



ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

IDENTIFYING PARTICULARS OF ISSUER

END DATE OF FISCAL YEAR OF REFERENCE

12/31/2020

E.I.N. A28164754/ LEI 54930063C6K2TNFL6H10

Corporate name:

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

Registered Office:

C/ JACINTO BENAVENTE, 2A (EDIFICIO TRIPARK), (LAS ROZAS), MADRID



ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
November 25, 2019	66,779,789.79	6,677,978,979	6,677,978,979

Remarks

Indicate whether different classes of shares exist with different associated rights:

Yes

No

Class	Number of shares	Nominal amount	Nominal amount of voting rights	Rights and obligations conferred

Remarks

A.2 List the direct and indirect holders of significant holdings at year-end, excluding directors:

Name or corporate name of shareholder	% of voting rights attributed to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
LETTERONE INVESTMENT HOLDINGS, S.A.	0.000%	74.819%	0.000%	0.000%	74.819%
GRÉGOIRE AUGUSTIN BONTOUX HALLEY	0.000%	4.009%	0.000%	0.000%	4.009%

Remarks
The percentage that is reflected in the above table as owned by Mr. Grégoire Augustin Bontoux Halley relates to the 267,690,414 shares with which Naturinvest, S.à.r.l. attended the Company's shareholders' meeting held on July 31, 2020. The register of significant holdings of the National Securities Market Commission shows a notice served by Mr. Grégoire Augustin



Bontoux Halley on May 16, 2019 in which he stated that he held 21,153,674 voting rights in the Company, relating, on the date of the notice, to 3.398% of DIA's share capital. After the capital increase carried out in November 2019, this holding was lower than 3%, although the above-mentioned notice continued to appear in the CNMV's registers.

Details of the indirect holding:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights
LETTERONE INVESTMENT HOLDINGS, S.A.	L1R INVEST1 HOLDINGS S.A.R.L.	74.819%	0.000%	74.819%
GRÉGOIRE AUGUSTIN BONTOUX HALLEY	NATURINVEST, S.A.R.L.	4.009%	0.000%	4.009%

Remarks

Indicate the most significant movements in the shareholder structure during the year:

Most significant movements

A.3 Complete the following tables on members of the board of directors that hold voting rights over company shares:

Name or corporate name of director	% of voting rights attributed to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights <u>that can be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
COUVREUX CHRISTIAN PIERRE	0.0003%	0.000%	0.015%	0.000%	0.015%	0.000%	0.000%
DUCHARME STEPHAN	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
FERREIRA DIAS, SERGIO ANTONIO	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
GARCIA-	0.0006%	0.000%	0.015%	0.000%	0.0156%	0.000%	0.000%



LEGAZ PONCE, JAIME							
WAHON LEVY, JOSE	0.0002%	0.000%	0.015%	0.000%	0.0152%	0.000%	0.000%
VALLÉS CEREZUELA BASOLA	0.000%	0.000%	0.021%	0.000%	0.021%	0.000%	0.000%

% total of voting rights held by the board of directors	0.0011%
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Remarks
<p>On January 14, 2020, the Board of Directors of the Company approved the appointment by co-option of Ms. Basola Vallés Cerezueta as an independent director of the Company, to fill the vacancy of Mr. Borja de la Cierva Álvarez de Sotomayor, who tendered his resignation as a member of the Board of Directors of the Company on May 21, 2019.</p> <p>In addition, Mr. Michael Casey notified the Board of Directors of his resignation from the position of director, effective January 14, 2020.</p> <p>On January 2, 2020, the Company delivered to Mr. Jaime García-Legaz Ponce and Mr. José Wahnon Levy 40,717 and 17,804 shares respectively in implementation of the incentive program of which both are beneficiaries in accordance with the Company's remuneration policy. Mr. Christian Pierre Couvreur also received 21,748 shares from Company on January 21, 2020 in implementation of the incentive program.</p> <p>On December 10, 2020, the Board of the Directors of the Company approved the appointment by co-option of Mr. Marcelo Maia Tavares as director of the Company, with effect from January 1, 2021, to cover the vacancy left by Mr. Michael Casey.</p> <p>In addition, on February 15, 2021 Mr. Christian Couvreur died, which entailed his removal as a member of the Board of Directors, the Nomination and Remuneration Committee, and the Finance and Capital Structure Committee.</p>

Details of the indirect holding:

Name or corporate name of director	Name or corporate name of the direct owner	% of voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transferred through financial instruments
-	-	-	-	-	-

Remarks

A.4 Indicate, where applicable, any family, commercial, contractual or corporate relationships between owners of significant holdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Name or corporate name of related-party	Type of	Brief description
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	relationship	
-	-	-

A.5 Indicate, where applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name or corporate name of related-party	Type of relationship	Brief description
L1 RETAIL (UK) LLP and L1 Retail (Jersey) LLP	Advisory service agreement	Provision of financial, strategic and commercial advisory and consulting services
L1R Invest1 Holdings S.à r.l	Implementation Agreement for a finance transaction subject to a series of conditions precedent	Implementation of a modification to the most material financing structure of the group subject to the fulfillment of a series of conditions precedent

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the board and directors, or their representatives in the case of legal-entity directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent the significant shareholders, those whose appointment was proposed by the significant shareholders, or those related to significant shareholders and/or entities in its group, specifying the nature of such relationships. In particular, indicate, where applicable, the existence, identity and position of the board members, or the directors' representatives, of the listed company who are also members of the managing body, or their representatives, of companies with significant shareholdings in the listed company or in the companies in the group of those significant shareholders.

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Name of the company in the group of the significant shareholder	Description of relationship / position
DUCHARME, STEPHAN	L1R INVEST1 HOLDINGS, S.A.R.L	L1 RETAIL (UK) LLP L1 RETAIL (JERSEY) LLP L1R HB Holdings Limited	Mr. DuCharme is a managing partner of L1 Retail (UK) LLP and L1 Retail (JERSEY) LLP and chairman of L1R HB Holdings Limited
DIAS, SERGIO FERREIRA	L1R INVEST1 HOLDINGS, S.A.R.L.	L1 RETAIL (UK) LLP, L1 RETAIL (JERSEY) LLP	Mr. Ferreira Dias is a partner of L1 Retail (UK) LLP and L1 Retail (JERSEY)



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Remarks

A.7 Indicate whether the company has been notified of any side agreements affecting it pursuant to articles 530 and 531 of the Capital Companies Law. If so, provide a brief description and list the shareholders bound by the agreement:

Yes

No

Parties to side agreement	% of share capital affected	Brief description of agreement	Expiration date of the agreement, if any

Remarks

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, provide a brief description:

Yes

No

Parties involved in concerted action	% of share capital affected	Brief description of concerted action	Expiration date of the concerted action, if any

Remarks

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

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A.8 Indicate whether there are any individuals or legal entities that exercise or may exercise control over the company in accordance with article 5 of the Securities Market Law. If so, identify:

Yes

No



Name or corporate name
LETTERONE INVESTMENT HOLDINGS, S.A.

Remarks

A.9 Complete the following table with details of the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
984,480	-	0.015%

Remarks

(*) Through:

Name or corporate name of direct holder	Number of direct shares
Total:	

Remarks

Explain any significant changes during the year:

Explanation of significant changes
In 2020, 254,310 shares were awarded to the members of the Board of Directors as remuneration of fiscal year 2019. On the date of issue of this Report, the Company was the indirect owner of 984,480 treasury shares, representing 0.015% of the share capital.

A.10 Give details of the conditions and term of the current authority conferred by the shareholders' meeting on the board of directors to issue, buy back or transfer treasury stock.

On July 31, 2020, the Shareholders' Meeting delegated to the Board of Directors the power to increase share capital by granting it the power to exclude pre-emptive subscription rights up to a maximum overall nominal amount equal to 20% of the share capital on the authorization date, within the limits and with the requirements established in the Capital Companies Law, for a period of five years from the date of the resolution by the Meeting. This resolution rendered void the resolution adopted by the Shareholders' Meeting on April 22, 2016.

Likewise, on July 31, 2020, the Shareholders' Meeting resolved to authorize the Board of Directors, with the express power of delegation and subject to the general regime for issuing debentures, bonds and other securities exchangeable for existing shares of the Company and/or convertible into new shares of the Company, as well as warrants, in accordance with the provisions of articles 286, 297, 417 and 511 of the Capital Companies Law and article 319 of the Commercial Registry Regulations, to issue marketable securities one or more times within the maximum five-year period starting from the date of adopting the resolution, with a maximum amount of 480,000,000 euros.

Lastly, the Shareholders' Meeting held on April 20, 2018 expressly resolved to authorize the Board of Directors, with express powers of delegation, in accordance with the terms of article 146 of the Capital Companies Law, to proceed with the derivative acquisition of the Company's shares under the following conditions:

- (a) The Company can acquire shares directly or indirectly through its subsidiaries under the same terms as this resolution.
- (b) The shares can be acquired through sale/purchase transactions, swaps or any other transaction permitted under law.
- (c) The purchases may be made at any time up to the maximum amount permitted under law.
- (d) The purchases may not be made at a price exceeding the share price or less than the par value of the share.
- (e) This authorization is granted for a maximum term of five years from the time of this resolution.
- (f) As a result of the purchase of shares, including those that the Company or the person acting in their own name but on behalf of the company had acquired previously and had in their portfolio, the resulting equity may not be reduced to an amount less than the sum of the share capital plus the restricted legal or bylaw reserves, all in accordance with article 146.1.b) of the Capital Companies Law.

It was expressly stated that shares purchased as a result of this authorization may be used both for transfer or redemption and for application of the remuneration systems considered in paragraph three a) of article 146.1 of the Capital Companies Law, in addition to carrying out the programs which will foster participation in the Company's capital such as, for example, dividend reinvestment plans, incentive plans and other analogous instruments.

This resolution rendered void and revoked the unused amount of the authorization for the derivative acquisition of own shares granted by the Shareholders' Meeting on April 24, 2015.

A.11 Estimated free float:

	%
Estimated floating capital	21.157%

Remarks

A.12 Indicate, where applicable, whether there is any restriction (bylaw, legislative or any other) to the transfer of securities and/or any other restriction on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorization or notification that may be applicable, under industry-specific regulations, to acquisitions or transfers of the company's financial instruments.

Yes

No



Description of restrictions

A.13 Indicate whether the shareholders' meeting has agreed to take breakthrough measures to prevent a tender offer by virtue of the provisions of Law 6/2007.

Yes

No

If so, explain the measures adopted and the terms on which the restrictions would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 Indicate whether the company has issued securities not traded on a regulated EU market.

Yes

No

If so, indicate the various classes of shares and, for each class of shares, the rights and obligations they confer.

Indicate the different classes of shares



B. SHAREHOLDERS' MEETING

B.1 Indicate and, where applicable, describe any differences with respect to the minimum rules established in the Capital Companies Law regarding the quorum required for the constitution of the shareholders' meeting.

Yes

No

	Quorum % other than that established in article 193 of the LSC for general cases	Quorum % other than that established in article 194 LSC for the special cases described in article 194 LSC
Quorum required on first call		
Quorum required on second call		

Description of differences

B.2 Indicate and, where applicable, describe any differences with respect to the rules established in the Capital Companies Law for the adoption of corporate resolutions:

Yes

No

Describe how they differ from the rules established in the Capital Companies Law.

	Qualified majority other than that established in article 201.2 LSC for the cases described in 194.1 LSC	Other cases requiring a qualified majority
% set by company for adopting corporate resolutions		

Describe the differences

B.3 Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and any rules to protect shareholders' rights when amending the bylaws.



The rules applicable are in line with the regulations established in the Capital Companies Law. Therefore, in accordance with article 16 of the Bylaws, the Shareholders' Meeting is the body with jurisdiction to amend the Bylaws. With respect to the right to information in the case of amendment, article 19 of the Bylaws establishes that, in addition to the information required by law, the call notice must include the right corresponding to all the shareholders to examine at the registered office the complete text of the amendment proposed and the report on it, and to request the delivery or free shipment of these documents.

Likewise, under article 286 of the Capital Companies Law, where an amendment is proposed to the Bylaws, the directors must draft the full text of the proposed amendment and a report justifying it, which must be made available to the shareholders with the notice of call of the Shareholders' Meeting that is to deliberate on such amendment.

With respect to the quorum and the majorities needed to approve an amendment to the Bylaws of DIA, article 23 of the Bylaws, pursuant to article 194 of the Capital Companies Law, requires that, in order for the Shareholders' Meeting to be validly convened at first call, shareholders holding at least 50% of the subscribed voting capital must be present in person or by proxy. At second call, it will suffice for 25% of the capital to attend. In order to adopt a resolution to amend the Bylaws, pursuant to article 201 of the Capital Companies Law, if the capital present in person or by proxy exceeds 50%, at first or second call, it will suffice for the resolution to be adopted by absolute majority. However, the affirmative vote of two-thirds of the capital present in person or by proxy at the Meeting will be necessary if, at second call, shareholders representing 25% or more of the subscribed voting capital without reaching 50% are present.

B.4 Indicate the attendance figures for the shareholders' meetings held during the year corresponding to this report and for the previous year (include the 2018 and 2019 shareholders' meetings):

Date of shareholders' meeting	Attendance data				Total
	% attending in person	% by proxy	% distance voting		
			Electronic vote	Other	
4/20/2018	1.81%	56.93	0.00%	0.27%	59.01%
3/20/2019	31.24%	16.77%	4.41%	1.88%	54.30%
8/30/2019	2.13%	74.09%	0.00%	0.07%	76.29%
10/22/2019	0.21%	76.72%	0.00%	0.06%	76.99%
7/31/2020	4.07%	76.22%	0.0067%	0.0727%	80.38%
Of which, free float:					
4/20/2018	0.03%	56.93%	0.00%	0.27%	57.23%
3/20/2019	0.53%	16.64%	1.15%	1.88%	20.20%
8/30/2019	1.93%	0.93%	0.00%	0.07%	2.93%
10/22/2019	0.01%	3.55%	0.00%	0.06%	3.62%
7/31/2020	0.06%	1.40%	0.006%	0.07%	1.5372%



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Remarks

B.5 Indicate whether any items on the agenda of the shareholders' meetings held during the year were not approved by the shareholders for any reason.

Yes No

Items on the agenda that have not been approved	% of votes against (*)
Approval of the management by the Board of Directors during the period from January 1 to May 20, 2019.	94.1090%

(*) If the non-approval of the item is for a reason other than votes against it, it will be explained in the text portion and "n/a" will be entered in the "% of votes against" column.

B.6 Indicate whether the bylaws impose any minimum requirement on the number of shares required to attend the shareholders' meetings or to vote by remote means:

Yes No

Number of shares required to attend the shareholders' meeting	% of votes against (*)
Number of shares required to vote remotely	

Remarks

B.7 Indicate whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the shareholders' meeting.

Yes No

Explanation of decisions that must be submitted to the shareholders' meeting other than those established by law

B.8 Indicate the address and means of accessing corporate governance content on the company's website as well as other information on shareholders' meetings which must be made available to shareholders on the company's website.

The address of DIA's website is www.diacorporate.com . To obtain corporate governance information



(i.e. information on the Company's Board of Directors, Committees or internal regulations), select the "Ethics and Corporate Governance" tab.

In order to access all information on the Shareholders' Meetings that must be available to the shareholders, select the "Shareholders and Investors" tab, then click the "Shareholders' Meeting" tab.

Furthermore, during the notice period for the Shareholders' Meeting, all related information is available to the shareholders through a specific link provided on the home page.



C. COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors envisaged in the bylaws and the number established by the shareholders' meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors established by the shareholders' meeting	8

Remarks

C.1.2 Complete the following table with the members of the board:

Name or corporate name of director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure	Date of birth
DUCHARME, STEPHAN		Executive	Executive Chairman	5/20/2019	8/30/2019	Shareholders' Meeting Resolution	4/24/1964
COUVREUX, CHRISTIAN		Independent	Lead independent director	5/21/2019	8/30/2019	Shareholders' Meeting Resolution	11/24/1950
FERREIRA DIAS, SERGIO ANTONIO		Non-executive nominee	Member	5/20/2019	8/30/2019	Shareholders' Meeting Resolution	8/2/1955
GARCIA-LEGAZ PONCE, JAIME		Independent	Member	1/10/2019	3/20/2019	Shareholders' Meeting Resolution	6/11/1968
WAHNON LEVY, JOSE		Independent	Member	5/20/2019	8/30/2019	Shareholders' Meeting Resolution	12/23/1952
VALLES CEREZUELA, BASOLA		Independent	Member	1/14/2020	7/31/2020	Shareholders' Meeting Resolution	11/27/1972

Total number of directors	6
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Indicate if any directors, whether through resignation or by a shareholders' meeting resolution, have left the board during the period subject to this report:

Name or corporate name of director	Category of director at the time of leaving	Date of last appointment	Leaving date	Specialized committees of which he/she was a member	Indicate whether the director left before the end of the term
MICHAEL JOSEPH CASEY	Non-executive nominee	8/30/2019	1/14/2020	Finance and Capital Structure Committee	Yes
HOLLAND,	Chief Executive	8/30/2019	5/20/2020	-	Yes



KARL-HEINZ	Officer			
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<p>Reason for the removal, where it has taken place before the end of the term and other observations; information on whether the director has sent a letter to the other board members and, in the case of removals of non-executive directors, explanation or opinion of the director who has been removed by the shareholders' meeting</p>
<p>Mr. Michael Casey tendered his resignation from his position as a board member on January 14, 2020. The resignation was due, according to his notification, to the need to attend to personal and professional commitments that were not compatible with the level of dedication required to discharge his offices at the Company.</p> <p>On April 14, 2020, Mr. Karl-Heinz Holland tendered his resignation from his position as a board member, with effect on May 20, 2020, as a result, according to his notification, of the first phase of transformation of the Company having been completed.</p>

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or corporate name of director	Position per the company's organizational chart	Profile
DUCHARME, STEPHAN	EXECUTIVE CHAIRMAN	<p>Mr. DuCharme holds a degree in Political Science and Economics from the University of California at Berkeley and an MBA from INSEAD. He has over 30 years of experience leading cutting-edge organizations in the financial, industrial and retail sectors. He is currently the chairman of the Supervisory Board of food retailer X5 Retail Group, where he led the company's successful reconversion plan between 2012 and 2015 as CEO. Mr. DuCharme has sat on the boards of companies such as SUEK Siberian Coal & Energy Company, First Ukraine International Bank, Iberia Refreshments and Lomisis JSC. Starting his professional career at Salomon Brothers in 1987, Mr. Ducharme has also held posts at the European Bank for Reconstruction and Development (EBRD) and Alfa Group.</p> <p>He is currently a member of the Board of Directors of Holland & Barret and a managing partner of L1 Retail LLP's retail division.</p>

Total number of executive directors	1
% of total board	16.666%



Remarks

NON-EXECUTIVE NOMINEE DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or that proposed appointment	Profile
FERREIRA DIAS, SERGIO ANTONIO	L1R INVEST1 HOLDINGS S.A.R.L.	Mr. Ferreira Dias holds a Degree in Business Administration – Finance and Marketing – from Fundação Armando Alvarez Penteado (Brazil). This investor, entrepreneur and start-up adviser has been key to the creation and strategic development of companies and brands around the world. An expert in retailing and the food industry, he joined Carrefour Group in 1988, where he rose to become deputy CFO and general manager of the non-food eCommerce sites. In 2002 he joined LVMH Moët Hennessy to leads its Wines and Spirits Division before being appointed CEO of Millennium (Belvedere Vodka), which also forms part of the group, in 2005. Mr. Ferreira Dias has also been executive chairman of SecretSales.com and CEO of Brands4friends.de, among other posts. He is a partner of L1 Retail LLP.

Total number of nominee directors	1
% of total board	16.666%

Remarks

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name or corporate name of director	Profile
COUVREUX, CHRISTIAN	Mr. Couvreur holds a Master's Degree in Economic Sciences from Paris University and completed an Advanced Management Program at INSEAD (France). He has held a number of positions throughout his professional career, including those of Commercial Deputy Attaché and Attaché of the Ministry of Economy and Finance of France and Saudi Arabia, CEO of CFAO Congo and Senior Executive Deputy Officer of Purchasing, Logistics and Subsidiaries (from 1990 to 1997), CEO and Chairman of the Management Board of Groupe Casino (from 1997 to 2003) and member of the Oversight Board of X5 Retail Group.
GARCÍA-LEGAZ PONCE, JAIME	Mr. García-Legaz holds a Bachelor's Degree in Economics and Business Administration from CUNEF (Spain) and a PhD in Economics from Universidad Complutense de Madrid. He has been a State Trade Expert and Economist since 1994. Mr. García-Legaz has held important positions in Spanish Government bodies, rising to become Secretary of State for Commerce, International Trade and Foreign Investment from 2011 to 2015. Between 2015 and 2017, he was executive chairman of CESCE, chairman of the International Consortium of Credit Insurers and chairman of Dun & Bradstreet. Lastly, between 2017 and 2018 he was executive chairman and CEO of AENA. He is currently a member of the board of directors of AENA Desarrollo Internacional, SME, SA, of Ahorro Corporación Financiera, S.V., S.A.U. and of Canal de Isabel II.
WAHNON LEVY, JOSE	Mr. Wahnnon has a Degree in Economics from Universidad de Barcelona, a Law Degree from Universidad Complutense de Madrid and completed a PMD at Harvard Business School. He began his professional career at PwC, where he was made partner in 1987. He headed up the Financial Services area at PwC from 1987 to 2003 and the Audit Division between 2003 and 2007. .
VALLES CEREZUELA, BASOLA	Ms. Basola holds a degree in Business Administration and Management from the European Business School and has an MBA from the Leonard N. Stern School of Business of New York. She has 25 years of domestic and international professional experience focused on the retail distribution sector, both digital and physical, as an investor, consultant and business manager. She began her professional career in the finance world in the United Kingdom at Nomura Securities and Morgan Stanley. She then joined McKinsey London where she worked for 6 years mainly with companies from the distribution sector in Europe. She continued her career at the Baugur Group private equity fund specialized in European distribution companies, where she was head of management responsible for growth and expansion of the investees. More recently,

	Ms. Vallés was the head of the books, music and entertainment divisions at Amazon and CEO of Entradas.com. She is an independent director at Aegon Spain, a member of the advisory board of ING Spain and of the innovation board of Prosegur Cash.
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Remarks
The total number of independent non-executive directors on the date of submission of this report is three following the removal of Mr. Christian Couvreur due to his death on February 16, 2021.

Indicate whether any independent director receives from the company, or its group, any amount or payment other than standard director remuneration, or holds or has held, in the last year, a business relationship with the company or any group company, whether in their own name or as a significant shareholder, director or senior executive of an entity which holds or held said relationship.

If so, include a reasoned statement from the board detailing the reasons why the director may perform their functions as an independent director.

Total number of independent directors	4
% of total board	66.66%

OTHER NON-EXECUTIVE DIRECTORS

List the other non-executive directors and state the reasons why they cannot be considered nominee or independent directors, detailing their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is held	Profile
-	-	-	-

Total number of other non-executive directors	0
% of total board	0.00%

Remarks
The total number of non-executive directors on the date of submission of this report is one with the appointment of Mr. Marcelo Maia Tavares, whose appointment took effect on January 1, 2021.

Indicate any changes in the period as regards the category of each director:

Name or corporate name of director	Date of change	Previous category	Current category
DUCHARME, STEPHAN	5/21/2020	Non-executive nominee	Executive

Remarks
Mr. Stephan Ducharme was appointed executive chairman of the Company with effect from May 21, 2020 and following the resignation tendered by Mr. Karl Heinz Holland. In addition, and also with effect from May 21, 2020, Mr. Christian Couvreur was appointed lead independent director.

C.1.4 Complete the following table indicating the number of female directors at the end of the last 4 years and their category:

	Number of female directors				% of total directors of each type			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Nominee	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	0	2	2	25%	0.00%	40%	33.33%
Other non-executive	0	0	0	1	0.00%	0.00%	0.00%	33.33%
Total:	1	0	2	3	16.66%	0.00%	25%	30%

Remarks

C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors regarding matters such as age, gender, disability or professional training and experience. Pursuant to the definition stated in the Audit Law, small and medium-sized enterprises must at least indicate the policy established in relation to gender diversity.

Yes No Partial policies

If so, describe the diversity policies, their objectives, the measures and the way in which they were applied and their results during the year. Also indicate the specific measures adopted by the board of directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain why.

Description of the policies, their objectives, the measures and the way in which they were applied and their results

In accordance with article 540.4.c.6 of the Capital Companies Law, in the wording introduced by Law 11/2018 of December 28, 2018, which amends the Commercial Code, the revised Capital Companies Law approved by Legislative Royal Decree 1/2010 of July 2, 2010, and Audit Law 22/2015 of July 20, 2015 regarding non-financial information and diversity, the Annual Corporate Governance Report of listed companies must include, among others:

- (a) a description of the diversity policy applied in relation to the board of directors, the management and the specialized committees set up within the board, in relation to aspects such as the age, gender, disability or professional training and experience of its members, including its objectives, the measures adopted, the way in which they have been applied, in particular, the procedures for ensuring that the board of directors includes a number of women that allows a balanced presence of women and men, and the results in the reporting period, as well as such measures as may have been approved in relation to these matters by the nomination committee; and
- (b) information about whether or not information was provided to the shareholders about the diversity criteria and objectives on the occasion of the election or renewal of the members of the board or its specialist committees.

In accordance with article 19 of DIA's Board Regulations, the Board will ensure that all director selection procedures promote gender diversity, as well as diverse experience and knowledge, with no implicit biases that may hinder the selection of female directors, ensuring that the Company deliberately looks for, and includes among potential candidates, any women who meet the professional profile sought.

The Director Selection Policy (approved in December 2015 and based on article 19 of the Board Regulations) establishes, among others, the following principles which guide the director selection procedures:

- It must not have an implicit bias nor discriminate on grounds of race, gender or any other type.
- It must favor diversity of knowledge, experience and gender among the Board.
- It must enable the Board of Directors to have diversity and plurality regarding the members' training, culture and internationalization.
- To avoid hampering the selection of female directors, the Company must deliberately seek and include, among the potential candidates, women who meet the professional profile requirements with the target that in the following years the number of female directors should represent at least 30% of all the members of the Board of Directors.
- It must achieve a balanced composition, structure and size of the Board as a whole which enriches decision-making and contributes multiple viewpoints to debates with an ample majority of non-executive directors, with the necessary minimum number of executive directors and ensuring that the proportion that may exist between nominee and non-executive directors respects the guidelines established in the Board Regulations.

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

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

Lastly, upon issuance of the call notice for each Shareholders' Meeting in which proposals for appointment, ratification and re-election of the Board members are submitted to the shareholders for consideration, the corresponding reports from the Nomination and Remuneration Committee and from the Board of Directors are made available to them. These reports include the Board's assessment of the competence, experience and merits of the various candidates as well as their suitability for fulfilling their duties as directors.

In line with the above, and as stated in the reports made available to the shareholders, the director selections (apart from those proposed by the significant shareholders) have followed the guidelines envisaged in the Director Selection Policy approved by the Company on December 11, 2015 and, as stated above, the aforementioned guiding principles, as well as their diversity objectives, were respected. The objectives were partially met in 2020. With the appointment by co-option on January 14, 2020, of the director Basola Vallés, the percentage



of female directors is 16.66%. The Board intends for the successive searches to select candidates to fill the existing vacancy to enable it to approach the target of 30% set for the following years.

- C.1.6 Explain the measures that may have been agreed by the nomination committee so that the selection procedures do not include any implicit bias that prevent the selection of female directors, and so that the company deliberately searches for and includes women with the appropriate profile among the potential candidates, enabling it to reach a balanced presence of women and men. Indicate as well whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of the measures
In accordance with the provisions derived from amendments made to the Capital Companies Law in corporate governance matters, the Nomination and Remuneration Committee has been entrusted with establishing a representation target for the least represented gender on the Board, and has drawn up guidelines on how to achieve this target.
As a result of such efforts, the Company now meets the target set out in Recommendation 14 of the Code of Good Governance.

When, despite the measures taken, there are few or no female directors or female senior executives, explain the reasons why:

Explanation of the reasons
The Nomination and Remuneration Committee is aware that it does not currently comply with the corporate governance recommendation regarding the percentage of female directors and, accordingly, is taking the necessary measures to increase the number of women on the Board of Directors and in senior management. However, this increase can only take place when new candidates are selected to fill future vacancies on the board, as occurred in the case of the appointment of Ms. Basola Vallés in January 2020.

- C.1.7 Explain the conclusions of the nomination committee with respect to compliance with the policy aimed at promoting an appropriate composition of the board of directors.

The Nomination and Remuneration Committee and the Board of Directors will ensure that all director selection procedures promote gender diversity, as well as diverse experience and knowledge, with no implicit biases that may hinder the selection of female directors, ensuring that the Company deliberately looks for, and includes among potential candidates, any women who meet the professional profile sought. This fact was ratified by the appointment of Ms. Basola Vallés Cerezueta in January 2020 and by the appointment of Mr. Marcelo Maia.

- C.1.8 Explain, where applicable, the reasons why nominee directors have been appointed at the request of shareholders holding less than 3% of the share capital:

Name or corporate name of shareholder	Reason
-	-

Give details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other



shareholders who have successfully requested the appointment of nominee directors. As applicable, explain why these requests have not been entertained:

Yes

No

Name or corporate name of shareholder	Explanation

C.1.9 Indicate, where applicable, the powers and the rights delegated by the board of directors to the directors or to the board committees:

Name or company name of director or committee	Brief description
DUCHARME, STEPHAN	All of the powers of the board, except for those which cannot be delegated in accordance with the bylaws, the board regulations and the applicable legislation, have been delegated on a permanent basis and to be exercised severally.

C.1.10 Identify, where applicable, the members of the board who hold positions as directors, representatives of directors or executives at other companies that form part of the group of the listed company:

Name or corporate name of director	Corporate name of group entity	Position	Do they have executive functions?

Remarks

C.1.11 List any directors or representatives of legal-entity directors of your company who are members of the board of directors or representatives of legal-entity directors of other companies listed on regulated markets other than group companies, and have communicated that status to the company:

Name or corporate name of director	Name of listed entity	Office

Remarks

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C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the maximum number of boards on which its directors may sit, identifying, where applicable, where this is regulated:

Yes

No

Explanation of the rules and identification of the document where they are regulated
Article 19.6 of the Board Regulations establishes that directors who, in addition to the Company Board, belong to more than six boards of directors of other companies may not be appointed. To this end, any boards to which a director belongs as a nominee director, proposed by the Company or by any group company, will not be taken into account; nor will other appointments be taken into account if the director is not actually and truly dedicated to a commercial activity.

C.1.13 Indicate the amounts for the items regarding the overall remuneration for the board of directors:

Remuneration accrued by the board of directors during the year (thousands of euros)	4,954
Amount of pension rights accumulated by current directors (thousands of euros)	
Amount of pension rights accumulated by former directors (thousands of euros)	

Remarks

C.1.14 Indicate the members of senior management who are not, in turn, executive directors, and indicate the total remuneration paid to them during the year:

Name or corporate name	Position(s)
MR. ALEJANDRO GRANDE	HUMAN RESOURCES DIRECTOR
MR. RICARDO ÁLVAREZ ELENA	CHIEF EXECUTIVE FOR SPAIN
MR. PEDRO BARSANTI VIGO	DIA GROUP IT DIRECTOR
MS. SAGRARIO FERNÁNDEZ BARBÉ	GROUP GENERAL COUNSEL AND COMPLIANCE OFFICER
MR. MIGUEL GUINEA VALLE	CHIEF EXECUTIVE FOR PORTUGAL
MR. SANITAGO MARTÍNEZ-LAGE SOBREDO	DIA GROUP CORPORATE DIRECTOR
MR. MARCELO MAIA	CHIEF EXECUTIVE

	FOR BRAZIL
MR. MARTÍN TOLCACHIR	CHIEF EXECUTIVE FOR ARGENTINA
MR. JOSÉ MARÍA JIMÉNEZ MILLARES	CHIEF EXECUTIVE OF CLAREL
MS. MURIEL UZAN	INTERNAL AUDIT DIRECTOR

Number of women in senior management	2
As a percentage of senior management	20%

Total remuneration received by senior management (thousands of euros)	15,851
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Remarks
<p>This section shows the people who form part of the Group's senior management at December 31, 2020.</p> <p>Notwithstanding the foregoing, the amount stated in this section indicates the total amount received by the senior managers during the year and, therefore, includes the amounts received by Enrique Weickert Molina, Dawid Jaschok, Matthias Raimund, Lara Vadillo Muñoz, Paul Berg and Marin Dokozić.</p> <p>In addition, at the date of this report, Jesús Soto Cantero and Eneas Pestana have joined as senior managers and Marcelo Maia has left. Pedro Barsanti Vigo is also expected to leave on April 1, 2021.</p>

C.1.15 Indicate whether any amendments have been made to the board regulations during the year:

Yes

No

Description of amendments

C.1.16 Indicate the selection, appointment, re-election and removal procedures for board members. List the competent bodies, procedures to be followed and criteria to be used for each of these procedures.

<p>I. Selection, appointment and re-election</p> <p>The selection, appointment and re-election of directors is regulated in articles 5, 19, 20, 35 and 39 of the Board Regulations, as well as in the Director Selection Policy, approved by the Board at its meeting on December 11, 2015.</p> <p>The bodies in charge of selecting and appointing the directors will ensure that they are honorable, suitable, of reputed solvency, competence and experience, and will be particularly strict in relation to any persons appointed to cover independent director positions or to belong to the committees.</p> <p>As regards the selection process, the Board of Directors, as part of its non-delegable powers,</p>



will resolve whether it is adequate to (i) appoint a new director by co-option to cover any vacancy; (ii) propose to the Shareholders' Meeting the appointment or ratification of a director and/or increase the number of Board members; (iii) fulfill a shareholder's request to uphold its right of proportional representation; or (iv) appraise the possible re-election of a director whose term is nearing expiration.

In any of the foregoing cases the Board, or its chairman, on its behalf, will formally entrust the Nomination and Remuneration Committee with an examination and, where appropriate, selection of directors among the candidates.

The Nomination and Remuneration Committee, further to express instructions from the Board of Directors, will convene as soon as possible in order to begin the selection process, and may be assisted by independent professionals specializing in selection processes and head hunting, in order to find the most suitable candidates.

Once the Nomination and Remuneration Committee has selected the directors, it will individually interview each candidate separately. The opinions gathered on the various candidates will be jointly examined and the relevant conclusions drawn, which will be recorded in an explanatory report from the Nomination and Remuneration Committee, to be submitted to the Board.

Any proposal to the Shareholders' Meeting will in any case include an explanatory report from the Board of Directors, evaluating the competence, experience and merits of the candidate proposed; this will be attached to the minutes of the Shareholders' Meeting or the board meeting.

The candidates chosen must contribute with their profile to make sure that they have (i) ample knowledge and experience in the sectors (especially consumer goods and retail) and in the Spanish and foreign markets where DIA operates, as well as the economic and financial factors (with special competences, experience and knowledge on accounting and risk management matters); (ii) a strong strategic international vision for businesses and extensive experience in business management, leadership and strategy; (iii) maximum level of ethics, representation and respect for the business community in general; and (iv) maximum level of loyalty, commitment and sufficient dedication to the Company's project.

The diversity in the group of directors and the various origins and profiles of each Board member are expected to meet the Company's current and future strategic needs.

If the Board of Directors does not follow the proposals and reports provided by the Nomination and Remuneration Committee, it must explain the reasons for its actions and duly record this in the minutes.

All directors will be appointed by the Shareholders' Meeting or Board of Directors, as the case may be, following the provisions of the Capital Companies Law, the Bylaws and the Board Regulations, as well as the Director Selection Policy.

An appointment will be announced to the market and, after a Shareholders' Meeting is called, the résumé of the candidate will be made available to the shareholders, as well as an explanatory report from the Board of Directors and from the Nomination and Remuneration Committee, as the case may be, on the Company's website.

II. Evaluation

Article 6 of the Board Regulations envisages that the quality and efficiency of the Board will be evaluated once a year, as well as performance by the Board chairman and Company CEO, the operation and composition of its Committees, diversity in Board composition and competences, and the performance and contribution made by each director, particularly examining the managers of the various Committees.

In order to evaluate the various Committees, the reports submitted by the latter to the Board will be examined. When evaluating the Board, the report submitted by the Nomination and Remuneration Committee will be taken into account.

This task is covered by the policy to fulfill corporate governance rules applicable to the Company, thereby fulfilling Recommendation 36 of the Good Governance Code.

III. Removal



Article 22 of the Board Regulations envisages that directors will no longer hold office upon the expiration of their term, if so resolved by the Shareholders' Meeting in the exercise of its powers, or when a director resigns or is dismissed.

Any directors affected by proposed removals will refrain from participating in any related discussion and vote.

The Board of Directors may only propose the removal of an independent director before expiration of the bylaw term where there is just cause, ascertained by the Board of Directors after receiving a report from the Nomination and Remuneration Committee. To this end, a breach of the duties inherent to director status will constitute just cause, or if the director has subsequently become subject to any of the circumstances envisaged in article 22.2. The removal may also be proposed as a result of tender offers, mergers or other similar corporate transactions that significantly change the Company's capital structure.

C.1.17 Explain to what extent the annual evaluation of the board has prompted significant changes in its internal organization and the procedures applicable to its activities:

Description of amendments
<p>On March 23, 2021, the Board of Directors issued a report evaluating the board and its functioning in 2020 and through the date of the report.</p> <p>Following the analysis performed, the Board of Directors considered that it is performing its tasks with diligence, efficiency, quality and professionalism in compliance with the Board Regulations and for the benefit of the corporate interest. In conclusion, the Board of Directors highlighted the following aspects in particular:</p> <ul style="list-style-type: none"> (i) The Board of Directors has fulfilled its tasks and responsibilities with great diligence and dedication, and the quality and efficiency of its functioning were assessed very positively. (ii) The structure and composition of the Board of Directors is appropriate for the Company's situation and its needs in the corporate governance area. (iii) The evaluation of each director's performance and contribution is also highly satisfactory, with all of them contributing with diligence, loyalty and great dedication to the defense and promotion of the corporate interest. <p>An evaluation was also carried out with respect to the Executive Chairman of the Board of Directors as of the date of report, and the performance of his position and functions associated with it were assessed very positively.</p> <p>Lastly, the Board of Directors concluded that it has the advisory committees required by the law and the DIA corporate governance system and which are necessary and appropriate in the Company's current situation (the Audit and Compliance Committee, the Nomination and Remuneration Committee and the Finance and Capital Structure Committee), which have an appropriate size and composition and which have been performing their functions and responsibilities very satisfactorily and, therefore, have provided effective support to the Board of Directors.</p> <p>It is noted that, despite the fact that the Board of Directors intends to commission an external evaluation this year, as of the date of this report, it has not been possible to conduct such external evaluation. In any event, the Board of Directors intends for the external evaluation to be conducted over the course of the year, thereby providing the external evaluator the time needed to conduct an appropriate and high-quality evaluation.</p>

Describe the evaluation process and the areas evaluated by the board of directors, with the assistance of an external consultant, as the case may be, with respect to the operation and composition of the board and its committees and any other areas or features evaluated.

Description of the evaluation process and the areas evaluated
<p>The Board members' profile is periodically analyzed with the aim of assessing their individual or group contribution to the Board. Also, within the Board's annual evaluation, the specific</p>



needs are evaluated in view of the characteristics of the DIA Group's business itself, its present and future geographical deployment, the requirements defined for its strategic plans and new challenges resulting from the market's changing circumstances, the digital revolution, the new technologies in the distribution sector, the consumers' profile, demand in general, etc. This analysis is fundamental for identifying the skills that the Board must have and helps to identify the Board's areas for improvement.

As established in article 6.1 of the Board Regulations, the Board, as the body responsible for the corporate governance policy, will evaluate the quality and efficiency of its operation once a year, as well as performance by the chairman of the Board and the CEO of the Company, the operation and composition of its Committees, diversity in board composition and competences, and the performance and contribution made by each director, paying special attention to the persons in charge of the various Committees.

In order to evaluate the various Committees, the reports submitted by the latter to the Board will be examined. When evaluating the Board, the report submitted by the Nomination and Remuneration Committee will be taken into account. Based on the outcome of the evaluations, the Board will adopt an action plan that corrects the deficiencies detected.

Specifically, at the board meeting held on March 23, 2021, for the purposes of the provisions of article 6.1 of the Board Regulations, and based on the reports submitted to it by the Audit and Compliance and Nomination and Remuneration Committees, the Company's Board of Directors conducted the evaluation of the quality and efficiency of its functioning and of its committees on the terms described above, and the conclusions of its evaluation are set out in this report to duly place them on record.

C.1.18 Breakdown in those years in which the evaluation has been assisted by an external auditor, the business dealings that the consultant or any company in its group has with the company or any company in its group.

N/A.

C.1.19 Indicate the cases in which directors must resign.

The Regulations of the Board of Directors regulate this aspect in article 22, which stipulates that directors must tender their resignation to the Board of Directors and complete the corresponding resignation if the Board deems it appropriate, in the following cases:

- (a) when they are involved in one of the cases of conflict of interest or prohibition specified in the provisions of a general nature and in the Bylaws;
- (b) when, due to events attributable to the directors acting as such, serious damage is caused to the Company's standing and social reputation, or there is a loss of the business and professional good standing needed to be a director of the Company;
- (c) when they cease to hold the executive positions to which their appointment as a director is linked;
- (d) when they are prosecuted for an alleged offense or are subject to a disciplinary proceeding for a serious or very serious breach by supervisory authorities; and
- (e) when their remaining on the board could jeopardize the interests of the Company or when the reasons for which they were appointed no longer exist. In particular, in the case of non-executive nominee directors, when the shareholder they represent sells or transfers all or part of its holding, with the result that it is no longer significant or sufficient to justify the appointment.

In any of the cases specified above, the Board of Directors, given the specific circumstances, may require the board member to resign from his or her position, and propose the director's removal to the Shareholders' Meeting, where applicable. Without prejudice to the notification of the removal as a significant event, the Board shall explain the reason for the removal in the Annual Corporate Governance Report.



Any directors affected by proposed removals will refrain from participating in any related discussion and vote.

The Board of Directors may only propose the removal of an independent director before expiration of the bylaw term where there is just cause, ascertained by the Board of Directors after receiving a report from the Nomination and Remuneration Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent. The removal may also be proposed as a result of tender offers, mergers or other similar corporate transactions that significantly change the Company's capital structure, if such changes in the Board's structure are a result of the proportionality principle set out in article 10.2 of the Board Regulations.

If a director is removed from office before the end of his/her term, due to a dismissal or for any other reason, he/she will duly explain the reasons for this in a letter sent to all the Board members. The reasons described therein will be referred to in the Annual Corporate Governance Report.

C.1.20 Are qualified majorities, other than statutory majorities, required for any type of decision?:

Yes

No

If yes, describe the differences.

Description of differences
Any amendment to the Board Regulations must be approved in a resolution adopted by an absolute majority of the Board members in attendance at the meeting, provided that the favorable vote is also obtained of the majority independent directors.

C.1.21 Indicate whether there are any specific requirements, apart from those relating to directors, to be appointed chairman of the board.

Yes

No

Description of requirements

C.1.22 Indicate whether the bylaws or board regulations set an age limit for directors:

Yes

No

	Age limit
Chairman	
Chief Executive Officer	
Director	

Remarks



C.1.23 Indicate whether the bylaws or the board regulations set a limited term of office or other stricter requirements additional to those envisaged for independent directors other than that established in the applicable law:

Yes

No

Additional requirements and/or maximum number of years in office	
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C.1.24 Indicate whether the bylaws or board regulations establish specific rules for the appointment of proxies on the board in favor of other board members, the procedure for doing so and, in particular, the maximum number of proxies a director may hold, as well as whether any restriction has been established as regards the categories of director that may be appointed as proxies, beyond the limits imposed by law. If so, provide a brief description.

Article 18 of the Board Regulations establishes that the directors must attend the Board meetings and that non-attendance is limited to unavoidable cases. When members cannot attend in person, they must try to delegate their vote in writing and in particular for each session to another member of the Board to the extent possible with instructions. Independent directors may only delegate their vote to another independent director and non-executive directors may only delegate their vote to another non-executive director. There is no limit on the number of proxies a director may hold. Proxies may be conferred by any postal or electronic means or by fax, provided that the identity of the director and the direction of the voting instructions can be guaranteed, where applicable.

C.1.25 Indicate the number of board meetings held during the year. Also indicate, where applicable, how often the board met without the chairman's attendance. Proxies appointed with specific instructions should be taken into account when indicating attendance figures.

Number of board meetings	27
Number of board meetings held without the chairman's attendance	0

Remarks
For clarification purposes, the Board of Directors held 12 meetings in 2020 and, on 15 other occasions, resolutions were adopted in writing and without a meeting.

Indicate the number of meetings held by the lead director with the other directors, without the attendance or representation of any executive directors.

Number of meetings	-
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Remarks

Indicate the number of meetings of the various board committees held during the year:



Number of meetings held by the executive committee	-
Number of meetings held by the audit and compliance committee	18*
Number of meetings held by the nomination and compensation committee	16
Number of meetings held by the nomination committee	-
Number of meetings held by the remuneration committee	-
Number of meetings held by the Finance and Capital Structure Committee	5

Remarks
For clarification purposes, the Nomination and Remuneration Committee held 7 meetings in 2020 and, on 9 other occasions, resolutions were adopted in writing and without a meeting.
It is also noted that the Nomination and Remuneration Committee held 13 meetings in 2020 and, on 5 other occasions, resolutions were adopted in writing and without a meeting.

C.1.26 Indicate the number of board meetings held during the year and the attendance details of its members:

Number of meetings attended by at least 80% of the directors in person	27
% of attendance in person of the total votes cast during the year	98.94%
Number of meetings attended by all the directors in person or through proxies with specific instructions	25
% of votes cast in person or through proxies with specific instructions out of the total of votes during the year	98.94%

Remarks

C.1.27 Indicate whether the separate and consolidated financial statements submitted to the board for approval have been previously certified:

Yes

No

Identify, where applicable, the person(s) who certified the company's separate and consolidated financial statements for their approval by the board:

Name	Position
JESÚS SOTO CANTERO	CHIEF FINANCIAL OFFICER
STEPHAN DUCHARME	EXECUTIVE CHAIRMAN (APPROVAL IN THE CERTIFICATE)

Remarks



C.1.28 Explain the mechanisms, if any, established by the board of directors to ensure that the financial statements that the board presents to the shareholders' meeting are prepared in accordance with accounting legislation.

Article 36 of the Board Regulations provides that the Board of Directors shall endeavor to definitively prepare the financial statements so that there is no room for qualifications by the auditor. However, where the Board considers that it should maintain its criterion, it shall publicly explain the contents and scope of the discrepancy.

In addition, with the aim of preventing separate and consolidated financial statements prepared by the Board of Directors from being submitted to the Shareholders' Meeting with auditor's qualifications, before they are prepared, article 38 of the Board Regulations and articles 6 et seq. of the Audit and Compliance Committee's Regulations establish that the Audit and Compliance Committee must, among other points:

(a) Supervise and review the process of preparation and presentation of the mandatory financial report, which in accordance with the Securities Market Law and the regulations implementing it, must be submitted by the Board to the markets and its supervisory bodies; and in general, supervise compliance with the legal requirements in this matter, the adequate outline of the scope of consolidation and the correct application of the generally accepted accounting principles, as well as inform about the proposals to modify the accounting principles and policies suggested by management, and submit recommendations or proposals to the Board of Directors aimed at safeguarding their integrity.



This supervisory task by the Committee must be carried out continually as well as promptly, at the request of the Board of Directors.

(b) Regarding the periodic and/or mandatory financial and non-financial information that the Company must submit to the markets and the supervisory bodies, assess compliance with the legal requirements and the correct application of the generally accepted accounting principles, as well as inform the Board of Directors of any significant changes in the accounting principles and, in particular, significant adjustments identified by the auditor or resulting from the reviews made by the internal audit.

(c) Analyze the reasons why the Company breaks down certain alternative performance measures in its public information, instead of the measures defined directly by the applicable regulations, how much useful information is provided to investors and the degree of compliance with that envisaged in the international best practices and recommendations in this area.

(d) Propose the selection, appointment, re-election and removal of the internal audit officers; propose the budget for those services, approve the guidance and work plans, ensuring that its activity focuses mainly on the Company's material risks.

(e) Establish an internal control system for the financial information through which potentially important irregularities, especially financial and accounting ones at the Company, can be notified in a confidential and anonymous way.

(f) Oversee the risk control and management policy regarding the risks which affect the attainment of corporate targets, including, in general, supervision of the agenda of the Committee meetings so that all the material risks can be analyzed throughout the year.

(g) Periodically review the efficacy of the risk control and management policy overall, covering both the financial and non-financial risks, including the tax ones, receiving the pertinent reports from the officers, from internal audit and from any person hired for such purpose, with the aim of appropriately identifying, analyzing and notifying the main risks, and analyze, together with the auditors, the significant weaknesses in the internal control system detected during the audit, all without affecting its independence.

(h) Make sure that the members of the management team take into account the conclusions and recommendations of its reports, as well as discuss with the Company's auditors any significant weaknesses in the internal control systems that they may have detected during the audit, all without undermining its independence. For such purposes and, where applicable, it can submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.

(i) Approve the work plan for the internal audit every year, ensuring that both the management and the staff have the necessary human, financial and technological resources to carry it out and that its activity focuses mainly on the Company's material financial and non-financial risks.

(j) Assess the operations of the internal audit and the performance of its officer, including an assessment of the degree of compliance with the established targets and criteria, as well as with the opinion of the Company's executive management, with the aim of determining the officer's annual variable remuneration, which must also involve the Committee; periodically receive information about the activities performed by the Internal Audit Department and, specifically, regarding the implementation of the annual work plan, the incidents found and the recommendations for such purpose.

(k) Establish appropriate relationships with the external auditors to receive information on those questions that may jeopardize their independence, for examination by the Committee, and any other relationships relating to the process of development of the financial statements auditing process, as well as other notifications included in the legislation governing auditing and audit regulations.

(l) Ensure that the auditor's remuneration for the work does not compromise its quality or independence and analyze the significant changes that may take place in its total remuneration.

(m) Oversee the performance of the audit engagement, endeavoring to ensure that the opinion on the financial statements and the key content of the audit report are drafted clearly and accurately, and assess the results of each audit.

In the event of a waiver from the external auditor, it will examine the circumstances leading to this decision and will ensure that the Company announces the new auditor, as a significant event to the CNMV, in addition to a statement on the potential existence of disagreements with the outgoing auditor and the content thereof, if any.

(n) Serve as a communication channel between the Board of Directors and the auditors, evaluate the results of each audit and the responses of the management team to their recommendations and mediate in cases of discrepancies between the auditors and the management team with respect to the principles and criteria applicable in preparing the financial statements.

(ñ) Ensure that the external auditor holds a meeting each year with the plenary session of the Board of Directors in order to inform it about its work and progress in the Company's accounting position and risks.

C.1.29 Is the secretary of the board also a director?

Yes

No

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
MR. ÁLVARO LÓPEZ-JORRÍN HERNÁNDEZ	

Remarks

C.1.30 Indicate the specific mechanisms, if any, established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

DIA has various mechanisms in place to preserve the independence of the auditor. Among them is that one of the main roles of the Audit and Compliance Committee consists in supervising the independence of the auditor, with duties including the following:

(a) Submit to the Board of Directors the proposed selection, appointment, re-election and replacement of external auditors, taking responsibility for the selection process, as well as their conditions of hiring, and to regularly gather information on the auditing plan and its execution, as well as preserving their independence in the exercise of their tasks.

(b) Establish appropriate relations with the auditors to receive information on those questions that may jeopardize their independence, for examination by the Committee, and any others relating to the process of development of the accounts auditing process and, where applicable the authorization of the various services legally forbidden by the applicable regulations as well as other notifications included in the legislation governing auditing and audit standards.

In particular, it must ensure that the external auditor respects the regulations in place on provision of non-audit services, the limits to the auditor's business concentration, and in general other regulations on the independence of auditors. For such purpose, the Committee can review and approve additional policies and guidelines which set out the principles contained herein regarding the approval and/or prohibition of providing certain non-audit services and, in general, in relation to the legal regulations on auditing.

In this respect, the Committee is responsible for previously approving the provision of non-audit services, assessing: (i) their nature, the circumstances and context in which they take place, and their effects and if those services jeopardize the auditor's independence; (ii) if the audit firm, based on its knowledge and experience, is the best one to provide such services; (iii) the remuneration for the non-audit services, individually or as a whole, in relation to that for the audit and the parameters used by the audit firm to determine its own remuneration policy; and (iv) where applicable, the establishment of a guiding limit for the fees to be received by the auditor for non-audit services in accordance with the law and the EU regulations.

(c) Receive from the external auditors annually a confirmation of their independence in regards to the entity or entities linked to it directly or indirectly, as well as detailed and individual information of the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned external auditors, or by the persons or entities linked to them, in accordance with the provisions of the audit legislation.

For such purposes, the Committee can request, in the annual independence letter sent by the auditor, the inclusion of a statement informing that it complies with this. Likewise, it can request the auditor, when deemed necessary, to provide an explanation about the internal quality control system that it must have established regarding independence, as well as information about the internal rotation practices of the audit partner and its staff and how it conforms to the audit standards.

Sources of internal information must also be established at the Company which provide relevant information about the auditor's independence which come from the financial department, other management functions, internal audit or other assurance functions such as the regulatory compliance, risk or external unit as well as the information that can be provided by the auditor itself.

In view of the content of that independence letter, the Committee must issue annually, prior to the issue of the audit report, a report giving an opinion on whether the independence of the auditors or audit firms has been compromised. This report must in all cases include an assessment of the additional services provided by the auditors, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the audit standards.

(d) Ensure that the auditor's remuneration for the work does not compromise its quality or independence and analyze the significant changes that may take place in its total remuneration.

(e) In the event of a waiver from the external auditor, it will examine the circumstances leading to this decision and will ensure that the Company announces the new auditor, as a significant event to the CNMV, in addition to a statement on the potential existence of disagreements with the outgoing auditor and the content thereof, if any.

In addition, article 36 of the Board Regulations and article 6 of the Audit and Compliance Committee's Regulations regulate the relations of the Board of Directors with the external auditor, establishing that: (1) the Board of Directors shall establish a relationship that is objective, professional and ongoing with the Company's external auditors, respecting their independence as far as possible; (2) the relationship referred to in the above point will normally be channeled through the Audit and Compliance Committee; and (3) the Board of Directors shall publicly inform of the total fees paid by the Company to the audit firm, both for auditing services and services other than auditing.

The DIA Investor Relations Department coordinates relations with financial analysts, investment banks and rating agencies as required, handling their requests for information and those of the institutional or private investors, based on the principles of transparency, non-discrimination, veracity and reliability of the information provided. To do this, DIA has the Corporate Policy on Investor Relations, which is available on the company website.

To put these principles into practice, and always within the strictest compliance with the regulations relating to Securities Markets, DIA has available various channels of

communication such as (a) publication of information relative to the quarterly results and other one-off events, such as those relating to the presentation of the results or to corporate operations; (b) presentations to investors; and (c) submission of statements and press releases.

C.1.31 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

Yes

No

Outgoing auditor	Incoming auditor

Remarks

In the event of any disagreements with the outgoing auditor, explain the substance thereof:

Yes

No

Explanation of the disagreements

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group and, if so, state the amount of fees paid for such work and the percentage they represent of the fees invoiced for audit work to the company and/or its group:

Yes

No

	Company	Group companies	Total
Amount of non-audit work (in thousands euros)	534	119	653
Amount invoiced for non-audit services / Amount for audit work (in %)	71.32%	11.37%	36.37%

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified. If so, indicate the reasons given to the shareholders at the shareholders' meeting by the chairman of the audit committee to explain the content and scope of such qualifications.

Yes

No

Explanation of the reasons and direct link to the document on this matter made available to the shareholders at the time of the call notice

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the separate and/or consolidated financial statements of the company. Indicate the number of years the current audit firm has been auditing the financial statements as a percentage of the total number of years in which the financial statements have been audited:

	Separate	Consolidated
Number of consecutive years	2	2

	Separate	Consolidated
Number of years audited by the current audit firm / Number of years the company or its group has been audited (in %)	6.9%	6.9%

Remarks

C.1.35 Indicate and give details of any procedure to ensure directors receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance:

Yes

No

Details of the procedure
<p>Under Article 23 of the Board Regulations, directors have the duty to diligently inform themselves of the Company's business. For such purpose, any director may request information on any aspect of the Company and its subsidiaries and examine the books, registers, documents and other documentation thereof.</p> <p>Furthermore, this article provides that all duties of information will be previously channeled through the board chairman, who will forward the request to the relevant liaison officer within the Company.</p> <p>In addition, article 16 of the Board Regulations requires that all meetings be called at least five days in advance, except for emergency situations. Likewise, article 11 of the Board Regulations establishes that the chairman, as the person responsible for the Board's operation, will ensure that all directors previously receive sufficient information, stimulating discussions and the active participation of directors during board meetings.</p>

C.1.36 Indicate and give details of whether the company has established rules obliging directors to inform the board or, as the case may be, resign when situations arise which affect them, whether or not related to their actions within the company itself, which could harm the company's name or reputation:

Yes

No

Explain the rules
<p>Article 22 of the Board Regulations establishes in this respect that directors will have to resign immediately (i) when, for reasons attributable to them in their capacity as such, they may have</p>



caused serious damage to the company's standing and reputation, or they lose their commercial and professional good standing to be a director, or (ii) when they are indicted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct conducted by the supervisory authorities.

C.1.37 Indicate, unless special circumstances have occurred which have been recorded in minutes, whether the board has been informed or has otherwise become aware of a situation affecting a director, whether or not related to the director's actions in the company itself, that may harm the company's name or reputation:

Yes

No

Name of director	Nature of the situation	Remarks

In the above case, indicate whether the board has examined the matter. If so, explain in a reasoned manner whether, based on the specific circumstances, it has adopted any measure, such as commencing an internal investigation, requesting the resignation or proposing the removal of the director.

Indicate as well whether the board's decision has relied on a report from the nomination committee.

Yes

No

Decision/action taken	Reasoned explanation

C.1.38 Give details of any significant agreements entered into by the company that will enter into force, be amended or terminated in the event of a change of control of the company due to a tender offer, and their effects.

The Company has entered into finance agreements that include modifications to or terminations of this finance if there is a change of control at the Company, although it is not specified that this is so in case of a tender offer.

Apart from the above, it is worth mentioning that the Company has entered into certain lease agreements for shop premises (not considered individually significant agreements) that include clauses with modifications or the cancellation or termination of these agreements in case of company operations that represent changes of control at the Company or its shareholders, although they do not refer expressly to changes of control derived from tender offers.

C.1.39 Identify, in individual form where directors are concerned and in aggregate form in all other cases, and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities, guarantee or "golden parachute" clauses for the event of resignation, unjustified dismissal or termination as a result of a tender offer or other type of transaction.

Number of beneficiaries	33
Type of beneficiary	Description of the agreement
Chief Executive Officer	The former chief executive officer of the Company, Mr. Karl-Heinz Holland, received 2,000,000 euros as compensation for the termination of his contract, in accordance with the resolution adopted by the shareholders' meeting of the Company held on July 31, 2020 under item 9 on its agenda. The current Executive Chairman of the Company, Mr. Stephan DuCharme, is not entitled to any severance pay for the termination of his position as Executive Chairman, regardless of the reason for such termination.
Other management positions	For senior management, advance notice periods are established in case of dismissal which range between 2 and 6 months. As regards severance pay in case of dismissal declared as without just cause by the competent courts, different formulae are established which go from 33 days of salary per year of service with a maximum of 24 months, guarantee of a minimum severance during the first two years, all of the foregoing depending on the person's position and contract.

Indicate whether, beyond the cases envisaged by the legislation, these contracts must be reported to and/or authorized by the governing bodies of the company or its group. If yes, specify the procedures, cases envisaged and nature of the bodies responsible for the approval or making the notification:

	Board of directors	Shareholders' meeting
Body authorizing the clauses	X	

	YES	NO
Is the shareholders' meeting informed of such clauses?	X	

Remarks

C.2 Board committees

C.2.1 Give details of all board committees, their members and the proportion of executive, nominee, independent and other non-executive directors sitting on them:

NOMINATION AND REMUNERATION COMMITTEE



Name	Position	Category
MR. CHRISTIAN COURVEUX	CHAIRMAN	INDEPENDENT DIRECTOR
MS. BASOLA VALLÉS	MEMBER	INDEPENDENT DIRECTOR
MR. JAIME GARCÍA-LEGAZ PONCE	MEMBER	INDEPENDENT DIRECTOR

% of executive directors	0%
% of nominee directors	0%
% of independent directors	100%
% of other non-executive directors	0%

Remarks

Explain the functions delegated or attributed to this committee other than those already described in section C.1.9, and describe its procedures and organizational and operating rules. For each function, state its main actions during the year and how each one attributed to it by law or the bylaws or other corporate resolutions was carried out.

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

It will be ensured that all committee members have the necessary knowledge, skills and experience for the duties assigned. To this end, both their professional knowledge and experience, gathered when performing tasks directly related to these matters, will be taken into account, as will any knowledge and experience resulting from management and executive tasks and responsibilities that have a relevant impact on these matters, among others (e.g. CEOs, top executives or senior managers supervising and controlling human resources, corporate governance, remuneration policies, etc.).

The Nomination and Remuneration Committee will appoint a chairperson from among its members, who must be an independent director. The chairman will be replaced every four years and may be re-elected one year after leaving office.

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

In light of the above, and as the Committee consists of three directors – all of whom are independent – the composition of the Nomination and Remuneration Committee conforms to the Bylaws and Board Regulations. In addition, the Nomination and Remuneration Committee complies with article 529 quincecies of the Capital Companies Law as well as with the good corporate governance recommendations of the Good Governance Code, particularly number 47, recommending the majority of its directors be independent, in order to guarantee impartiality and objectivity of judgment.



The Nomination and Remuneration Committee, in fulfilling the duties set out in article 39 of the Board Regulations, has executed the tasks assigned over fiscal year 2020, including, among others, the following: (i) evaluating the skills, knowledge and experience required on the board of directors; To this end, the committee will determine the functions and skills required for the candidates to cover a vacancy, and will evaluate the precise time and dedication in order to carry out their tasks effectively; (ii) making proposals to the board of directors of independent directors to be appointed by co-option or for submission to decision by the shareholders' meeting, and proposals for re-election and removal of those directors by the shareholders' meeting; (iii) reporting to the board on proposals for the appointment, re-election and removal of internal positions within the board of directors of the Company (chairman and deputy chairman, lead independent director, secretary and deputy secretary, if any); (iv) reporting on proposals for the appointment and removal of senior managers and the basic conditions of their contracts; (v) proposing to the board of directors (a) the policy on remuneration for directors and senior managers or any other persons performing senior management duties reporting to the board, the committees or the chief executives, (b) the individual remuneration of executive directors and the other terms of their contracts, supervising their implementation, and (c) the basic terms of contracts of senior managers; (vi) assisting the board in the preparation of the report on directors' remuneration policy and sending the board any other reports on remuneration contemplated in these regulations, verifying the information on remuneration paid to directors and senior management contained in the different corporate documents, including the annual report on directors' remuneration; (vii) examining and organizing the succession plan for the chairman of the board and for the chief executive officer of the Company and, if applicable, suggesting proposals to the board of directors to ensure a smooth and organized transition; and (viii) reporting on proposals for the appointment of other directors to be appointed by co-option or for submission to decision by the shareholders' meeting, and proposals for re-election and removal of those directors by the shareholders' meeting.

The Company's Nomination and Remuneration Committee held seven formal meetings in 2020 and, on nine other occasions, the resolutions were adopted in writing and without a meeting. All the members attended all the meetings in person or by proxy, except in two cases, at the meetings which took place on February 18 and April 26, 2020, at which one or another member was absent on justified grounds. In addition, the Committee members hold periodic work meetings by remote means (conference calls and video conference calls), both between themselves and the managers of the Human Resources Department of the DIA Group. In particular, in 2020 the Committee held numerous additional encounters within the framework of the necessary work for designing and preparing a new Long-Term Incentive Plan (LTIP 2020-2022), which was approved by the Board of Directors at the meeting held on March 24, 2020, the appointment of new positions, the appointment of new members of the Board of Directors and of senior management, and it drafted reports for appointing directors and members of the management team.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR. JOSÉ WAHNON LEVY	CHAIRMAN	INDEPENDENT DIRECTOR
MR. JAIME GARCÍA-LEGAZ PONCE	MEMBER	INDEPENDENT DIRECTOR
MR. SERGIO DIAS	MEMBER	NOMINEE DIRECTOR

% of nominee directors	33.33%
% of independent directors	66.66%
% of other non-executive directors	0%



Remarks

Explain the functions, including, where applicable, the additional ones to those legally envisaged, attributed to this committee and describe its procedures and organizational and operating rules. For each function, state its main actions during the year and how each one attributed to it by law or the bylaws or other corporate resolutions was carried out.

<p>In accordance with article 41 of the Bylaws, article 38 of the Board Regulations, and article 12 of the Committee's Regulations, the Audit and Compliance Committee will consist of at least three and a maximum of five directors, designated by the Board itself from among its non-executive directors, designated by the Board itself from among its directors, where the majority of the members and, in any case, the Committee's chairman must be independent.</p> <p>Likewise, the members of the Audit and Compliance Committee, particularly its chairman, will be designated according to their knowledge and experience in accounting, auditing or risk management matters. His/her knowledge and experience in financial matters, internal control and business management will be taken into account, as well as his/her knowledge, ability and knowledge in consideration with the Committee's other tasks.</p> <p>In particular, to consider that a director has knowledge and experience in accounting, auditing or both, the Committee member must have: (a) knowledge in accounting or audit standards or both; (b) the ability to assess and interpret the accounting standards; (c) experience in drafting, auditing, analyzing or assessing financial statements with a certain complex nature, similar to those of the Company itself, or experience in supervising one or more persons involved in such tasks; and (d) understanding of the internal control mechanisms related to the process of drafting financial statements.</p> <p>For these purposes, the following will be taken into account: the knowledge and professional experience gained as a result of the performance of functions directly related to these matters, as well as the knowledge and experience due to the performance of management and executive functions and responsibilities which could be related to these issues in a significant way (such as chief executive officers or senior managers with supervisory and management responsibilities in accounting, financial or risk management areas, etc.). Likewise, the aim is to ensure diversity, especially regarding gender, professional experience, competence, sector knowledge and geographical origin.</p> <p>In accordance with article 529.2 quaterdecies of the Capital Companies Law and DIA's internal regulations, the chairman of the Audit and Compliance Committee will be appointed from among independent directors. The chairman will be replaced every four years and may be re-elected one year after leaving office. He/she must have sufficient ability and availability to devote more time to the Committee than the other members.</p> <p>The members of the management team or Company staff will be obliged to attend all meetings of the Audit and Compliance Committee, collaborating and providing access to any information they may have, at the Committee's request. The Committee may also request the presence of the Company's auditors at its meetings. If it deems this necessary for the adequate performance of its functions, the Audit and Compliance Committee may be advised by external experts, duly informing the secretary or deputy secretary of the Board, who will be in charge of engaging the necessary services, making sure that any potential conflicts of interest do not compromise the independence of the external advice provided.</p> <p>The composition of the Committee complies with the regulations described above. Two of the three members of the Committee are independent directors, which ensures the impartiality and objectivity of judgment of the Audit Committee.</p>
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Lastly, the Committee complies with article 529 quaterdecies of the Capital Companies Law since, overall, the members of the Audit and Control Committee of DIA have the pertinent technical knowledge in order to carry out the Committee's functions.

Pursuant to functions under article 529 quaterdecies of the Capital Companies Law, article 41 of the Bylaws, article 38 of the Board Regulations of the Company and articles 5 et seq. of the Committee's Regulations, the Audit and Compliance Committee focused its meetings in 2020 on the following main activities: (i) periodically overseeing and reviewing the effectiveness of internal control of the Company and the risk management systems addressing both financial and non-financial risks, including tax issues, verifying the suitability and integrity thereof and proposing the selection, appointment, re-election and removal of the persons responsible for the same; proposing the budget for such services, approving the approach and its related work plans ensuring that their activity is mainly focused on the Company's material risks, and verifying that the members of the management team take in account the conclusions and recommendations of its reports; and discussing with the Company's auditors any material weaknesses of the internal control system that they may detect in DIA's Board Regulations in the course of the audit; (ii) overseeing compliance with the legislation applicable to related-party transactions involving directors or significant shareholders or their representatives on the board; in particular, it will report to the latter on such related-party transactions and, in general, on transactions that entail or may entail conflicts of interest, so that they can be approved, and will ensure that the related information is reported to the market as required by law; (iii) submitting to the board of directors the proposed selection, appointment, re-election and replacement of external auditors, as well as their conditions of hiring, and to regularly gather information on the auditing plan and its execution, as well as preserving their independence in the exercise of their tasks; (iv) establishing appropriate relationships with the external auditors to receive information on those questions that may jeopardize their independence, for examination by the committee, and any other relationships relating to the process of development of the financial statements auditing process, as well as other notifications included in the legislation governing auditing and audit regulations. In all cases, it should receive an annual declaration of independence from the external auditor in relation to the entity or entities directly or indirectly related thereto, as well as information on any additional services provided and the corresponding fees received from these entities by the external auditor or by persons or entities related thereto, in accordance with the provisions of audit legislation; (v) issuing annually, before the audit report is issued, a report expressing an opinion on the auditor's independence. This report must contain, in all cases, an assessment of the provision of the additional services referred to in the preceding letter, taken individually and as a whole, other than the statutory audit and in relation to the rules on independence or to audit legislation; (vi) overseeing compliance with the internal codes of conduct and, in particular, of the code of conduct in securities market matters; (vii) ensuring the independence of the unit that takes on the internal audit function; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the budget for such service; approving the approach and its annual work plans, ensuring that it focuses primarily on the company's main risks; receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations from its reports; (viii) being informed on any structural or corporate modifications that the Company plans to undertake, in order to analyze them and subsequently report to the board of directors on their economic conditions and accounting impact and, in particular, any exchange ratio proposed; (viii) supervising and reviewing the process of preparation and presentation of the mandatory financial report, which in accordance with article 35 of the Securities Market Law, must be submitted by the board to the markets and its supervisory bodies; and in general, supervising compliance with the legal requirements in this matter, the adequate outline of the scope of consolidation and the correct application of the generally accepted accounting principles, as well as informing about the proposals to modify the accounting principles and policies suggested by management.

The Company's Audit and Compliance Committee met 13 times in 2020 and, on 5 other occasions, the resolutions were adopted in writing and without a meeting. All the members attended all the meetings in person or by proxy either physically or by telephone.

This Committee met with the necessary frequency for the proper performance of its functions, in all cases complying with article 38.5 of the Board Regulations and article 20.1 of the



Committee's Regulations, which establish that it must meet, at least, every quarter, with the aim of reviewing the periodic financial information which, in accordance with articles 118, 119 and 120 of the Securities Market Law, the Board has to submit to the market supervisory authorities as well as the information that the Board has to approve and include in its own annual or interim public documentation.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the chairman of this committee was appointed.

Names of directors with experience	MR. JOSÉ WAHON LEVY / MR. JAIME GARCÍA-LEGAZ PONCE / MR. SERGIO DIAS
Date of appointment of the chairman	May 20, 2019

Remarks

FINANCE AND CAPITAL STRUCTURE COMMITTEE

Name	Position	Category
MR. JAIME GARCÍA-LEGAZ PONCE	CHAIRMAN	INDEPENDENT DIRECTOR
MR. CHRISTIAN COUVREUX	MEMBER	INDEPENDENT DIRECTOR
MR. SERGIO DIAS	MEMBER	NOMINEE DIRECTOR

% of executive directors	0%
% of nominee directors	33.33%
% of independent directors	66.66%
% of other non-executive directors	0%

Remarks

Explain the functions attributed to this committee and describe its procedures and organizational and operating rules. For each function, state its main actions during the year and how each one attributed to it by law or the bylaws or other corporate resolutions was carried out.



In accordance with article 38 bis of the DIA's Board Regulations, the Finance and Capital Structure Committee must comprise at least three and at most five members, designated by the Board of Directors from among its non-executive directors.

The Board of Directors must appoint the Committee's members and designate its chairman from among its members, who must be an independent director. It will be ensured that the Finance and Capital Structure Committee members have the necessary knowledge, skills and experience for the duties they are called to fulfill.

In light of the above and as the Committee consists of three directors – of whom two are independent and one nominee – the composition of the Committee conforms to the Board Regulations.

Michael Casey acted as member of the Finance and Capital Structure Committee until January 14, 2020, the date on which he tendered his resignation due to the need to attend to personal and professional commitments that were incompatible with the dedication required to discharge his offices at the Company.

The Finance and Capital Structure Committee will meet with the frequency determined by its members and as many times as necessary, in the judgment of its chairman. The meetings of the committee will be called by its chairman, either at his/her own initiative or at the request of the chairman of the board of directors or that of half of the members of the committee itself. The call will be made in the same manner as established for the call of meetings of the board of directors in these regulations.

The Finance and Capital Structure Committee, in keeping with its functions as set out in article 38 bis of the Board Regulations, has focused the aims of its meetings in 2020 on the following main activities: (i) advising the board on any other matter relating to financing and capital structure; (ii) supervising the status of the relationships between the Company and its lenders at any given time, including, but not limited to, syndicated lenders, bilateral lenders and bondholders; (iii) reviewing the capital structure and financial strategy of the Company and making recommendations to the board with respect to potential changes; (iv) monitoring the obligations and commitments acquired by the Company with respect to syndicated loans and other types of financing; (iv) reviewing and, where appropriate, recommending to the board of directors the approval of any financing or use of financial instruments, to the extent that the approval thereof is reserved to the board.

In 2020, the Finance and Capital Structure Committee held 5 meetings, all of which were attended by all of its members.

C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the last four years:

	Number of female directors			
	Year 2020 Number %	Year 2019 Number %	Year 2018 Number %	Year 2017 Number %
Nomination and Remuneration Committee	1 (33.33%)	0 (0.00%)	1 (25%)	1 (33.33%)
Finance and Capital Structure Committee	0 (0.00%)	0 (0.00%)	-	-
Audit and Compliance Committee	0 (0.00%)	0 (0.00%)	1 (50%)	1 (20%)

Remarks



C.2.3 Indicate whether there are any regulations governing the board committees, where they can be consulted, and whether any amendments have been made during the year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The organizational and operating rules of the Audit and Compliance Committee, the Nomination and Remuneration Committee, and the Finance and Capital Structure Committee are included in the Board Regulations and in the Audit and Compliance Committee Regulations, which are available for consultation on DIA's website (www.diacorporate.com).

The Nomination and Remuneration Committee, the Audit and Compliance Committee, and the Finance and Capital Structure Committee prepare an annual report on their activities, with the aim of assessing their operation and organization in 2020, highlighting any significant events that have taken place related to their duties. These reports are made available to the shareholders on the Company's corporate website.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, as applicable, the procedure and competent bodies for approving related-party and intragroup transactions.

Pursuant to article 38.3.(xi) of the Board Regulations, article 41.2 (h) of the Bylaws and article 5.1.(v) of the Audit and Compliance Committee Regulations, this Committee has the authority to supervise compliance with the legislation on related-party transactions with directors or significant shareholders or shareholders represented on the Board. In particular, the Audit and Compliance Committee will report to the Board on such related-party transactions and, in general, on transactions that entail or may entail conflicts of interest, so that they can be approved, and will ensure that the related information is reported to the market as required by law.

In order to do so, pursuant to article 10.1.(b) of the Audit and Compliance Committee Regulations, this Committee must gather and analyze all necessary information and documentation, and will be able to request expert reports where it is deemed advisable to have experts give an opinion on aspects such as the effects of a proposed transaction on the corporate interest or whether the transaction is being carried out on market terms.

In connection with its approval, pursuant to article 5.4.(c) of the Board Regulations, the Board will have the authority to approve transactions carried out by the Company or companies in its group with directors, on the statutory terms, or with shareholders who own, individually or jointly with others, a significant holding, including shareholders represented on the Board of Directors of the Company or of other companies forming part of the same group or with persons related to them. The directors affected, or those who represent or are related to the affected shareholders, must refrain from participating in the deliberation of and voting on the resolution in question.

D.2 Give details of any significant transactions, by virtue of their amount or subject matter, between the company or entities in its group and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)

Remarks

D.3 Give details of any significant transactions, by virtue of their amount or subject matter, between the company or entities in its group and the company's directors or executives:

Name or corporate name of directors or executives	Name or corporate name of the company or entity of its group	Relations hip	Nature of the transaction	Amount (thousands of euros)
N/A	N/A	N/A	N/A	N/A

Remarks



- D.4 Give details of any significant transactions performed by the company with other entities belonging to the same group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms do not fall within the company's ordinary business.

In all cases, list any intragroup transaction performed with entities established in countries or territories considered to be tax havens:

Corporate name of the group entity	Brief description of the transaction	Amount (thousands of euros)
N/A	N/A	N/A

Remarks

- D.5 Give details of any significant transactions performed between the company or companies in its group and other related parties, not reported in previous sections.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)
ICDC Services, Sarl	Commercial transaction	1,213
HIS	Commercial transaction	11,780
LetterOne	This amount is negative. Commercial transaction	5,265

Remarks
In connection with the transactions entered into with DEA Finance S.à.r.l. ("DEA Finance"), the sole lender under the additional €200 million super senior financing facility granted in favour of DIA Finance, S.L. ("DIA Finance"), DEA Finance is a Luxembourg limited liability company (société à responsabilité limitée) controlled by Letterone Holding S.A. The latter is itself a Luxembourg company owned by the same shareholders as Letterone Investment Holdings, S.A. and shares the same directors. DEA Finance has not been considered a related party based on the interpretation of ISA 24.

- D.6 Give details of the mechanisms established to detect, determine and resolve potential conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

<p>Pursuant to article 28.3 of the Company's Board Regulations, notwithstanding the statutory provisions on the duty to avoid situations of conflict of interest, situations of conflict of interest will be governed by the following rules:</p> <ol style="list-style-type: none">Directors must try to avoid situations that may represent a conflict of interest between the Company and the director or parties related to the director.In any event, directors must notify the Board of Directors of the existence of conflicts of interests, when they become aware of them.In any event, directors must refrain from attending and participating in the deliberation of and voting on matters in which they are personally involved. Votes of directors subject to the conflict of interest and who have to refrain from participating will be deducted for the purpose



of calculating the necessary majority of votes.

d) In any event, situations of conflict of interest involving directors must be reported in the Annual Corporate Governance Report and in the notes to financial statements.

Resolutions or decisions that affect directors in their capacity as board members, such as their appointment to or removal from offices on the managing body or others of similar purpose, will be excluded from the aforesaid obligation to refrain from participating.

Directors cannot carry out, directly or indirectly, any professional or business transactions with the Company unless they report the situation of conflict of interest in advance and the Board of Directors approves the transaction, following a report by the Audit and Compliance Committee.

Furthermore, pursuant to article 41.2 (h) of the Bylaws and article 11.1 of the Audit and Compliance Committee Regulations, this Committee will have the authority to supervise compliance with the legislation on related-party transactions with directors or significant shareholders or shareholders represented on the Board; in particular, it will report to the Board on such related-party transactions and, in general, on transactions that entail or may entail conflicts of interest, so that they can be approved, and will ensure that the related information is reported to the market as required by law.

At its meeting held on October 29, 2020, the Board of Directors approved the DÍA Group's Policy on the Management of Conflicts of Interest and Related-Party Transactions.

According to this policy, a conflict of interest will be deemed to exist where the interests of DIA or its group companies and the interests of a member of the board of directors or the member's representative (where the member is a legal-entity director) come into conflict. Board members must avoid situations that may entail a conflict of interest and, in any event, must refrain from attending and participating in deliberations and votes affecting matters in which they have a personal interest, and they must refrain from accessing confidential information related to them and report the potential conflict to those who are going to adopt the decision.

If a conflict of interest arises, the affected person must notify DÍA's Board of Directors of such circumstance. In the notice, the affected person must indicate whether the conflict affects them personally or through a related person, in which case they must identify such person. The affected person must also specify the situation that has given rise to the conflict of interest, describing, where appropriate, the purpose and the main conditions of the transaction or the projected decision and its approximate amount.

This policy also establishes a procedure for managing conflicts of interest. The board of directors will be the body in charge of analyzing whether or not a conflict of interest exists, with oversight by the audit and compliance committee.

The policy on the management of conflicts of interest and related-party transactions also regulates the procedure applicable to the transactions that DIA or any of its group companies perform with significant shareholders or board members.

According to the group's policy, board members and significant shareholders must inform the board of any transaction that they or their related persons intend to perform with DIA or with another company in their group and which constitutes a related-party transaction. The notice must include the details of the transaction. The board of directors will be in charge of approving the transaction in question with oversight by the audit and compliance committee.

D.7 Indicate whether the company is controlled by another entity within the meaning of article 42 of the Commercial Code, listed or unlisted, and has, directly or through its subsidiaries, business relationships with another entity or any of its subsidiaries (other than those of the listed company) or pursues activities related to any of them.

Yes

No



Indicate whether it has reported publicly and precisely on the respective areas of activity and any business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

Yes

No

Report on the respective areas of activity and any business relationships between on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries, and identify where information has been publicly provided on these aspects

Identify the mechanisms that are to be used to resolve potential conflicts of interest between the other parent company of the listed company and the other group companies:

Mechanisms to resolve possible conflicts of interest



E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk management and control system, including tax risks.

The Business Risk Management Policy, approved by the Board of Directors of Distribuidora Internacional de Alimentación S.A. (DIA) on September 22, 2020 in line with the new recommendations of the new Code of Good Governance for Listed Companies revised in June 2020, applies to all entities in which DIA has a holding of 50% or more and its proper application requires the involvement of all of the organization's personnel.

When applying the risk management model ("RMM model"), DIA has considered all its activities at all levels of the organization, from those at corporate level to those of the business units and processes. The RMM model is therefore applicable at the following levels: (i) execution of the DIA strategy; (ii) achievement of business objectives; and (iii) correct performance of transactions.

The entire organization plays an important role in achieving the objectives of the RMM model. Its focus is therefore integral and systematic, and applies to the Company and all its subsidiaries.

DIA's RMM is based on the "Enterprise Risk Management - Integrating with Strategy and Performance", published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This standard, generally accepted in the market, has been adapted to the DIA Group's needs with a comprehensive, systematic and detailed approach that enables it to identify, assess and respond to the risks related to the achievement of its business objectives.

DIA's RMM model ensures the identification of the various types of risk, both financial and non-financial, which can be grouped into the following categories:

- i) risks related to surroundings or environment,
- ii) operating risks,
- iii) corporate governance and ethical risks, and
- iv) financial risks.

E.2 Identify the company bodies responsible for preparing and enforcing the risk (including tax risk) management and control system.

Bodies and responsibilities

The Board of Directors, the Audit and Compliance Committee, the Management Committee of the DIA Group are responsible for ensuring the correct functioning of the enterprise risk management process. Pursuant to article 5 of the Board Regulations, the Board is responsible for approving the risk management and control policy, identifying the main risks (including tax risks) of the Company and its subsidiaries and organizing suitable internal control and reporting systems. On the basis of the foregoing, the Board of Directors has approved the risk management policy for the DIA Group.

The Board of Directors, through the Audit and Compliance Committee, specifically monitored the financial risks of the DIA Group in 2020 based on the information provided by the Finance Department, the Internal Audit Department and the other responsible departments, which were monitored by said Committee.

The Audit and Compliance Committee is responsible for regularly overseeing and reviewing the effectiveness of the process for managing risks, financial and non-financial, including tax risks, and verifying its suitability and integrity.

The minutes of Board and Committee meetings are stored in a documentary management system, to which all directors have confidential access.

The Internal Audit Department, within the organizational structure and reporting directly to the Audit and Compliance Committee, guarantees the suitable autonomy and independence of its functions of overseeing the risk management and control system.

The findings of this supervision are reported to the Audit and Compliance Committee.

The Management Committee is in charge of implementing the risk management process at group level identifying risks, assessing them, providing the appropriate responses to risks that fall outside the risk appetite, monitoring them and actively participating in reporting them.

Risk Management Committee -

DIA has set up a Risk Management Committee at group level, attached to the Management Committee, within which it has identified a Risks Coordinator, whose duties include the communication and coordination of meetings, as well as the gathering and circulation of information.

The Corporate Risks Coordinator enjoys due independence within the organization, reporting directly and periodically to the Audit and Compliance Committee, which may, at any time, request special meetings in order to consult on any incident or relevant event related to the Group's risk management.

The following are the basic responsibilities of the Risk Management Committee:

- analyzing the business environment and any new projects that could have a direct or indirect

influence on the DIA's risks, as well as considering the inclusion of new risks and/or the disappearance of some of the existing risks;

- monitoring, on an ongoing basis, the key risks identified on the risk map (especially those closely related to DIA's main interest groups, such as its customers, franchisees and suppliers);
- recommending the development of specific action plans, planning their monitoring and the continuity of existing action plans.

Furthermore, the Risk Management Committee periodically performs a detailed assessment and analysis of DIA's risks. The DIA Group's Management Committee and the Audit and Compliance Committee are regularly informed of the conclusions and significant events observed in relation to the Group's key risks. In addition, the Risk Management Committee informs the DIA Group's Management Committee if, in its analysis, it detects relevant issues, and said Management Committee can request additional information on the Risk Management Committee's findings where it sees fit to do so. As a result of the Company's change in organization and new strategy, the RMM is in a process of ongoing review and improvement in order to adapt it to the Company's new risk control environment.

E.3 State the main risks, including tax risks and, insofar as they are significant, risks resulting from corruption (the latter within the meaning of Royal Decree Law 18/2017), which could have an impact on meeting the business objectives.

The DIA Group defines risk as any internal or external contingency that, should it materialize, would prevent or make it difficult to meet the objectives set by the organization. It therefore considers that a risk arises as a result of missed opportunities and/or loss of strengths, as well as from the materialization of a threat and/or increase in a weakness.

The DIA Group's financial and non-financial risks may be grouped into the following categories:

- business environment risks: these include risks related to the market and competition, regulatory and statutory risks, risks related to the political and social environment of the countries in which it operates, as well as reputational risks;
- operating risks: risks related to: inappropriate adaptation to the economic and operating model, the supply chain, compliance with safety standards related to the operation of the business, compliance with environmental regulations, human resources management and risks related to IT systems;
- corporate governance and ethics risks: these include risks related to breaches of corporate policies, integrity, anti-corruption and bribery, social issues and the securities market;
- financial risks: market risks, credit risks, liquidity risks and in which we would also include tax risks.

The Group has a methodology for monitoring and updating risks, which makes it possible to identify any new risk detected during the year and incorporate it into the Company's risk map. It also ensures that all risks are reviewed at least once a year. In 2020, as a result of this review and analysis process, a process has begun to be carried out to streamline and prioritize the Group's critical risks. The risk monitoring process consists of the monitoring of the aforesaid internal and external variables that can help anticipate or prevent the materialization of all the relevant risks for the Group.

E.4 Identify whether the company has risk (including tax risk) tolerance levels.

DIA's Management Committee reviews DIA's risk tolerance level, which is presented at the ACC for annual approval.

The risk assessment scales (probability and impact) are updated in order to adapt them to the strategy and circumstances of the business. These assessment scales consider the various components of risk impact and probability of occurrence, and enable risks to be assessed in each country and at corporate level. These scales form the basis for defining the Group's tolerance level.

The DIA Group's Risk Management Model defines tolerance as "the acceptable level of variation that DIA is willing to accept with respect to the achievement of its objectives." It is therefore the maximum specific risk that the organization is willing to bear.

The tolerance level is used to prioritize the management and monitoring that needs to be carried out for each type of risk, trying to maintain them within the approved tolerable level.

E.5 Identify any risks (including tax risks) that have arisen during the year.

Fiscal year 2020 saw the materialization of risks inherent in the business model, the Group's activity and the market environment stemming from specific and extraordinary circumstances related to business development and the economic cycle.

On March 11, 2020, the World Health Organization (WHO) raised the status of the public health emergency caused by COVID-19 to that of an international pandemic.

To address this crisis, the DIA Group has implemented and deployed human and technical resources, as well as the action protocols necessary to reconcile the essential objective of protecting the health and wellbeing of its employees with that of maintaining a suitable level of service for all its customers from our warehouses and stores, in order to ensure the functioning of the global food distribution chain of which the DIA Group forms part, an objective that has been successfully met.

As regards the economic impacts of this exceptional situation, it is not possible to reliably and objectively quantify the impact that it has had on the Group's sales. With respect to the costs associated with the situation and which can be clearly isolated, the Group estimates that they totaled €26 million in the first half of the year, including overtime costs from additional labor, the payment of bonuses to own employees and to franchise personnel, as well as the protective equipment for employees and customers. The costs associated with protecting employees and customers such as those relating to the use of face masks and gloves have been treated as recurring costs of the business from the second half of the year onwards.

Given the complexity of the situation, the uncertain progression of the pandemic in the coming months and its potential impact on sales and production volumes, supply and distribution chains, companies, consumers, capital markets and the economy in general, it is not currently possible to make an objective and reliable quantified estimate of its potential impact on the Group which, where appropriate, will be prospectively recorded in the financial statements when they occur.

Apart from what is noted above, risks have materialized with respect to:

- (i) The high competition existing in the food distribution sector.
- (ii) The delay in adapting the business model to the market's needs given that its needs are constantly changing and must be adapted to swiftly.
- (iii) The social and political situation of the countries where the Group operates, as instability in this respect has occasionally led to the supply chain being affected.
- (iv) Exchange rates. Due to the Group's presence in countries with high currency fluctuations. Argentina, a country where the Group operates, was deemed a hyper-inflationary economy in 2019.
- (v) The need to increase communication with stakeholders, given that the Group received repeated media exposure in 2020.

E.6 Explain the response and supervision plans for the company's main risks, including tax risks, as well as the procedure followed by the company to ensure that the board of directors responds to the new challenges.

The supervision model of the risk management system is based on the definition of risk indicators, whose information is reported to the Risk Management Committee, where the response plans proposed by the risk managers are presented and assessed, and which will be followed up on at subsequent Risk Management Committee meetings.

The risk managers, in each risk unit, follow up and monitor the defined risks on an on going basis, using previously defined risk indicators. Depending on the tolerance level established, the indicators enable them to ascertain whether the risk has materialized or the risk levels have increased.

At the same time, significant events occurring during the reference period are reported to the Risk Management Committee, together with the related actions plans defined in order to mitigate the Company's risks. Such action plans are monitored to confirm their implementation and effect.

It is also important to highlight the implementation and/or development of other control and compliance systems that supplement and reinforce the Group's risk management, including most notably the Compliance and Corporate Social Responsibility System and the Internal Control System.

DIA has set policies and procedures designed to inform and train employees on certain principles of conduct and to prevent and detect inappropriate conduct. It is important to note in this respect:

- (i) Code of Ethics and Ethics Channel for Consultation and Information

On July 27, 2015 the Board of Directors of DIA approved the Code of Ethics that entered into force on January 1, 2016 (available at www.diacorporate.com).

The Company believes that the Code of Ethics is the best instrument for putting a compliance policy into practice at all company levels, to serve as an example for employees, with guidelines on conduct or behavior. This Code, like all other rules defined by the Company, is of mandatory compliance for all employees.

The DIA Group's Code of Ethics focuses on the following main points: (i) good tax practices; (ii) protection of assets and information; (iii) commitment to customers and to the Company; and (iv) action based on the Code of Ethics.

The Code of Ethics includes procedures for distributing it to franchisees and to suppliers of services and merchandise, so that they can check and report unethical practices carried out by DIA employees and directors.

It also provides for anonymous consultation and reporting, although anyone identifying him or herself

will continue to have the maximum guarantees of confidentiality and non-retaliation.

There is also an Ethics Consultation and Information Channel through the Ethics Hotline explained in section F.1.2, with a view to clarifying any doubts on interpretation and analyzing and resolving potential breaches of the Code, in accordance with applicable internal and external regulations. Furthermore, there is a Corporate Ethics Committee and an Ethics Committee in each country or jurisdiction, in charge of managing the communications received in the Ethics Consultation and Information Channel in each jurisdiction, making its existence known and supervising its correct functioning.

(ii) Crime Prevention Model ("CPM")

DIA has implemented a CPM with the aim of establishing the most appropriate procedures and internal control policies to prevent the commission of illegal actions and, where necessary, to achieve the Company's exemption from liability pursuant to the current Organic Law 1/2015 of March 30, 2015, amending Organic Law 10/1995, of March 23, 1995, approving the Criminal Code.

In January 2021, the Board of Directors approved the update of the Crime Prevention Model implemented in 2012. Within the organization, the Compliance Function is the cornerstone of the prevention model and is responsible for its maintenance and proper functioning. Thus, the model implemented by DIA has suitable and efficient control measures aimed at preventing and detecting the commission of crimes for which DIA could be held criminally liable.

(iii) Anti-Fraud and Anti-Corruption Program

In May 2016 the Board of Directors approved the Crime Prevention and Anti-Corruption Policy, which is available on the Company's website: www.diacorporate.com.

DIA has implemented an Anti-Fraud and Anti-Corruption Program in all jurisdictions in which it operates. As a result of this Program, in each country the DIA Group has a matrix of risks of fraud, analyzed in terms of frequency and impact, which includes the controls that are in place to avoid this conduct. The person in charge of fraud prevention is also responsible for crime prevention.

(iv) Corporate Social Responsibility

On December 11, 2015 the Board of Directors of DIA approved the Corporate Social Responsibility Policy, which is a framework of reference at corporate level that responds to DIA's commitments in the following areas:

- 1. responsible management: compliance with best practices of good governance and the establishment of a framework of action based on ethics, transparency and efficient risk management;*
- 2. commitment to the people and groups with which it interacts: job creation, franchise development, agreements with suppliers, collaboration in socio-humanitarian aid programs and the creation of value for shareholders and the Company;*
- 3. franchisees: offering franchisees the know-how and tools they need to manage their business efficiently;*
- 4. quality and price: offering solutions to consumers for their food and mass market product needs based on a commitment to quality and price that is unique on the market;*
- 5. caring for the environment.*

(v) Tax policy

In 2015 the Board of Directors of DIA approved its Tax Strategy Policy.

The DIA Group has defined a tax policy aimed at ensuring responsible compliance with tax regulations, based on the corporate interest and supporting the business strategies of the Group.

The tax purposes, principles and good practices that make up DIA's tax strategy should guide its decision-making at any level, and should also underlie the actions of the many companies forming part of the DIA Group. DIA directs its activity towards monitoring and controlling good practices.

(vi) Compliance with the regulations to which the Company is subject

The Company has the responsibility to identify, measure and minimize statutory risks by continuously observing the regulatory framework applicable to it and reporting on compliance with statutory obligations to the Company staff in charge of operations.

In order to execute and perform this function suitably, the Company has an organizational structure comprising a Human Resources Department, a Financial and Tax Department and a Legal Department, in all jurisdictions in which it operates, whose function is to identify the applicable legislation and supervise compliance therewith.

With a view to suitably identifying the regulatory framework and supervising compliance therewith, DIA has taken the following steps:

- 1. Establishment of a control and monitoring procedure. The Legal Department, with the support of local legal departments, as applicable, identifies and describes the key legislation applicable to DIA, paying special attention to the main processes of the supply chain.*

The Legal Department is in charge of informing the Company's other areas or departments of the contents and scope of new regulatory features and/or key changes, designing and holding training sessions, either in person or as e-learning, if the legislative change has a notable impact on DIA's activity.

- 2. Creation of the Regulatory Compliance Unit and designation of the Regulatory Compliance Officer. DIA has a Regulatory Compliance Unit ("RCU") with functions in regulatory compliance and corporate governance at the Company. The RCU is in charge of ensuring effective compliance with the obligations under the Internal Code of Conduct for the Security Market (the "ICC"), its main tasks being, inter alia:*

- to encourage awareness of the ICC and the rules of conduct concerning the securities market and market abuse and to ensure compliance therewith;
- to determine who is subject to the ICC and any periods of restricted activity, exemption from or need for authorization for carrying out transactions with securities;
- to bring disciplinary proceedings for breach of the ICC;
- to report periodically to the Audit and Compliance Committee of the Board of Directors on any measures taken to encourage ICC awareness and ensure compliance therewith.

The Company also has a Regulatory Compliance Officer who is a member of the RCU and is responsible for the proper functioning of the RCU. The Officer serves as a liaison with the CNMV and ensures compliance with the ICC, monitoring and recording transactions in securities.

With respect to the function of monitoring and recording transactions in securities, the Company has established a procedure for reporting securities transactions that is compulsory for all persons subject to the ICC.

(vii) Internal Control System (ICS)

The Group's Internal Control Policy establishes the operating principles and behavioral guidelines that should govern the DIA Group's ICS and, consequently, the actions of its directors, executives and employees in the performance of their duties.

The DIA Group's ICS covers the following areas or categories of objectives in order to place the focus on different aspects of internal control:

- Operational area — with respect to the effectiveness and efficiency of operations, and the commercial area of the organization, including objectives relating to performance and protection of assets against potential losses.
- Reporting area — with respect to internal and external financial and non-financial reporting, covering such aspects as reliability, timeliness, transparency and other concepts established by the regulators, standardization bodies and by Group policies.
- Compliance area — with respect to compliance with voluntary commitments, values and laws and regulations to which the Group is subject in each country.

Internal control is a process conducted by the Board of Directors, Management and the other personnel of the entity with a view to providing a reasonable degree of certainty regarding the achievement of the objectives relating to operations, reporting and compliance with internal and external regulations.



F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms comprised in the control and risk management systems for the financial reporting process of your company.

F.1 Control environment of the company

Report on at least the following, describing their main characteristics:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of suitable and effective ICFR; (ii) its implementation; and (iii) its supervision.

The Internal Control Over Financial Reporting (the "ICFR system") forms part of the Internal Control System and is configured as a series of processes carried out by the Board of Directors, the Audit Committee, senior management and the personnel involved in order to provide reasonable certainty as to the reliability of the regulated, never absolute, financial reporting in relation to the objectives that it pursues, due to the limitations inherent in any internal control system.

The Board of Directors is responsible for the existence and maintenance of a suitable and effective ICFR system. For such purpose, article 5 of DIA's Board Regulations provides that one of the Board's non-delegable powers is to approve "a policy for the control and management of risks, including tax risks, identifying the Company's main risks and organizing suitable internal control and reporting systems". ICFR supervision is entrusted to the Audit and Compliance Committee (the "ACC"). Under the Group's ICFR policy, in addition to the oversight provided by the ICFR function, senior management is responsible for designing, implementing and operating the ICFR system.

The ICFR function also promotes control awareness in the Group's business units, fostering awareness with respect to control requirements at all organizational levels, and carries out monitoring activities with continual support in its tasks, including: (i) defining ICFR-related documentation; (ii) validating the effectiveness of the controls, and (iii) implementing the action plans entrusted to them, as the case may be. The DIA Group has an ICFR Manual that completes the aforesaid policy, the objectives of which are:

- To define the framework for ICFR actions in the DIA Group.
- To establish the basis for:
 - Identifying critical risks and control in order to ensure reliability of information.
 - Supervising and anticipating possible corrective measures.
 - Efficiently register, process and prepare the financial information and appropriately conduct controls.
- To determine the methodology for appropriate ICFR within the DIA Group.

The ICFR system, established at DIA in 2012 to comply with the legislation imposed on listed companies in accordance with the framework of the Committee of Sponsoring Organizations for the Commission of the Treadway ("COSO") conducted in 2020 a review of the risks and controls of the matrices of the business units in which the Group operates. This has entailed a streamlining of the ICFR controls, placing a focus on key controls for more effective ongoing monitoring which at no time implies reducing the financial control environment. Accordingly, the matrices of risks and ICFR controls of the Group's business units have been reviewed, updated and approved by the CFOs and Chief Executives of each of them.

This exercise to optimize the ICFR matrices has been supplemented with the identification and establishment of corporate controls associated with the international headquarters, in line with the new organizational structure proposed by the Company in which Spain becomes a another business unit of the Group and no longer takes on corporate functions. In addition, and continuing with the streamlining exercise, an exercise has been carried out to design and formalize critical and financial points and other corporate areas, to which an ICFR control structure has been assigned with a broadened review approach. In other words, it goes beyond the traditional scope of ICFR, as it is more cross-cutting at the company level and not only financial in nature, which have been included in the catalog of ICFR controls.

As a result of this analysis, a list of 21 critical points has been identified and approved by the CFOs and Chief Executives of the business units that have resulted in a heat map of critical points by country. In this self-assessment exercise carried out by each business unit, under the supervision and coordination of the ICFR department, areas for improvement and implementation of action/remediation plans have been identified, and a road map of the plans has been established to rectify those controls associated with a critical point that is not present and operational.

In addition, with respect to these critical points, the assessment of their effectiveness has been supervised in order to ensure their proper functioning. To this end, a control-level ICFR Certification



system has been implemented through an SAP Governance, Risk and Compliance (“SAP GRC”) tool, thereby complying with CNMV Circular 2/2018, of June 12, 2018, since there is a self-assessment system, the purpose of which is to evidence, along with the persons responsible for each process, the existence and evaluation of ICFR within the Group.

Furthermore, within this exercise to update the internal control model and to be able to accompany the owners of control and, in order to ensure the correct understanding of the control model, the ICFR department has provided different training courses in the countries, with training sessions for both CFOs and Chief Executives and for the different owners of the controls.

This entire process of repositioning the Group’s ICFR, with a multi-country focus in which the CFOs and Chief Executives of the business units take responsibility for the ICFR controls, in which the internal control governance model has been strengthened in relation to financial reporting, has enabled the sharing of best practices and recommendations among the users and heads of the various business units.

At the date of this report, ICFR depends on the Group Financial Executive Management, within the Group International Projects Management.

The ICFR department has a total of three people in the area, who are internationally certified as internal control specialists as each one has obtained an official international certification issued by COSO, along with the Spanish Institute of Internal Auditors. The head of ICFR, in addition to being a specialist in internal control, is certified internationally as a specialist in enterprise risk management (ERM) by COSO.

The Board of Directors, through the ACC, is entrusted with supervision of ICFR. Pursuant to article 38 of the Board Regulations, the ACC has, inter alia, the authority to “supervise and review the drafting and reporting process for mandatory financial information” and to “supervise and review periodically the efficiency of internal control” receiving support from the Internal Audit Department. The latter’s bylaws regulate its mission to ensure that the internal control system functions effectively and efficiently.

In compliance with the recommendations set forth in CNMV Technical Guidelines 3/2017, on December 14, 2017 the Board of Directors approved the Audit and Compliance Committee Regulations, which are aimed at defining the Committee’s responsibilities and principles of action, as well as its basic organizational and operating rules, and fostering the Committee’s independent functioning.

The drafting and reporting process for financial data related to the Company and its Group, set forth in article 8 of the Committee Regulations, must be monitored on an ongoing basis, supervising the drafting and reporting process and the clarity and integrity of the Company’s economic and financial information, reviewing compliance with the regulatory requirements, the suitable definition of the scope of consolidation and the correct application of the accounting principles, with a view to safeguarding their integrity. It must also assess compliance with statutory requirements and the correct application of the generally accepted accounting principles. The main duties related to the internal control and risk management systems, set forth in article 9 of the Committee Regulations, include most notably: a) reviewing periodically the effectiveness of the internal control and risk management systems as a whole; b) supervising the risk management control policy for risks with an impact on the achievement of corporate objectives; and c) fostering a control culture in which risk is a factor to be considered in the Company’s decision-making.

In addition, in 2019, the Internal Control Committees (Corporate and country) were set up in order to provide a shared space for joint analysis and understanding of matters related to the functioning of DIA’s internal control system, with the goal of channeling solutions to potential contingencies. These committees were created in order to have a global and centralized view, based on the cornerstones of autonomy, transparency, efficiency and confidentiality.

In 2020, as continuation of this exercise initiated to strengthen the internal control oversight model at the Group, these committees were integrated into an Internal Control Committee at group level, made up of a coordinator and representatives of the various control areas (operational, reporting and compliance).

The Committee is responsible for providing a comprehensive picture of the functioning of the internal control system (ICS) and it is set up as a forum through which the various documents regulating it are approved, proposals for improvement are channeled and the strengthening of the various control areas is facilitated.

Its activity in 2020 focused on the launch of the new ICS of the DIA Group, based on COSO’s Internal Control Integrated Framework, which has entailed the approval of various policies in the compliance area, as well as the policies regulating the ICS and the Internal Regulations. The year 2020 saw the introduction in the internal regulations of a particular type of regulations known as mandatory rules that regulate high-impact aspects that are critical to the Group, including controls on their compliance. The Internal Control Committee has approved a set of twenty-nine mandatory rules covering key risks in the three control areas and they apply across the DIA Group.



F.1.2 Whether the following components exist, especially in connection with the financial reporting process:

- Departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures for their effective circulation within the company.

The maximum authority in charge of designing and reviewing the Group's organizational structure, the responsibilities undertaken by each of its members and the status of such members having regard to their responsibilities, is the Executive Chairman. In the case of senior management, these posts are proposed by the Nomination and Remuneration Committee and approved by the Board of Directors. The year 2020 saw a segregation of functions between the Group (Corporate) and Spain as another business unit within the Group for all business areas, as well as with part of human resources. In this regard, the HR Group, via the Group HR Director, takes responsibility for defining an organizational model and business units, and, via the country HR Director / Business Unit, they take responsibility for implementing and communicating them in their respective areas.

The following tools are used by the DIA Group:

(i) a flowchart indicating the hierarchical relationships within the Company, showing each job and jobholder;

(ii) a "job map" for middle management and executives, with a description indicating job title and the associated status;

(iii) assessment by the various managers of the position's contribution of value to the organization based on a 6-tier general theoretical system.

This new organizational model was defined and implemented throughout 2020 and was initiated in all countries of the group in January 2021.

ICFR documentation includes a risk and control matrix that shows the organizational structures that are the owners of each control in connection with the financial reporting process. All this information is gathered in the SAP GRC tool, individually identifying the Control Owners, as well as their immediate superior and the related Department Heads.

- Code of conduct, approving body, degree of circulation and instruction, principles and values covered (stating whether there are specific references to record keeping and financial reporting), body in charge of analyzing cases of breach and proposing corrective or disciplinary action.

The DIA Group has a Code of Ethics approved by the Board of Directors. The Board of Directors considers that the Code of Ethics (the "Code") is the best instrument to put into practice a "trickle-down" compliance policy, guiding its employees by example, with certain lines of conduct or behavior. The Code establishes and develops five principles of conduct: the first refers to "compliance with all external (e.g., laws and regulations) and internal rules, imposed in policies, procedures and controls" and strengthens certain principles of conduct in tax, employment and environmental matters, highlighting, in turn, the autonomous and independent role played by the Corporate and Country Ethics Committees.

In connection with financial information, the third principle protects assets and information and explains DIA's commitment to providing accurate and complete information, ensuring the reliability and accuracy of all financial information, whether used internally or reported to the market. The Organization, as well as each employee, has undertaken to uphold transparency and diligence as principles of conduct.

The Code is of mandatory compliance for all employees.

All Group Department Heads have agreed in writing to submit to the Code, which submission is centralized by the Group's Human Resources Department, undertaking to uphold all ethical principles, to ensure that the teams under their responsibility do the same and put them into practice.

Furthermore, all new employees, when signing their employment contract, will receive a copy of the Code and must sign an agreement to submit to it.

On the premise that what is important is not whether or not a Code exists, but rather that it is known and complied with, the DIA Group has an Ethics Committee at corporate level and an Ethics Committee (the "Committee") in each country or jurisdiction.



Among the main tasks of the corporate and country Committees is that of facilitating the circulation and implementation of the Code, ensuring that it is complied with, understood and upheld.

- Whistle-blowing channel, for reporting to the audit committee any irregularities of a financial or accounting nature, as well as potential breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential and whether it enables anonymous reports to be made respecting the rights of the whistle-blower and the party being reported.

The DIA Group has a unified communication channel (“Ethics Hotline”) for submitting queries and/or complaints online or by phone. This channel ensures that the DIA Group’s activity is carried on securely, transparently and effectively. Using the WhistleB platform, the DIA Group offers an open, transparent and secure space in which any third party and, in particular, employees, franchisees and suppliers, can resolve any questions they may have on the interpretation of the DIA Group Code of Ethics and report potential breaches thereof.

All questions and reports are received by the Group Compliance Department, which forwards the cases to the corporate and/or country Ethics Committee. Any breach of the Code is analyzed and managed by the corporate and/or country Ethics Committee in accordance with its operating protocol, and is resolved pursuant to applicable internal and external regulations.

Communications and/or reports received, whether in someone’s name or anonymously, will be assessed and processed in compliance with three general basic principles: (i) confidentiality, (ii) non-retaliation and (iii) personal data protection. Thus, the data of whistle-blowers and of any person involved in the investigation will be treated confidentially in accordance with the personal data protection legislation applicable in each jurisdiction, with zero tolerance of retaliation against employees using the Ethics Hotline in good faith in order to inform the Ethics Committee of possible irregularities. The Ethics Hotline is managed in the Whistleblowing Center, which ensures that all questions and reports made through the channel are encrypted and protected with security measures. Accordingly, the Ethics Committees can communicate confidentially with the reporting and/or requesting party, and proper records are kept of all elements of the case file.

In 2020, on a quarterly basis, the Ethics Committees of each country sent the corporate Ethics Committee an itemized report of the consultations and/or communications received during the immediately preceding quarter, stating the reference or registration number, date of receipt, type of whistle-blower (employee, franchisee, supplier of service or merchandise or others), the ethical principle breached, assessment of reliability/accuracy of the events reported, procedural status and, as the case may be, resolution. In addition, a report is regularly sent to the Audit and Compliance Committee, providing detailed and consolidated statistics at Group level.

In 2020, the Ethics Hotline processed a total of 340 messages, of which 301 were reports and 39 were questions. Of the 301 reports processed, 48 were in progress at the end of 2019 and 253 were received in 2020.

Of the 301 reports, 120 were made by employees (40%), 3 by franchisees (1%), 2 by suppliers (1%), 11 by customers and/or third parties (3%) and 165 (the remaining 55%) as anonymous tips. At December 31, 2020, 224 of these cases had been resolved, while 77 were still in the investigation phase.

Of the reports resolved, 181 were dismissed or resolved due to lack of evidence or because it was concluded that there was no irregular conduct (80%), and the remaining 43 saw the confirmation of a breach or irregular conduct (20%). Of these 43, disciplinary measures were applied in 15, such as the temporary suspension of workers or even the dismissal of the workers concerned, a supplier relationship was terminated in 1 case and the appropriate measures were adopted by the area in question or training actions were recommended in the rest of the cases.

In terms of the questions submitted, 13 were made by employees (33%), 4 by franchisees (10%), and 22 (the remaining 57%) anonymously. At December 31, 2020, 37 of these cases had been resolved, while 2 were still in the investigation phase.

Of the questions resolved, 8 were forwarded to the Human Resources Department for it to answer an employee’s question (22%), 9 were forwarded to the department in question (22%), 13 were resolved directly by the Ethics Committee (35%), and the remaining 7 were closed due to lack of response from the consulting party (21%).



- Training and refresher courses for staff involved in financial reporting, as well as in assessing the ICFR, which address at least accounting standards, auditing, internal control and risk management.

DIA's training plan seeks to play a key role in contributing to the achievement of the Company's strategic objectives and the professional and personal development of its collaborators. To do this, it is divided into two separate chapters:

- Technical training plan: aimed at endowing its collaborators, through official training, with the technical know-how needed for the performance of their job. All areas are assigned a training budget, depending on the number of members and their status, which they manage according to their needs.
- Training plan for the development of skills: aimed at providing, through official training, the necessary skills for holding positions of greater responsibility. This includes special training programs, such as master's degrees, languages, skill development, cross-awareness and others.

External and internal training actions have been carried out under the technical training plan. Various training actions were carried out in 2020, with a total of 225 hours' training. These actions consisted of training and refresher courses for staff involved in financial reporting, as well as in assessing the ICFR, and covered accounting rules, auditing, internal control and risk management, among other areas of knowledge.

F.2 Risk assessment in financial reporting

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating:

- whether the process exists and is documented

DIA develops practices for the design and maintenance of an internal control system that makes it possible to provide reasonable certainty as to the reliability of official financial reporting, which includes the process aimed at identifying risks of error or fraud in financial reporting, based on the internationally recognized COSO internal control-integrated framework.

DIA has a risk management system that applies to all the Group's countries in accordance with the Risk Management Policy. This Policy states the key principles for the correct functioning of the risk management system and the methodology to be used for effective management that contributes to meeting the business objectives set by the Management.

As regards the risk identification process, the Corporate Policy on the Internal Control Over Financial Reporting System establishes that the assessment of risks enables the Group to analyze the accounts and the disclosures that have a significant associated risk, the potential impact of which on financial reporting is material.

The starting point for managing financial reporting risks consists of identifying the risks that may affect it. To this end, the information contained in the Group's most relevant financial statements is analyzed, selecting the most relevant accounting items based on quantitative criteria (materiality) and qualitative criteria (fraud, unusual transactions, accounting judgments and estimates, etc.). The selected items are associated with processes where information is generated through the assessment of the risks identified and the analysis of the impact of potential events on the achievement of objectives related to the reliability of the financial information.

The findings of the financial information risk assessment will form the basis for designing and implementing ICFR control activities.

The ICFR manual establishes that the management teams are responsible for identifying the risks of error or fraud in the financial reporting.

In this respect, any risks that may give rise to errors and/or fraud in the financial reporting are identified for each of the significant accounts and disclosures.

Additionally, the DIA Group's risk identification process considers:

- the understanding of the control environment of each Group country;
- the identification of the particular features of the Company's business process flows in each country, and their impact on financial reporting, in order to identify the main control risks inherent therein;
- the effects of other types of risk (operating, financial, strategic, regulatory compliance and others) that may have an adverse effect on the reliability of financial reporting.

As a result of this assessment, a matrix that identifies risks (scoping matrix) is obtained where the risk areas are identified in order to prioritize and oversee the relevant processes and controls that mitigate the risks detected in this analysis. The ICFR scoping matrix:



- is prepared on the basis of the audited consolidated financial statements for the year ended December 31, updated annually;
- is approved by the Audit and Compliance Committee; and
- its aim is to identify the accounts and disclosures entailing a significant associated risk, whose potential impact on financial reporting could be material. Thus, the approach for determining the ICFR work scope is based on risk management and on a variation analysis system (qualitative and quantitative methods). These objectives are reviewed and updated regularly in the event of any material change with an impact on the financial reporting.
DIA's Internal Control features operate jointly with the responsibility to prevent, detect, compensate, mitigate or correct errors, with a material impact, or fraud in financial reporting.

- whether the process covers all financial reporting objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), is updated and how frequently.

Each ICFR process at the DIA Group has the following related documentation: flowcharts, descriptions, control and risk matrices, as well as the rules, policies, procedures and IT systems that support it. As noted in the above point, for each relevant account and disclosure, the key processes and sub-processes, as well as the key activities associated therewith, have been defined, identifying any risk that may give rise to errors and/or fraud in financial reporting, covering all financial reporting objectives: (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations).

- Existence and occurrence: The transactions, facts and other events gathered by the financial reporting actually exist and have been recorded at the right time.
- Integrity: The information reflects all of the transactions, facts and other events in which the entity is an affected party.
- Valuation: The transactions, facts and other events are recorded and valued in accordance with the applicable legislation.
- Presentation, breakdown and comparability: The transactions, facts and other events are classified, presented and disclosed in the financial reporting in accordance with the applicable legislation.
- Rights and obligations: The financial information reflects rights and obligations, as at the corresponding date, through the relevant assets and liabilities, in accordance with the applicable legislation.

The ICFR system is subject to ongoing review and monitoring in accordance with an annual work plan prepared on the basis of audit work methodologies, pursuant to the International Standard on Auditing entitled "Materiality in Planning and Performing an Audit" (ISA 320).
The annual ICFR work plan for 2020 was presented to the Audit and Compliance Committee on July 28, 2020.

- whether a specific process is in place to define the scope of consolidation, with reference to, inter alia, the possible existence of complex corporate structures, shell companies or special purpose vehicles

Each quarter the Group's Legal Department confirms the data on the companies forming part of the group of companies to the Group's Accounting and Administration Department (organizationally dependent on the Group's Finance Department).

The DIA Group Rules regulate the responsibility of each country's legal department for keeping the country's corporate and control structure up to date, and the duty to report on it to the country Finance Department and to the Group Legal Department on a quarterly basis and/or whenever there has been a change. In turn, the country Finance Department and the Group Legal Department report to the Group Financial Executive Management on the country's scope of consolidation and on the corporate and control structure within the Group, respectively, so that the Group Financial Executive Management can determine the scope of consolidation of the Group.

Monitoring and updating each country's corporate structure, and the process for reporting to and/or communicating with the Group Legal Department and Group Financial Executive Management are of



mandatory compliance, since this is a Corporate Governance rule included in the DIA Group Rules.

- whether the process addresses other types of risk (operating, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements

As is indicated in section E of this report, the DIA Group has a risk management model based on the “Enterprise Risk Management - Integrating with Strategy and Performance” methodological standard published by COSO. This standard, generally accepted in the market, has been adapted to the DIA Group’s needs with a comprehensive, systematic and detailed approach that enables it to identify, assess and respond to the risks related to the achievement of its business objectives.

The DIA Group business risks management process guarantees the identification of the different types of financial and non-financial risk the organization is exposed to (including operating, technological, social, environmental, political and reputational risks), with tax risks, contingent liabilities and other off-balance-sheet risks being included under financial risks.

The different risk types to which the Group is exposed are applied not only in financial reporting processes, but also in all operating and technical processes that could have a significant impact on accounting or management figures.

The process for the identification of risks affecting financial information takes into account the different types of risk to which the Group is exposed, which are identified in the DIA Risk Management model. In this respect, risks of a financial and non-financial nature, risks relating to the environment, operating risks and corporate governance and ethical risks, as described in section E of this report, are all considered to be particularly relevant when evaluating possible impacts on financial information.

The DIA Group’s Management Committee is entrusted with overseeing the proper functioning of risk management processes and DIA has created, for this purpose, a Risk Management Committee, made up of the Chief Executives of the business units in each country, that of Clarel, and the Group Corporate Director.

- which of the company’s governing bodies is responsible for overseeing the process

Responsibility for the existence and maintenance of an adequate and effective ICFR system lies ultimately with the Board of Directors.

Its supervision is entrusted to the Audit and Compliance Committee (the “ACC”).

The Departments and Country Chief Executive are responsible for its design, implementation and functioning, and for identifying risks of error or fraud in financial information.

The Group also has a Group ICFR function as a Second Line of Defense, which is responsible for the design, implementation, functioning and monitoring of the ICFR system, and for raising internal control awareness in Group countries, for which the first step is to foster an awareness of control requirements at all organizational levels.

On July 28, 2020, the ACC approved the ICFR scope matrix for 2020, used to identify any accounts and disclosures that have a significant associated risk with a material impact on financial reporting. In this process to identify significant accounts and disclosures, both quantitative and qualitative factors were considered (transaction complexity, risk of fraud, inherent risk, degree of process standardization and others).

F.3 Control activities

Report on the existence of at least the following, and specify their main characteristics:

- F.3.1 Procedures for reviewing and authorizing financial information and description of the ICFR to be disclosed to the securities markets, stating who is responsible in each case and the documentation describing the flow of activities and controls (including those addressing the risk of fraud) for each type of transaction that could materially affect the financial statements, including accounting close procedures and the specific review of critical



judgements, estimates, evaluations and projections.

Financial information is reviewed periodically to ensure its quality and reliability. The Country Chief Financial Officers validate, on a quarterly basis, the financial information prepared and reported to the Consolidation Department using the HFM consolidation tool.

The procedure for reviewing and authorizing financial information is formalized each year by means of internal certificates issued by the Country Chief Financial Officer, and the Group Chief Financial Officer with the approval of the Country Chief Executive and the Executive Chairman, respectively. This process culminates with its submission to the ACC by the Group's Chief Financial Officer prior to the preparation of the Financial Statements by the Board.

The departments involved in ICFR processes have the responsibility of formally validating this documentation, which is then approved by the Group Chief Financial Officer through a formal validation and approval process, for publication on the DIA Group's Internal Regulations site. This process culminates with the Board's approval of the Annual Corporate Governance Report.

The ICFR function has documented the risks of error or fraud in financial reporting and the controls that mitigate said risks, which are related to the following processes/sub-processes:

Management of creditors and general expenses.

- cash and banks;
- closing, consolidation and reporting;
- purchases;
- inventories;
- valuation of goodwill;
- management of receivables from franchisees;
- management of corporate income tax;
- management of property, plant and equipment;
- contingent liabilities;
- staff;
- sales.

Special significance is given to closing, consolidation and reporting, as well as any issues affected by relevant opinions, estimates, valuations and projections.

The documentation of each process comprises:

- details of significant accounts and disclosures;
- details of IT systems affecting sub-processes;
- details of any procedures and internal rules approved by the Management, and which regulate said sub-processes;
- details of organizational structures;
- descriptions of each sub-process associated with each process;
- flowcharts for each sub-process;
- details of significant financial reporting risks (including those related to the risk of fraud), as well as other risks (operating and/or compliance) associated with the various sub-processes and control objectives;
- detailed description of key and non-key controls that mitigate each of the risks identified;
- outcome of the assessment of the internal control design provided by the ICFR, identifying any room for improvement and defining action plans, persons in charge and implementation deadlines.

For each control, the following has been identified:

- back-up evidence for the control;
- organizational structures and/or functions of responsible positions of each of the controls identified; additionally the SAP GRC tool has individually identified each owner, as well as those in charge of validation;
- frequency of controls;
- degree of control automation;
- type of control: to prevent or detect;
- whether it covers the risk of fraud.

The Control Owners, i.e., the owners of each control and those in charge of their supervision, are responsible for keeping the information up to date. Accordingly, the owner and those in charge of validation have been identified for each control, in order to ensure maximum traceability.

Through the SAP GRC tool (Process Control), the ICFR performs an ongoing process of updating, self-assessment and supervision of the correct functioning of the internal control system for financial reporting, ensuring its reasonable quality and reliability in a single centralized environment.

The SAP GRC tool helps to enhance the control environment at all organizational levels, facilitating the process to assess the design and effectiveness of the controls, as well as the monitoring of action plans.

Most notably, its functions permit: (i) keeping an inventory of the identified controls by Organizational and Regulatory Unit, associated to processes, sub-processes, risks, etc.; (ii) having available controls and associated risks, and plans to remedy them; (iii) launching reviews to evaluate the design and operational efficiency of the Internal Control Model; and (iv) obtaining detailed data reports.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company financial reporting processes

The DIA Group Rules include Group Information Security Rules and a Corporate Information Security Policy describing the strategy followed to protect information relating to security linked to human resources, the management of assets, access control, encryption, physical and environmental security, operational security, security of communications, security in relation to suppliers, management of security incidents, business continuity and compliance. The policy and associated regulatory framework are based on the ISO 27002 and ISO 27002 International Standards.

The policy defines the methods used to mitigate risks affecting confidentiality, integrity and availability of all information, including financial reporting.

Technological risk management is the process used by the Group to identify the threats resulting from dependence on IT systems and to establish action plans to guarantee business objectives.

In general, the following documentation on the internal control of IT systems exists:

- specific regulations on access control and information classification;
- security (cybersecurity) incident management rules;
- a methodology for software development and for differentiated environments is in place, with a view to ensuring that any changes in IT systems are suitably authorized and tested;
- software and project monitoring plan;
- IT systems are operated and monitored by authorized staff in accordance with operating procedures;
- back-up copies are made periodically of all information and stored in safe locations, and recovery tests are carried out;
- daily checks and monthly back-up reports;
- an incident management system aimed at resolving any difficulty that could arise in business processes;

In 2020 the Antispam, Antimalware and Endpoint protection systems have evolved with a view to protecting the Group from new threats. Additionally, a solution to prevent information leaks has been implemented (e-mail).

The Group's crucial business processes have various organizational and technological solutions that guarantee IT system continuity.

A Contingency Plan which incorporates the DIA Spain Business Continuity Plan — together with IT Contingency Plans, Disaster Recovery Plans (DRP) for corporate data centers, the Security Incident Response Plan, Evacuation Plans and the Corporate Crisis Manuel — has been updated.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services entrusted to independent experts, where these could materially affect the financial statements.

When the Group outsources certain tasks to third parties, it ensures the technical capacity, independence, competence and solvency of the subcontractor, which is a Big Four company or a prestigious company in the relevant country.

DIA, most notably, has a "Rule for optimizing negotiation / contracting with the Big Four", which forms part of the Group Rules of the financial area. This Rule is posted in the corporate rules section of the DIA Group's website, and seeks to provide an overall view at group level of all agreements reached by the Company with the Big Four consultancy firms, with a view to establishing the bases that make it possible to improve negotiations in progress and optimize future negotiations with said consultancy firms.

In 2020, significant activities outsourced to third parties with an impact on the financial statements were the use of independent experts to determine the impact of the pension plans, the discount rate applied in IFRS 16, and tax advisory services. These activities were carried on by firms of recognized prestige and validated by duly qualified Group staff supervised by the Management, which checked the fundamental assumptions used by the experts, as well as the reasonableness of their conclusions.

In addition, other activities have been outsourced to third parties for such matters as debt refinancing, the performance of impairment tests and asset inventories and accounting, tax and corporate book management services for the Luxembourg companies.



F.4 Information and communication

Report on the existence of at least the following, and specify their main characteristics:

- F.4.1 A specific function in charge of defining and keeping accounting policies up-to-date (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations at the company, as well as an updated accounting policies manual provided to all company operating units.

Every year, the Reporting and Investor Relations Department, organizationally dependent on the Group Finance Department, updates the Group Accounting Policies Manual prepared on the basis of the International Financial Reporting Standards adopted by the European Union (IFRS-EU). They are distributed by e-mail to all the staff involved in the various countries. The Manual was most recently updated in June 2020. In the event of significant changes affecting any of the Accounting Policies, an e-mail is sent to the team in charge. The tasks assumed by the Reporting and Investor Relations Department include settling doubts regarding the interpretation of accounting policies, to be included in DIA's Accounting Policies Manual in the next update.

- F.4.2 Mechanisms in standard format for the collection and preparation of financial information, which are applied and used by all units within the entity or group, and support the main financial statements and notes thereto, as well as disclosures concerning ICFR.

The Group has an HFM consolidation computer tool in all countries, which, after the SAP data has been uploaded by each country, makes it possible to prepare financial information in standard formats and facilitates the consolidation process. Data loading is done manually extracting the SAP data and uploading the data load files to the tool. Preventive checks have been defined in the tool itself to ensure that data is uploaded correctly. In this way, information from the individual financial statements of all Group units is centralized in a single tool, with the same accounting plan. This same tool formalizes the financial information validation process for the Financial Officers of each country, as detailed in section F.3.1. All information supporting the disclosures and notes to financial statements is included in the HFM tool. The collection and preparation of detailed financial information is centralized by the ICFR Officer, who holds interviews with the various Department Heads involved in order to gather information supporting and justifying the ICFR description.

F.5 Monitoring of the system operation

Report on at least the following, describing their main characteristics:

- F.5.1 The ICFR monitoring activities undertaken by the audit committee and whether the entity has an internal audit function whose tasks include that of supporting the audit committee in its role as supervisor of the internal control systems, including the ICFR. Report on the scope of the ICFR assessment performed during the year and the procedure used by those in charge of the assessment to report their findings, whether the entity has an action plan that details eventual corrective measures, and whether their impact on the financial information has been considered.

As indicated in section F.1.1, the Audit and Compliance Committee is in charge of "supervising and reviewing periodically the efficiency of internal control", receiving support from the Internal Audit Department. The Group has an Internal Audit Department that depends hierarchically and functionally on the ACC. According to the Statute of the DIA Group's Internal Audit Department the latest version of which was

approved by the DIA Group's Audit and Compliance Committee at its meeting on October 27, 2020, its responsibility includes, but is not limited to, objective examinations of evidence in order to provide independent assessments to the DIA Group's Audit and Compliance Committee, to the DIA Group's Management and to third parties on the adequacy and effectiveness of the DIA Group's governance, risk management and control processes. The assessments performed by the DIA Group's Internal Audit Department including checking to see whether:

- the risks related to achieving the DIA Group's strategic objectives are adequately identified and managed;
- the actions of the DIA Group's employees, officers, directors, suppliers, creditors and business partners comply with the applicable policies, procedures and laws, and the DIA Group's regulations and governance rules;
- the results of operations or programs are consistent with the goals and objectives established;
- operations or programs are being conducted effectively and efficiently;
- the processes and systems established make it possible to comply with the policies, procedures, laws and regulations that could significantly affect the DIA Group;
- the information and means used to identify, measure, analyze, classify and report such information are reliable and have integrity;
- resources and assets are acquired economically, are used efficiently and are protected adequately.

Within the audits conducted by the DIA Group's Internal Audit Department in accordance with the internal audit plan for 2020 approved by the Audit and Compliance Committee, the DIA Group's Internal Audit Department, where the audited process pertains to ICFR, assesses the sufficiency of the financial reporting controls and afterward the design thereof based on the risks and the functioning of the controls.

The main activities carried on by the Internal Audit Department include the tasks specific to its function, as well as supervision of the risk management and control system, as described in section E.2 of the Annual Corporate Governance Report.

The Internal Audit Department is in charge of executing the annual internal audit plan drawn up on the basis of risks. Each year, after a risk analysis has been performed and the processes audited in prior years have been considered, the Internal Audit Management Team proposes an internal audit plan to the DIA Group's Audit and Compliance Committee after having performed a risk analysis.

When an internal audit job is performed, the Audit Management Team issues an internal audit report setting out the weaknesses and recommendations with a view to strengthening internal control and action plans defined by the audited parties and agreed with them. The Internal Audit Department monitors action plans on an ongoing basis to make sure that they were implemented correctly and that weaknesses have been resolved.

In each case, the related report was issued and submitted to the ACC detailing the work performed, recommendations based on risk level and action plans. The Internal Audit Management Team reports regularly to the Audit and Compliance Committee on the level of implementation of the action plans agreed with the audited parties.

The ACC, in accordance with the functions corresponding to it, includes in the Annual Audit and Compliance Committee Report the tasks carried out in its role as supervisor of the Internal Control System during 2020, including most notably:

- supervising the process to prepare and present the quarterly and six-monthly mandatory economic and financial information, both individual and consolidated, reported to the markets and to their supervisory bodies;
- suitably defining the scope of consolidation, correct applying the generally accepted accounting principles, and safeguarding the integrity of financial information;
- supervising relations with the external auditor of the Company and the DIA Group, Ernst & Young S.L., as well as its performance of the audit contract;
- assessing and approving the 2020 Internal Audit Plan;
- supervising and monitoring Internal Audit activities;
- supervising and monitoring the findings of the assessment of the ICFR for key and material processes in Spain and in the other countries in which the DIA Group operates;
- systematically monitoring and supervising Risk Management at the Company,
- reviewing related-party transactions;
- monitoring compliance with the Internal Rules of Conduct, the Board Regulations and, in general, the Company's corporate governance rules, without having detected any significant breaches;
- reviewing and approving this 2020 Annual Corporate Governance Report, in particular the matters specifically concerning the Committee itself, which are set forth in sections C, E, F and H of this Annual Report.

F.5.2 Whether there is a discussion procedure whereby the auditor (pursuant to



TAS), the internal audit function and other experts can report any significant internal control weaknesses identified during their review of the financial statements or other assignments entrusted to them, to the company's senior management and to the audit committee or company directors. Also state whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 38 of the Board Regulations and article 6 of the Audit and Compliance Committee Regulations set forth the power of the Audit and Compliance Committee related to "serving as a communication channel between the Board of Directors and the auditors, assessing the findings of each audit and the management team's response to their recommendations, and intermediating in cases of discrepancies between the former and the latter regarding the principles and methods to be used to prepare the financial statements".

In 2020, the Nomination and Remuneration Committee held 13 meetings and, on 5 other occasions, resolutions were adopted in writing and without a meeting.

Each year the auditor formally informs the Audit and Compliance Committee of any significant internal control weaknesses detected in the performance of its work.

Each year the auditor meets with the Board members, in a plenary session, not attended by the Executive Chairman and without the chief executives of the Company.

As described in section F.2.1., the Audit and Compliance Committee approves the scope determined in the annual matrix and receives reports on the findings of the ICFR reviews and on the degree of implementation by ICFR of any remediation plans arising as a result thereof.

F.6 Other relevant information

1) INTERNAL CONTROL OVER NON-FINANCIAL REPORTING SYSTEM:
The DIA Group aspires to include non-financial information in the organization's internal control systems in 2022.
To this end, in 2021 it will formalize, develop and implement the specific model for governance and control over non-financial reporting using the COSO methodology as a benchmark for its management and control.

2) COVID 19:
The circumstances of the global COVID-19 pandemic have shaped the general outlook for the DIA Group and, from the standpoint of the risks it faces, have sharpened the existing risks, placing them in a new context and forcing the organization to think about them from different angles and assign them different levels of priority.
In such circumstances, internal control could have been affected by the impact of COVID-19 on the organization's usual performance. However, no significant internal control deficiencies have occurred or been identified in the DIA Group. The potential irregularities due to COVID-19's impact on the organization (which could have occurred had the controls in the financial reporting process not worked properly due to restrictions on access to the facilities, technological limitations or difficulty in control due to death or disease, among others) were avoided thanks to internal control procedures or detected and therefore corrected.
In light of the new circumstances of the landscape the organization finds itself in, some changes have been made to its internal control systems, which have affected both pre-existing controls and the emergence of new controls that can replace them. Some of these changes may be related to events such as restrictions on mobility and the performance of work by remote means (telework, meetings by video conference, adoption of resolutions by electronic means, etc.).
Furthermore, along these lines of work, the DIA Group has had the ability to adapt, having reacted in order to adapt to the new needs of its customers, both internal and external, and of the organization's other partners, strengthening the internal control environment with measures such as digitalization and automation of processes, definition or creation of procedures for new processes, formalization of work methods, etc.

F.7 External auditor report:

Report on:

F.7.1 whether the ICFR information reported to the market has been reviewed by the external auditor, in which case the corresponding report should be



attached as a schedule. If not, explain the reasons why.

DIA had the external auditor review the ICFR information reported to the market for 2020. The scope of the auditor's review procedures was in line with the Action Guideline and model audit report referring to the information on the internal control system for financial reporting of listed companies of July 2013, issued by the corporations representing the auditors.



G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

If the company does not comply with any of the recommendations or complies only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Complies

Explain

2. **Where the listed company is controlled by another entity within the meaning of article 42 of the Commercial Code, listed or unlisted, and has, directly or through its subsidiaries, business relationships with another entity or any of its subsidiaries (other than those of the listed company) or pursues activities related to any of them, the following should be reported publicly and precisely:**

- a) **The respective areas of activity and any business relationships between on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**

- b) **The mechanisms in place to resolve possible conflicts of interest.**

Complies

Complies partially

Explain

Not applicable

3. **During the annual shareholders' meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

- a) **Changes that have taken place since the previous annual shareholders' meeting.**

- b) **The specific reasons why the company does not follow a particular Good Governance Code recommendation and the alternative rules applied in this area, if any.**

Complies

Complies partially

Explain

4. **The company should draw up and implement a policy for communications and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, including details of how it has been put into practice and stating the contact persons or persons responsible for its implementation.**

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximize the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies Complies partially Explain

5. The board of directors should not make a proposal to the shareholders' meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately publish a report on its website explaining the exclusion as envisaged in company legislation.

Complies Complies partially Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual shareholders' meeting, even if their disclosure is not obligatory:
- a) Report on auditor independence.
 - b) Reports on the functioning of the audit committee and the nomination and remuneration committee.
 - c) Audit committee report on related-party transactions.

Complies Complies partially Explain

7. The company should broadcast its shareholders' meetings live on the corporate website.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the shareholders' meeting.

Complies Complies partially Explain

The Annual Shareholders' Meeting held on July 31, 2020 was not broadcast live given that mechanisms were put in place to enable shareholders to participate and vote by electronic means in the meeting, which was considered sufficient given DIA's capital structure.

8. The audit committee should strive to ensure that the financial statements that the board of directors presents to the shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the audit committee



should give a clear explanation at the shareholders' meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

Complies Complies partially Explain

9. The company should disclose its conditions and procedures for evidencing share ownership, the right to attend shareholders' meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should facilitate shareholder attendance and the exercise of shareholder rights and be applied in a non-discriminatory manner.

Complies Complies partially Explain

10. When a verified shareholder exercises the right to supplement the agenda or submit new proposals prior to the shareholders' meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Publish the duly modified specimen attendance card or proxy appointment or remote voting form so that new agenda items and alternative proposals can be voted on in the same terms as proposals made by the board of directors.
- c) Put all these items or alternative proposals to a vote applying the same voting rules as for those submitted by the board of directors, with particular regard to assumptions concerning the direction of votes.
- d) After the shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies Complies partially Explain Not applicable

11. In the event that the company plans to pay fees for attendance at the shareholders' meeting, it should first establish a general, long-term policy in this respect.

Complies Complies partially Explain Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgment, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees,

suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies Complies partially Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is therefore between five and fifteen members.

Complies Explain

14. The board of directors should approve a policy aimed at promoting an appropriate composition of the board and which:

- a) is concrete and verifiable;
- b) ensures that proposals for appointment or re-appointment are based on a prior analysis of the skills required by the board of directors; and
- c) favors a diversity of knowledge, experience, age and gender. For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to favor gender diversity.

The outcome of the preliminary analysis of the skills required by the board of directors should be set out in the explanatory report of the appointment committee, to be published when the shareholders' meeting is called that is to ratify the appointment or re-appointment of each director.

The appointments committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Complies Complies partially Explain

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Complies Complies partially Explain

The first paragraph of this recommendation is complied with given that as at December 31, 2020, there was only one director with the category of executive out of a total of 6. With regard to the second paragraph of the recommendation, although DIA's Board of Directors does not currently meet the target female board membership level of 30%, with the appointment by co-option on January 14, 2020, of the female director Basola Vallés, the percentage of female directors is 16.66%. The Board intends for the successive searches to select candidates to fill the existing vacancy to enable it to approach the target of 30% set for the following years.

16. The percentage of nominee directors out of all non-executive directors should



be no greater than the proportion between the capital of the shareholder they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) At large cap companies where few shareholdings are legally considered significant shareholdings.
- b) At companies with a plurality of shareholders represented on the board but not interrelated.

Complies

Explain

17. Independent directors should represent at least half of all board members.

However, when the company does not have a large market capitalization, or when a large cap company has a shareholder or several shareholders acting in concert that control(s) more than 30 percent of the share capital, independent directors should make up, at least, one-third of board members.

Complies

Explain

18. Companies should disclose the following director information on their websites and keep it regularly updated:

- a) Professional experience and background.
- b) Directorships held at other companies, listed or otherwise, and other paid activities they engage in, of any nature.
- c) Statement of the director category to which they belong, in the case of nominee directors, indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-appointments.
- e) Shares held in the company, and any options on same.

Complies

Complies partially Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the request of shareholders controlling less than 3% of capital; and explain any rejection of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of nominee directors.

Complies

Complies partially

Explain

Not applicable

20. Nominee directors should resign when the shareholders they represent dispose

of their shareholding in its entirety. If such shareholders reduce their shareholdings to a level that requires a reduction in the number of their nominee directors, the number of nominee directors should be reduced accordingly.

Complies Complies partially Explain Not applicable

21. The board of directors should not propose the removal of independent directors before the end of bylaw term for which they were appointed, except where it considers there is just cause, based on a report by the nomination committee. In particular, just cause will be deemed to exist when directors take on new offices or responsibilities that prevent them from dedicating the necessary time to the performance of their functions as director, breach the duties inherent in their office or become subject to any circumstances that strip them of their status as an independent director, in accordance with the provisions of the applicable legislation.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate transactions that entail a change to the company's capital structure, where such changes in board structure arise from the proportionality criterion set out in recommendation 16.

Complies Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal proceeding in which they appear as investigated parties, and of any developments in its procedural steps.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. Information should be provided in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Complies Complies partially Explain

23. Directors should express their clear opposition when they consider a proposal submitted to the board could be contrary to the corporate interest. In particular, independent and other directors not affected by the potential conflict of interest should challenge any decision that could harm the interests of shareholders not represented on the board.

When the board makes significant or repeated decisions about which a director has expressed serious reservations, then such director must draw the pertinent conclusions and, should they choose to resign, explain their reasons in the letter referred to in the next recommendation.



The terms of this recommendation also apply to the board secretary, even if they are not a director.

Complies Complies partially Explain Not applicable

- 24. Directors who give up their position before their tenure expires, through resignation or resolution of the shareholders' meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the shareholders' meeting resolution, in a letter to be sent to all members of the board.**

Without prejudice to the reporting of all the foregoing in the annual corporate governance report, if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Complies Complies partially Explain Not applicable

- 25. The appointments committee should ensure that non-executive directors have sufficient time available to correctly perform their functions.**

The board regulations should establish the maximum number of company boards on which directors may serve.

Complies Complies partially Explain

- 26. The board should meet with the frequency necessary to effectively perform its functions and at least eight times a year, in accordance with the schedule of dates and items established at the start of the year, and each director may propose the addition of items not initially included on the agenda.**

Complies Complies partially Explain

- 27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should grant a proxy with instructions.**

Complies Complies partially Explain

- 28. When directors or the secretary express concerns about any proposal or, in the case of directors, about the running of the company, and such concerns are not resolved at the board meeting, they should be recorded in the minutes book if the person expressing them so requests.**

Complies Complies partially Explain Not applicable

- 29. The company should provide suitable channels for directors to obtain the advice they need to perform their functions, including, if necessary, external advice at the company's expense.**

Complies Complies partially Explain

30. **Regardless of the knowledge directors must possess to perform their functions, the companies should also offer them refresher programs when circumstances so advise.**

Complies Explain Not applicable

31. **The agenda of board meetings should clearly indicate the items on which the board must adopt a decision or resolution so that directors can study the matter or gather together the material they need beforehand.**

For reasons of urgency, the chairman may wish to submit decisions or resolutions for board approval that were not included on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded in the minutes, of the majority of directors present.

Complies Complies partially Explain

32. **Directors should be regularly informed of movements in share ownership and of the views held by significant shareholders, investors and rating agencies on the company and its group.**

Complies Complies partially Explain

33. **The chairman, as the person responsible for the effective functioning of the board of directors, in addition to the functions attributed by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and items to be addressed; organize and coordinate the periodic evaluation of the board and, where appropriate, the company's chief executive officer; be responsible for the management of the board and for its effective functioning; ensure that sufficient time is given to the discussion of strategic matters, and approve and review refresher courses for each director, when circumstances so advise.**

Complies Complies partially Explain

34. **When a lead director has been appointed, the bylaws or board regulations should grant him or her the following powers, in addition to those conferred by law: to chair the board of directors in the absence of the chairman or deputy chairmen, if any; to voice the concerns of non-executive directors; to maintain contacts with investors and shareholders in order to ascertain their views and form an opinion about their concerns, especially those relating to the corporate governance of the company; and to coordinate the chairman's succession plan.**

Complies Complies partially Explain Not applicable

35. **The board secretary should strive to ensure that the board's actions and decisions are informed by the applicable good governance recommendations contained in the Good Governance Code.**

Complies Explain

36. **The plenary session of the board should conduct an annual evaluation, adopting, where necessary, an action plan to correct any weakness detected**

with respect to:

- a) The quality and effective functioning of the board.
- b) The functioning and composition of its committees.
- c) The diversity of the composition and competencies of the board.
- d) The performance of the board chairman and the company's chief executive.
- e) The performance and contribution of each director, paying particular attention to the chairs of the various board committees.

The evaluation of the various committees should be based on the reports sent by them to the board of directors, while the board evaluation should be based on the report sent to it by the nomination committee.

Every three years, the board of directors should engage an external consultant to assist with the evaluation process whose independence should be verified by the nomination committee.

Any business dealings that the consultant or any company in its group has with the company or any company in its group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies Complies partially Explain

In accordance with this recommendation, in 2020 the board of directors should have been assisted by an external consultant to perform an evaluation, but due to the extraordinary circumstances present throughout the first quarter of the year, it was not possible to engage such service with enough time for an evaluation to be performed with the appropriate level of quality and depth before the publication of this report. Consequently, an evaluation was performed by the board itself and its committees, and the board intends to engage the services of an external consultant to perform the relevant evaluation over the course of this year.

37. When there is an executive committee, there should be at least two non-executive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Complies Complies partially Explain Not applicable

38. The board should be kept fully informed of the business transacted and decisions adopted by the executive committee and all board members should receive a copy of the committee's minutes.

Complies Complies partially Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

Complies Complies partially Explain

40. Companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of the reporting and internal control systems and such unit should report to the board's non-executive chairman or the chairman of the audit committee.

Complies Complies partially Explain

41. The head of the unit handling the internal audit function should present an annual work program to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Complies Complies partially Explain Not applicable

42. The audit committee should have the following functions in addition to those provided for in the law:

1. With respect to internal control and reporting systems:

- a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work program of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanisms should guarantee the confidentiality and, in any event, provide for cases in which reports may be made anonymously, respecting the rights of the whistleblower and the

party being reported.

- d) In general, ensure that the internal control policies and systems established are applied effectively in practice.

2. With respect to the external auditor:

- a) In the event of the resignation of the external auditor, to investigate the circumstances giving rise to such resignation.
- b) To ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) To ensure that the company notifies any change of external auditor to the CNMV, accompanied by a statement of any disagreements with the outgoing auditor and the substance of same.
- d) To ensure that the external auditor has an annual meeting with the plenary session of the board to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) To ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies Complies partially Explain

- 43. The audit committee should be empowered to meet with any company employee or executive, even ordering their appearance without the presence of another executive.**

Complies Complies partially Explain

- 44. The audit committee should be informed of any structural or corporate modifications planned by the company, so the committee can analyze them and report to the board beforehand on their economic conditions and accounting impact and, in particular, where applicable, the proposed exchange ratio.**

Complies Complies partially Explain Not applicable

- 45. The risk management and control policy should identify and determine at least:**

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks, included those related to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) A risk control and management model based on different levels, of which a specialized risk committee will form part when industry regulations so provide or the company deems it appropriate.

- c) **The risk level the company sees as acceptable.**
- d) **The measures in place to mitigate the impact of identified risk events should they occur.**
- e) **The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

Complies Complies partially Explain

46. Under the direct supervision of the audit committee or, as the case may be, a dedicated board committee, companies should establish an internal risk management and control function, exercised by one of the company's internal departments or units that expressly has the following functions:

- a) **To ensure that risk management and control systems are functioning correctly and, in particular, that all major risks the company is exposed to are adequately identified, managed and quantified.**
- b) **To participate actively in the preparation of risk strategies and in key decisions about their management.**
- c) **To ensure that risk management and control systems are mitigating risks effectively within the framework of the policy drawn up by the board of directors.**

Complies Complies partially Explain

47. When appointing members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee, if created separately –, companies should procure that they have the adequate knowledge, skills and experience for the functions they are called on to perform and that the majority of such members are independent directors.

Complies Complies partially Explain

48. Large cap companies should have separate nomination and remuneration committees.

Complies Explain Not applicable

49. The nomination committee should consult the board chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies Complies partially Explain

50. The compensation committee should operate independently and have the following functions in addition to those conferred by law:

- a) To propose to the board the standard terms of senior executive contracts.
- b) To monitor compliance with the remuneration policy set by the company.
- c) To periodically review the remuneration policy for directors and senior executives, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior executives of the company.
- d) To ensure that conflicts of interest do not jeopardize the independence of any external advice provided to the committee.
- e) To verify the information on director and senior executives' remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

Complies Complies partially Explain

51. The remuneration committee should consult the company's chairman and chief executive, especially on matters relating to executive directors and senior executives.

Complies Complies partially Explain

52. The rules on composition and functioning of the supervision and control committees should be set out in the board regulations and be consistent with those applicable to the board committees required by law, in line with the preceding recommendations, including:

- a) The committees should be made up exclusively of non-executive directors, with a majority of independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of the directors and each committee's mandate; discuss their proposals and reports; and the committees should report on their activities and the work performed at the first plenary session of the board following each committee meeting.
- d) The committees may seek external advice, when they feel it necessary for the performance of their functions.
- e) Minutes should be taken of the committee meetings and a copy made available to all board members.

Complies Complies partially Explain

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialized in sustainability or corporate social responsibility, or

another specialized committee established by the board under its powers of self-organization. And such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Complies Complies partially Explain

In accordance with the current Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee of the Company, the Audit and Compliance Committee of DIA is tasked with reviewing the corporate social responsibility policy, which, for internal purposes, is regarded as the environmental, social and governance policy, which is currently approved by both the Audit Committee and the Board of Directors. Consequently, the Company considers that, although it has not adapted its internal rules to reflect the exact contents and terms of this recommendation, it complies with its spirit in practice.

54. The minimum functions referred to in the previous recommendation are as follows:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.**
- b) Oversee the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, and regarding communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.**
- c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.**
- d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.**
- e) Monitor and evaluate the company's interaction with its stakeholder groups.**

Complies Complies partially Explain

In accordance with the current Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee of the Company, the Audit and Compliance Committee of DIA is tasked with reviewing the corporate social responsibility policy, which, for internal purposes, is regarded as the environmental, social and governance policy, which is currently approved by both the Audit Committee and the Board of Directors. Consequently, the Company considers that, although it has not adapted its internal rules to reflect the exact contents and terms of this recommendation, it complies with its spirit in practice.

55. Environmental and social sustainability policies should identify and include at least:

- a) The principles, commitments, objectives and strategy regarding**

shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

- b) The methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.
- d) Channels for stakeholder communication, participation and dialogue.
- e) Responsible communication practices that prevent the manipulation of information and protect the company's honor and integrity.

Complies

Complies partially Explain

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and remunerate the time commitment, competencies and responsibility that the office demands, but not so high as to compromise the independent judgment of non-executive directors.

Complies

Explain

57. Variable remuneration linked to company performance and the director's performance, as well as the award of shares, options or rights over shares or instruments linked to the share value and long-term savings schemes, such as pension plans, retirement systems or other employee welfare systems, should be confined to executive directors.

The company may consider the award of shares as remuneration for non-executive directors provided they retain such shares until the end of their term of office. This condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies

Complies partially Explain

58. In the case of variable awards, remuneration policies should include limits and specific technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector of activity or other similar circumstances.

In particular, variable remuneration items should meet the following conditions:

- a) Be linked to predetermined and measurable performance criteria that take into consideration the risk assumed to obtain a given outcome.
- b) Promote the sustainability of the company and include non-financial criteria that are appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk management and control policies.
- c) Be focused on achieving a balance between the fulfillment of short-, medium- and long-term objectives, such that performance-related

remuneration rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation, in order to ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies Complies partially Explain Not applicable

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Complies Complies partially Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce the amount of such earnings.

Complies Complies partially Explain Not applicable

61. A significant percentage of the variable remuneration of executive directors should be linked to the award of shares or financial instruments linked to the share value.

Complies Complies partially Explain Not applicable

62. Following the award of shares, options or financial instruments corresponding to the remuneration systems, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favorable assessment of the nomination and remuneration committee to address an extraordinary situation.

Complies Complies partially Explain Not applicable

- 63. Contractual arrangements should include provisions that allow the company to reclaim variable compensation components when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

Complies Complies partially Explain Not applicable

- 64. Payments for the termination or cancelation of the contract should not exceed an amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the criteria or conditions established for its receipt.**

For the purposes of this recommendation, payments for contractual termination or cancelation include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings systems and the amounts paid under post-contractual non-compete undertakings.

Complies Complies partially Explain Not applicable



H. OTHER INFORMATION OF INTEREST

- 1 If there are any material aspects relating to corporate governance at the company or at group entities that have not been addressed elsewhere in this report and which are necessary to provide a more comprehensive and reasoned view of the corporate governance structure and practices at the company or group, provide a brief explanation.
- 2 You may include in this section any other information, clarification or qualification related to the previous sections of this report to the extent they are significant and not repetitive.

Specifically, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include any information it is obliged to provide if different to that required in this report.

- 3 Also state whether the company voluntarily adheres to other codes of ethics or standard practices, at international, sectoral or any other level. If so, give details of the code and the date of adhesion. In particular, state whether the company has adhered to the Code of Good Tax Practices of July 20, 2010.

The Company adhered to the Code of Good Tax Practices on September 3, 2019.

This annual corporate governance report was approved by the company's **Board of Directors at its meeting held on March 31, 2021.**

Indicate whether any directors voted against or abstained from voting on the approval of this Report.

Yes No

Name or corporate name of director that did not vote in favor of approving this report	Reasons (voted against, abstention, did not attend)	Explain the reasons
Remarks		

**Auditor's report on the "Disclosures Regarding the Internal
Control Over Financial Reporting System" of
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.
for 2020**

AUDITOR'S REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM"

Translation of the originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Board of Directors of Distribuidora Internacional de Alimentación, S.A.

As per the request made by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (hereinafter, the Company) and our proposal letter of February 18, 2021, we have applied certain procedures in relation to the "ICFR disclosures" detailed in Section F of the Annual Corporate Governance Report (ACGR) of Distribuidora Internacional de Alimentación, S.A., for 2020, which summarize the Company's internal control procedures in respect to its annual financial information reporting.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the accompanying ICFR disclosures.

Against this backdrop, it is important to note that, regardless of the quality of design and effective functioning of the ICFR system adopted by the Company in respect to its annual financial information reporting effort, the later can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal control was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity's ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report, published by Spain's Securities Market Regulator (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the products resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design as effective functioning in respect of the Company's 2020 financial reporting disclosures, as described in the accompanying ICFR disclosures. Consequently, had we performed additional procedures to those stipulated in the above mentioned that the Company is required to present, other matter might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Spanish Auditing Standards, we do not express an opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Read and understand the information prepared by the Company in relation to the ICFR - which is provided in the Director's Report disclosure - and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the ACGR model established by CNMV Circular nº 5/2013 dated June 12, 2013 and subsequent amendments, being the most recent Circular nº 1/2020 dated October 6, 2020 (hereinafter, the Circulars of the Spanish National Securities Market Commission).
2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.
3. Reviewing the explanatory documents supporting the information detailed in item 1 above, including documents directly made available to those responsible for describing the ICFR system. The documentation to be reviewed may include reports prepared for the audit committee by internal audit function, senior management and other internal or external specialists.
4. Comparing the information detailed in item 1 above with the knowledge of the Company's ICFR system obtained through the external audit procedures applied during the annual audit.
5. Reading the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.
6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively within the framework of the requirements established by article 540 of the consolidated text of the Corporate Enterprises Act and by Circulars of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original Spanish version)

José Luis Ruiz

April 28, 2021