Alimentación, S.A. ("**DIA**" or the "**Company**") is approved in accordance with the above legislative provision and with article 39 bis of the corporate bylaws and is in keeping with the remuneration system established in article 39 of the corporate bylaws.

2. REMUNERATION OF DIRECTORS FOR THEIR SERVICES AS SUCH

2.1 Company policy

Pursuant to article 39.1 of the corporate bylaws, the office of director is remunerated. This notwithstanding, only non-executive non-proprietary directors will receive remuneration for their services as such.

The remuneration of non-executive non-proprietary directors for their services as such will consist of:

- (i) A fixed allowance in cash, established each year by the Board of Directors, which may vary the amount to be received by each of them according to the functions and responsibilities entrusted to each director, membership of Board committees and any other objective circumstances that it considers pertinent.

The maximum annual amount of the fixed allowance for all directors for their services as such is established by the Shareholders' Meeting as 1,350,000 euros.

- (ii) Deferred remuneration in shares, based on the allocation, at the start of each three-year term of office, of a number of DIA shares equivalent to 150,000 euros gross.

Share awards will vest rateably over the three-year term, but they will not be delivered until the end of the three-year term (or at the time of vacation of office on grounds not attributable to the director, if sooner). The Board of

Directors has the discretion to accelerate the vesting of the award in order to deliver the total number of shares initially awarded at the time of vacation of office. The number of shares allocated may be adjusted by application of the habitual anti-dilution clauses.

Directors must hold the delivered shares until they vacate office (although this rule will not apply to any shares that the director needs to dispose of in order to pay the costs relating to their acquisition).

In order to permit the application of this deferred remuneration in shares, pursuant to article 219 of the Capital Companies Law, the Shareholders' Meeting authorizes the allocation to directors under this Policy of a maximum of 7,500,000 ordinary Company shares with a unit par value of €0.10. In allocating the shares, the average closing price of the DIA share in the last 15 trading sessions immediately preceding the reference date will be taken as a reference, being the reference date the date of appointment by co-option or the date of the resolution by the Shareholders' Meeting, as applicable. The Company may cover the indicated shares using any shares that make up or that may make up its treasury stock from time to time or use other appropriate coverage systems.

This Policy does not contemplate the payment of fees for attendance at meetings of the Board of Directors or of the Board committees; however, directors will be reimbursed for any duly justified expenses they may incur in performing their functions.

2.2 Initial application of the Policy

The annual fixed allowance of non-executive non-proprietary directors is initially established, with effect from September 1, 2019 (the day after approval of this Policy by the Shareholders' Meeting), in the following amounts, without prejudice to any updates and modifications that may be approved by the Board of Directors within the limits established by the Shareholders' Meeting in this Policy:

- Base annual remuneration:
 - Chairman of the Board of Directors: 250,000 euros gross.
 - Deputy Chairman of the Board of Directors: 200,000 euros gross.
 - Member of the Board of Directors: 100,000 euros gross.
- Additional annual remuneration based on committee membership:
 - Committee Chairman: 50,000 euros gross.
 - Committee member: 20,000 euros gross.

As regards the deferred remuneration in shares, for the current non-executive non-proprietary directors, being Messrs. Christian Couvreur, Jaime García-Legaz Ponce and José Wahnón Levy, the reference date will be August 30, 2019, date of approval of this Policy by the Shareholders' Meeting and, by virtue thereof, they will be allocated the number of shares that results from dividing 150,000 euros by the average closing price of the DIA share in the 15 trading sessions immediately preceding that date. The vesting period for the awards of these shares will end on August 30, 2022.

3. REMUNERATION OF EXECUTIVE DIRECTORS

3.1 Company policy

The remuneration to be received by executive directors for the performance of executive functions at the Company (which are therefore different from the functions linked to their status as members of the Board of Directors, which will not be remunerated) is structured as follows:

- (i) Fixed remuneration: Determined taking into account the content of the executive functions assigned and the merits of the executive director.
- (ii) Variable remuneration: The variable remuneration of the executive directors aims to strengthen their commitment to the Company and incentivize the best performance of their functions. It may include:
 - a) Short-term variable remuneration (annual bonus): payable in cash and linked to the achievement of economic, financial and non-financial targets and, as the case may be, the fulfillment of personal targets.
 - b) Medium- and long-term variable remuneration: medium- and long-term incentive systems (multi-year bonuses, share or stock option plans, warrants on shares or referenced to the share price, or analogous systems) linked to Company performance in relation to set economic and financial and/or non-financial parameters aligned with the Company's strategic objectives and long-term value creation. In the case of systems linked to Company shares, they will be submitted to the Shareholders' Meeting for approval in accordance with the law.

Part of the variable remuneration may be considered minimum or guaranteed remuneration.

The maximum annual fixed and short-term variable remuneration for an executive director is 3,000,000 euros gross in aggregate.

The maximum value of the medium- and long-term variable incentive will not exceed 200% of the annual fixed remuneration multiplied by the number of reference years of the plan (usually three years).

- (iii) Remuneration in kind: With a view to offering a competitive and attractive remuneration package, executive directors may receive remuneration in kind, such as (without limitation) accommodation, life and accident insurance, health insurance, an annual medical check-up or company car, in accordance with the Company's policies. In all cases, remuneration in kind will not exceed 5% of the annual fixed remuneration.
- (iv) Remuneration from the post-contractual non-compete undertaking: Where an executive director's contract contains a post-contractual non-compete undertaking, his or her remuneration may include periodic fixed remuneration as consideration for such undertaking, which may not exceed the fixed remuneration corresponding to the non-compete period.

3.2 Application to the current Chief Executive Officer

The Company Policy for current sole executive director (the Chief Executive Officer) contains the following items (applicable as from May 21, 2019, date of his appointment as Chief Executive Officer of the Company):

- (i) Fixed remuneration: 3,000,000 euros gross per annum. No variation is envisaged in the fixed remuneration until at least December 31, 2022.
- (ii) Short-term variable remuneration (annual bonus): The Chief Executive Officer will not participate in any annual variable remuneration system.
- (iii) Medium- and long-term variable remuneration (long-term incentive, LTI): it is envisaged that the Chief Executive Officer will participate in a multi-year variable remuneration system for the period 2020-2022 ("**LTI 2020-2022**"), which the Company intends to launch at the end of 2019. The value of the participation of the Chief Executive Officer in the LTI 2020-2022 will be in any event within the maximum set forth in section 3.1 above, with the actual award dependent on the degree of achievement of the targets established for the LTI 2020-2022 and with part of such incentive (not to exceed 25% of the maximum value of the award) to be considered minimum or guaranteed remuneration.
- (iv) Remuneration in kind: includes assumption by the Company of the cost of accommodation for the Chief Executive Officer in Madrid, life and disability insurance, medical insurance and the use of a Company vehicle, pursuant to DIA's policy in this respect, all of this up to a maximum annual amount of 2.5% of his annual fixed remuneration.

3.3 Main terms and conditions of executive directors' contracts

The main terms and conditions of the contract of the Chief Executive Officer of the Company are as follows:

- **Term:** indefinite. Notwithstanding the foregoing, for the effectiveness of certain financial conditions agreed upon with the current chief executive officer, the Company has established an initial period for the provision of services that runs from May 20, 2019 to December 31, 2022 (“**Initial Period**”).
- **Exclusivity:** The Chief Executive Officer must provide his services on a full and exclusive basis to the Company and the DIA Group, unless he is a member of certain boards of directors or obtains the Company's prior express consent.
- **Advance notice period:** The Chief Executive Officer must notify his intention to terminate his contract three months in advance if it is based on certain grounds, including a change of control at the Company (the “**Specific Grounds**”), or six months in advance if based on any other ground.
- **Severance arrangement:** In the event of termination of the contract by the Chief Executive Officer due to a Specific Ground before the expiration of the Initial Period, the Chief Executive Officer will be entitled to receive severance equal to the annual fixed remuneration that he would have received from the date of completion of the advance notice period through the end of the Initial Period. No provision is made for entitlement to severance in the event of termination by decision of the Company.
- **Post-contractual non-compete undertaking:** six months of post-contractual obligation not to compete in certain cases of termination, with a financial compensation of 300,000 euros gross.
- **Clawback clause:** In certain cases the Company may require the Chief Executive Officer to refund any amounts received under the LTI 2020-2022.

In any case, the Board of Directors may periodically review the conditions of the Chief Executive Officer's contract and include any changes necessary, within the framework of this Policy and DIA's internal regulations.

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