



Sustainable Development Report

DIA and the environment

Environmental policy

The DIA Group maintains its commitment to the environment, which it articulates through an environmental policy revised and approved in 2016 by the Board of Directors, for the purpose of adapting it to the new regulatory and Good Governance requirements of the National Securities Market Commission (CNMV), integrating criteria of efficiency and sustainability in each of its points.

Once again, this year the company strengthened its commitment to the development of sustainable activity with an annual amount allocated to environmental investments of **more than 6 million euros**.

DIA Group environmental policy

- Comply with the current environmental legislation, applicable in each of the countries in which the DIA Group is present.
- Promote the responsible use of resources.
- Apply sustainability and eco design criteria to the development of products and packaging.
- Manage the waste generated following the waste hierarchy model, prioritising prevention, and avoiding its elimination to the extent possible.
- Adopt measures to reduce greenhouse gas emissions.
- Actively work to identify opportunities for improvement through development and implementation of procedures that permit environmental self-assessment.
- Encourage staff through training and awareness-raising.

During 2016, the DIA Group completed the definition of work procedures and instructions that contribute to its Environmental Management System, standardising aspects such as the supervision of regulatory requirements, waste management, reporting of indicators, waste management, supervision of emissions, calculation of the carbon footprint, and the environmental diagnosis of facilities and activities.

In order to supervise that the facilities and activities of the DIA Group are managed in accordance with both legal requirements and internal regulations, the environmental department periodically audits the performance of offices, warehouses and stores in regard to waste management, control of emissions and waste, and consumption of resources.

The identification of areas for improvement and the implementation of procedures and action plans has allowed for a progressive improvement in the Group's environmental performance, which has led to an overall increase in the environmental audit ratings of warehouses in Spain

Environmental indicators

Having an appropriate degree of supervision of the environmental performance of the facilities and activities allows DIA to identify the areas it needs to focus on in order to achieve continuous improvement in environmental matters.

With this aim, since its flotation on the Stock Exchange, DIA has been working on the **identification of relevant environmental** aspects for the company and for its stakeholders, establishing a series of indicators that enables supervision of the evolution of these aspects.

The DIA Group has defined the information collection procedure and has an IT tool for reporting these indicators as part of the Sustainability Report.

Year after year, DIA works to improve the quality and traceability of the information reported. In 2016, the company submitted part of the 2015 Sustainable Development Report for external verification.

Measuring the carbon footprint

Year after year, the DIA Group's commitment to the reduction of the carbon footprint remains unchanged and, for that reason, it has been working on various projects focusing on the reduction of emissions that it articulates through a proprietary tool that enables the calculation of the footprint at all of its facilities. During 2016, it implemented this system in all the countries in which the company is present.

This widespread implementation of the measuring tool made it possible during last year to publicly disclose information on the figures for greenhouse gas emissions, in response to the internationally recognised Carbon Disclosure Project- Climate Change survey.

In 2015, the responses to this survey allowed DIA to be distinguished by the organisation for obtaining the highest rating of all the companies newly included in the index.

The measuring system has been changed in 2016, with the maximum rating corresponding to the letter A and the minimum to D-. In only two years, the DIA Group has already achieved an A- rating, just one small step away from a limited group of large companies that already have the highest rating, and ahead of other companies in the same sector.

Standardised management system

The company has a standardised environmental management system in all the countries that allows it to act along the same work lines, taking into account the specific characteristics of each market. The standardised procedures make it possible to swiftly and efficiently undertake the necessary initiatives to improve the functioning of the entire value chain.

Regulatory Compliance

The DIA Group has an environmental regulation register and of breaches that could arise in all countries that allows for quick action in the event of any incident. During 2016, there were no significant fines for failure to comply with environmental legislation.

Bulletins are received periodically with legislative developments for application and in the event they are applicable to DIA's activity, a copy is stored on the internal network for subsequent analysis and study.

Energy savings

Energy efficiency projects of the DIA Group in 2016

COUNTRY	Projects	Investments
Spain	LED exterior lighting outdoors and in DIA Maxi and La Plaza store reserve areas	3,5 million euros
	LED lighting in warehouses	
	Installation of online automation	
	Modernisation of central cooling	
	Renovation of positive cold chambers	
Portugal	Renovation of in-store capacitor batteries	1,3 million euros
	LED lighting in warehouses	
	Renewal plan for refrigerated display cases and installation of doors	
	Installation of in-store electronic ventilators	
Brazil	Installation of doors for refrigerated display cases	*1,1 million euros
	LED lighting in warehouses	
Argentina	Installation of doors for refrigerated display cases	
China	Installation of in-store EC motors that combine alternating and continuous voltage	19.233 euros
	All the stores already have LED lighting	

*DOES NOT include the investment in contractual improvements.

Spain

Modernisation of central cooling and chambers

In Spain, work was carried out in 2016 to give continuity to the efficient energy processes put into operation in the previous year, as well as the implementation of new projects focusing primarily on establishments and warehouses.

In regard to stores, the efficiency projects have focused mainly on the DIA Maxi and La Plaza de DIA formats, where traditional lighting has been changed to LED lighting both outside the establishments, including the parking lots of DIA Maxi, as well as the reserve areas.

Similarly, progress has been made in the modernisation of central cooling and chambers, in line with the project started last year, and online automation systems that allow greater control and monitoring have been installed.

As for warehouses, the automation and monitoring systems have been improved to achieve better follow-up, and LED lighting hoods have been installed in the dry food rooms.

This project has involved over 400 establishments in Spain and 7 warehouses at the end of the financial year, for a total investment of EUR4.33m.

Portugal

More efficient systems and models

Portugal has undertaken a renewal plan and the installation of in-store capacitor batteries, in addition to replacing the old cold display case ventilators with electronic models. Furthermore, the former semi-open cold cabinets have been replaced by display cases with doors that allow greater savings.

As for warehouses, as in Spain, the renewal of traditional lighting to LED lighting has been undertaken.

The efficiency processes applied in Portugal during 2016 have involved more than 150 stores and two of the company's three warehouses, following an overall investment of EUR1.2meuros.

Brazil

Renewal of display cases and commitment to LED

Brazil has implemented a renewal project and the installation of doors in the cold display cases in stores, in addition to replacing traditional lighting with the LED system.

In regard to warehouses in Brazil, a change in lighting towards the LED model has also been undertaken for more efficient functioning.

The energy efficiency projects applied in Brazil during 2016 involved over 300 stores and two warehouses, for a total investment of EUR2.7m.

China

LED lighting in all stores

At the end of 2016, all stores in the Chinese market already had LED lighting and a total of 196 establishments had ventilators with EC motors, a technology that combines alternating and continuous voltage and allows greater efficiency and flexibility of systems.

Argentina

Renewed cold display cases

During 2016, the energy efficiency projects involved 40 stores, in which new doors have been installed in the cold display cases. For the upcoming year, this project is expected to continue.

It should be noted that energy prices in Argentina are well below those of the other countries in which the company operates.

Commitment to the reduction of polluting emissions

Year after year, the DIA Group maintains its commitment to the reduction of polluting emissions. The optimisation of logistics activity processes, together with greater efficiency of their systems, has given rise to the emission of 141,648 kilos of Co2 for every thousand units sold.



In turn, greenhouse gas emissions generated by the weight of refrigerant gases of store and warehouse machinery were reduced by 45% to 207,133 tonnes at the close of 2016.

Brazil

Among the transport and fleet efficiency projects, it is worth pointing out the Hybrid lorry put into operation in Brazil. Through the hybrid lorry model, it is possible to reduce the number of kilometres travelled by a conventional lorry by 20%, due to its greater capacity, going from 32 to a 38 combi load. During 2016, thanks to this project, 146,620 litres of fuel were saved in the country.

In Brazil, road trains are also used to transport goods over long distances, which increases transport capacity and reduces fuelling needs. During 2016, 22 trips using this type of lorry were made to the warehouse in Bahía and 32 trips to the warehouse in Porto Alegre, which gave rise to savings of 26,499 litres of petrol.

Spain

Similarly, in Spain, in 2016 the company began to test articulated vehicles of just over 25 metres long, known as “Megatrucks”, which will enable up to 60 tonnes of freight to be transported in each trip. For now, this project is in the testing stage at the Spanish warehouses of Azuqueca de Henares and Dos Hermanas, allowing logical efficiency in terms of transport and emissions.

The optimisation of routes also constitutes a constant in the company’s quest to be increasingly efficient. All countries are working on the efficiency of routes with initiatives to share the same lorry and route for different stores or the joint delivery of fresh and dry products.

Consumption of materials and waste management

The efficient use of natural resources, as well as the reduction and elimination of waste, constitute a priority in the DIA Group's activity. The company uses eco-design criteria in its packaging, promoting re-use and recycling rather than dumping and encouraging responsible conduct among customers and employees.

Contribution and participation in Ecoembes

In line with the DIA Group's commitment to waste management, in Spain the company forms part of the Board of Directors of Ecoembes, a non-profit organisation in charge of everything relating to the management of packaging, plastics, paper and cardboard.

According to the Waste and Contaminated Soils regulations in force in Spain, companies are required to manage all of the waste generated by the products they place on the market.

A large, stylized red logo of the letters 'DIA' is centered on a white background. The 'D' is a solid block letter, the 'I' is a vertical bar, and the 'A' is a rounded letter with a white circle in the center.

The DIA Group paid EUR4m to Ecoembes in 2016 for the management of the Green Dot, which is determined according to the packaging placed on the market. Ecoembes is in charge of the viability of the integrated waste management system, both for the management of collection points as well as for the service provided by recycling plants.

Eco-design and eco-packaging

The company works on the optimisation of its packaging, which allows not only greater efficiency, but also a greater commitment to emissions and recycling. Therefore, the DIA Group works on the implementation of improvements relating to the size and cardboard grammage used and the use of more readily degradable materials.

Some of these packaging optimisation initiatives are reflected in the Three-year Prevention Plans for containers and packaging submitted to Ecoembes, which audits and validates the measures adopted and the quantitative improvements they imply.

Digitalisation of processes and recycled paper

The DIA Group has a digital process management tool (BPMS - Business Process Management Suite) that integrates diverse blocks relating to the development of items of the Own Brand (quality, packaging, commercial, etc). The implementation of this system allows the company to proceed with the progressive digitalisation of documents, with the aim of reducing the use of paper in these processes.

DIA has sealed containers distributed in the headquarters and other centres in Spain, where personnel can deposit confidential documentation of the company. These containers are collected monthly by a specialised manager who destroys the documents using a serrated mill with a shredding process that reduces the paper to millimetric particulates of 320 mm². The shredded paper is taken by the manager to a recycling plant, significantly reducing the environmental impact. In 2016, 19,940 kilograms of paper of this type of documents were collected, processed, and recycled.

In Portugal, work is underway to use recycled paper for sales brochures published by the company in that country. In 2016, the consumption of non-recycled paper plummeted by 93%, no longer using 1.33 million kilos of this paper. Furthermore, progress was made in reducing consumption of plastic wrap in warehouses, achieving a 6.5% reduction of this material.