



Sustainable Development Report

DIA and responsible management

Corporate Policies

As a consequence of the recommendations of the new Code of Good Governance of the CNMV, approved in 2015, DIA has been working since then on the adaptation and subsequent publication of its corporate policies. The first step implemented in December 2015, was the approval by the Board of Directors of a renewed Corporate Social Responsibility policy, transversal to all the actions of the company, which includes the principles assumed voluntarily by DIA in regard to its various stakeholders.

The CSR Policy constitutes a reference framework prior to the development of the rest of the policies that the company maintains with regard to its stakeholder relations.

On 11 December 2015, the Board of Directors of DIA approved its Shareholder Communication Policy, Fiscal Policy, Risk Management Policy, Media Relations Policy in the Information Area and, lastly, the Environmental Policy. In 2016, the Franchise Relation policy, the Corporate Food Quality and Safety policy and the Policy for the Prevention of Crime and Anti-corruption have been approved and published, all of which are available on the company's corporate website.

At the closing date of this report, the two remaining policies have been approved and published: The Human Resources Policy and the Customer Relationship Policy. To measure the implementation of each of the policies and fulfil the Recommendations of the Code of Good Governance of the CNMV, the DIA Group has developed a series of indicators that are reported to the Audit Committee of the Board of Directors, which has been attributed the company's Social Responsibility functions.

General Corporate Social Responsibility Policy

DIA Group (DIA) is a company committed to social welfare and the impacts caused by its activities.

DIA's General Corporate Social Responsibility (CSR) Policy constitutes the framework applied by DIA at corporate level in order to meet its commitments in the following fields:

- **Responsible management.** Compliance with the best practices of Corporate Governance and the establishment of a framework based on ethics, transparency and efficient risk management.
- **Commitment to the people and groups it works with.** Employment generation, development of the franchise, supplier agreements, collaboration on social programs and humanitarian aid and creating value for shareholders and society.
- **Franchises.** Offer franchisees the knowledge and the right tools to efficiently manage their business.
- **Quality and price.** Offer consumers solutions to their food needs and consumer products based on a single undertaking on the market in terms of quality and price.
- **Environmental protection.** DIA innovates in its daily work to reduce energy consumption, limit the environmental footprint of its logistics activities, and properly manage its emissions, consumption and waste.

In order to create value in society, DIA has made a strong commitment to environmental respect and sustainability through efficient management of resources, allowing access to quality food at affordable prices, and generating wealth and confidence in the communities where it operates.

In line with this purpose, the General CSR Policy promotes the achievement of the objectives set in the DIA strategic plan and the better positioning of the company in the market.

CSR Principles

Efficiency, Initiative, Respect, Team and Customer are the values that define DIA and act as a reference for professional ethics and appropriate decision-making. These values are the basis for the development of DIA's General CSR Policy, which is articulated through twelve basic principles that uphold its purpose of achieving profitable growth and reflect its commitment to the social and natural environment:

- Promote the **best Corporate Governance practices**, giving priority to transparency, ethical business management and proper risk management.
- Responsible management of both financial and non-financial **risks as opportunities** arising from the Group's performance and the environment.
- Create and maintain **responsible, fluid and bidirectional communication with interest groups** (consumers, employees, franchisees, suppliers, civil society and shareholders) to better understand their expectations and adapt business performance with a view to satisfying them efficiently.
- Work to continuously improve all processes to promote access to **quality food at the best prices** for the consumer, also linking the company's social action with access to nutrition for the most disadvantaged and vulnerable groups, paying special attention to children.
- Promote good practices in terms of responsible **purchasing and healthy eating**, as well as providing comprehensive nutritional information about the products for the benefit of the consumer.
- Ensure maximum **protection and privacy of consumers and franchisees** through full compliance with existing regulations.
- Promote respect for **diversity** by developing the adequate conditions for the functioning of teams with different capabilities.
- Support **equality** between men and women.
- Promote the **safety and health** care of all individuals within the company.
- Support the **training and professional development** of those who form part of the company, promoting a good work-life balance.
- Contribute to better **management of natural resources and the environment**, through energy efficiency, innovation and employee awareness to minimise the negative impacts caused by our activities.
- Promote and ensure **compliance with the United Nations Global Compact**.

These principles are integrated into the Group management system and in its professional standards, that allow DIA to program, monitor and improve its performance; meeting the expectations of its interest groups.

Scope and governance of the general csr policy

The DIA's General CSR Policy establishes the corporate reference framework to ensure its proper compliance and is applicable to all companies and countries that form part of the Group.

The Board of Directors approves the DIA's General CSR Policy and oversees its compliance, ensuring respect of the laws and regulations in its relations with interest groups, compliance in good faith with its obligations and contracts, and respect for the customs and good practices of the sectors in which it operates.

The DIA Appointments and Remuneration Committee has the following functions in relation to the General CSR Policy:

- **Reviewing** the General CSR Policy, ensuring that it is aimed at value creation.
- **Monitoring the strategy** and practices of Corporate Social Responsibility and assessing their degree of compliance.
- **Overseeing and evaluating** the processes associated with the various interest groups.
- **Evaluating** all aspects relating to the company's non-financial risks, including those of an operational, technological, legal, social, environmental, political and reputation-related nature.
- **Coordinating the reporting process** of non-financial and diversity-related information, in accordance with applicable regulations and the international reference standards.

DIA has an organisational structure which is governed by principles and internal rules approved and monitored by Senior Management. This regulation provides for the creation of a CSR Committee, led by the Corporate and Resources Director, and composed of managers responsible for each of the concrete areas in DIA's CSR policy (definers). This body is responsible for defining performance indicators and ensuring that those responsible for the functional areas in each country (contributors) report the required information in accordance with the established truthfulness and accuracy criteria.

Memberships and collaborations

DIA is committed to adopting the most relevant international and national standards in the field. Since March 2012, DIA has been a member of the United Nations Global Compact (UN Global Compact), the aim of which is to achieve the voluntary commitment of its member entities to Social Responsibility, through the application of the Ten Principles set out in the Compact, based on respect for human, labour and environmental rights, in addition to anti-corruption.

Group General Human Resources Policy

The DIA Group is formed by loyal, meticulous professionals who constantly strive to realize the organization's values through a professional culture based on honesty, good faith, integrity, commitment to the DIA Group project, and respect for employment rights.

Against this backdrop, the General Human Resources Policy is the corporate benchmark for people management and contains the spheres of action delivering a response to the DIA Group's commitment to job creation and to its professionals, through the following values:

- Efficiency, based on working meticulously, and creating teams for professional decision-making, together with the search for cost-effectiveness in all actions;
- Initiative, taking heed of any changes occurring in the markets in which the DIA Group is engaged and anticipating them through creative and innovative solutions;
- Respect for commitments, creating an atmosphere of confidence and accepting diversity and differences of opinion, resulting in a safe, credible, and respectful working environment;
- Team work, with a common purpose and in a coordinated manner, creating positive relationships which harness people talent to accomplish optimum results;
- Customer focus, with satisfaction as a proposed maximum.

These defining values of the DIA Group are the basis for the development of the present policy, which is supported by three strategic mainstays for people management within the organization:

- Customer designed: A customer-based working culture;
- Focused on the employee: An organization which supports professional development and fosters employee commitment;
- Digital transformation: A different approach to work enabling greater adaptability, efficacy, and innovation to satisfy customer and employee needs.

Policy purpose

As a multinational Group specializing in the distribution of food, drugstore, beauty, and health products DIA is aware of the need to adapt its human resource policies to the different cultural, labor, and business realities (i.e. competitors or customer profiles) within the different countries where it is located to ensure the success of its global project.

Furthermore, franchises and partnerships are a key element of the DIA Group business. These associates are ambassadors of the DIA brand, and must be committed to ongoing excellence in quality of service and products, in

keeping with the Company values.

In this regard, the General Human Resources Policy:

- Contains common bases and principles (i.e. symmetry with business goals, digital transformation), to be considered by the Group as a whole, in keeping with the business cycle stage of each area.
- Acknowledges the existence of idiosyncrasies in the different societies, countries and businesses forming the DIA Group and the need for flexibility in its local adaptation to certain policies (i.e. recruitment, communication, etc.).
- Establishes the directives applicable to the human resources area, to recruitment, and agreement signing with franchises and other partners, always in compliance with business needs, commitments reached and in accordance with the prevailing legislation at each particular time and country.

The purpose of all of this is to enable the:

- Recruitment, training and development of expert professionals;
- Integration of all professionals into the values and culture of the organization;
- Guarantee of a first-rate, stable, and safe employment;
- Design of a relevant offer to the employee throughout his or her working life;
- Promotion of long-term commitment with pride in belonging;
- Raising of awareness with regard to customer value;
- Development of talent management plans in keeping with business goals;
- Leadership of the DIA Group as a benchmark employer;
- Fostering of collaborative relationships and knowledge transfer to franchises, partners, and associates in people management areas.

Action timeline

The General Human Resources Policy is based on the following seven areas of action which guide the DIA Group commitment to job creation and people management:

- SRecruitment and hiring of professionals
- Equality and diversity

- Talent management and development
- Work-life balance
- Safe and healthy working environment
- Commensurate income
- Labor relations

Recruitment and hiring of professionals

The DIA Group believes that the recruitment and hiring of the best professionals is critical to its company success and in integrating people into the values and culture of the organization ("DIA profile"), which involves:

- Commitment to employment stability and the promotion of hiring locally. A balance is to be achieved between personal needs and the values defining the DIA Group;
- Efficacy in recruitment processes, ensuring their professionalism and quality throughout the organization;
- Assessment and recruitment of candidates in accordance with the desired profiles, based on strict objective criteria of merit and capacity, and ensuring transparency and professionalism of the process with equal treatment of all candidates;
- Coherent job description and appraisal, with objective criteria;
- Profile specialization in keeping with corporate reality;
- Horizontal and vertical mobility for professionals to cover internal vacancies in their own or a different area of the business.

Equality and diversity

In the DIA Group respect for people stems from an open, inclusive, and collaborative working culture based on merit, where team work is rewarded and people are encouraged to perform their best.

The DIA Group respects prevailing legislation in all countries and centers of work, and promotes equal opportunities, non discrimination in the workplace, cultural diversity and respect for human labor rights, which involves:

- Compliance with prevailing labor laws and best practices in equality and employee diversity;
- Acknowledgment of different abilities, ensuring equal opportunities and promoting the integration of all employees (people with different abilities) and the most disadvantaged groups;

- Promotion of equal opportunities and equal pay for all employees within the organization;
- Awareness-raising and sensitization of employees through the development of initiatives and joint projects promoting equality and diversity in the labor force. El reconocimiento de las capacidades diferentes, velando por la igualdad de oportunidades y favoreciendo la integración de todos los empleados, (personas con capacidades diferentes) y de aquellos colectivos más desfavorecidos;

Talent management and development

The DIA Group job assessment system continuously and distinctively manages and develops the talents of the DIA Group employees. This is a basic tool for consistently developing the mechanisms of people management to fit in with the realities of the organization, enabling it to:

- Identify and acknowledge the value an employee and his or her different functions may offer at the different levels of company structure;
- Provide the organization with a flexible tool with which to carry out the integration and reorganization processes to better respond to customer demands;
- Detect needs and provide opportunities for international mobility;
- Participate in continuous training and development of skills, in accordance with business and customer needs;
- Be transparent, professional, and dynamic in company talent development procedures;
- Implement and develop a talent management system;
- implement and develop a succession plan for core-ability posts and professionals within the organization;
- implement and develop a plan for identifying high-potential individuals in the organization;
- Develop positive aspects which have an effect on the high performance of employees through the implementation of action plans;
- Foster internal mobility opportunities through a global vacancy system;
- Assess performance and the establishment of incentives for harnessing and retaining talent;
- Actively listen and involve employees.

International mobility in the DIA Group is a tool for expansion and professional development. The DIA Group promotes international mobility processes in addition to its commitment to the development of local talent and employment, and promotes the spread of knowledge and subsequent location, thus controlling the costs associated with these relocations.

Work-life balance

The DIA Group recognizes the need for a balanced working environment which takes into account employees' personal and working lives. This leads to better performance in the workplace in addition to increasing pride in belonging to the organization, through:

- An open and transparent working culture based on confidence, understanding, and commitment between professionals;
- The establishment of a working environment where professional, personal, and family lives may coexist harmoniously.
- The development of certain initiatives and benefits for employees to ensure their well-being.

Safe and healthy working environment

The DIA Group is aware of the importance of health and safety at work for all employees and collaborating third parties. It therefore promotes a safe and healthy working environment in all areas of the organization, through the following commitments:

- Compliance with prevailing legislation and best practices in health and safety;
- Diligent action in individual protection and that of those who form part of the DIA Group environment, including suppliers and associates;
- Reduction in the rate of accidents and an improvement in security in all value chain stages;
- Implementation, development, and securing of necessary prevention measures in the organization;
- Promotion of a culture of prevention and well-being through awareness and constant training of employees throughout the organization;
- Fostering of all employees' participation in the promotion of health and safety, cooperating jointly to increase the organization's safety standards;
- Monitoring of employee health with regards to workplace-related risks;
- Improvement of employee well-being through healthy behavioral habits;
- Demand for compliance of the safety regulations established by the DIA Group from suppliers and associates, involving them in the risk-preventative culture established in the organization.

Commensurate income

The DIA Group maintains a remuneration policy aimed at attracting, motivating and retaining a workforce capable of meeting all its business challenges. The DIA Group pursues the right balance of excellence among its employees

through a carefully executed indemnity process comprising:

- A remuneration system based on the principles of balance and positioning in keeping with market forces, which acknowledges employee abilities, responsibilities, merits, and performance;
- The assurance of transparency and equal salary policies for the same jobs;
- A competitive salary base which complies with legislation;
- A variable salary based on short and long term incentives to promote business goal accomplishment and challenging personal objectives;
- The linking of a major part of the DIA Group Management salary to value creation objectives, aligning remuneration with shareholder interests and medium term strategic plans;
- The incorporation of best practices and directives from corporate investors and other international bodies, for the administration and design of remuneration;
- The drive to offer a benefits package to employees in keeping with local particularities.

Labor relations

The DIA Group recognizes the right of its employees to both freedom of association and the right to collective bargaining within the established legal frameworks of the company sector environment.

Furthermore, the DIA Group promotes a culture of continuous representation and dialog with all of its employees, both individually and collectively. The Group aims at firsthand knowledge and understanding of any concerns and of the level of satisfaction, to ensure long-term company success.

Responsibility and implementation

The DIA Group Board of Directors approves the General Human Resources Policy and adheres to it, ensuring its respect for legislation and internal regulations relating to the people who form part of the organization.

The DIA Group Human Resources strategic plan will establish the specific objectives and define the specific actions to be accomplished in the short, medium, and long term.

The DIA Group has a flexible, transparent, and constantly evolving human resources management system enabling it to adapt to a fast-changing business climate.

The system is supervised by senior management and is able to achieve organizational coherence, appreciate strategic issues and manage the workforce through common criteria.

Scope and outreach

The General Human Resources Policy is applied to all companies and countries forming part of the DIA Group.

The contents of this Policy must be complied with by all persons forming part of the DIA Group. Awareness and outreach of this Policy is therefore dependent on the communication tools available within the organization.

Corporate Policy

DIA establishes that in its relationships with Customers it must maintain a high commitment to honesty and professional responsibility.

Respecting commitments acquired with customers, honesty in both written and verbal relations and acting with integrity in all professional activities are objectives that have to be fulfilled.

This Guide to Good Practice in Customer relations is the document that sets out the principles that shall preside over these relationships. These principles should be understood as complementary guidelines to sector-specific regulations on advertising, the purpose of which is not to replace but rather to expand the responsibility of DIA in its relationships and communication with customers.

General Principles

- The company's commitment to customers/society. Brand values: transparency, closeness and quality, as well as humanity and equality, and how they lead towards responsible advertising with stable principles of action.
- Commitment to the truth and not mislead customers. Generally speaking, DIA's message is addressed to adults in a way that is transparent and comprehensible to them.
- Our marketing and advertising practices shall conform to the laws and the decisions imposed by the authorities regulating the sector.
- We show respect for the ethics and specific values of society through our marketing and advertising programs.
- We recognize that the purchasing decisions of a customer may be influenced by advertising and believe that we can facilitate decision making by providing information without exerting an influence in one direction or another. The purpose of the DIA advertising message is to inform and raise awareness of the

benefits of our range of products and services.

- We believe in the right to privacy and the lawful processing of customer information and, accordingly, all of our communication practices (off line and digital) comply with the legislation in this area.
- We maintain an ethical position in regard to advertising, environments and contexts that encourage the development of arguments concerning gender equality, sex, violence offensive behavior, discriminatory treatment towards other people, or in which the environments are not consistent with our corporate image, taking into consideration market standards and practices.
- DIA forms part of the Spanish Advertisers Association and is guided by the principles published by this association relating to the commercial communication of its brands. It also forms part of Autocontrol, entity that guarantees consumers legal, truthful and responsible communication. Consequently, DIA adheres to what has been established as good practice in commercial communication by the sector's main bodies. In each country in which it operates, DIA will observe the good communication practice identified by the leading advertising associations or, otherwise, market practices and uses.

Specific guides

The principles that govern our communication to customers, regardless of the means, are the following:

Legality

No mainstream media or relational DIA communication should be unworthy of the service which advertising provides to the market whose good operation it shall contribute to.

We submit ourselves to full compliance with laws and regulations, including retail sector-specific regulatory guides.

Our communication must respect current laws and especially the values, rights and principles recognized in laws.

Good faith

Our communication should never be a means to abuse the good faith of our current or potential Customers.

Misleading advertising

Our information will always be truthful and never misleading. Misleading advertising is understood to be advertising that in any way deceives or is likely to deceive those to whom it is addressed and which may change their economic behavior, whenever it has an impact on any of the following aspects:

- The existence or nature of the good or service.
- The main characteristics of the product, such as its availability, benefits, risks, execution, composition, accessories, method and date of manufacture or provision, delivery, fitness for purpose, usage, quantity, specification, geographical or commercial origin or the results to be expected from its use, or the results and material features of tests or checks carried out on the good or service.

- After-sale customer assistance and complaint handling.
- The extent of DIA's commitments, the motives for the commercial conduct and the nature of the commercial transaction or contract, as well as any statement or symbol indicating that DIA or the good or service are the object of direct or indirect sponsorship or direct or indirect approval.
- The price or the manner in which the price is set, or the existence of a specific price advantage.
- The need for a service, part, replacement or repair, and the modification of the price initially informed, unless there is a subsequent agreement between parties accepting this change.
- The nature, characteristics and rights of DIA, such as its identity and solvency, qualifications, situation, approval, affiliation or connections and its ownership of industrial, commercial or intellectual property rights or any awards and distinctions it may have received.
- Legal and conventional rights of the consumer or risks the latter might face.

Advertising will also be regarded as misleading when it omits information that the person to whom it is addressed needs in order to take an informed transactional decision and in doing so may materially distort the consumer's economic behavior. Our goal is to provide our customers with all the information they require for making purchasing decisions.

In this way, consumers will take into account all the features and circumstances of the advertising, as well as the limitations of the communication medium used. Where the medium imposes limitations of space or time, these limitations and any measures taken by the business person or professional to convey the necessary information by other means will be taken into account in deciding whether information has been omitted.

The visual presentation of our products will show as accurately and objectively as possible the reality and actual characteristics of the product, including size, content, health benefits and nutrition.

The word "new" (or similar) may not be used in regard to a product or presentation that has been on the market in the country for more than two years.

And when we say that someone is a DIA customer, they really are

Our communication will always conform to law, ethics and truth.

Aggressive communication

Our communication shall not be aggressive. Aggressive communication is understood as that which is likely to significantly impair the freedom of choice or conduct of those to whom it is addressed, by harassment, coercion, including the use of physical force, or undue influence and, consequently, affects or may affect the consumer's economic behavior.

Exploitation of fear

Our communication will not use arguments that take advantage of fear, distress or superstitions of those to whom it

is addressed. Advertisers may resort to fear as long as it is proportionate to risk, in order to encourage prudent behavior or discourage dangerous, imprudent or illegal actions.

Non-incitement to violence

Our communication will not incite violence, or suggest that there are advantages in violent or abusive behavior..

Non-incitement to illegal behavior

Our communication will not incite (or be based on) illegal behavior.

Respect for good taste

Our communication shall not include contents that cause offence against prevailing standards of good taste, social decorum and good custom.

Dangerous practices and security

Our communication shall not encourage dangerous practices, except when made in a context in which it may be specifically deduced that it promotes safety.

Discriminatory communication

Our communication shall not allude to discriminatory situations, whether in regard to race, nationality, religion, sex or sexual orientation, nor will it infringe people's dignity. In particular, it will avoid communication that could be degrading or discriminatory for women. In our messages, we will present balanced gender roles and power relationships.

The right to dignity and honor

Our communication shall necessarily respect the right to honor, intimacy and personal image.

We do not use concepts that exploit painful or unfortunate personal situations, offensive behavior, vulgarity or bad manners.

Protection of children and adolescents

If the occasion arises to communicate to children, we must proceed with extreme caution. Such communication must not exploit the naivety, immaturity, inexperience or natural credulity of children and adolescents, or their sense of loyalty.

Advertising addressed to children or adolescents, or which is likely to influence them, shall not contain statements or visual presentations that could cause them moral, physical or mental harm.

Animal Protection

If animals are used in our communication, this shall never entail any type of abuse or cruel treatment.

Health protection

Advertising will avoid inciting its recipients, especially adolescents, to acquire habits/behaviors that could be harmful to their health.

We will not encourage the excessive consumption of any product line or category, or promote inactive, sedentary or unhealthy lifestyles or habits.

We are committed to communication that always encourages a healthy and active lifestyle.

Comparative communication

Comparative communication must respect the principles of fair competition. Therefore, it may not directly or indirectly discredit or speak ill of competing companies and products. In any case, comparisons should address analogous, relevant and objectively demonstrable aspects and, in general, should not mislead the persons to whom they are addressed.

Comparative advertising, whether direct or indirect, must respect the requirements shown below:

- a) The goods or products compared must have the same purpose and meet the same needs.
- b) The comparison must be made in objective way between one or more essential, relevant, verifiable and representative features of the goods or services, among which price may be included.
- c) In the case of products with designation of origin, geographical indication, specific designation or guaranteed traditional specialty, the comparison may only be made with others with the same designation.
- d) Goods or services cannot be presented as imitations or replicas of other goods or services to which a protected trade mark or trade name applies.
- e) The comparison may not infringe the provisions on misleading, denigrating or confusing acts, or exploitation of the reputation of others.

Common characteristics

We will not suggest that our products or services possess characteristics which are particular to them when these are common to similar products or services.

Exploitation of the prestige of others and imitation

Our communication shall not contain, either explicitly or implicitly, any reference to the distinctive signs of another advertiser, other than in legal or conventionally permitted cases or in the case of acceptable comparative advertising.

Advertisements will not imitate the general outline, text, slogan, distinctive signs, visual presentation, music, or sound effects of other national or foreign advertisements, even if the campaign has come to an end, when any of these items are protected by industrial or intellectual property rights or the advertising may create a risk of confusion among consumers, or involves taking unfair advantage of the effort or reputation of others.

Denigration

Our practices shall not implicitly or explicitly discredit or denigrate other companies, activities, products or services.

Product availability

Product availability

Products or services may not be offered that cannot be provided or rendered, unless the advertisement states the time or delivery period or when the service can be rendered. DIA will make every effort to guarantee the availability of products at the stores, working diligently to replenish stocks as soon as possible.

Scientific corroboration

All of the products we sell contain the nutritional information corresponding to total content and to 1 serving.

All content referring to the benefits of the product, as well as all health and nutritional claims, must be substantiated by tests, facts or evidence, in accordance with the regulations in this area.

All the information and advertising statements must be correct, scientifically substantiated, true, objective and balanced and should reflect the current state of knowledge. All statements must be adequately referenced, unless they specifically reflect product information approved by the competent Health Authorities.

Where the promotional material refers to published studies, these should be faithfully reproduced or a clear reference should be provided that makes them easy to consult.

We do not invoke the idea that consuming our brands or purchasing at our store will lead to social or sexual success.

Proof of allegations

Responsibility for proving the accuracy of the statements and allegations contained in the advertising rests with the advertiser.

Technical information

When technical, scientific or statistical data are disseminated in our communication, these shall be relevant and verifiable, and leave no room for error with regard to the individuals or legal entities, the nature of these or other supporting circumstances.

Comparative tests

The dissemination of comparative tests of products and services shall disclose the identity of the individuals or legal entities conducting them, as well as the date on which they were performed. In the case of partial dissemination, this should be carried out in an equitable manner.

Testimonials

When advertising includes recommendations and/or testimonials, that is, assertions from parties not connected to DIA and who are not acting as spokespersons for the latter, whether they are paid or not, these must be truthful, both

in regard to the person recommending/testifying and the content of the recommendation and/or testimonial. DIA shall have the written authorization of the person testifying and bears the burden of proving the truth of the advertisement. Such communication may only be used as long as the above conditions are held to be valid.

Guarantees

Our communication shall not contain any reference to a guarantee that does not improve the legal position of the purchaser. The communication may contain the words “guarantee”, “guaranteed”, “certified” or words having the same meaning provided that it does not deceive or is likely to deceive the consumer regarding the scope of the guarantee.

Prizes, contests, promotions

For each strategic alliance with suppliers or partners, we will choose the attributes of the relationship that best reflect our image and reputation.

The conditions and mechanics of promotions, contests and special offers will be communicated in a clear and simple manner.

The promotions will not encourage the over-consumption of a product, but rather will respond to a scheme that respects an average consumption frequency of the same.

Contest rules will be published in a clear, complete and concise manner and impartial judges will be assigned to determine the winners.

The compulsory communication information will be clearly expressed and easily understood by the general public.

Promotional advertising, such as contests or similar operations, will clearly indicate the main conditions of participation and the duration. Under no circumstances will it conceal the necessary conditions for obtaining the prize or the costs implicit in its receipt or for participating in the promotion.

Sampling

The main objective of giving out free samples is to raise customer awareness of the product and its organoleptic characteristics, in accordance with the spirit of current legislation.

Campaigns with social cause

When our communication refers to the participation of an advertiser in a charitable act or campaign, it shall scrupulously respect the principles of truthfulness and good faith.

The following rules shall also be observed:

- a) The advertiser shall disclose, explicitly, unequivocally and without being misleading, the extent of its participation in the corresponding charitable act or campaign.
- b) If the communication refers in any way to a solidarity organization, it must have the consent of the latter and shall respect the instructions it gives or the conditions under which it concedes the authorization.

Investor Relations Communication

The Board of Directors in exercising its supervisory functions shall promote and protect the exercise of the rights of shareholders, institutional investors and markets, according to the following principles:

- Responsibility, diligence and transparency in disseminating information, with regard to interest groups and in the handling of relevant and privileged information, at all times in accordance with that provided by law, the Internal Conduct Regulation and other internal regulations of the Company.
- Equal treatment, promotion and protection of the rights and interests of shareholders. In no case may there be discrimination for the purpose of providing information that may place certain shareholders in a privileged or advantageous position with regard to other shareholders.
- Proactivity in providing information. It shall promote making information available to interest groups for the purpose of providing the most current and complete information possible on the Company.
- Attention and cooperation with interest groups. The Company, through the Department of Investor Relations and via the corporate website (www.diacorporate.com), shall implement the communication and contact actions required to ensure that shareholders, institutional investors and voting advisers have identified partners and the means necessary to easily access Company information on a regular basis.

Communication Procedure And Approval Of Information

The Company, as a listed company, is subject to compliance with certain obligations on information and dissemination, which must be implemented through the CNMV.

The Company, aware of the importance of complying with its information and dissemination obligations, has established an internal procedure in order to strengthen the fluidity and authenticity of information and to ensure the transparency and security of approval channels for the purpose of managing to ensure compliance with the aforementioned obligations.

In accordance with the legal provisions, the Company has established the following criteria regarding: (i) the information subject to communication, (ii) those responsible for the communication and (iii) the approval process.

Information Subject to Communication

The Company shall communicate to the market, accurately, fully and neutrally, and in compliance with the securities market regulation, the following:

- **Relevant Facts:** Relevant Fact as a concept shall be understood to be any event which may positively or negatively affect the legal, economic or financial position of the Company, with the Company itself being obliged to communicate any information which may affect investors in their analysis of acquisition or transfer of shares of a listed company.
- **Periodic financial information:** Within the periodic financial information being published, three types must be distinguished:
 - Annual financial information, which shall be published within the maximum period of four months from the end of the financial year.
 - Half-yearly financial information, which shall be published within a period of two months from the end of the financial year half. If the annual financial report referred to in the paragraph immediately above shall be published within the two months following the close of the previous financial year, the Company shall be exempt from elaborating and publishing the financial information corresponding to the second half of the previous financial year.
 - Intermediate financial information (quarterly), which shall be published within a maximum period of forty-five days from the end of the first and third quarter respectively.
- **Transactions performed with own shares (treasury stock):** The communication shall be made within a period of four trading days from implementing each transaction or each set of transactions that exceeds one per cent of the voting rights of the Company (in other words, when it reaches 1%, 2%, 3% and so forth).
- **Other information of interest:**
 - Results Notice. With the same regularity as corresponds to financial information listed in section b) regarding Financial information, the Company shall draft a results notice which summarizes the content of the financial information which must be published on each occasion, which shall be primarily intended for analysts and investors. This Results Notice shall be communicated to the market as a Relevant Fact prior to its publication.
 - Other information. Similarly, although it may not be considered relevant information from the perspective of applicable regulations, the Company may disclose any other information that it considers pertinent for unique knowledge of the Company by means of press releases, presentations made at meetings with investors, etc., with this disclosure being in compliance with the applicable regulatory framework.

Those Responsible for Communication

The Regulatory Compliance Director, in addition to being the partner assigned to the CNMV, among other duties, assumes the function of communicating Relevant Facts, financial information, information on treasury stock to the market, along with any other which must be disclosed in compliance with legal provisions.

The Regulatory Compliance Director shall appoint a deputy for cases when, due to any circumstance, it may be necessary to substitute him or her in order to comply with the communication obligation.

The communication shall be made through CIFRADOC/CNMV, which is the encryption and electronic signature system used by the CNMV for the electronic transfer of documents. The publication of Relevant Facts must be made as soon as the fact is known or the decision is adopted, and this publication must be made preferably before the opening of the stock market or after its close.

Approval Process

Prior to its transfer to the CNMV, via CIFRADOC, the information being sent must be submitted to the Managing Director and the Corporate Executive Director responsible of the Financial Department for their joint approval. Once this approval is obtained, the Regulatory Compliance Director shall proceed with its electronic transfer. If any of the two latest were absent, it will be substituted by the Board of Directors' Chairwoman or by the Compliance Officer if the latest was absent too (both, the Chairwoman and the Compliance Officer will be responsables if all the initial responsables were absent).

Subsequent to its publication on the CNMV website, the same information shall be published on the Company's corporate website (www.diacorporate.com)

Communication And Contact Channels

The Company must be equipped with sufficient human and technical resources to exercise the communication and contact function with their interest groups in addition to the channels of disseminating information, both public and corporate, among which the following must be noted:

Website of the Comisión Nacional del Mercado de Valores and other regulatory bodies

The principal information channel is the CNMV website (www.cnmv.es) as well as, if applicable, the channels established by other foreign authorities and supervisory bodies, for swift dissemination.

Company website

The official communication channel of the Company with its shareholders and the financial market is its corporate website (www.diacorporate.com) where the information is updated continually. Through this channel, the Company

monitors the information which may be of interest to shareholders and other interest groups, which enables, in general terms, immediate and easy access to the information.

For the purpose of achieving the widest possible dissemination, the information released by the Company shall be provided, as far as possible, in Spanish and English, with the Spanish version prevailing in the event of any discrepancy.

The presentation of periodic financial results, and other significant economic and financial presentations, such as the "Investor's Days", shall be simultaneously broadcast via the Company's website, and where appropriate, the relevant channels shall be made available to interested parties to ask questions and request clarification.

Investor Relations Management

The Investor Relations Management together with the Managing Director and Corporate Executive Director responsible of the financial department of the Company, are those responsible for communication and management of queries made by analysts, institutional investors and shareholders, and for this purpose there is an email address (investor.relations@diagroup.com) and a contact telephone number which is stated on the corporate website and in documentation issued by this Management to interested groups.

For the purpose of voting advisers or proxy advisers having the most complete Company information available at the time of issuing their respective voting recommendation reports, the Investor Relations Management and the Regulatory Compliance Director of the Company shall maintain the contact details which are deemed necessary.

Food Quality and Safety Policy

The DIA Group is aware of its responsibility to maintain the quality and safety of its products, and considers it fundamentally important to establish general principles to guide the company's activity in this area.

The purpose of the Quality Policy is to express the following commitments:

- Create trust in consumers by supplying safe, quality products.
- Comply with current law in every one of the countries in which the DIA Group is present.
- Guarantee adequate production conditions for our products and certify our suppliers via food safety audits or by requiring market-standard IFS/BRC audits.
- Guarantee the genuineness, quality, and safety of the products we sell via the definition and implementation of an annual Control Plan that includes internal quality controls of products upon receipt and analyses in accredited laboratories.
- Maintain the quality and safety of our products throughout the supply chain by monitoring storage, transport, and sales processes.
- Offer consumers complete and transparent information on our product labels so as to encourage them to buy in both our brick-and-mortar and online stores.

To work with clear commitment to improve continually and to promote understanding and dissemination of the quality policy within our organisation via internal training and communication channels.

Risk Management Policy

The purpose of this document is to define the DIA Enterprise Risk Management Policy and include the key principles as a basis for its adequate performance. On the other hand, it is briefly explained the taken methodology in order to achieve an effective Risk Management that helps to the attainment of business objectives set by the Management.

The Corporate Risk Management is a process that must be developed by the Board of Directors and be supervised by the Audit Committee. However, the correct implementation of a Risk Management and Control System requires the involvement of all Organization staff.

The Enterprise Risk Management Policy is applicable to all companies and territories where DIA operates.

The Management decisions in all of its activities have an influence in the creation of value, from the establishment of the strategy to the Company daily operations. The last one is maximised when strategy and objectives are established with an optimal balance between growth and profitability targets and the associated Risks.

In the implementation of the Corporate Risk Management System, DIA should consider all their activities at the different organizational levels, from those at Group level to the business units and processes. The System should be applicable at the following levels.

The entire Organization plays an important role in the objectives achievement related to the Risk Management System. The approach of Risk Management Model is therefore comprehensive, systematic and is applicable to all companies and territories where DIA operates.



Methodology

A Risk Management Integrated Model improves the Organization's ability to manage uncertainty scenarios. It is a systematic and detailed approach that allows the Organization to identify events, assess, prioritize and respond to Risks associated with its main objectives, projects and operations.

The DIA Risk Management process is based on the methodological standard COSO II, Risk Management methodology generally accepted and adapted to DIA needs. This methodology allows DIA to identify, create, capture and sustain the value of Risk Management at the different levels of the Organization.

The methodology establishes three dimensions for analysis:

- Organization Objectives.
- Levels of the organization.
- Where the Risks may materialize and therefore need to be included in the Risk Management Model.

Dimensions in Risk Management



The components in the Management process of the Organization are:

- Internal environment: Management establishes the Risk Management philosophy, determining the level of risk accepted.
- Setting objectives: it is necessary to know the objectives of the Company in order to identify potential events that may affect their achievement.
- Event identification: it must be identified potential events that may impact DIA. In this sense, it will be considered events, from internal and external sources, that may affect the achievement of the objectives, distinguishing between those that mean a Risk and those which represent an Opportunity.
- Risk assessment: Risks are analysed by assessing their probability and potential impact on objectives achievement.
- Risks responses: identify and evaluate possible responses to Risk: avoid, accept, reduce or share.

- Control activities: based on Risk responses, establishing policies and procedures to ensure that they are carried out.
- Information and communication: information obtained from the analysis must be communicated to the implementation responsible.
- Supervision: Risk Management is supervised, so that they can be adapted in case of change of circumstances.

Concept of risk

DIA defines Risk as any contingency, internal or external that in case of materialisation would prevent or difficult the achievement of the objectives set by the Organization.

The DIA Risk Management identifies the different types of risk, financial and non-financial (including operational, technological, social, environmental, political and reputational) facing the Organization, including among the financial or economic risks, fiscal risks, contingent liabilities and other risks present off the balance sheet risks.

Depending on their nature can be classified into Inherent and Residual:

- **Inherent Risks:** Risks related to the nature of business and the Company whose valuation does not take into account existing Organization Controls to mitigate them.
- **Residual Risks:** Risks related to the nature of business and the Company that, remain after the existence Organization Controls to mitigate them.

Each Risk is assessed in terms of probability and impact. DIA considers that a Risk arises as lost Opportunities and / or strengths as well as a materialized threat and / or enhancement of a weakness.

Key principles

The five key principles of DIA Risk Management are:

- In order to achieve the strategic goals, Risks must be managed throughout the all Organization with no exceptions. It is necessary all Organization involvement in the Risk Management System.
- The Risk Management includes identification, assessment, response, follow up or monitoring and reporting according to the established procedures.
- DIA Risk Management should ensure the existence of adequate measures to mitigate the impact of the identified risks, in the event of materialization. The Risk responses should be consistent and be widely adapted to the circumstances of the business and economic environment.
- The Executive Committee (COMEX) will, among other things, evaluate annually the assessment of the main DIA Risks, including the fiscal risks, and review the Risk Tolerance level established.

- Periodically, a monitoring and reporting will be done considering the identification activities, assessment, responses, follow up or monitoring and reporting according to DIA Risk Management Model.

The DIA Risk Management ensures the existence of adequate internal control systems to manage and control the aforesaid risks, including contingent liabilities and off balance sheet risks.

Responsibilities

The Board of Directors, Audit Committee and DIA Management are responsible for the proper functioning of the Risk Management Model.

The Board of Directors is responsible for approving and setting the Enterprise Risk Management Policy. Management is responsible of its implementation, and for establishing the strategy, culture, people, processes and technology that make up the Risk Management Model.

The Executive Committee (COMEX) is responsible to set the level of risk that the organisation considered acceptable (risk appetite), to be approved by the Board of Directors ultimately.

The Audit Committee is responsible for monitoring and periodically reviewing the effectiveness of DIA Internal Control procedures, Internal Audit and Risk Management Systems, verifying the adequacy and completeness of them.

DIA has established a Risk Committee at Corporate level, and has designated a Corporate Risk Coordinator responsible for communication and coordination of meetings and the collection of information and reporting of it. The Coordinator also acts as interlocutor with the countries in the field of Risk Management.

Each country must establish its own Risk Committee.

Each Area Director is responsible for managing (in his/her area) the Risks appropriately. In the case of a Risk occurrence (at one of the areas), the Area Director will be responsible for managing and implementing adequately the necessary mechanisms in order to minimize the impact as much as possible.

The Risk Committee will evaluate later, whether the response after the occurrence of Risk was correct or not, and whether it has been detected the necessity of implementing new Controls or response mechanisms.

Risk Committee

The Risk Committee is composed by the Risk Coordinator (at the quarterly meetings of the Corporate Risk Committee, the Corporate Risk Coordinator will act on behalf of Country Risk Coordinators, reporting to the Corporate Risk Committee the information received from them on Risk Management) and a responsible for each of the functional lines (Area Directors):

- Franchise
- Expansion
- Master Franchises

- Organization and Systems
- Human Resources
- Legal
- Finance
- Fiscal
- Sales
- Supply Chain
- Quality Control
- Technical Direction and Central Supply
- Trade & Merchandise
- Internal Audit
- External Relations
- Security
- Strategic projects

En el ejercicio responsable e independiente de sus funciones, la Comisión de Auditoría y Cumplimiento y Auditoría Interna tienen la competencia de supervisión del sistema de control y gestión de riesgos.

- Analysis of the environment and new projects that may directly or indirectly influence the Risks of DIA. Consideration of the inclusion of new Risks and / or disappearance of any of the existing ones.
- Action plans recommendation, monitoring and continuity of existing Action Plans.

Additionally to the quarterly meetings, annually, the Risk Committee should conduct an assessment and detailed Key Risk Map analysis.

The findings and information from the analysis of the Risk Management Model must be reported to the Management regularly. Additionally, the Risk Committee shall inform to the Management, if relevant topics are detected in its analysis. Finally, Management may request the results report of the Risk Committee.

Supervision of key principles and Enterprise Risk Management Policy

The Audit Committee and Internal Audit, taking into account their responsibilities and independence, are the competent supervisors of Risk Management Control System.

Internal Audit will supervise the Control System and Risk Management. This supervision task involves the review of the entire process, including the performance of the Enterprise Risk Management Function and the effectiveness of Control activities. The results of this supervision will be reported to the Audit Committee.

Risk Appetite, Risk Tolerance

The DIA approach is based on three basic elements and its proper alignment with the Enterprise Risk Management process:

- **Business Objectives:** Strategic & Operating goals of DIA.
- **Risks:** Any situation or event, which may jeopardise the achievement of an objective.
- **Controls:** Management actions and responses put in place for the Risks.
- **Controls:** Management actions and responses put in place for the Risks.
- Proper alignment between Business objectives, Risks and Controls based on the level of Risk Tolerance and Risk Appetite of DIA.

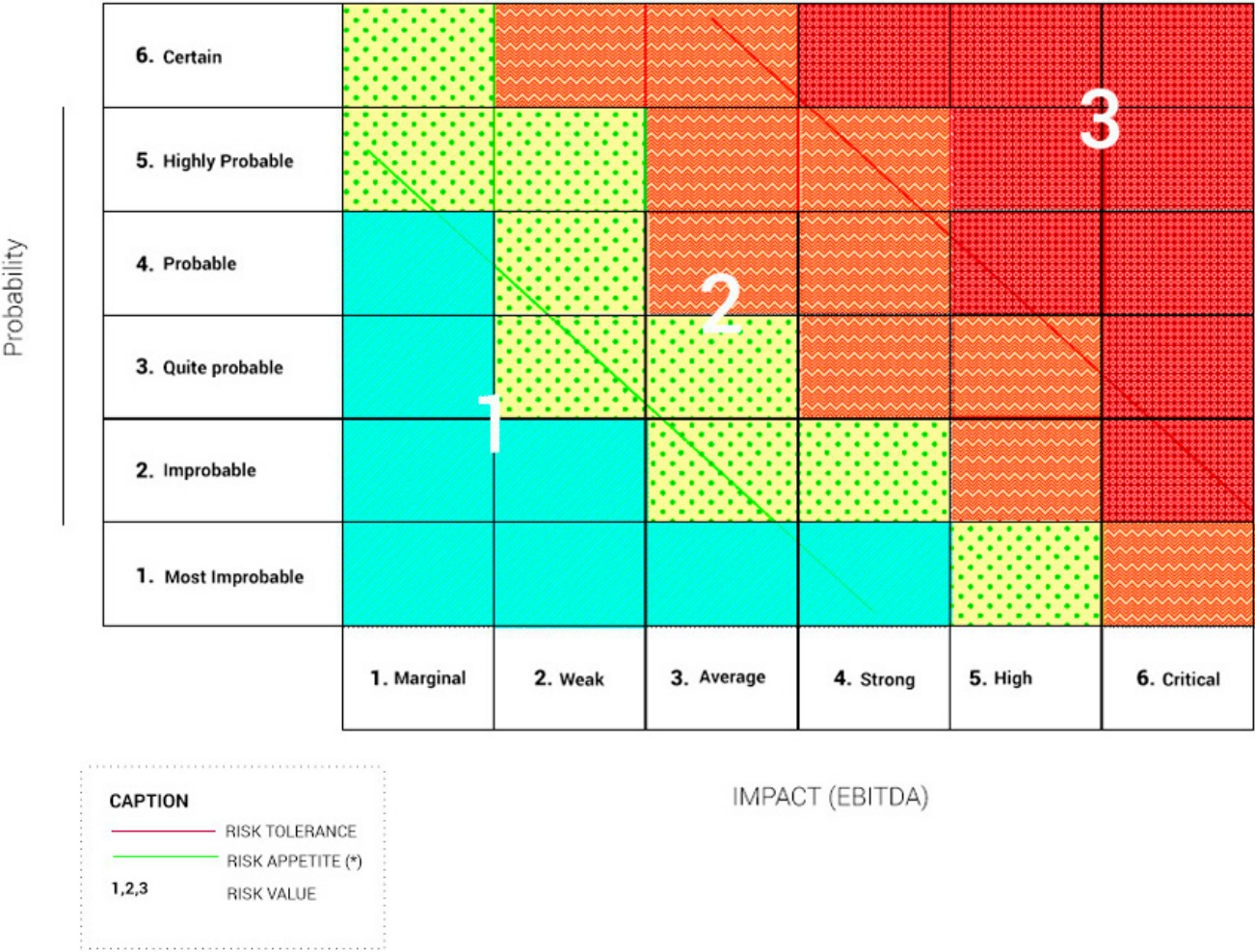
Risk Appetite is defined as the desired level of risk that DIA takes to achieve its objectives. It is considered in the strategy that has been defined by the Executive Committee and validated by the Board of Directors.

Risk Tolerance is defined as the acceptable level of variations is willing to accept regarding the pursuit of its objectives. It is the specific maximum risk that the Organization is willing to take. It is Management's responsibility to define the risk tolerance.

The risk appetite and the risk tolerance are annually reviewed and presented to the Board for approval.

Once the risk appetite and the risk tolerance are defined, these should be compared with the risk value. There are three different possible situations:

DIA RISK EXPOSURE



Example

Situation 1

Risk Value < Risk Appetite < Risk Tolerance

The risk value is within the desirable and acceptable risk levels of the company.

Action Plans:

Keep the present situation considering the possibility of taking more risk..

Situation 2

Risk Appetite < Risk Value < Risk Tolerance

The risk value is out of the desirable risk levels but within the acceptable risk levels of the company.

Action Plans:

Take measures to mitigate risk adjusting it to the Organization risk appetite, otherwise approve to maintain the risk value out of the risk appetite in order to achieve the business objective.

Situation 3

Risk Appetite < Risk Tolerance < Risk Value

The risk value is out of the desirable and acceptable risk levels of the company.

Action Plans:

Management must analyze the situation and the necessary action plans to reduce the risk value at least within the acceptable risk levels.

Regarding the risk appetite, the Board of Directors must continuously have sufficient information of the entire Organization for a proper decision-making.

Environmental Policy

The DIA Group is aware of its responsibility toward the environment and considers it fundamentally important to establish general principles to govern the management and planning of the company's activities that integrate energy efficiency and sustainability criteria.

The purpose of this policy is to express the DIA Group's commitments in this area:

- Comply with current environmental law in every one of the countries in which the DIA Group is present.
- Promote responsible use of resources.
- Apply sustainability and eco-design criteria as we develop our products and packaging.
- Manage the waste generated via a prioritisation model that favours prevention, reuse, recycling, and recovery.
- Take measures to reduce greenhouse gas emissions.
- Work actively to identify opportunities to improve by developing and implementing environmental auto-diagnostic procedures.
- Encourage our personnel via training and awareness campaigns to actively help implement these commitments.

To work with clear commitment to improve continually and prevent the Group's activities from impacting the environment.

External Relations Policy

The DIA Board of Directors approves the corporate social responsibility policy, whose principles include creating and maintaining fluid and responsible communications with interest groups.

Communications with shareholders is included in investor relations. Communications with employees is included in the company's HR policy. Communications with customers and the media with regard to advertising is included in our marketing and public relations policy.

Communications with the media with regard to the provision of information, and also communications with public administrative authorities and third parties not included in the paragraph above are included in this present document.

In conformity with the stipulations in our CSR policy, our external relations policy promotes reaching the objectives the company has specified in its strategic plan and achieving a better market position.

Basic principles

- Information provided to the media, regulatory bodies, and any associative network, regardless of its social purpose, shall be based on transparency, accessibility, freedom of expression, equal treatment, and mutual respect.
- The following are the tools to guarantee information is transmitted fluidly to the media: the corporate webpage, which shall always be duly kept up to date, the press room, press releases, personal and group meetings with interested media, and the social network communications channels whenever possible.
- Relations with regulatory bodies are maintained via bilateral meetings or the company's representative sectorial associations. All meetings with regulatory bodies shall maintain the principles of legality, respect for competitive freedom, and political neutrality. In addition, when conducting such relations, all company employees shall follow the DIA Group code of ethics principles expressed in the anti-corruption policy.
- Relations with associative networks, whether they be sectorial or public, shall be conducted with respect for the interests of both parties, liberty of expression, and transparency.

The company has developed a monitoring system that uses indicators to assess the degree to which this policy is being followed.

Tax

DIA's tax strategy is essentially oriented to ensuring responsible compliance with the tax regulations in such a way that takes into account the company's interests and helps achieve the DIA Group's business strategies.

DIA acknowledges the social function of the tax system and wishes to ensure that its corporate interests and the interests of its stakeholders (e.g. shareholders, customers, franchisees, employees and suppliers), its social and corporate responsibility, and the trust placed in DIA in the communities where it operates receive due consideration in the course of the development of its tax function.

The goals, principles and good tax practices that make up DIA's tax strategy must guide its decision-making process at every level, and the actions of DIA Group companies in accordance with Section 5 below.

Guiding Principles

DIA's compliance with its tax obligations will be governed by the following principles:

- DIA will comply with all tax legislation and regulations that are applicable to it in the jurisdictions in which DIA carries out its business and will pay all taxes due.
- DIA's tax strategy will be based on a reasonable and responsible interpretation of tax laws. Accordingly, DIA will seek to ensure that the application of the tax regulations is well founded in law, especially when they are unclear or subject to interpretation.
- DIA will endeavour to ensure that decisions affected by tax legislation are taken at the appropriate level.
- DIA will endeavour to promote good faith, transparency, collaboration and reciprocity in its relations with the tax authorities, according to the law and without prejudice to the defence of its legitimate interests and, where appropriate, of the reasonableness of its interpretation, and will endeavour to reach agreement and consensus with the tax authorities to resolve possible conflicts.
- DIA will develop a Risk Management Policy and establish a system to control and manage tax risks, aiming to prevent and minimise significant tax risks.
- DIA is committed to adhering, in the course of its business, to good tax practices that aim to reduce significant tax risks and prevent conduct capable of generating such risks. In particular, DIA will adhere to the good tax practices set out below.

Good Tax Practices

DIA will direct its activity to pursuing the following good practices:

- DIA does not use opaque corporate structures or those situated in tax havens to hide relevant information from the tax authorities.
- DIA will avoid the use of contrived investment structures for tax purposes.
- DIA will avoid abusive practices aimed at avoiding paying tax or obtaining undue tax advantages.
- DIA acknowledges the utility of legal instruments such as tax rulings and agreed prior assessments provided for in the tax regulations to determine the applicable tax treatment, where reasonable, depending on the available legal instruments, the matter at stake and the timeframe.
- DIA will provide the tax authorities with the information they required in accordance with statutory procedures and in the shortest time reasonably possible.

- DIA will endeavour to minimise the costs of compliance with its formal tax obligations that arise from the application of the tax provisions in force.

Monitoring And Control

DIA will integrate the tax dimension in its risk control and management system to evaluate and efficiently manage tax risks that may arise in the performance of its activity. To this effect, DIA will endeavour to establish defined criteria for the detection, evaluation and management of tax risks and encourage and promote smooth communication between the tax department and the rest of DIA's departments, to ensure the evaluation of relevant tax aspects in the decision-taking process, the supervision process and the evaluation of compliance.

For this purpose, DIA will allocate sufficient human and material resources to ensure the correct functioning of the tax risk control and management system.

The Audit and Compliance Committee, according to the provisions set out in its Regulation, will supervise the effectiveness of the tax risk control and management system and inform the Board of Directors about related issues regulated by law.

Promoting And Updating

DIA will work to ensure that the principles and policies set out herein inspire and enlighten the actions of all the companies of the DIA Group, subject to the necessary adjustments to the jurisdictions in which those companies operate.

This is intended to be a long-term strategy that may nonetheless be modified and updated as necessary to adapt it to applicable regulations or in accordance with instructions from the competent body within DIA.

Franchise Relationship Policy

The general principles of the policy for relationships with franchises are the same as the company's values: effectiveness, initiative, respect, team spirit and customer focus. The relationship that DIA has with its franchisees is based on DIA's code of ethics, which is available on its corporate website at www.diacorporate.com.

The guiding principles for development and the relationship with the franchise are the following:

- The DIA group's franchising activity is undergoing constant further development, including with regards to compliance with the law of each country, the accuracy of information shared, and the fulfilment of the agreements signed with the franchisees, their legal and financial independence, as well as the ability to organise and manage their staff effectively.
- The company offers an effective business model, which was previously applied to the company's own shops, as well as the innovations made by DIA in its different formats.
- The goal of the relation with the franchise is as follows:

- **Constant improvement**

- **Teamwork**

- **Customer recognition**

Such service takes place using a system that utilises a number of channels and tools and that is characterised by responsibility, seamlessness and two-way communication. The communication tools are: franchise satisfaction surveys, the franchise webpage, newsletters, focus groups and the personal relationship between DIA as a company and its franchises, without these tools posing any limitations to the development of new communication channels.

- The training, support, assistance and ongoing consultation for the franchisee are always focussed on allowing his or her business to develop and improve.
- The resolution of disagreements is based on goodwill, communication and negotiation from both sides, promoting a dialogue and solutions for reconciliation.
- DIA recognises the franchisees' contribution to the success of the company and to the invigoration of the local economy and employment.

The company conducts other types of business such as the export of products or the assignment of trademarks which, although not constituting a franchise business, is governed by the same basic principles as those set out in this policy.

Crime prevention and anti-corruption policy

The crime prevention and anti-corruption policy has the objective of defining and establishing the operating principles and rules of conduct that should govern the actions of the administrators and employees of the DIA Group in the course of their duties in relation to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

This policy is applicable to all employees and administrators of the DIA Group, and is published on the corporate web page www.diacorporate.com and will be applicable until the board of directors of DIA approves its update, revision or repeal.

Principles of Action

The principles of action of the crime prevention and anti-corruption policy are as follows:

- Comply with current legislation and with internal regulations, acting in accordance with the values and the Code of Ethics of the DIA Group.
- Promote a culture of fighting corruption and crime prevention, applying, to the fullest extent, the principle of “zero tolerance” to corruption described in the Code of Ethics of the DIA Group.
- Provide the necessary human and material resources so that, in an efficient manner, the work of promotion of this policy can be carried out, as well as implementing the methods for the prevention and detection of illegal actions.
- Implement the models for oversight and prevention of crimes and anti-fraud systems for all of the companies that are included within the DIA Group.
- Analyse and investigate, as quickly as possible, any report on conduct that is contrary to the Code of Ethics or external or internal regulations, applying the principles of confidentiality, non-reprisal, and protection of personal information for all persons affected by the investigation process, with particular attention in relation to the reporting and reported person.
- Collaborate and cooperate with the State’s security forces and any judicial or administrative body, in relation to the investigation of alleged criminal acts by the administrators and employees of the DIA Group.
- Incentivise the use of the ethics channel for consultation and information that the DIA Group has made available to employees and third parties, in order to be able to report on possible criminal actions or those that are contrary to the Code of Ethics.
- Provide suitable ongoing training in relation to ethics and compliance, whether in person or through e-learning, to all of the administrators and employees of the DIA Group, placing special emphasis on the fight

against fraud and corruption.

- Impose relevant disciplinary measures on persons responsible for conduct that is corrupt or contrary to the Code of Ethics, and on those who, with their behaviour, cover up or prevent the investigation or clarification of the allegedly criminal actions, all of this in accordance with the penalty scheme applicable in each jurisdiction to each company of the DIA Group.

Implementation of the Crime Prevention and Anti-Corruption Policy

The suitable implementation of the crime prevention and anti-corruption policy has the objective of mitigating the risk of non-ethical and corrupt practices within the DIA Group.

In order to achieve this objective it will be necessary for the DIA Group to carry out the following actions:

- Approve a Code of Ethics and create a communications channel for consultation and ethical information that is a channel for communication and information in relation to behaviour that is contrary to the Code or which relates to corrupt practices.
- Design and implement a model for the prevention of crimes (Modelo de Prevención de Delitos, MPD) within all of the companies of the DIA Group located in Spain.
- Design and implement an anti-fraud program.
- Design and implement a program for regulatory compliance.
- Implement a system for the management of risks, with particular oversight of regulatory compliance risks, actions that are corrupt or contrary to the Code of Ethics and in relation to the criminal responsibility of legal entities.
- Carry out "due diligence of compliance" in strategic and corporate operations.

Code of Ethics and channel for consultation and information

The DIA Group possesses an instrument that enables it to put a comprehensive compliance policy into practice, guiding employees through example with particular methods of conduct or behaviour, the Code of Ethics of the DIA Group.

The Code establishes and outlines five principles of conduct, the first of them highlighting "compliance with standards, both external, such as laws and regulations, as well as internal, which are included in policies, procedures and control mechanisms," and the second "the fight against corruption."

The Code, as well as the rest of the rules of the DIA Group, must be complied with obligatorily by all employees.

Starting from the premise that what is important is not the existence of a code but rather that it be understood and observed, within the DIA Group there is an Ethics Committee at a corporate level and an Ethics Committee (hereinafter "Committee") within each country or jurisdiction.

The corporate and country Committees have, among their principal tasks, that of facilitating the dissemination and implementation of the Code, ensuring that it is observed, understood, and followed, as well as implementing, assessing, and reviewing the models or programs for the prevention of crime and the fight against corruption.

The DIA Group has an Ethics Channel for consultation and information (by electronic mail and postal address) at a corporate level and at the level of each jurisdiction in which the Group operates, in order to clarify queries on interpretation and in order to analyse, investigate and resolve possible violations of the Code or corrupt actions.

Violations of the Code will be analysed and dealt with by the corporate and/or country Ethics Committees in accordance with their operating protocol and will be resolved in accordance with the applicable internal and external regulations.

Model for the Prevention of Crimes (MPD)

The companies of the DIA Group based in Spain have implemented a MPD which identifies and assesses the risks of committing crimes associated with each area and activity of the corporate structure which can result in criminal liability for the legal entity, as well as the respective regulations, procedures, and control mechanisms for the identification and prevention of the commission of said crimes.

The purpose of the MPD is to establish the most appropriate internal control procedures and policies in order to prevent the omission of illegal acts, and when applicable, to be able to exempt the companies of the DIA Group from liability, in accordance with the provisions of the current Organic Law 1/2015 of 30 March 30, which modifies Organic Law 10/1995, 23 March of the Penal Code.

Anti-fraud and corruption fighting program

The companies of the DIA Group will have an anti-fraud and corruption fighting program which identifies and assesses the risks of corruption and fraud in relation to their activity, as well as the associated control mechanisms for the prevention and detection of the commission of corrupt and fraudulent practices. As a consequence of this program, the DIA Group will have a fraud risk matrix that analyses them in relation to their frequency and impact, which should incorporate the existing control mechanisms in order to avoid said conduct.

Compliance procedures for the various regulations that affect the DIA Group

The DIA Group has the responsibility of identifying, assessing and minimising the legal risks, continually complying with the applicable regulatory framework and reporting on compliance with legal obligations to the internal persons who are responsible for operations.

In order to suitably carry out the duties of identification of the regulatory framework and of supervising compliance with it, the DIA Group has implemented a procedure for regulatory identification and monitoring.

Each company of the DIA Group has a “regulations map” which identifies and describes all of the regulations that apply to DIA, with particular emphasis on the key legislation for the principal processes of the supply chain.

In order to carry out this function, the DIA Group has established a procedure for monitoring and updating the regulations which defines the internal and external resources, responsibilities and tools needed in order to carry out this task and to achieve the dual objective of having an updated regulatory map and an organisation that is informed on its legal obligations.

Due Diligence of compliance

For all strategic and corporate operations in which any company of the DIA Group intervenes it will be essential, prior to the formalisation of the operation, to review the current status, in the area of compliance in which the company subject to purchase or merger is found, or the partner, legal entity or individual with which it is intended to enter into a joint venture, commercial, or strategic agreement.

Oversight and Review

The Ethics Committee has, among its main duties, to facilitate the dissemination and implementation of the Code, safeguarding its observance, understanding and compliance, as well as implementing, assessing and reviewing the models for the prevention of crimes and fight against corruption.

The Ethics Committee should keep a record of all of the communications received through the ethics channel, including the information for the respective investigations and the results of these investigations.

On an annual basis, a report will be submitted to the Auditing and Compliance Commission of the board of directors, which will provide consolidated statistical and detailed information at a Group level in accordance with the information received from each of the jurisdictions.

The Ethics Committee will control the implementation and development of the MPD in the companies of the DIA Group in Spain, the Legal and Compliance Department being responsible for coordinating and supervising the implementation and development of anti-fraud and corruption fighting programs in the other companies of the DIA Group that operate outside of Spain.

The Legal and Compliance Department will be responsible for the review of this policy on an annual basis, and will propose to the board of directors its modification or updating with the purpose of optimising the process of the fight against corruption and the prevention of non-ethical conduct.

Materiality Analysis

The DIA Group developed a Corporate Social Responsibility materiality analysis in 2016, in which all key matters of the company that have an impact on its proper functioning have been examined in accordance with its values and which are of greatest concern to all the stakeholders.

According to the analysis carried out relating to external relevance and sector maturity, the most significant broad areas reflected in this materiality analysis can be summarised in seven major groups: Corporate Governance, Human Resources, Supply, Operations, Distribution, Commercialisation, and Impact.

In order to prepare this analysis, which will now make it possible to act with greater speed and accuracy on the most crucial matters of its management, the DIA Group has used several sources of information sources, both internal, and external that cover everything from previous professional CSR studies of the Polytechnic University of Madrid prepared for the company and the CSR Observatory to a variety of analyst, investment and sector reports.

Following the qualitative analysis, a total of 25 aspects have been consolidated, which have been classified in the above-mentioned seven areas, taking into account the stages of the DIA value chain.

In terms of the variables for the assessment of materiality, the study controls three parameters:

- **External Relevance:**

Examines the relationship between the different matters analysed with trends, information demands from stakeholders and investors, reporting standards, regulation, press or sector reports.

- **Sector Maturity:**

Examines the level of development of the management measures relating to different issues of companies in the sector analysed, both national and international.

- **Relevance for the DIA Group:**

Based on the internal vision, relevance is assessed as a third variable of the issues, according to whether they are highly relevant or of little interest for the company.

The result of the assessment of each item corresponding to each source is consolidated in order to obtain a total score regarding each issue in each dimension. This score is obtained based on the average assessments of the sources consulted, both for external relevance and sector maturity. In the case of DIA Relevance, an assessment is made of the number of sources that have or do not have specific visibility.

This research and analysis work has resulted in a materiality matrix that makes it possible to position items according to maturity and relevance for DIA Group stakeholders, both external as well as external, prioritising in a clear and simple manner the line of action in accordance with the different expectations of the environment.

DIA Group Materiality index



This analysis has served as the diagnostic base for the definition and subsequent implementation of the CSR Master Plan applicable for the 2017-2020 three-year period.

Master plan

During 2016, the DIA Group worked on the development of a Corporate Social Responsibility Master Plan that will be in charge of structuring and establishing the priorities in this area for the 2017-2019 period.

Based on conclusions prior to the materiality analysis, the most relevant aspects for the company and its stakeholder groups have been identified and evaluated. In addition, a description has been provided of the main risks and opportunities relating to each of the aspects considered and a series of actions aligned with sector good practices has been identified.

These actions have been revised and analysed by the Group's Department of Corporate Social Responsibility, giving priority to the lines of actions that take into account three variables: state of development, impact, and complexity.

The DIA Group classifies these lines of action into three broad objectives:

- **Positioning:** Align the company's positioning with the expectations of its priority stakeholders.
- **Management:** Pursue improved management of the DIA Group in aspects of Corporate Social Responsibility.
- **Organisation:** Create action frameworks that generate a shared vision of CSR at DIA, in alignment with all regions.

After the operating indicators and targets of the Master Plan have been validated, the DIA Group has defined a balanced scorecard to allow the Board of Directors to follow-up on the application of the previously defined lines of action. This balanced scorecard measures, on the one hand, the level of progress of the actions and the degree of compliance with the defined goals and, on the other, it measures the degree of operational compliance corresponding to each of the actions envisaged.

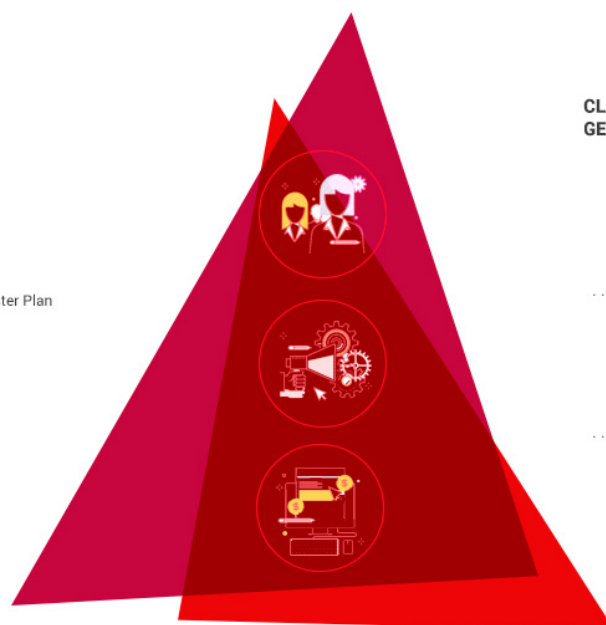
The following lines of action have thus been defined for the 2017-2020 Master Plan:

Master PLAN GOALS (2017-2019)

The 16 Lines of Initiative contemplated in the Master Plan are articulated around three overriding goals:

Overall Master Plan

16 Lines of Initiative



CLASSIFICATION OF THE LINES OF INITIATIVE TO THE GENERAL GOALS OF THE CSR MASTER PLAN

5
Lines of Initiative

Managing the DIA Group's **POSITIONING** with respect to stakeholder expectations.

8
Lines of Initiative

Improving how DIA Group **MANAGES** its CSR effort.

3
Lines of Initiative

Rallying the **ORGANIZATION** around shared and aligned CSR vision in all DIA Group business markets.

Governing Bodies

The DIA Group has a Corporate Governance and compliance system that ensures an environment of proper control and compliance with regulations, both external and internal. This involves a regulatory body adapted to the regulation of capital companies and to the stock market, and which is highly demanding in terms of compliance with the Good Governance recommendations.




This model is designed to fulfil the corporate objectives that are established within the Governing Bodies of the Group and protect the interests of all of its stakeholders in a transversal and transparent manner.

In 2016, the DIA Group worked on the implementation of a series of modifications of its internal Rules of Conduct to adapt them to the new standards on market abuse, as well as the implementation and start-up of an anti-fraud plan in each of the countries in which it operates.

Board of Directors

The DIA Group has a Board of Directors comprised of a total of 10 members, of which seven are independent, one executive and one classified as “other external directors”, in the case of the non-executive Chairwoman.

The composition Board of Directors, at 31 December 2016, is follows:

Positions	Date appointed	Election procedure
◆ Other External ◆ Executive ◆ Independent	🕒 First and last appointed	□ Co-optation □ Resolution of the General Shareholders' Meeting
		
◆ □ Ana María Llopis Rivas Non-executive Chairwoman 05/07/2011 - 26/04/2013 🕒	◆ □ Mariano Martín Mampasso Vice-Chairman 05/07/2011 - 26/04/2013 🕒	◆ □ Ricardo Currás Chief Executive Officer 05/07/2011 - 26/04/2013 🕒



◆ □
Antonio Urcelay Alonso
Director

05/07/2011 - 25/04/2014



◆ □
Julián Díaz González
Director

05/07/2011 - 26/04/2013



◆ □
Richard Golding
Director

05/07/2011 - 25/04/2014



◆ □
Juan María Nin Génova
Director

15/10/2015 - 15/10/2015



◆ □
Ángela Spinder
Director

08/02/2016 - 08/02/2016



◆ □
Borja de la Cierva
Director

05/09/2016 - 05/09/2016





◆ □
María Luisa Garaña
Director
14/12/2016 - 14/12/2016
🕒

The main function of the Director is to supervise and submit for consideration all business matters of particular importance for the Group, generally relinquishing the ordinary management to the members of Senior Management.

DIA's Board is responsible for approving the Company's general policies and strategies, as well as approving the necessary tools for implementation, placing special emphasis on the strategic plan, management objectives and annual budget, as well as the investment and financing policy, the Company's fiscal strategy, the Good Governance policy, the remuneration policy, and performance assessment of the management team, among others.

Changes in the Board

In 2016, the Board of Directors of the Group undertook a series of changes in its composition as a result of the resignation of some of its members due to them taking on new professional commitments. This is the case of Rosalía Portela, who resigned from her position as independent director and, consequently, also as a member of the Audit and Compliance Committee.

Likewise, coinciding with the end of his term, Pierre Cuilleret, also an independent director and member of the Remuneration and Appointments Committee, submitted his resignation from the position due to new professional commitments.

As a consequence of this resignation, on 6 July 2016, the Board of Directors agreed to appoint Borja de la Cierva Álvarez de Sotomayor by co-optation as an independent director and member of the Audit and Compliance Committee.

On 14 December 2016, the Board of Directors also appointed María Luisa Garaña Corces by co-optation as an independent director of the company, who in turn will form part of the Audit and Compliance Committee as a member.

These two appointments will be subject to ratification by the first General Shareholders' Meeting that the Company holds in 2017.

The position is for three years renewable, and is based on two monitoring commissions: The Remuneration and Appointments Committee and the Audit and Compliance Committee.

Committee

Remuneration and Appointments Committee

The Remuneration and Appointments Committee is made up of three members. An independent Chairperson and another member, also independent. In 2016, it met on **6 occasions**.

Name	Position	Type of position
Mr. Mariano Martín Mampaso	Chairman	Independent
Ms. Ángela Spindler	Member	Independent
Mr. Antonio Urcelay Alonso	Member	Independent

Audit and Compliance Committee

The Audit and Compliance Committee is made up of five members. An independent Chairperson and four other members, also independent. In 2016, it met on **6 occasions**.

Name	Position	Type of position
Mr. Richard Golding	Chairman	Independent
Mr. Julián Díaz González	Member	Independent
Mr. Borja de la Cierva	Member	Independent
Mr. Juan María Nin Génova	Member	Independent
Ms. María Garaña Corces	Member	Independent

All of the members of the Board of Directors are professionals with a strong executive profile and extensive experience in business relating to distribution and consumer goods.

DIA Group Executive Management

Name	Position
Mr. Ricardo Currás de Don Pablos	Chief Executive Officer
Mr. Diego Cavestany de Dalmases	Executive Manager of Operations Spain
Mr. Antonio Coto Gutiérrez	Executive Director Latin America and Partnership
Mr. Juan Cubillo Jordán de Urríes	Business Manager and Merchandise
Mr. Francisco Javier La Calle Villalón	Resources Corporate Director and Executive in China
Mr. Amando Sánchez Falcón	Corporate Director of Services and Executive in Portugal

Ethical channel and compliance

Ethical channel

The DIA Group remains committed to compliance with current regulations at all levels, and it has control and monitoring tools in place that ensure the correct functioning and operation of all the stakeholder groups that form part of the company. These mechanisms are incorporated in the corporate management systems and are updated on a regular basis, ensuring a perfect balance between the best business opportunities and risk management.

With its corporate values (Effectiveness, Initiative, Respect, Team and Customer) the DIA Group has a Code of Ethics implemented in all the countries, where it draws up the conduct guidelines that must be followed by the people participating in the company's activity. In previous financial years, it has worked on the modification and updating of its Code of Ethics, while deciding to open it up to other day-to-day players of the company, such as suppliers, franchisees and contractors. In 2016, the company worked on the dissemination and communication of this new version to raise awareness of the Code and of DIA's compliance model in all countries. Through virtual training, 2,981 employees have completed a course that explains the key points of this code in Spain and China. For the coming year, it is expected that this training will be continued in the rest of the countries.

In turn, the Ethics Committee is responsible for managing matters arising under the Code of Ethics through its own channel, always with a guarantee of confidentiality, anonymity, and respect.

Quarterly, during 2016, the Ethics Committees of each country disclosed to the corporate Ethics Committee a detailed breakdown of the consultations and/or communications received in the immediately preceding quarter, indicating the reference or registration number, date of receipt, collective complainant (employee, franchisee, service or goods provider and others), the ethical principal infringed, assessment of reliability/accuracy of the facts that are the subject of the communication, current status of the file and, where appropriate, resolution of the same. Also, on an annual basis, a report is presented to the Audit and Compliance Committee, facilitating detailed consolidated statistical information at a Group level in accordance with the information received from each of the jurisdictions.

In financial year 2016, the ethical and information consultation channel received a total of 80 communications, of which 53 were complaints and 27 were consultations.

Of the 53 complaints, 46 were filed by employees (87%), 2 by suppliers (4%) and the other 5 (9%) were anonymous. At 31 December, 36 of the complaints had been resolved and 17 remain under investigation.

Of the complaints resolved, 24 were closed due to lack of evidence (67%); 9 were resolved with training and coaching actions for those reported (25%); disciplinary measures of dismissal were applied in two cases, including a director (5%); and the last was resolved upon communication of the voluntary resignation of the person against whom the claim was brought (3%).

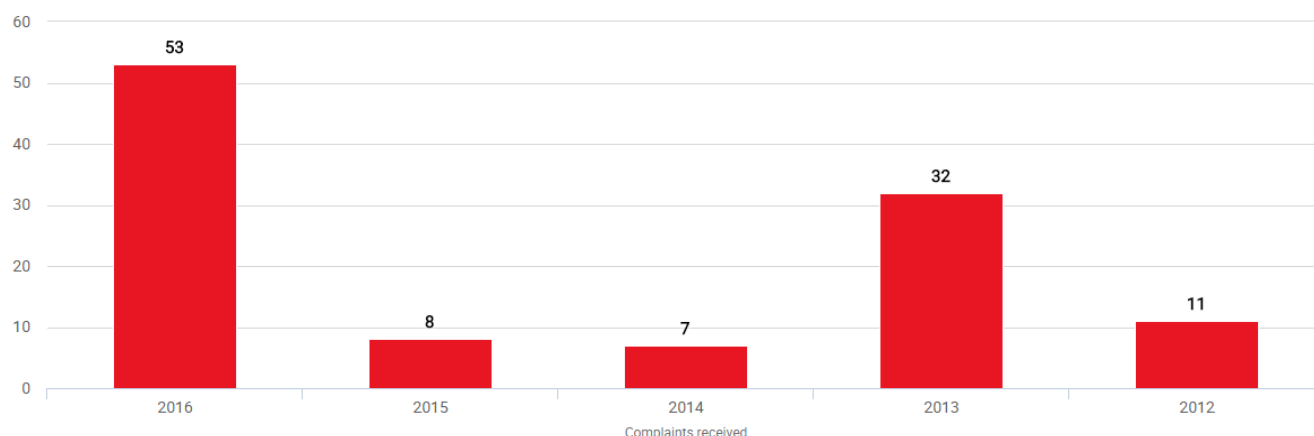
Regarding consultations, 19 were raised by employees (70%), 6 by suppliers (22%) and 2 by franchisees (8%). At 31 December, 24 consultations were resolved and 3 remained under analysis.

Of the consultations resolved, in 11 the concerns were resolved directly by the Ethics Committee (46%); 7 were transferred to the management department, where the issue raised by the sender was clarified or solved (29%) and 6 were transferred to the Human Resources department in order to directly resolve the doubts of the employee (25%).

Code of ethics

- **We comply with the rules and respect people.** Compliance with the rules and respect for people constitute the basis of our ethical behaviour.
- **We are ethical in our decisions and relations: we say no to corruption.** The DIA Group is aware that individual success is only possible as a collective. And collective success is only possible from an ethical standpoint.
- **We protect assets and information.** We are rigorous, professional people, loyal to the company. We make the best use of the assets and resources that the DIA Group places at our disposal, remembering that we must limit their use, in general, to strictly professional purposes.
- **We are committed to the customer and to society.** We compete fairly, avoiding manipulation, deceit, or any other type of behaviour that might unduly place us in a favourable position.
- **We lead by example.** We are responsible for ensuring that our company maintains the ethical conduct that we desire. Our values and behaviour principles are not merely words; they must determine our behaviour every day.

Use of ethical channel

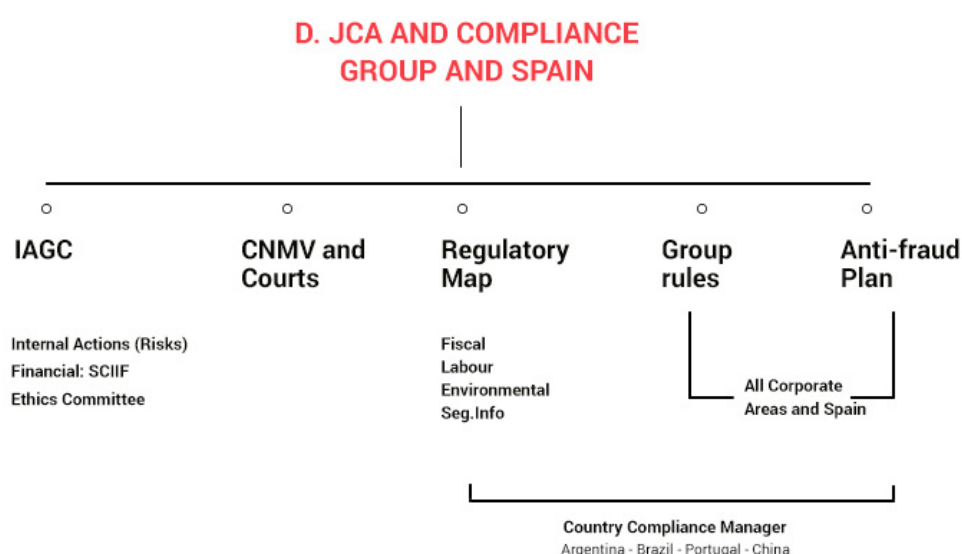


Internal control and compliance

DIA compliance model

CORPORATE GOVERNANCE	INTERNAL CONTROL AND LEGAL SECURITY	FRAUD PREVENTION AND DETECTION
OBJECTIVES		
<p>To have a strict regulatory body in the area of Good Governance</p> <ul style="list-style-type: none"> UGA, CdA and RIQ Statutes and Regulations Issue of AGC, IAR and Relevant Facts Control of Securities and Treasury Stock operations and Privileged Information <p>Adoption of company agreements in accordance with the Law</p> <ul style="list-style-type: none"> Control and coordination of Subsidiaries Design of a framework for the delegation of safe powers (centralization of powers, joint signature and financial restrictions) (centralization of powers, joint signature and financial restrictions) 	<p>To have an internal control system and risk management that ensures an adequate control environment</p> <ul style="list-style-type: none"> Risk Management Control System Implementation of Regulations Internal Control (SCIIF + operations) Corporate and Local Insurance Programmer <p>Provide legal certainty to the company in business trade</p> <ul style="list-style-type: none"> Regulatory Map Contractual Control (standard model) Data Protection (Consultation Office) 	<p>To embody a culture of compliance through an ethical model for employees</p> <ul style="list-style-type: none"> Code of Ethics Crime Prevention Model (Spain) Anti-Fraud and Anti-Corruption Programmer <p>To have channels for the detection of bad conduct</p> <ul style="list-style-type: none"> Ethical Channel Forensic actions (DD in compliance in M&A)
AREAS RESPONSIBLE FOR SUPERVISION AND CONTROL		
<p>SECRETARY OF THE BOARD</p> <p>LEGAL COUNSEL AND COMPLIANCE DEPARTMENT</p>	<p>INTERNAL AUDIT</p> <p>FINANCIAL DEPARTMENT</p> <p>LEGAL COUNSEL AND COMPLIANCE DEPARTMENT</p>	<p>ETHICS COMMITTEES</p> <p>LEGAL COUNSEL AND COMPLIANCE</p>

DIA Compliance Structure



Internal control and compliance

Adaptation of the Internal Code of Conduct

With the entry into force of the new standards on market abuse for listed companies, in 2016 the DIA Group updated its Internal Code of Conduct, with which it establishes rules for the management and control of the use of privileged information, treasury stock operations, and the transparent communication of relevant information.

The Internal Code of Conduct imposes obligations and limitations on the people affected and treasury stock managers, in order to protect the interests of its investors and avoid any type of abusive situation, while facilitating the participation of managers and employees in the capital of the company, in strict observance of current legislation.

Transparency and the fight against corruption

The DIA Group has developed and implemented a crime prevention model with the aim of establishing the most adequate internal control procedures and policies to prevent illegal offences being committed. In addition to analysing the activities of each business area to evaluate the risk of criminal activity in each one, the DIA Group has a Prevention Manager who reports to the Ethics Committee and to the Regulatory Compliance Manager.

In order to obtain greater control and security, the DIA Group analyses the activities performed by the different

business areas and assesses the risk of each activity in regard to the possible commission of offences in terms of probability and impact, taking into account the controls already implemented. In 2016, the crime prevention model was the study of analysis and expert opinion of a consulting firm with experience in the field of forensics. Therefore, the model implemented by DIA has adequate and efficient control measures for preventing and detecting the commission of offences which could result in criminal liability for DIA.

The DIA Group also has an anti-fraud plan, new this year, which has already been implemented in all the countries in which the company operates. In this respect, in each country the company has a fraud risk matrix, which conducts an analysis in terms of frequency and impact and incorporates the existing controls to prevent such conduct. An anti-fraud manager has been designated who, in turn, is responsible for the prevention of offences.

During 2017, specific anti-fraud training will be given to employees in each country.

Control of financial information

The company has an Internal Financial Information Control System Policy (SCIIF) that covers the general description of the system and its objectives, roles and responsibilities, methodology for the development of the internal control of financial information, and risk management.

The SCIIF affects all levels of the organization and its maintenance is the responsibility of the Board of Directors, while its supervision is carried out by the Board's Audit Committee.

The DIA Group has documented the processes that may be considered to have a risk of material impact on the preparation of financial information, also covering the risk of fraud.

Process Map

During financial year 2016, for the purpose of strengthening the internal control system with an integral vision that not only contributes to reliability, but also to the effectiveness and efficiency of the operations, the "Process Map" of the Group in Spain has been defined. This map identifies all the Spanish and Corporate processes and sub-processes and was approved by the Group Management Committee and presented to the Audit and Compliance Committee in September.

The "Process Map" provides a unique reference framework for the control and risk systems.

Regulatory Map

In each country where the company operates, the Legal Department has what is known as a "Regulatory Map", which identifies and details all regulations applicable to DIA, with special attention given to key legislation in the main supply chain processes, which has been classified in six sections:

- Legislation applicable to the product negotiation process, that is, in regard to DIA's relations with its service and goods providers, competitors, regulatory boards, and brands.
- Legislation applicable to the logistics activity, that is, the exercise of storage, distribution and goods transport activities.

- Legislation applicable to the wholesale and retail business.
- Legislation applicable to commercial premises, urban leases, horizontal property, local taxes, business hours.
- Legislation applicable to DIA's customer relations, personal data protection, consumption, payment method, advertising and sales promotions.
- Legislation applicable to DIA, as a listed company, in regard to the stock market and Internal Code of Conduct. La Dirección Jurídica, a su vez, se responsabiliza de informar al resto de áreas o departamentos de la Sociedad sobre el contenido y alcance de las novedades y/o cambios normativos, diseñando y celebrando sesiones formativas, bien en modo presencial o en modo elearning, cuando la novedad legislativa tuviera un impacto relevante en la actividad de DIA.

The Legal Department, in turn, is responsible for reporting to the rest of the areas or departments of the Company on the content and scope of new features and/or regulatory changes, designing and holding training sessions, either in person or via e-Learning, when the new legislation could have a significant impact on DIA's activity.

To carry out this function, the Legal Department has established a procedure for the monitoring and updating of regulations and communication, which defines the necessary resources, responsibilities and internal and external tools to perform this duty and achieve the twofold objective of having an updated regulatory map and an organization aware of its legal obligations.

This Regulatory Map is revised annually.

Risk management

Description of Risk system

The DIA Group has a Risk Management Model (RMM), which it uses to detect and respond to any incidents that could hinder the normal functioning of the institution, as well as the achievement of its objectives.

In keeping with the principles of its Risk Management policy approved by the Board of Directors, the company has an integral model applicable in all the countries in which DIA is present, which enhances the organization's ability to manage scenarios of uncertainty.

The DIA Group's risk management process is based on the standard of COSO II, risk management methodology generally accepted in the market that has been adapted to the specific needs of the company.

To implement this methodology, the DIA Group has an IT tool in the areas in which it operates, which standardizes and facilitates risk management.

Based on COSO II methodology, the DIA Risk Policy is governed by the following principles:

- **Risks must be managed throughout the organization**, with no exceptions, in order to achieve the strategic objectives set. It is essential that the entire organization be involved in the risk management system.
- **Risk management includes the identification**, evaluation, response, monitoring or follow-up and reporting in accordance with the procedures designed for that purpose.
- **Responses to risk must be consistent** and broadly adequate for the business conditions and the economic environment.
- **The DIA Group's Risk Committee must, among other duties, carry out an annual assessment of DIA's main risks** and revise the risk tolerance level. This information gives rise to the annual updating of the Group's risk Map, as well as the risk maps of the countries that make up the Group. The key Risk Map is validated by the Management Committee.

Organization and responsibilities

El Consejo de Administración, la Comisión de Auditoría y Cumplimiento y el Comité de Dirección Grupo DIA son los encargados de velar por el buen funcionamiento del sistema de Gestión de Riesgos.

The Board of Directors, the Audit and Compliance Committee and the DIA Group Management Committee are in charge of ensuring the good functioning of the Risk Management system.

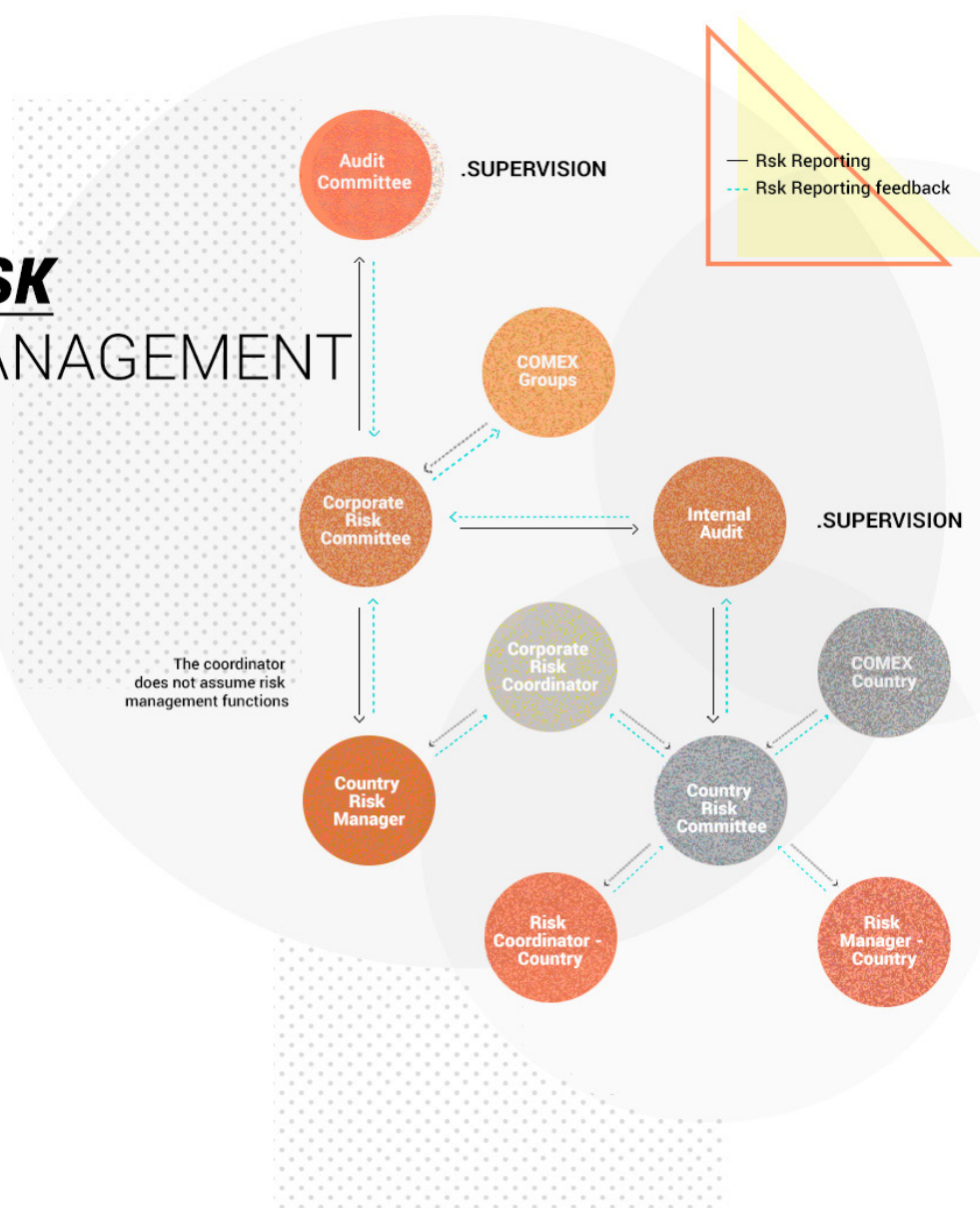
Periodically, a report is given to the Audit and Compliance Committee of the Board of Directors regarding the activities of identification, evaluation, response, monitoring or follow-up and reporting.

Each business unit has its own Risk Committee, in which all departments of the company are represented, with the

director assuming direct responsibility for the management of each of the risks identified in his or her department.

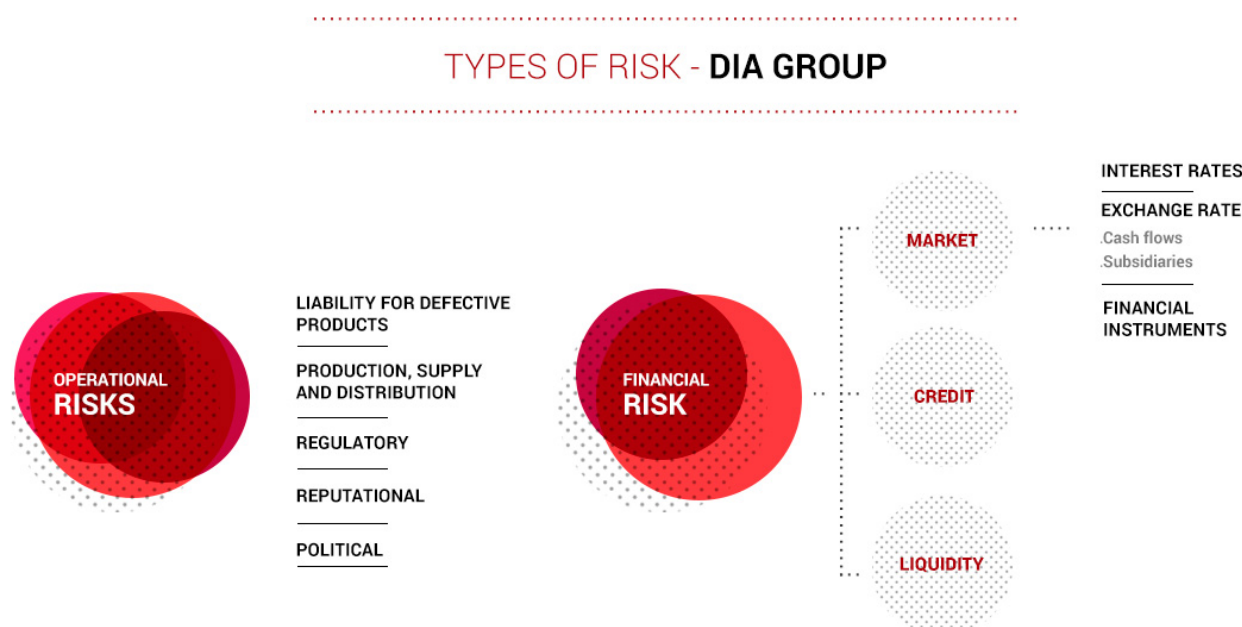
These committees report directly to the DIA Group's Corporate Risk Committee and the Management Committee. They meet on a quarterly basis.

RISK MANAGEMENT



Types of risk

In the DIA Group, each country works on an average of 80 risks, among which around 20 have been identified as key risks for each country.



Operational Risks

Risk of liability for defective products

In order to minimize the risk of placing defective products on the market, the DIA Group guarantees the quality and safety of the products, both of its own-label products and national brands, through an advanced management programme certified under the ISO 9001:2008 standard, which affects all links of the supply chain, from the negotiation and development of each product up to its arrival at the store.

All processes and actions in regard to food quality and safety are described and developed in the corresponding chapters of this report.

With the same objective of mitigating this risk, the company also has an adequate insurance policy in respect of liability coverage for defective products. The quality documents, in turn, establish supplier liability with respect to the safety and legality of the product.

Risks associated with production, supply and distribution

The products marketed by the DIA Group are manufactured or come primarily from the country in which the activity is carried out or from neighbouring countries. This implies a risk in those countries that are more exposed to situations of political and economic instability, acute labour conflicts, and possible contingencies arising from natural disasters.

Given that some of the products distributed are perishables, an inadequate assessment of demand or the inability to preserve the products in stock may complicate stock management and have a negative impact on the Group's operating results.

In regard to product distribution, the DIA Group has a series of transport and distribution contracts (activities entrusted entirely to third parties). Any significant interruption in the functioning of the transport network, or the bankruptcy of its suppliers and carriers, may cause delays in the distribution of products and potential shortages in the commercial establishments. Furthermore, failure to comply with tax obligations and Social Security by carriers may imply additional costs regarding possible subsidiary liability in those countries where provided for by law.

If these external suppliers and carriers do not make deliveries or perform their jobs, or experience delays in deliveries or in the performance of their tasks, as well as any extra costs associated with such delays or faults, this could result in additional expenses and have a negative impact on our activities.

The DIA Group has prepared a standard transport contract that it uses for hiring companies to handle the loading, transport and unloading of merchandise, which establishes, among other aspects, the obligation to comply with the internal rules established for the execution of the service both in terms of quality and prevention of occupational risks.

It has also established ongoing control to verify compliance by carriers of their tax and labour obligations, guaranteeing through regular checks that they are up to date in their payments at all times.

The DIA Group has a policy of diversification and distribution of volumes of each platform among a sufficiently large number of companies. Accordingly, a temporary problem affecting one of them can be quickly covered by the rest or by new companies, limiting the impact on the company's activity.

Regulatory risk

The DIA Group's business is subject to a broad spectrum of regulations (labour, environmental, fiscal, data protection, retail trade, franchise-related, food handling and safety legislation, etc.) in the different jurisdictions in which it operates. The differences between the applicable regulatory requirements in each jurisdiction may pose a significant challenge in operational terms, by requiring the DIA Group to adapt its business to different regulatory systems.

The DIA Group's operations can also be affected by regulatory changes applicable to it and, in particular, by regulatory changes affecting opening hours, the construction and opening of new establishments, price setting, and taxes. Any breach of the applicable regulations may result in the imposition of fines, penalties, administrative sanctions, and even potential sanctions of a criminal nature.

DIA is responsible for identifying, measuring and minimizing the legal risks, continuously monitoring the applicable regulatory framework and informing about compliance with legal obligations to the internal operations managers.

In order to develop and adequately comply with this function, the Group has an organizational structure comprised of a Human Resources Department, a Financial and Fiscal Department, and a Legal Department in all the jurisdictions in which it operates, which have the duty to identify the applicable regulations and supervise their compliance.

To adequately carry out the functions of identification of the regulatory framework and supervision of its compliance, the DIA Group has a regulatory map, which identifies and details all regulations applicable to the Group, with special attention given to key legislation in the main supply chain processes.

To carry out this function, the managers have established a procedure for the monitoring and updating of regulations and communication, which defines the necessary resources, responsibilities and internal and external tools to perform this duty and achieve the twofold objective of having an updated regulatory map and an organization aware of its legal obligations.

Likewise, the DIA Group has policies and procedures aimed at informing and training employees on certain behaviour principles and preventing and detecting inappropriate conducts. In this respect, it is important to mention the existence of the DIA Group's Code of Ethics and an Ethical and Information Consultation Channel, as well as the implementation of a crime prevention model in the Company.

Reputational Risk

The company faces reputational risks due to its public exposure. All impacts arising from such exposure are monitored and analysed on a regular basis. To minimize risks, the DIA Group has external communication rules and an External Relations Policy.

In 2016, a small group of ex-franchisees repeatedly visited different media to slander DIA. The effect of the appearances in the media or social networks could have a negative impact, although very limited, due to the small number of people and lack of legal backing in regard to their information.

DIA works to continuously improve its franchise network and, in the course of 2016, has noted a positive trend in its annual franchise survey, as well as the commercial evolution of the network. The company has also worked to make society aware of the work and dedication of its more than 3,500 franchises in the countries in which it is present.

Political risks

The company has risks associated with the political management of market issues and interpretation of laws, as well as the corresponding risks that could arise due to delays or inconsistency with European regulations. These risks could result in negative reputational impacts or have an impact on its operational management.

In 2016, reactions of a political nature occurred in Spain in regard to DIA's commercial operations, which sought to benefit the consumer and were associated by the political environment with selling at a loss. This relationship could have caused reputational damage in spite of commercial success.

During 2016, the National Commission for Markets and Competition (CNMC) decided to take no further action in relation to the complaint submitted by the FIAB and PROMARCA against the cooperation agreement of Eroski and DIA signed in 2015. However, only one day after the communication of the dismissal of this case, the Agency for Food Information and Control (AICA) notified the opening of disciplinary action for both companies due to alleged infringements of the Law on Measures to Improve the Operation of the Food Supply Chain, linked to the implementation of

said agreement.

At the close of 2016, this situation was pending resolution.

Financial risks

Financial risk management is controlled by the Group's Financial Management. This management identifies, evaluates, and covers financial risks in close collaboration with the business units.

Market risk

A- Interest rate risk

The Group's interest rate risk arises from fluctuations in interest rates that affect the financial costs of long-term debt issued at variable rates.

The Group carries out various interest rate hedging operations to mitigate its exposure in accordance with its Risk Management Policy. At 31 December 2016 and 2015, there were no outstanding derivatives with external counterparts to cover the risk of long-term interest rate financing.

During 2016, the average percentage of hedges against the level of gross debt was 78.70%, compared to hedges of 80.32% in the previous year.

Elsewhere, the group's policy regarding financial assets is to maintain their liquidity, making them available for use. These balances are held in financial institutions with the highest credit ratings.

B- Exchange rate risk

Operational: cash flows

Currency fluctuations, other than those of the local currency, can have a positive or negative impact on the consolidated accounts. The Group strives to minimize the risk through the negotiation of forward currency exchange contracts managed by the Group's Treasury Department. The sum of the hedging operations carried out in financial year 2016 was USD6.552m and USD5.359m in 2015. This amount represents 66.09% of the operations carried out in this currency in 2016 (98.38% in 2015). At the close of financial year 2016, current hedges in dollars reached USD1.803m (USD1.284m in 2015), with maturities in the next eleven months. These operations are not significant with respect to the Group's total purchasing volume.

Subsidiaries

DIA has various investments in foreign businesses, whose net assets are exposed to foreign exchange rate risk. Exchange rate risk on the net assets of the Group's foreign operations in Argentine Pesos, Chinese Yuan and Brazilian Reals are mainly managed through external resources denominated in the corresponding foreign currencies.

The exchange differences included in other comprehensive income are significant, due to the strong devaluations of the Argentine Peso and the Brazilian Real. The variation that would have occurred in the exchange differences, if the exchange rates of Group countries that use a currency other than the euro were to depreciate/appreciate by 10%, would have been +32.71% / -32.71%, respectively, in the net equity of the DIA Group.

C- Financial instrument risk

The Parent Company has "Equity Swap" contracts for an amount of EUR39.944m. At the close of 2015, this amount reached EUR42.266m. These operations are carried out to comply with the payment obligations resulting from the Long-Term Incentive Plan (LTIP) of the Group's Directors. They are described in note 16 of the report on the Consolidated Annual Accounts.

Credit risk

The Group does not have a significant credit risk. Active risk policies are maintained to ensure that wholesale selling is made to clients with verified credit solvency. Retail sales imply a lesser risk, since payment is made in cash or by card.

Cash and derivative transactions are made with Financial Institutions with high-quality credit ratings, with a minimum applicable rating of BBB. In countries where the rating is below that rating, it operates with local financial entities that are considered high credit quality by local standards.

In addition, cash surpluses are placed in high quality assets with maximum liquidity. The policy set by the Group's Corporate Executive Management is based on criteria of liquidity, solvency and diversification, establishing maximum amounts to invest by counterparty, within a maximum term of 90 days of investment duration and definition of the instruments for which the placement of surpluses is authorized.

The Group does not have a significant concentration of credit risk.

Liquidity risk

The Group applies a prudent liquidity risk management policy, ensuring compliance with payment commitments, both commercial and financial, for a minimum period of 12 months; covering financing needs through recurring cash flow generation of its businesses, as well as contracting long-term loans and financing facilities.

At 31 December 2016, liquid assets reached EUR1.258.1 bn, including cash and other liquid assets and available credit lines.

