



# **Sustainable Development Report**

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General and financial information

# Report profile, scope and coverage

This Sustainable Development Report provides an accurate and rigorous summary of the ethical, social, environmental and corporate governance performance of the DIA Group during the 2016 financial year, in all of the countries in which it operates: Spain, Portugal, Argentina, Brazil and China.

With this document, DIA maintains its effort to provide information transparency to the different stakeholders, encouraging an ongoing and fluid dialogue with them: customers, shareholders, franchisees, employees, suppliers and society in general.

In drawing up this report, DIA has followed current legal regulations and international reporting standards, specifically the recommendations of the Global Reporting Initiative (GRI) G4 version.

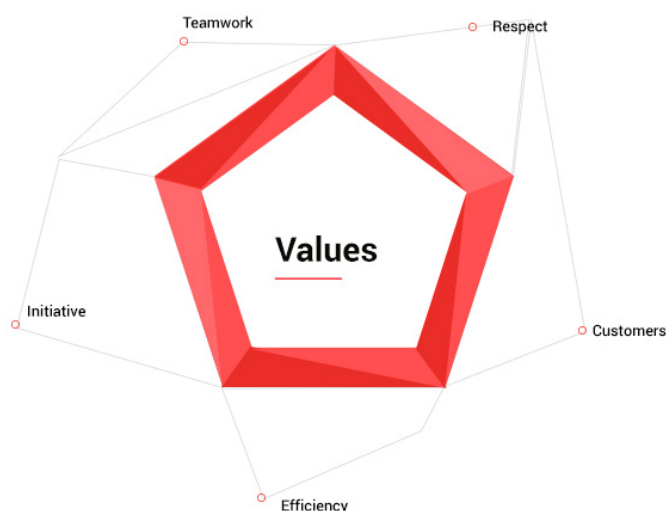
For data collection, Enablon SD-CSR (Sustainable Development-Corporate Social Responsibility) software has been applied, used by leading companies from all sectors in over 130 countries and GRI certified.

The information contained in this document is complemented by other information available on the website, [www.diacorporate.com](http://www.diacorporate.com), in the Sustainable Development and CSR section, as well as in the rest of the reports that comprise this annual report: the Activities Report, the Financial Report and the Corporate Governance Report.



Distribuidora Internacional de Alimentación S.A., DIA, is a food, pharmacy, health and beauty distribution company, listed on the Madrid Stock Exchange, which has establishments in Spain, Portugal, Brazil, Argentina and China.

Dia's goal is to offer consumers solutions to their food and high-volume consumer goods needs based on a single market commitment to quality and price, while also satisfying the needs of DIA's employees, franchisees, suppliers and shareholders, as well as the society in which the company carries out its activity.



#### **Team**

We work as a team, in a coordinated way, with a common aim. We develop a positive relationship in order to leverage the talent of our employees, which allows us to achieve better results.

#### **Customers**

Our main aim is to ensure customer satisfaction.

#### **Efficiency**

We work to high standards and train our teams to take decisions based on professional criteria. We look for profitability in all our actions. We offer our clients the highest-quality products at the best prices.

#### **Respect**

We respect our commitments. We generate an atmosphere of trust and accept diversity and differences of opinion. This allows us to work in a climate of security, credibility, and respect for people.

#### **Initiative**

We are aware of changes in the markets in which we operate, and we come up with creative and innovative solutions.

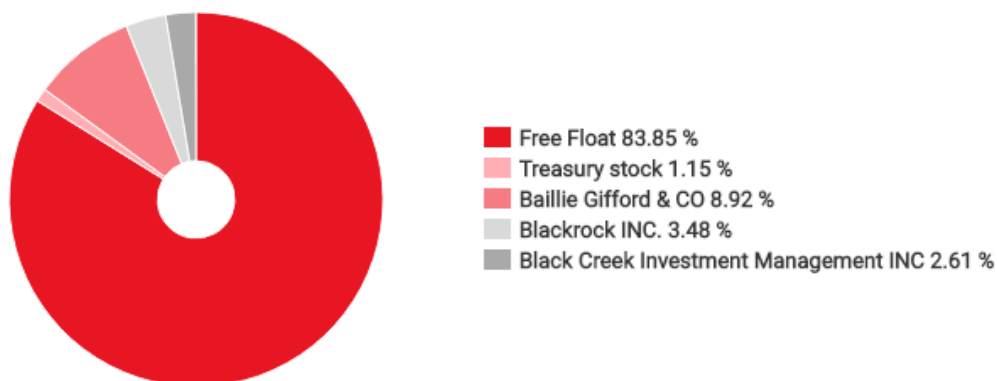
## Financial indicators

	2015	2016
Gross sales under banner	10,546.7	10,550
Net sales	8,925.5	8,867.6
Adjusted EBITDA	610.1	625.1
Investment	563.3	345.4
Net debt	1,132.4	878.3
Adjusted net income	254.1	258.6

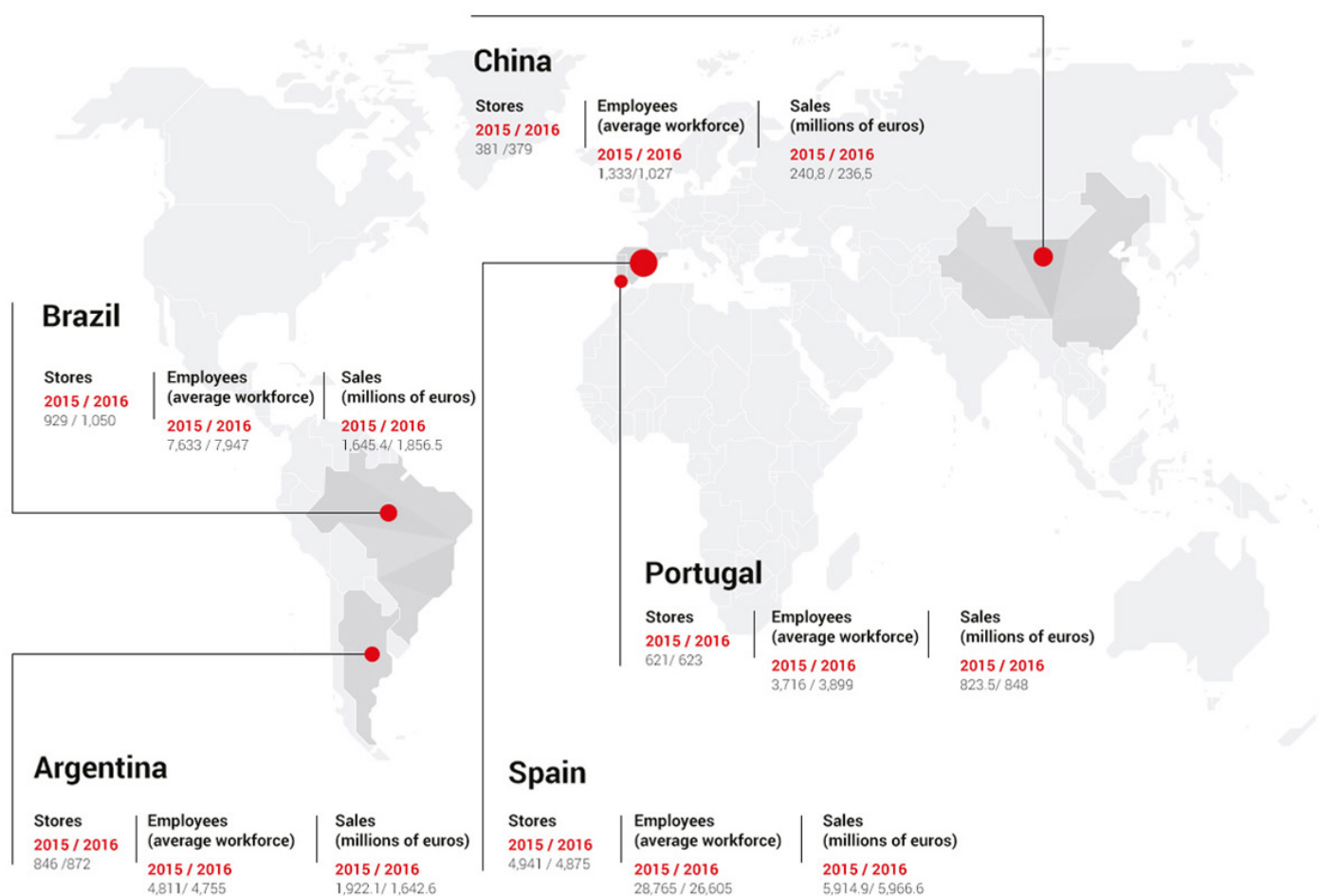
## Sustainability indicators

	2015	2016
<b>Employees</b>		
Number of employees (average workforce)	46,258	44,481
Training hours (thousands)	374	476
<b>Health and Safety</b>		
Work Accidents	2,527	2,677
Work absenteeism (%)	6.44	5.58
<b>Environment</b>		
Investments in environmental improvements (millions of euros)	26.955	6.96
CO2 emissions (millions of kg of eq. CO2)	131,170	142,502
Electricity consumption (Kwh/m <sup>2</sup> )	309.08	334.07

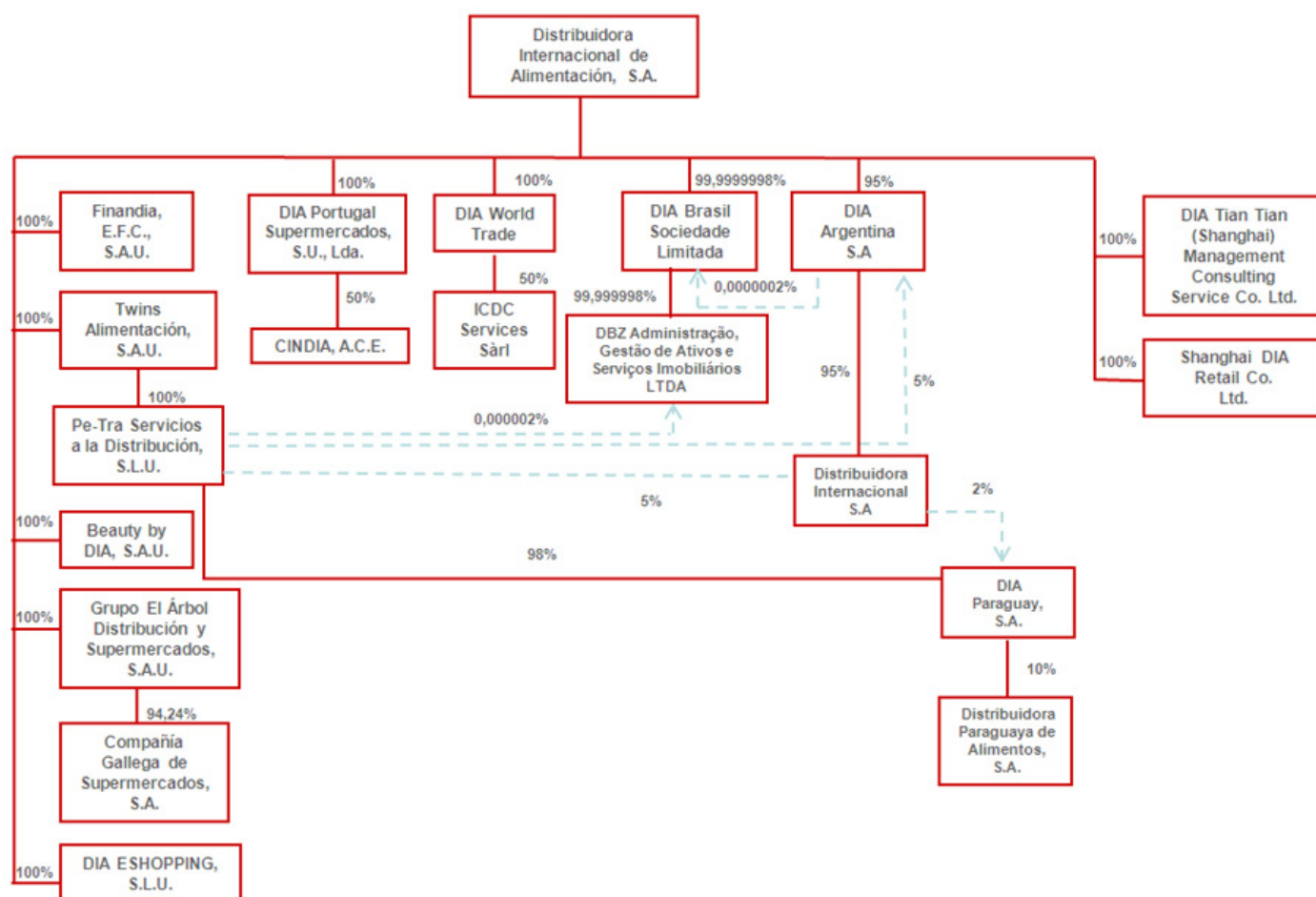
## Shareholder composition



## International Presence



## Shareholder structure



# Letter from the Non-executive Chairwoman



Dear friends,

Once again, we have ended a successful year thanks to a business model focused on solidity and sustainable growth thanks to our strategy of quality at a good price for our customers, and above all focused on the loyalty that this and our innovations engender in our clients.

More than 40 million people trust in us when doing their shopping, which is a big responsibility that we take on with the highest level of commitment.

Accordingly, we have developed a transversal programme called “Proyecto Cliente”, which is centred on improving consumers’ experience at DIA. Our aim is to ensure that employees at all levels within the company become even more aware of the importance of our customers and calibrate their day-to-day actions with customer satisfaction in mind. Our staff has warmly received this successful initiative. In Spain alone, where we piloted this initiative, more than 2,000 employees from our offices, warehouses, and stores had the opportunity to be part of these working groups, contributing their views with ideas and initiatives that have already allowed us to undertake new projects.

We also want our social responsibility projects to be increasingly close to our staff and their families, which is why we strive for all of them to be able to participate and be with us. By way of example, I would mention the launch of our Superliga DIA in Spain, the race to support children with cancer in Sao Paulo, the help given to young mothers at risk of social exclusion in Portugal, and the campaign to collect clothes in Argentina, among many other initiatives.

Accompanying our customers, there are more than 4,000 of us, across a total of five countries in which we operate. We make up a committed team that is showing it is able to adapt to a changing environment with new answers to each of the increasingly demanding business needs, with innovation and digitalisation, but understanding at all times that the main focus of our activity is the consumer. I thank the entire team for the efforts made, and in whom I undoubtedly trust to attain our company's objectives for another year.

And we cannot forget our important travel companions, our franchisees and franchises: more than 3,500 entrepreneurs are travelling on this road with us. For us, their dedication, effort, and closeness to the client represent a source of inspiration and a fundamental part of growth. They deserve our recognition, and that of society, for their contribution and commitment to the development and progress of the local economy.

However, our commercial activity does not make us forget the obligations of transparency and good governance that we have as a listed company with our shareholders and with society in general. Accordingly, during 2016 we continued to work on corporate governance matters and, following the good governance recommendations, we have made public all our corporate policies, which readers of this report can easily find on our corporate website: [www.diacorporate.com](http://www.diacorporate.com). Each of our upcoming annual reports will include detailed information about the degree of implementation of our policies.

We have also analysed and recommended changes in our organisation and our Board of Directors for 2017 to adapt to the new requirements and demands of our market and our society. We have done this to ensure that our organisation in Spain and other countries can deal with future demands in terms of knowledge of, and training in, new technologies, new infrastructures and materials, new trends and innovation in the distribution of food, cosmetics, and health and beauty products. Accordingly, we are involving our directors and employees in the digital transformation, and are training our teams and franchisees.

Furthermore, we have worked on the Social Responsibility Master plan for the 2017-2019 period, which, as of the publication date of this report, has been reviewed and validated by the Board of Directors, having previously been studied by the Audit Committee.

Our Social Responsibility master plan includes 16 lines of action that have materialised in more than 35 projects that cover aspects of corporate management, efficiency improvements in environmental management, an increase in the levels of satisfaction of our employees and of our franchisees, and which include specific social actions that require being increasingly closer to society as a whole.

I invite you to read this report which includes the details of what I have briefly summarised above, and I now sign off reiterating my thanks to everyone, and particularly our customers, employees, franchisees, suppliers, and you, the shareholders, for the trust that you place in our company year after year. This is why we will continue to work on making our company an example for everyone.

**Ana María Llopis**

DIA Group Non-executive Chairwoman

# DIA and corporate responsibility

The DIA Group works actively towards economic progress and the creation of value in all the communities in which it operates, building trust with its customers and other stakeholders, with an offer of quality food at the best prices on the market. The efficient management of its resources, together with an unwavering commitment to profitable and sustainable growth, are carried out through an integrated system at all levels of the group, in keeping with internationally recognised values of social, environmental and good governance criteria.

The company bases these lines of action on a General Policy of Corporate Social Responsibility, approved by the Board of Directors and adapted to the recommendations of Good Governance of the National Securities Market Commission (CNMV), which serves as the framework reference for all of the group's constituents and companies in different areas: responsible management, commitment to people and collectives with which it has dealings, quality and price, franchises, and environmental protection.

During 2016, the company worked on the development of three fundamental aspects in matters of Social Responsibility:

- Evaluation and subsequent approval of Corporate policies of the different areas.
- Development and definition of a materiality analysis that enables the identification of risks and opportunities, as well as the priority issues for its stakeholders.
- Presentation of the 2017-2020 CSR Master Plan, which constitutes the road map in this area and aligns actions with company policies.

## CSR General Policy

- Promote best Corporate Governance practices, giving priority to transparency, ethical business management and adequate risk management.
- Manage both financial and non-financial risks in a responsible manner, as well as the opportunities arising from the evolution of the Group and its environment.
- Create and maintain responsible, fluid and two-way communication with stakeholders (consumers, employees, franchisees, suppliers, civil society and shareholders) to gain a better understanding of their expectations and efficiently adapt business operations to their satisfaction.
- Work towards continuous improvement in all processes to favour access to quality food at the best prices for customers, linking the company's social activity with access to food for the most disadvantaged and vulnerable groups, with special emphasis on children.
- Promote good responsible purchasing practice and healthy food, as well as provide thorough nutritional information about the products for the benefit of the customer.
- Ensure maximum protection and privacy of customers and franchisees through strict compliance with existing regulations.

- Promote respect for diversity, developing adequate conditions for the functioning of teams with different capabilities.
- Support equal opportunities between men and women.
- Promote the safety and health care of all people that form part of the company.
- Support the professional training and development of people that form part of the company, promoting reconciliation of family and working life.
- Contribute to better management of natural resources and the environment through energy efficiency, innovation and awareness among employees to minimise the negative impacts caused by our activity.
- Give impetus to and ensure compliance with, the United Nations Global Compact.

## CSR Organisation at DIA



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**The DIA Group has a Corporate Social Responsibility organisational structure that is supervised directly by the Board of Directors through its Audit and Compliance Committee, which is comprised of five independent directors.**

The company structures its principles in these matters through its Corporate Social Responsibility Policy, undertaking action at all levels through a Master Plan that articulates priorities according to needs and establishes lines of action.

The subsequent report is the responsibility of the CSR Committee, led by the Director of Sustainable Development, comprised of the managers of the Group's CSR material issues (definitors), who are responsible for defining the performance indicators and for verifying that the managers in the functional area of each country (contributors) report accurate information and data in accordance with the established requirements. In this process, the recommendations of the GRI (Global Reporting Initiative) are followed, using the management software Enablon SD-CSR (Sustainable Development – Corporate Social Responsibility).

To ensure the reliability and accuracy of the data, for the response of the indicators, contributing users attach the data reported to the supporting documentation that justifies the information entered in the system, which allows the traceability of the same, as well as enabling its verification.

To guarantee and make this process more reliable, it is essential that the data complete three levels of validation.

- **Country Level:** Each country is responsible for reporting its sustainable development in the same way that it is responsible for its Income Statement.
- **Functional Level:** Beyond the validation at the country level, there is a second validation at functional level, which is performed by the functional managers of the corporate team. They verify that their functional area has been reported in all countries in accordance with the definitions that they themselves have given and that have been published in Enablon.
- **Corporate Level.** The third level of validation is corporate, performed by the coordinator of the group. If an error is detected (in any of the three validation levels), actions are taken to authenticate it.

The CSR Committee gathers and verifies the information received from the different departments every three months, in accordance with the previous definitions made in accordance with the defined KPIs.

# Goals for 2017

## General

Approval of the 2017-2019 Master Plan by the Audit and Compliance Committee of the Board of Directors.



### POSITIONING

Manage the **POSITIONING** of the DIA Group in accordance with the expectations of its priority stakeholders.



### ORGANISATION

Involve the **ORGANISATION** in a shared vision of CSR, aligned in all countries of the DIA Group.



### MANAGEMENT

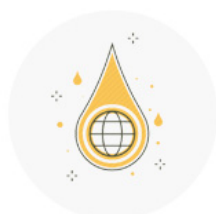
Pursue improved **MANAGEMENT** of the DIA Group in CSR aspects.



### BALANCED SCORECARD

Implementation of the Balanced Scorecard for the monitoring of the Master Plan and the evaluation of compliance with Corporate Policies.

## By area



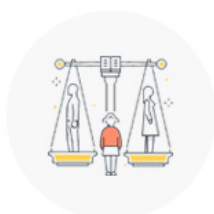
### ENVIRONMENT

Improved efficiency of the company's resources for a lower environmental impact and greater cost savings.



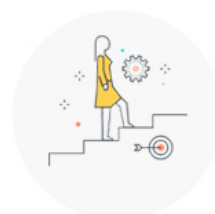
### SOCIAL RESPONSIBILITY

Establishment of checkpoints for the observance of human rights in the links before and after us in the supply chain.



### CORPORATE GOVERNANCE

Convey to shareholders, investors and/or non-financial information analysts all relevant information from a perspective of sustainability and CSR in DIA.



### HUMAN RESOURCES

Ensure principles of equality within the company.

# Value generated and distributed

Gross sales under the DIA banner amounted to EUR-10.550bn, 10.2% higher than in the previous year in local currency. The positive business performance implied the enrichment of the areas in which the group is present, through the creation of employment, the promotion of ancillary activities arising from the work of suppliers and subcontractors, and the payment of taxes to Public Administrations.

## Economic value generated, distributed and retained

	12/31/2015	12/31/2016
<b>Economic value generated</b>	<b>9,113,544</b>	<b>8,995,115</b>
Net business turnover	8,925,454	8,867,621
Other income	96,215	110,976
Tax and profits	82,610	-
Financial income	9,265	12,089
Income from intangible assets	-	4,336
Income from companies using the equity method	-	93
<b>Economic value distributed</b>	<b>8,710,634</b>	<b>8,703,283</b>
Goods and other consumables	7,018,881	6,942,007
Personnel expenses	847,233	846,103
Operating expense	644,034	653,549
Income from intangible assets	12,340	-
Financial expenses	65,291	64,121
Tax on profits	-	69,119
Dividends (*)	122,855	128,384
<b>Economic value retained</b>	<b>402,910</b>	<b>291,832</b>

(\*) Dividends at 12/31/2016 correspond to the proposed distribution of profit for financial year 2016 that will be submitted for approval, while dividends at 12/31/2015 correspond to those paid in financial year 2016 against the previous year's profit.