

# Business and Sustainability Report

The DIA group's interest Groups

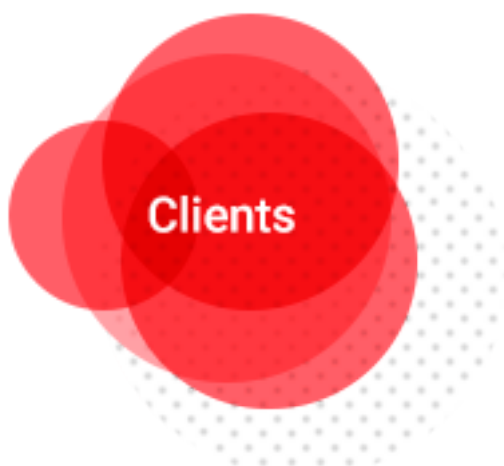
# Corporate Responsibility within the DIA Group

As an inherent part of the company's daily activity, the DIA Group identifies and connects with its traditional interest groups (clients, investment community, employees, franchisees and suppliers) in a process that involves diverse specialised areas throughout the company's value chain (102-46).

## 01. DIA Group's Interest Groups

(102-40; 102-44)

In addition, the External Relations Department and the CSR, based on its interest group management model, identifies, consults with, and responds to other interested parties that are also important for the business (regulators and public administrations, industry and professional associations, media outlets, non-profit organisations, and members of the local community), ensuring that any material issues identified are drawn to the attention of the company's main governing bodies (102-20, 102-21, 102-33, 102-42, 102-43). The aim is none other than to have **a business model that provides the DIA Group with detailed knowledge of its competitive environment, thus offering a rapid response to issues that could have a negative impact on its business model.**



### Main communication channels:

Customer satisfaction surveys through specific campaigns  
Customer satisfaction surveys available both in-store and online  
Club DIA, DIA, and Expertas magazines  
Application for Club DIA purchases and online shopping  
Social networks (Facebook, twitter, Instagram)  
Meetings of Expertas customer communities in Spain, Brazil, and Argentina  
Customer service  
Food quality and safety service

### Issues and concerns mentioned:

Savings  
Product variety and availability  
Easy shopping  
Clear labelling of food (source, ingredients)

### Main commitment:

Offer quality products at the best price  
Improve the customer listening channels  
Ongoing evaluation of current and future expectations and integration across the entire business model

### Main management instrument within DIA Group:

Corporate Policy of Marketing and Communication with our Customers  
Food quality and safety policy  
General policy of Corporate Social Responsibility



## Investment Community

### Main communication channels:

#### Corporate website

Website of the Spanish National Securities Market Commission and of other regulatory bodies  
Quarterly webcasts  
Corporate reports  
Periodic notifications (subscription-based)  
Notificaciones periódicas (bajo suscripción)

#### Investor mailbox

Investor's Day  
Roadshows  
General press

### Issues and concerns mentioned:

Profitability  
Regulatory compliance  
Efficient risk management  
Information transparency  
Ethical Management and Crime Prevention Programme  
Efficient decision-making system

### Main commitment:

Maximum care given to information transparency  
Avoid market abuse situations  
Systems to guarantee regulatory compliance

### Main management instrument within DIA Group:

Investor Relations policy  
Risk management policy  
Code of Ethics  
Policy for the prevention of crimes and anti-corruption



## Employees and Trade Union Organisations

### Main communication channels:

Employee portal  
HR, CSR newsletters, etc.  
Ethics channel  
Working environment survey

### Issues and concerns mentioned:

Professional opportunities  
Training and development  
Internal communication  
Fair work practices (gender equality)  
Health and safety in the workplace

### Main commitment:

The selection, training, and development of the best professionals  
The guarantee of a stable, safe, and high-quality job  
The creation of a valuable offer to employees throughout their careers  
Awareness regarding the value of customers  
The development of talent management programmes aligned with the business targets

### Main management instrument within DIA Group:

General Human Resources Policy  
Code of Ethics  
Policy for the prevention of crime and anti-corruption

## Franchisees

### Main communication channels:

Franchisee portal  
Franchisee newsletter  
International Franchisee Satisfaction Survey, carried out by Nielsen  
Regional franchisee support service (Strategic Partner Support Service in Argentina, "Dia te escuta" in Brazil).  
Ethics channel

### Issues and concerns mentioned:

Profitability  
Open and transparent transaction process  
Transmit expertise to improve sales  
Good logistics service  
Support for regulatory compliance  
Technical support to improve energy efficiency  
Access to the company's training resources

### Main commitment:

The veracity of information disseminated, and compliance with agreements  
Efficient business model  
Ongoing training, support, assistance and advice  
The resolution of possible discrepancies is based on goodwill and dialogue.

### Main management instrument within DIA Group:

Franchise Relations policy

## Suppliers

### Main communication channels:

Supplier portal  
Ethics channel  
Commercial and sustainability team

### Issues and concerns mentioned:

Free competition  
Good contractual relationship

### Main commitment:

Work to maintain the value for money of products  
Include environmental and social criteria in the quality concept

### Main management instrument within DIA Group:

Food quality and safety policy  
Environmental policy  
General CSR policy

## Regulators and Administration

### Main communication channels:

ASEDAS (the Spanish Association of Distributors, Self-Service Chains and Supermarkets)  
Participation in conferences  
Participation in formal consultations  
Institutional newsletter  
Company reports  
External relations team

### Issues and concerns mentioned:

Regulatory compliance  
Employment  
Payment of taxes  
Public health  
Primary sector support

### Main commitment:

Maximum care given to information transparency  
Systems to guarantee regulatory compliance

### Main management instrument within DIA Group:

Fiscal policy  
Food Quality and Safety policy  
Environmental policy  
External Relations policy

## Industry and Professional Associations

### Main communication channels:

Participation in ASEDAS, ECOEMBES, AECOC, and UN Global Compact  
Participation in conferences and specific projects  
External Relations department

### Issues and concerns mentioned:

Free competition  
Improvement in sector competition and innovation  
Regulatory development  
Ecodesign of packaging

### Main commitment:

Transparency, accessibility, freedom of expression, equal treatment, and mutual respect in professional relationships

### Main management instrument within DIA Group:

External Relations policy

## General and Specialised Media Outlets

### Main communication channels:

Corporate website  
Company reports  
Press releases  
Press conferences and interviews

### Issues and concerns mentioned:

Information transparency  
Access to directors

### Main commitment:

Transparency, accessibility, freedom of expression, equal treatment, and mutual respect in professional relationships

### Main management instrument within DIA Group:

External Relations policy

## Non-profit organisations and other associations

### Main communication channels:

Company reports  
Collaborative projects  
CSR mailbox  
External relations and sustainability team

### Issues and concerns mentioned:

Prescription of initiatives  
Consumer information and protection  
Responsible sourcing  
Eco-efficiency  
Donation of monetary resources and in kind (food)

### Main commitment:

Participate as another member of the community, supporting social causes

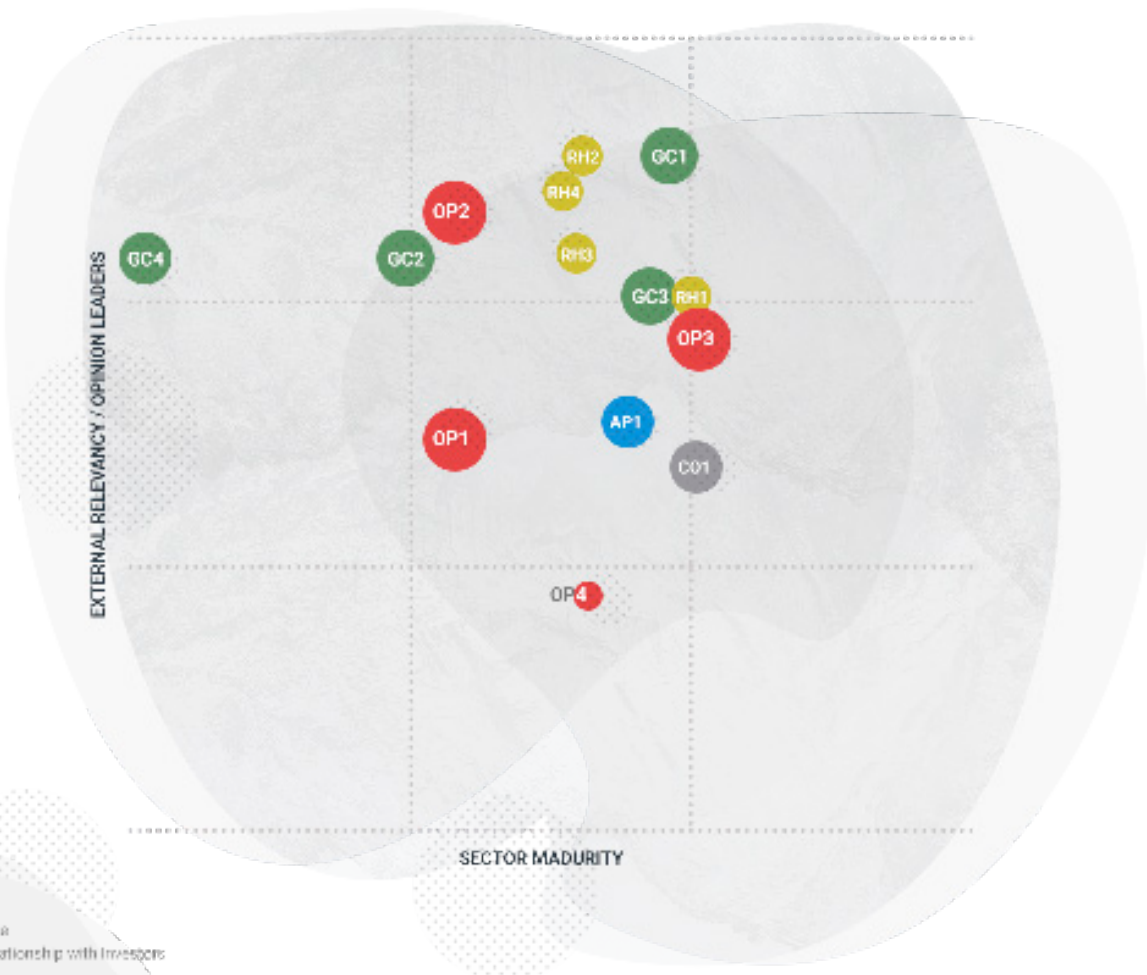
### Main management instrument within DIA Group:

External Relations policy

In 2016, the DIA Group developed a materiality analysis that examined the issues of greatest concern for its interest groups, and which have the biggest negative impact on the proper functioning of the company. Accordingly, DIA Group's management team studied both the relevance of the various issues raised (the importance of certain activities of the company for the main parties interested in the company's CSR, such as the Dow Jones Sustainability Index, the Global Reporting Initiative's sector report, Vigeo, Sustainalytics, the Carbon Disclosure Project, the Spanish National Stock Market Commission, media analysis, and the Behind the Brands report), and their sector maturity, both domestically and internationally (an investment was made in an individualised study of companies in the sector). This analysis was complemented with the inclusion of an internal dimension of each of the issues, which took into account, among other factors, the risks map created by the company's Risk Committee (102-46). The result, which was again reviewed and validated in-house in 2017<sup>1</sup>, yielded a materiality matrix that allows the issues to be positioned according to their maturity and relevance for the DIA Group's interest groups, and which will be used as the basis to define a CSR Master Plan (currently being reviewed) as well as for the preparation of this report.

## Materiality matrix

(102-47)



### Key:

- GC1 Governance System
- GC2 Ethics and Compliance
- GC3 Transparency and Relationship with Investors
- GC4 Fiscal Practices
- RH1 Development of Human Capital
- RH2 Labour Practices
- RH3 Gender Equality
- RH4 Security and health
- AP1 Food Safety and Quality
- OP1 Relationship with Franchisees
- OP2 Digital Transformation
- OP3 Eco Efficiency
- OP4 Food Wastage
- C01 Information Platform and Consumer

DIA materiality analysis theme	Material theme according to GRI, to report in the 2017 annual report
GC1. Governance system	Governance
GC2. Ethics and compliance	Ethics and integrity
	Anticorruption
	Public Policy
GC3. Transparency and investor relations	Participation in the interest groups
GC4. Fiscal practices	Economic performance
RH1. Development of human capital	Training and teaching
RH2. Workplace practices	Employment
RH3. Gender equality	Diversity and equal opportunities
	Nondiscrimination
RH4. Health and safety	Health and safety in the workplace
AP1. Food quality and safety	Health and safety of customers
OPI. Franchisee relations	Participation in the interest groups
OP2. Digital transformation	Training and teaching
OP3. Eco efficiency	Materials
	Energy
	Emissions
OP4. Food waste	Waste
CO1. Consumer information and protection	Marketing and labelling

It is important to note that the materiality matrix not only identifies issues for which the DIA Group's activity could imply a negative impact, and therefore constitute a risk that must be managed (such as food safety or the impact of the activity on the environment), but also those value-creative opportunities for which the DIA Group is best-positioned, and which therefore constitutes a competitive advantage for the company (such as good corporate governance and management transparency) (102-15).

## CSR Master Plan

In 2016, the DIA Group began to work on a CSR Master Plan based on the conclusions of the materiality analysis carried out. This Plan, which aims to focus on both the internal dimension of CSR (the creation of a common vision and an improvement in management) and the external dimension (align the company with the expectations of its priority interest groups), is currently at the review stage, with the aim of presenting a definitive version to the Board of Directors in 2018, together with its balanced scorecard. Despite this, in 2017 the company worked on several projects following the strategic lines laid out in this plan, as outlined below:



Strategic courses of action	Projects executed or ongoing
Manage the DIA Group's positioning in relation to the demands of its interest groups	Human Resources internal communication plan.
	Franchisee communication plan
	Evaluation of accessibility across the company's network of stores
	Reduction in food waste due to improved stock management in stores
Boost the improvement in the DIA Group's management of CSR aspects	Review the company's key non-financial issues.
	Redefine the material indicators and simplify the indicator reporting system
	Identify non-financial performance indicators to report periodically to the Board of Directors
Involve the organisation in a common vision of CSR	Launch of a new CSR newsletter

## CSR governance at DIA



The Board of Directors, through the Audit Commission, has overall responsibility for sustainable development. This Commission, which meets half-yearly, is in charge of ensuring that the CSR strategy and practices meet the demands of the non-financial risks and the expectations of the company's interest groups, as well as approving and evaluating the degree of compliance of the policy and the CSR Master Plan. In addition, the Board of Directors, through this Commission, coordinates and approves the non-financial reporting process as well as the diversity process, in accordance with the most recent applicable regulation. At executive level, the corporate heads of the material areas for DIA's CSR are responsible for proposing the sustainable development strategy and for defining the associated performance indicators. In turn, the External Relations department and CSR, reporting directly to the Resources Director, coordinate and facilitate the entire process. Finally, there is also an Ethics Committee made.

In 2016, the DIA Group's Board of Directors approved the latest version of the General Policy of Corporate Social Responsibility, which involves all of the company's actions and its other policies, and includes the principles voluntarily adopted by DIA in relation to interest groups.

DIA's strategy and implementation of the CSR strategy has been recognised by the global sustainability indices and analysts, such as the Carbon Disclosure Project (CDP), FTSE4Good, and the UN Global Compact.

1. (102-49) Changes in the materiality of the matrix from 2016 to 2017: even though distribution is responsible for only 5% of all the food waste generated in the food chain, it was decided to increase the importance of this issue due to the likelihood of stricter regulation in this area; conversely, it was decided to lower the importance of the "company's contribution to the local community" and of the "sustainable supply", as it was not deemed a priority to make any changes to the current focus in these areas. "Disability", "accessibility", "products for different clients" and "Brand strategy" disappear from the matrix, although they are mentioned throughout the text in the report. The "Innovation" issue is specified as "Digital Transformation". Other issues, such as "the fight against corruption" and "transparency" are merged with other issues ("ethics and compliance" in the first case, and "transparency and investor relations" in the second case).

# The Customer

## 01. Active, real-time listening to the customer

In line with the Company's strategy, which places the customer at the heart of the business, during 2017 the DIA Group continued to work on introducing new functionalities into its customer listening systems, thus obtaining more precise knowledge about consumers' needs and faster response times from the different areas of the company.

The company gets close to customers through two channels: the request channel, whereby customers who are members of Club DIA are asked to take part in a quick survey about their shopping experiences. The second channel is the voluntary channel, whereby any customer who so wishes can fill in the survey on the company's commercial website or on the mobile application.

The issues covered in these surveys mainly relate to the shopping experience, with issues such as customer service, the evaluation of slogans such as "Customer Journey", the assortment, and store maintenance. The e-commerce area also has its own personalised surveys, which mainly ask customers about their experience while placing the order and the receipt of the delivery.



### Main customer demands

### Projects initiated

<b>Improve assortment availability.</b>	Project to broaden the in-store assortment. Product availability has improved by 20%
	200 new own-label SKUs
	"VAT-free day" campaigns in Spain and Portugal
<b>Competitive prices</b>	Ongoing focus on the loyalty programme (with discount coupons and the double price associated with the card)
<b>Solutions to make shopping easier. New shopping habits.</b>	Boost e-commerce
<b>Store modernisation</b>	Store remodelling
<b>Healthy product lines</b>	Ongoing focus on the Vital product line. BIO/ECO + Salud corner in La Plaza de DIA stores
<b>Make It easier to identify gluten-free products for coeliacs</b>	Increase in the range of SKUs approved by the Spanish Federation of Coeliacs, using an associated pictogram.

The improvement of customer knowledge was in focus in 2017, with the **"Client Experience"** project, whose aim is to listen to customers and provide a faster response to the demands of both general customers and loyalty customers. Through the so-called "voice programmes", the company is already able to obtain real-time feedback from its customers in Spain. In 2017, the company extended its customer listening systems developed in Spain to its stores in Portugal, Argentina, and Brazil, leveraging the potential of the new digital tools that allow it to enhance its two-way relationship with consumers. In total, during 2017, more than **9 million customer satisfaction** surveys were sent to the customers of physical stores and e-commerce stores, with a response rate of over 5%.

These customer listening systems are complemented by information contributed by the so-called "Customer communities" that were developed years ago so that they could provide a particular view of the business and highlight areas of improvement.

## Spain

### Spain: Development of own-label products and of the Club DIA magazine

For the last four years, DIA Spain has focused on a community known as **"Demos la Vuelta al DIA"**, whereby, through relationship marketing, cooking tips are shared, along with news and other information of interest for foodies in their different social network profiles. During 2017, "Demos la Vuelta al DIA" focused on promoting the company's own-label products, conducting in-store product tastings to make its customers aware of the products. At the end of 2017, the company had organised more than 400 events focused on promoting its own-label products.

DIA Spain has a magazine for loyalty customers called **"Club DIA"**, which has a circulation of 700,000 copies. This magazine offers content related to food, commercial developments, recipes, or practical tips around the house. In addition, the last two pages include discount coupons that can be used by customers who are members of the loyalty club.

## Argentina and Brazil

### The community of Experts

A community of DIA's regular customers with whom the company can exchange information about their experience and needs was created in Argentina four years ago. Under the name **"Expertas en Ahorro"** ("Experts in Saving"), a project was launched that now has a huge following in the country, with more than 3 million members as of the end of 2017, its own YouTube channel, and an annual meet-up of "Expertas", which has become a high-profile event, in which artists and well-known people from Argentinean society take part.

DIA Argentina has a monthly magazine entitled **"Expertas"**, which was created with the same aim of getting increasingly close to its customers. The magazine, which has a circulation of 55,000 copies, covers various issues related to family, health, fashion, events, wellbeing, ecology, horoscopes, pets, and others. The content is developed to match the tastes and interests of its readership: housewives and professional women of between 25 and 70.

In addition to the direct link to the company, which is leveraged to implement improvement initiatives mainly related to the commercial area, the "Expertas" also benefit from various offers, event tickets and cooking workshops, and are informed about the company's latest developments.





During 2017, the company held the traditional annual “Expertas” meet-up, in the Gran Rex theatre in Buenos Aires, and this edition also commemorated the company’s 20 years of history in Argentina. More than 3,000 people took part, and the only condition was that they had to make a small donation of a toy or school supplies, which were subsequently donated to charity. As a result of this initiative, more than 3,000 books or toys were obtained, and, together with more than 5,000 non-perishable food products and cleaning products donated by the company, they were given to the Fundación Si and Manos en Acción.

Brazil also has its own community of loyalty customers, under the name “Especialistas en Economía” (“Specialists in Economy”), which celebrated its second anniversary in 2017. In line with the initiative in Argentina, the Brazilian version organises classes, workshops, tastings, and other activities focused on savings and to promote DIA’s products and business model to a wide community of customers. At the end of 2017, the “Expertas en Economía” community had more than 40,000 loyalty customers, who were involved in 44 meet-ups, in which more than 1,000 people took part. It also has a loyalty magazine called “Revista DIA”, with a circulation of 10,000 copies, and which covers offers related to DIA products and new company developments.

## Club DIA: More than 40 million loyalty customers

The most efficient instrument that DIA can use to identify its customers’ needs and adapt its stores, products, and discounts accordingly is the Club DIA card. This loyalty system, which was a pioneering initiative in the retail distribution sector, provides exclusive advantages to card users, while allowing DIA to study their behaviour and thus prepare personalised sales plans. Just like a large number of initiatives implemented by the company, the loyalty programme was developed in-house 19 years ago now, and is a key tool when it comes to the company’s price image. In addition, it allows DIA to prepare, together with its suppliers, more efficient sales plans that are beneficial for both parties.

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More than 250 products with lower prices, fortnightly promotions, and discount coupons with offers of up to 50% off

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Among the advantages that DIA provides to its customers to reward them for their loyalty, we highlight the access to more than 250 products with lower prices, fortnightly promotions, and discount coupons with offers of up to 50% off. In Spain, members can pay with their card or pay for their purchases in instalments, either weekly or monthly, through the credit company FinanDIA, which is subject to the supervision of the Bank of Spain, registered in the Spanish Registry of Credit Institutions (Registro de Entidades de Crédito) and associated with ASNEF (Asociación Nacional de Establecimientos Financieros de Crédito – National Association of Lending Institutions).

Despite the differences and peculiarities in terms of consumption habits in different countries, the Club DIA card is still proving to be a valid model that can also be exported. New members are joining every year in the markets in which the company is present. Since the creation of the loyalty programme in 1998, DIA has already issued 41 million cards. The excellent response to the programme in DIA’s countries of operation was again evident during 2017: **77% of the group’s sales** were generated using the loyalty card, and over 1.7 billion coupons were issued, along with 143 million online coupons.



	Launch year	Households with the card (millions)	Percentage of sales
Spain	1998	20.63	68.8%
Portugal	2000	4.35	64.6%
Argentina	2006	8.34	91.2%
Brazil (Sao Paulo)	2015	7.95	83.7%
Total		41.27	77.1%

## Social networks as a complement to customer service

In order to ensure direct and streamlined communication with customers, social networks also play a key role, supporting both the commercial and corporate channels. In all the countries in which DIA operates, it also has a presence on the most widely used platforms, such as Facebook, Twitter, Instagram o Youtube. A user community of more than 3.5 million users across all of DIA's countries is kept active thanks to communication on issues relating to offers, customer service, and new products.

The customer relationship cycle is closed by making available to them formal claims and compensation systems, both locally and at a corporate level, thus protecting their consumer rights. **During 2017, 128,267 requests** were dealt with and analysed, including queries, suggestions and complaints, across all the countries in which DIA is present.



During 2017, the company has made further progress with this strategy, adding a new corporate profile on Instagram, and which (like its existing profile on Twitter) serves as another window of communication in Spanish and English with external agents, extending beyond customers to include media outlets, shareholders, investors, non-profit organisations, and government institutions.

## 02. Quality: the main commitment

The DIA Group's main responsibility (and in particular that of its Quality Control team) is to satisfy the expectations of its increasingly demanding customers.

With this objective in mind, the 267 members of the quality team work to guarantee the quality and safety of the products sold, from the moment they are defined to their commercialisation, and even even afterward they are sold, providing answers to queries that customers can ask us through the Customer Service team.

The Own Label products and corresponding suppliers are evaluated by the DIA Group in terms of quality and safety, as a pre-requisite to product validation:

- **100% approved suppliers:** In order to guarantee the quality of its Own Label products, the DIA Group systematically conducts quality audits at suppliers' production centres. All own-label suppliers must pass strict audits that guarantee the safety of each of the plants that is to produce DIA products.
- **3,154 panels carried out:** Product quality is a key condition for a product to be included in the Own Label assortment. One requirement is that each product must undergo a consumer tasting, which allows the company to evaluate the organoleptic characteristics of the product being developed. All of the tastings involving DIA products are conducted according to the following regulation: UNE 87004:1979 and UNE 87023:1995.

The company's Control Programme allows it to analytically ensure compliance with the quality requirements defined for products manufactured for the DIA Group brands.

- **43 in-house laboratories:** The DIA Group has a total of 43 in-house laboratories that conducted a total of 934,062 internal analyses in 2017 as part of its control programme.
- **23,308 external analyses:** Moreover, the DIA Group works with approved external laboratories where additional analyses are carried out in addition to the internal checks. The number of external analyses managed in 2017 amounted to 23,308 (416-1).
- **4,055 audits of warehouses and stores:** The Quality Control Department carries out ongoing checks and periodical audits of warehouses and stores, where they supervise and evaluate aspects such as tidiness and cleanliness, the management of expired products, and the cold chain, guaranteeing compliance with the defined standards.

### NUMBER OF INCIDENTS

Arising from non-compliance with health and safety in the context of legal regulation, leading to a fine or material sanction (416-2)

**0**  
Incidents  
2017

**0**  
Incidents  
2016

## 03. More offer, better prices

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During 2017, DIA pursued its strategy of investing in own-label prices to ensure that it could maintain the price gap versus the main groups of the competition.

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It also launched new promotional activities in addition to the existing ones, such as the **VAT-free Day** in the Spanish and Portuguese markets. For one day, all the products sold in the DIA Group's stores are exempt from VAT. Clarel.es launched its "**28 íntimo**" initiative, whereby on the 28th of each month, a total of 86 women's hygiene products (both national brands and the Bonté own-label brand) are exempt from VAT.

These promotional campaigns have been accompanied by efforts to identify the products that are in highest demand, and the rollout of ad-hoc promotional activities focused on these products, both in-store and across the group's social networks. Accordingly, the company has managed to sustain its promotional pressure through coupons and the second item at half price associated with the loyalty card.

In addition, the company has continued to promote innovation, **introducing 200 new own-label SKUs** in line with its customer listening work and information sharing that is being carried out with customers. This implies a 3.3% increase versus the previous year.

Regarding the brand breakdown in stores, in 2017 the company also worked on improving the in-store visibility and presence of brands such as Bonté, Vital, and Delicious, leveraging the transformation of DIA's more traditional store formats, such as the Market and Maxi models.





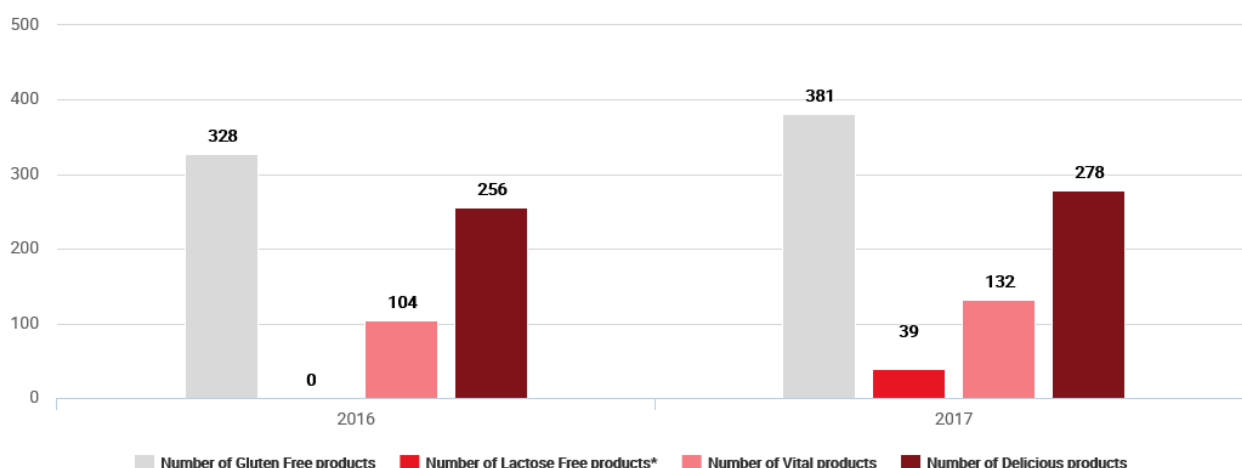
## 04. Enabling an informed purchase

The company's commitment to providing transparent information to customers is another of the dimensions that defines quality for DIA.

This is reflected in the company's Marketing and Communication policy with customers, which promotes transparent communication with consumers and encourages informed purchasing decisions. Accordingly, all the products that need to display nutritional information include not only the information per 100 grams, but also per portion, and wherever possible in the most visible part of the packaging. In turn, DIA is continuing to work on making it easier to identify lactose-free and gluten-free products (the latter have seen a rise in the number of products available, with 53 additional SKUs).

While DIA's responsibility towards the customer and its ongoing search for customer satisfaction begins with its commitment to transparent information, it does not end there. For the DIA Group, it is essential to offer a wide range of products from which customers can choose, taking into account their tastes, values, or needs.

With this aim in mind, the shelves in our physical and virtual stores are increasingly stocked with gluten-free, lactose-free, organic, Fair Trade products, as well as our Vital brand products (this range is focused on promoting a balanced diet), and our Delicious brand products (providing gourmet items).



\* This only refers to Spain. Of these 39 SKUs, 5 display the seal of the Spanish Lactose Intolerance Association (ADILAC).

The assortment is completed with a wide range of fresh produce (meat, fish, fruit and vegetables) that is made available to our customers, both in the self-service and assisted sales areas of the stores.

To conclude, product labelling, information in stores and online and through the Customer Service desk give DIA's customers the tools to choose the best products for a balanced diet, aligned with their needs, consumption habits, and lifestyle.



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In 2016 and 2017, the DIA Group had zero incidents related to non-compliance of product labelling leading to a fine or material sanction (417-2)

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#### **Palm Oil**

Currently, DIA includes this ingredient in some of its own-label products, but it is working on two courses of action to ensure that it is used responsibly. On the one hand, it is replacing this ingredient with another type of oil where possible, communicating this to the suppliers that produce its own-label brand. On the other hand, it only uses palm oil that has a sustainability certificate if the replacement oil is not desirable or appropriate, in accordance with organoleptic, technological, and environmental factors.

## **05. Big focus on e-commerce: more streamlined solutions and new agreements**

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DIA's clear focus on e-commerce comes from the company's commitment to always adapt to customers' new needs, staying ahead of the game.

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The company's e-commerce sales tripled in 2017, and shopping can now be done online in more than 30 provinces in Spain, which represents **close to 70% of the country**. In addition, in 2017 DIA worked on improving its value proposition in online sales in Spain, with an increase in the number of delivery times (even on the same day as the order is placed), as well as the launch of a new application that allows customers to shop from mobile devices. This new application, which complements the company's application focused on managing purchases, digital coupons, and which includes a store search function, is **available for iOS (the App Store) and Android devices (Google Play)**, offering a wide selection of close to 9,000 SKUS in the food, household goods, hygiene, cosmetics and beauty categories, taking DIA closer to a significantly younger age group compared to the customers that visit its physical stores.

The DIA Group's banner focused on the catering channel, **Max Descuento**, has also launched its own online sales channel. For now, DIA's online business related to the sale of food is only present in the Spanish market, although next year the company is due to launch it in Portugal and Argentina.

Alongside the development of the online channel focused on food, the DIA Group is also working on the online sale of non-food products. **Clarel.es**, specialised in personal hygiene, cosmetics and beauty, offers customers the option of organising their shopping by means of an online catalogue split by category, or through information and interactive content, providing advice to customers.



In addition, the company has grouped its channels focused on products that are not directly related to food, such as technology, electronics, and household goods, in its company called **DIA E-shopping**, created in 2014. This company includes the flash sales website Oportunidades DIA, which is present in both Spain and Argentina, and which includes more than 1,000 products such as mattresses, TVs, fridges, and even trips. During the last year, in addition to offering bargain products, the company also included the catalogue of products sold in the company's stores in Spain, both own stores and franchised stores. Leveraging these synergies between the off and on channels, customers can now place their orders by catalogue in the actual store and receive the order at home.

During 2017, catalogue sales (up to now present in the Group's stores) have been expanded to include more than 3,000 tobacco products across Spain. With the aim of opening a new sales channel, users of these premises will find a wide selection to place orders and receive the purchase at home in a few hours. In addition, agreements have been reached with national newspapers in Spain to develop and manage the company's Sunday catalogues.

The company's e-commerce offer was completed in Spain with the **signing of a partnership** agreement with Amazon, whereby customers can access 5,300 SKUs from the La Plaza de DIA and Clarel banners on the Amazon Prime Now platform. The agreement with Amazon was also expanded during 2017, with the installation of delivery lockers at 13 La Plaza de DIA stores. This agreement has also allowed the DIA Group to start exporting its own-label Clarel products to the German, Italian, French, and UK markets.

### DIA e-shopping Structure



## 06. Store remodelling

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During 2017, the DIA Group worked on a transversal project, reviewing and adapting a large part of its store network in four of the countries in which it operates.

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The company's store development plans during 2017 has been driven by the implementation of new services aimed at making the customer experience easier, the strong focus on fresh food, the innovation related to the assortment (which is being adapted to sales rather than space in stores), and the use of new technologies, allowing for greater synergies between the offline and online environments.

Some examples of the company's efforts to adapt and fine-tune its commercial offer to consumers' changing habits include the start of the remodelling project involving the entire network of DIA Market stores in Spain, the start-up of the new Minipreço Express format in Portugal, and the reopening of the first remodelled Maxi stores in Argentina and Brazil. **DIA converted 613 in 2017** (of which 150 in franchised stores), doubling the 307 upgrades completed last year.

This process had a temporary impact on sales volumes, as the stores were closed for several weeks while they were being converted into the new commercial models. Accordingly, the company invested EUR302.6m during 2017, both in remodelling and new openings.

In 2018, the company plans to invest EUR320-350m, with a very balanced split between openings and remodelling projects. For the third consecutive year, IT capex is set to grow significantly in 2018.



## Stores by country as of 31 December 2017

	2016			2017			Change
	Own Store	Franchise	Total	Own Store	Franchise	Total	
Spain	2,728	2,147	4,875	2,543	2,170	4,713	-162
Portugal	367	256	623	333	297	630	7
<b>IBERIA</b>	<b>3,095</b>	<b>2,403</b>	<b>5,498</b>	<b>2,876</b>	<b>2,467</b>	<b>5,343</b>	<b>-155</b>
<i>Dia</i>	<i>1,614</i>	<i>2,296</i>	<i>3,910</i>	<i>1,465</i>	<i>2,321</i>	<i>3,786</i>	<i>-124</i>
<i>Clarel</i>	<i>1,126</i>	<i>107</i>	<i>1,233</i>	<i>1,105</i>	<i>146</i>	<i>1,251</i>	<i>18</i>
<i>La Plaza</i>	<i>355</i>	<i>0</i>	<i>355</i>	<i>306</i>	<i>0</i>	<i>306</i>	<i>-49</i>
Argentina	296	576	872	303	627	930	58
Brazil	379	671	1,050	424	691	1,115	65
<b>EMERGING</b>	<b>675</b>	<b>1,247</b>	<b>1,922</b>	<b>727</b>	<b>1,318</b>	<b>2,045</b>	<b>123</b>
<b>TOTAL DIA</b>	<b>3,770</b>	<b>3,650</b>	<b>7,420</b>	<b>3,603</b>	<b>3,785</b>	<b>7,388</b>	<b>-32</b>

## Store selling area by country as of 31 December 2017 (Million square meters)

	2016	2017	Change
Spain	1.8764	1.8078	-3.7%
Portugal	0.2204	0.2249	2.0%
<b>IBERIA</b>	<b>2.0968</b>	<b>2.0327</b>	<b>-3.1%</b>
<i>Dia</i>	<i>1.6199</i>	<i>1.5785</i>	<i>-2.6%</i>
<i>Clarel</i>	<i>0.1997</i>	<i>0.2092</i>	<i>4.8%</i>
<i>El Arbol / La Plaza</i>	<i>0.2772</i>	<i>0.2450</i>	<i>-11.6%</i>
Argentina	0.2387	0.2513	5.3%
Brasil	0.4808	0.4896	1.8%
<b>EMERGING</b>	<b>0.7195</b>	<b>0.7409</b>	<b>3.0%</b>
<b>TOTAL DIA</b>	<b>2.8163</b>	<b>2.7736</b>	<b>-1.5%</b>

## Capex

	2016	%	2017	%	Change	Change (ex-FX)
Iberia	225.8	65.4%	165.0	54.5%	-26.9%	-26.9%
Emerging	119.6	34.6%	137.6	45.5%	15.0%	17.4%
<b>TOTAL Capex</b>	<b>345.4</b>	<b>100%</b>	<b>302.6</b>	<b>100.0%</b>	<b>-12.4%</b>	<b>-11.5%</b>



## Implementing and promoting new commercial models in Iberia

During 2017, the company began to **transform and adapt its DIA Market** proximity stores in Spain, with the aim of improving the shopping experience for its customers, offering a wide range of services and an assortment adapted to their daily shopping needs. At the end of 2017, 224 stores had already been remodelled, although this programme will involve more than 2,000 stores in total, both own stores and franchised stores that operate under its banner.

In these new DIA Market stores, own-label products have a higher profile, as is the case with the **gourmet product line called Delicious**, which has its own space in all the stores.

### Remodeling programme in more than **2,000** stores

Lastly, store lighting has been changed to LED technology, which in addition to the associated energy savings, creates a warmer, more welcoming atmosphere for customers, to which the company has also added background music, which is a first in this store format.

Regarding the **Minipreço Market proximity stores in Portugal**, the company continued the

remodelling process that began in 2016. More than 200 stores in this traditional proximity format have been remodelled in the last two years. In these stores, a greater emphasis has been placed on fresh food, and new services have been added that complete the customer experience: meat and delicatessen counters, a cafeteria, takeaway areas, and roast chicken stands.

In addition, the company has created a new store model under the Minipreço Express banner that leverages on the concept of **high convenience**; by the end of 2017, the first stores had been opened. Located in urban areas with a high level of footfall, the offer of these new stores, which also changed their original green colour to yellow, have juicing machines (where customers can prepare their own juice), instant coffee machines, hot soup dispensers, an area with takeaway food, fridges with cold drinks, and a greater presence of the Delicious gourmet product range and regional Portuguese products.

The group's attraction format, Maxi in Spain and Family in Portugal, has also been involved in a remodelling process. Leveraging on the synergies obtained through various acquisitions and partnerships, the DIA Group has made progress in this area since it began last year, with 257 stores remodelled during 2017. With more than 4,000 SKUs, consumers have the option to **broaden the range of products in their shopping basket**, with family-size and large formats occupying a high-profile place in the assortment. This format includes fish, delicatessen, and meat counters. The fruit and bread sections have also been renewed, as well as the way products are displayed, in a bid to make the shopping experience more pleasant. The perfume section includes a wide range of beauty, personal care, and hygiene products, with a significant presence of its own-label Bonté products.

## Remodelling of the traditional formats in Argentina and Brazil

In 2017, in Argentina and Brazil, the DIA Group initiated a transformation process of its longest-running formats there, DIA Market and DIA Maxi (known in Argentina as **Maxi Ahorro**).



In Argentina, the company has started to develop the new attraction concept, with the remodelling of the Maxi Ahorro stores. These new stores include services such as longer checkouts, background music, a wider range of fresh produce, and free WiFi for its customers. At its Maxi Ahorro stores, the company aims to improve the customer's shopping experience, while attracting new customers with the same commitment of offering the best prices and the best offers.

This remodelling initiative has also been applied to the stores in Brazil, with new services implemented, along with other improvements, at the group's Maxi and Market stores.

In both cases, a promotional area has been set up, there has been a bigger focus on promoting own-label products, and the assortment has been optimised by using specific display cabinets for the "Delicious" gourmet brand. Improvements have also been made in relation to the shopping experience, by eliminating the fifth shelf from the shop displays, which improves product visibility, and by changing the lighting in the fresh produce area to make it stand out more.

### **New developments at the La Plaza de DIA stores**

The group's proximity supermarket format, **La Plaza de DIA, has now been operating for three years**, during which time it has seen constant change to adapt to customer needs, and it has implemented an expansion plan that led it to have a total of 306 stores in Spain at the end of 2017.

At the end of 2017, the company had made significant progress in the transformation and adaptation of a large number of stores in **premium locations**. There are now 100 La Plaza de DIA stores, which now include new services and a wider assortment, aimed at improving the proximity offer and the fresh produce available in these formats.

Improvements made in these stores during 2017 include installing fresh orange juice machines, a wider range of bread, new exclusive spaces to make own-label products stand out, a wider assortment of the Delicious gourmet brand products, a roast chicken machine, and more welcoming lighting.

The end of 2017 saw the completion of the **transformation process of the El Árbol stores** acquired in 2015, and which were mainly transformed into La Plaza de DIA stores.

### **Max Descuento also present online**

Max Descuento is the DIA Group's banner focused on the hotel, catering and food channel, and it made progress in 2017 both in terms of its remodelling and adaptation process and in terms of new openings. The Cash & Carry business in Spain has a much broader assortment aimed at meeting its customers' needs, with larger formats and solutions aimed at the professional segment.

The Max Descuento banner represents a modern, light, and accessible store format with an assortment of over 3,800 SKUs adapted to the hotel, catering and food industry, and also includes products for small grocers, groups, and other types of small businesses. In addition, it includes a snacks and confectionery section, along with an improved professional delicatessen section. The format also has an extensive range of professional bazar products.

During 2017, the Max Descuento banner has added two new stores to its network in Malaga and Alicante. Currently, has 36 stores across seven autonomous regions in Spain (Andalusia, Aragon, Asturias, Castile-Leon, Extremadura, Murcia, and the autonomous Community of Valencia), with a total surface area of more than 35,900 square metres, and **a workforce of more than 250 employees** following the opening of the Malaga store.

Therefore, as a result of the company's omni-channel policy, during 2017 the online sales channel was launched. From 2017, registered customers can have their orders delivered to anywhere in Spain, with the exception of the Canary Islands.

### **Clarel: specialisation of the offer and more franchises**

The Clarel banner, specialised in household, perfume, and personal hygiene products, has also made progress in terms of optimising and adapting its offer. The redesign process that was put in motion last year, which focused on giving stores a more modern image with a wider product range and better visual communication, continued during 2017, accompanied by an expansion plan focused on the franchise format. Accordingly, 39 new Clarel stores have been opened under the franchise format, currently representing 146 stores.

Leveraging the synergies from all the formats, in 2017 the company also added exclusive Clarel spaces in 14 La Plaza de DIA stores. These areas are set up inside the stores using the design and image of a Clarel store, and offering customers a selection of products from the Clarel range.

At the end of 2017, the DIA Group had 1,251 Clarel stores in Spain and Portugal, which have also been used to generate synergies with the company's other formats in relation to cosmetics, perfume, and household products, introducing the Clarel range to markets such as Argentina and Brazil, where it does not yet have any stores. donde todavía no cuentan con establecimientos.





# The Investment Community

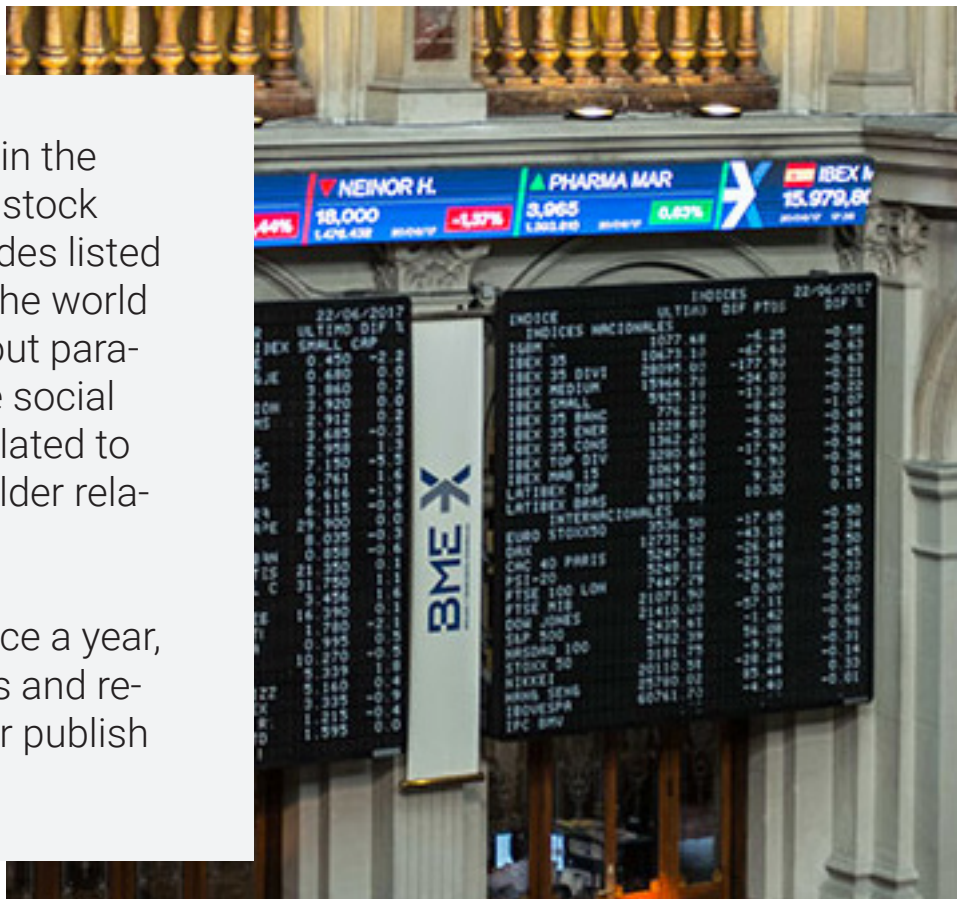
## 01. The Investment Community

Since 2011, when the DIA Group was listed on the stock market, the investment community has become a key interest group for the company.

In addition to working towards fulfilling its profitability expectations, DIA is also working on building a relationship of trust with its investors by complying with the law and focusing on a solid governance system and fluid and transparent communication over and above what is legally required.

The DIA Group is present in the FTSE4Good international stock market index, which includes listed companies from around the world that offer information about parameters such as corporate social responsibility practices related to the environment, shareholder relations, and human rights.

This index is reviewed twice a year, to include new companies and remove those that no longer publish the required information.



FTSE4Good uses information provided by the Ethical Investment Research Service, an ethical research and investment service created in partnership with UNICEF and the UN Fund for Children.

## 02. Main stock market results and performance

During 2017, the company's stock market performance continued to display the same traits it has shown since the group was listed six years ago. Solidity, efficiency, and profitability define DIA's performance since the start, in a context of fluctuating consumer demand both in Europe and Latin America, the group's main business areas.

The company's shares, which trade on the Madrid stock exchange and are part of the IBEX 35, ended 2017 at a price of EUR4.303. While this closing price represents a 7.8% drop over the total fiscal year, the total increase since DIA was listed in 2011 is 34.3%.

DIA's stock market performance during 2017 was also marked by **the entry of the British investment firm LetterOne Investment Holdings into the shareholding structure**, with 3% of the share capital, after having acquired 18.7m ordinary shares. In addition to this acquisition, there was the announcement of a collateralised forward agreement for the purchase of 43.6m ordinary shares, equivalent to 7% of the capital. The transaction, which was made public on 28 July 2017, made LetterOne Investment Holdings the group's new main shareholder.

During 2017, the highest closing price was on 28 July, at EUR6.00 per share, and the lowest closing price was on 31 November, at EUR3.938 per share. The average daily trading volume was 5.1m shares, making DIA one of the most traded companies in the IBEX 35 during the fiscal year.

### Stock market indicators

**622,456,513**

Total number of shares

Average daily trading volume

**5.1**

m shares

Maximum trading

**EUR6.00**

Minimum trading

**EUR3.938**

Closing

**EUR4.303**

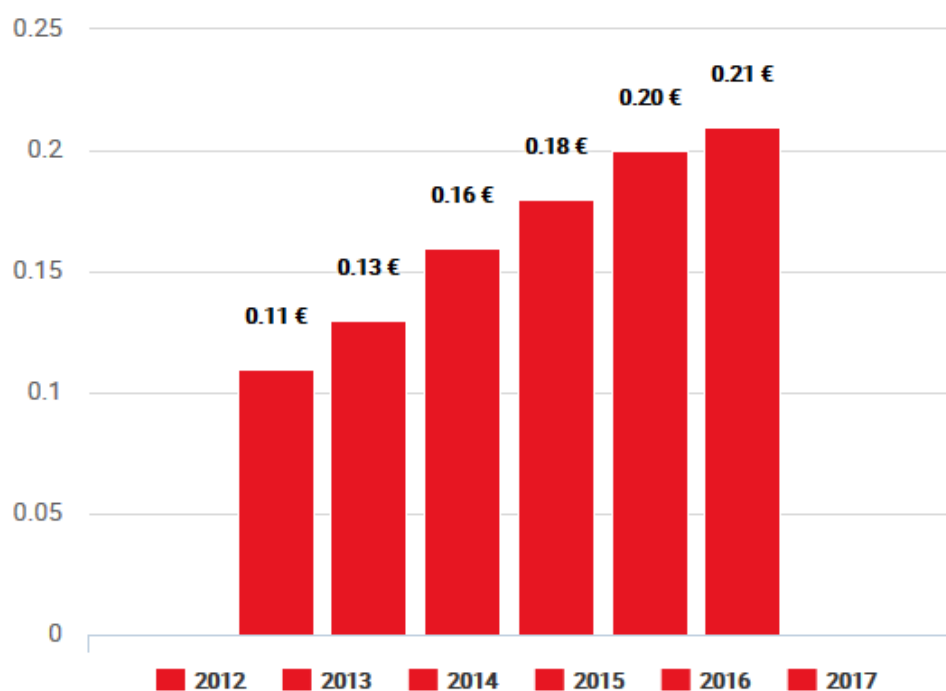
Adjusted earning per share  
(EPS)

**EUR0.36**

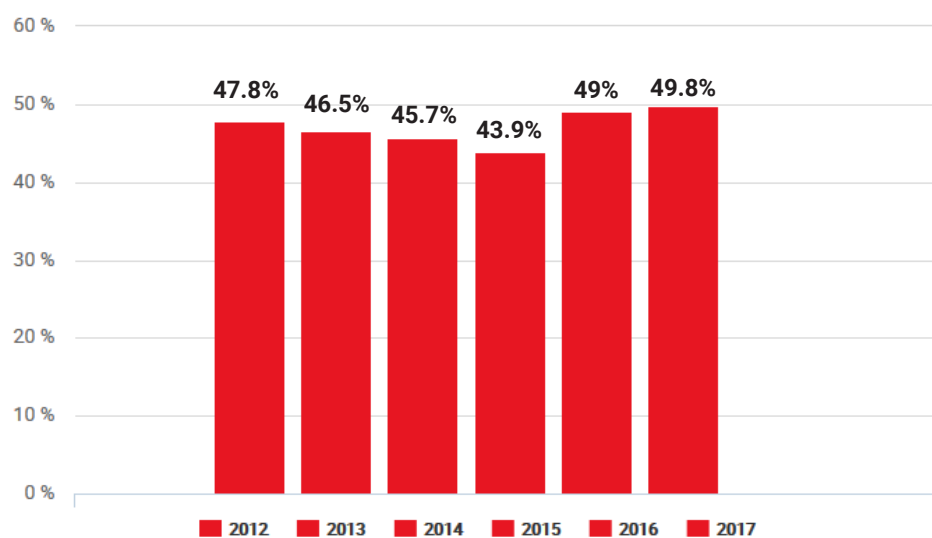
Dividend per share

**EUR0.21**

## Gross dividend per share paid out



## Net dividend as a proportion of net income (payout)



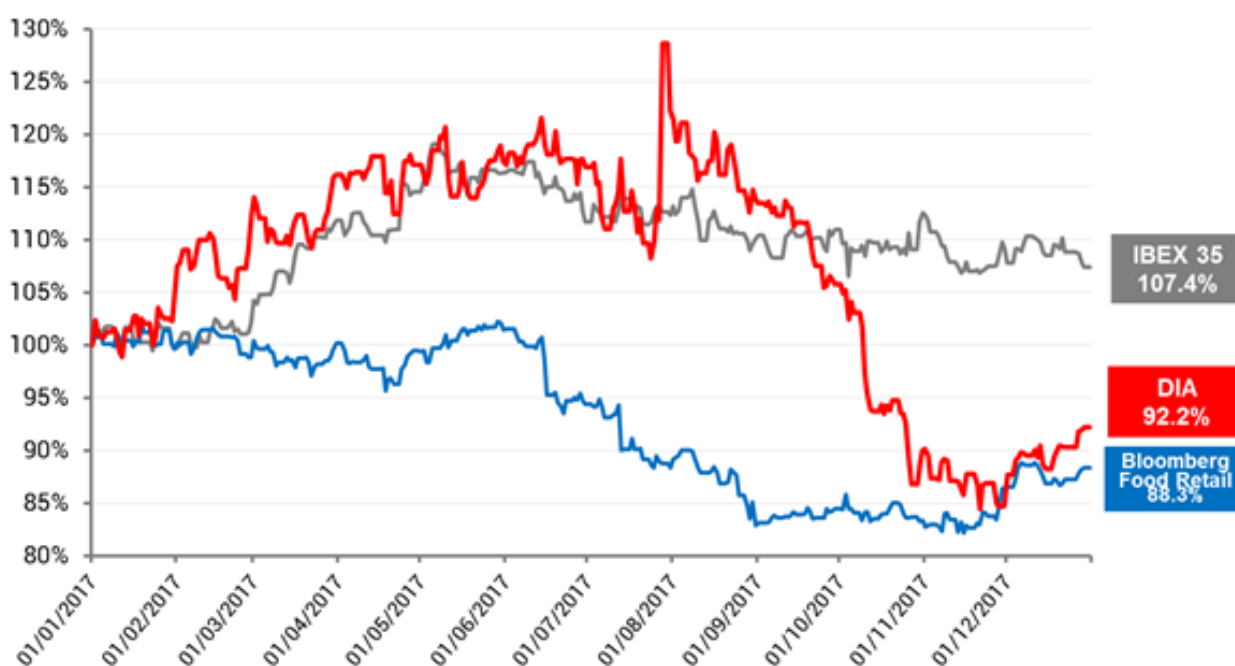
## Share price performance

(from 1 January 2017 to 31 December 2017)



## Relative share price performance

(from 1 January 2017 to 31 December 2017)



## 03. Dividend policy

Proof of DIA's commitment to shareholders year after year, the AGM held on 28 April 2017 saw the approval for yet another year of an increase in the dividend payout, with the payment on 18 July 2017 of a gross dividend of EUR0.21 per share and charged to the 2016 results, which implies a 5% increase versus the previous fiscal year, as well as cumulative growth of 90.9% since the company was listed in 2011.

The dividend shared among its shareholders represents a **payout calculated on the underlying net profit of 49.8%**, representing a total dividend payout of around EUR128.5m to shareholders. During 2017, DIA had an average treasury stock of 10.6m shares (1.7% of its capital).

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As for 2018, the Junta General will propose to its shareholders the distribution of a gross dividend of EUR0.18 and charged to the 2017 results.

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## 04. Information transparency and accessibility

The DIA Group has a team made up of three people responsible for direct and transparent communication with investors. The principles that govern the Investment Community Relations team are approved by the Management Board in its Investor Communication Policy, which clearly outlines the courses of action to protect the rights related to individual shareholders, institutional investors, and market mechanisms in general. This policy, which must be complied with, is public, and can be referred to in English and Spanish on the Group's corporate website.

The on-going, efficient relationship with investors is maintained through several communication channels that are controlled and managed by the Investor Relations team. In addition to the absolute availability of those in charge by email and telephone, both of which are available on the corporate website, the company also offers real-time information on share price performance, relevant facts, Corporate Governance, and financial results on the same website ([www.diacorporate.com](http://www.diacorporate.com)). In addition to this data, the DIA Group has also set up a notification channel which investors can subscribe to in order to receive, in real time, the most relevant news about the Group's performance. At the end of 2017, more than 1,600 investors and interested parties were subscribed to this channel.

One of the company's most high-profile communication initiatives during 2017 was the third **Capital Markets Day** that was simultaneously carried out in Madrid and London during the month of June. The company's top directors, including the management board and the executive committee, described the company's performance and the most imminent action plans to more than 100 people. Both the prior call as well as the information laid out therein were made public through these Relevant Facts, in addition to including all the documentation on the corporate website where it is freely available for any interested parties.

In addition to this activity, the DIA Group's Investor Relations department organised **more than 400 information activities** in different contexts, such as face-to-face meetings, webcasts, and conference calls (102-43), which were all aimed at offering the most up-to-date and exact information to the market.

The company's most important events for its shareholders, such as its quarterly presentations and the Annual General Meetings, are available as webcasts, thus strengthening the company's strategy of transparency and fluid communication with the investment community.

## The Franchisees

The DÍA Group considers the franchise to be the fundamental pillar of its business model, as it allows the company to constantly expand its stores and generate value in all the countries in which it operates.

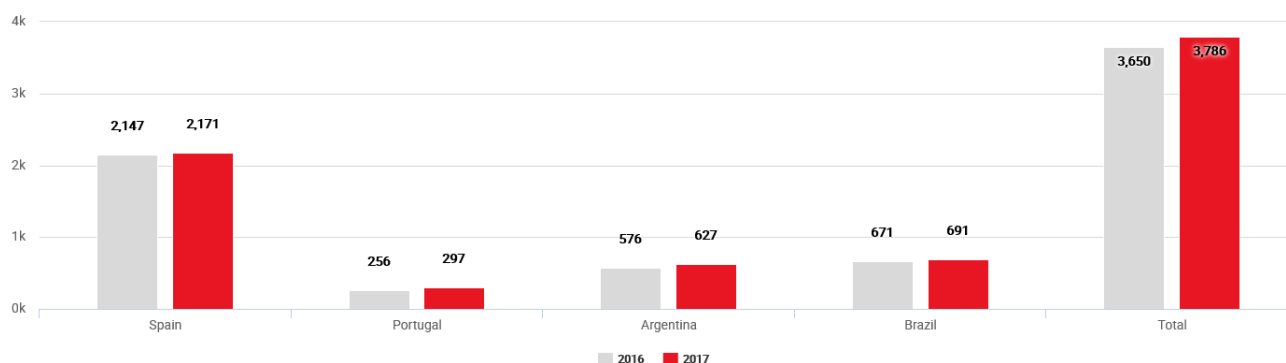
At the end of 2017, the group had 3,786 franchised stores, accounting for 51.2% of the total store network, and generating employment for more than 24,950 people (6.2% more than in 2016) (102-8).

By region, during 2017 franchises accounted for 45% of all stores in Iberia (Spain and Portugal), and 64% in Emerging countries (Argentina and Brazil).

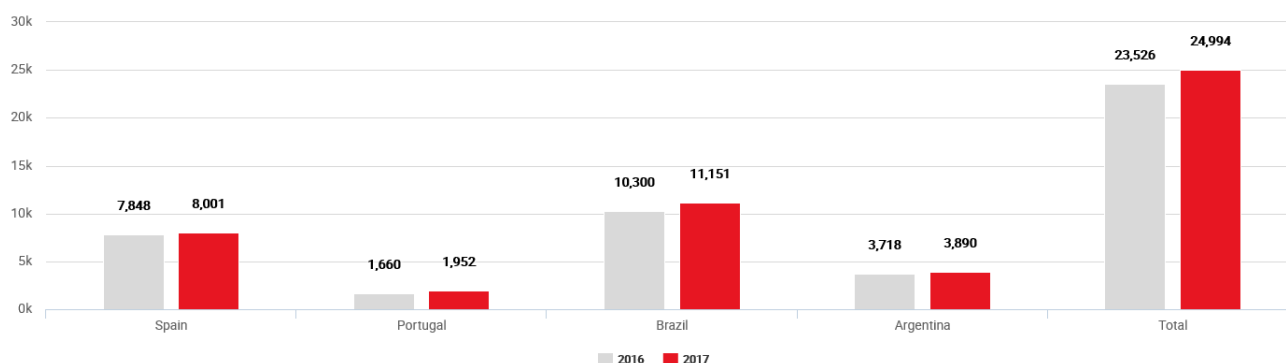
By type of format, the Market and Express proximity stores remain the most-managed stores under the franchise format, with 3,053 stores, followed by the Cada Día/Mais Perto stores, which have 417 franchises, and the Maxi stores, which have 169 stores and Clarel with 146.

In all the countries in which the company operates, with the exception of Spain and Portugal, the number of franchised stores is already higher than the number of own stores, which reflects the company's clear focus on this business model.

Number of franchised stores



Jobs created by franchises





## Two-way communication with franchisees

**The success of the DIA franchise is due to the close relationship of trust that the company has with the entrepreneurs.** In order to strengthen these ties, it is crucial that the company focuses on two-way communication so that franchisees feel they are an important part of the company, and vice versa.

In addition to providing ongoing professional support, communication between DIA and the franchisees is channelled through the Franchisee Portal in all countries. This platform provides entrepreneurs with key information about their business: assortment, orders, commercial information, etc. From this online channel, entrepreneurs can access databases of own and comparative information and can use the message service to contact DIA directly. Over the coming years, these services will see the addition of digitalisation projects and new applications developed in-house by the company, and which aims to provide greater agility and better resolve day-to-day problems.

This direct communication channel is used in conjunction with other franchisee listening systems in each country, such as the **Atención al Socio Estratégico** (CASE – Strategic Partner Service) service in Argentina, which is phone- and email-based, **"El Defensor del Franquiciado"** (Franchisee Champion) in Portugal, and **"DIA te escuta"**. In Spain in 2017, in addition to the listening channel, there is an inquiries form that is used to channel requests and issues related to store management (maintenance, administration, etc.).

Accordingly, all of the countries in which the Group operates publish a newsletter with important company information through several channels.

In addition to these listening channels, the company focuses on and promotes direct contact among franchisees and representatives of company departments through the creation of different discussion forums to analyse process, and prepare joint improvement proposals. Brazil, Argentina, and Portugal organise a **Franchise Week**, where they carry out activities and give presentations to raise awareness among DIA's partners of the franchise business model and its strategic importance for the company. These countries also organise an Integration Day with franchisees.

In order to monitor this direct relationship with franchisees in a much more detailed way, each year, DIA conducts a satisfaction survey prepared by the independent consultant Nielsen. This survey asks franchisees, confidentially and anonymously, what aspects they would improve, and which ones they are most satisfied with. In 2017, the fifth edition of this survey was held, and 70% of franchisees (in the countries in which the company operates) took part. Generally speaking, 54% of those surveyed said that they would go through the franchise experience again, and among franchisees in Argen-



tina, this figure rose to 62%. Around 31% of the franchisees surveyed see themselves opening a new DIA franchise in the future, while more than 52% would recommend a franchise to another person. Among the attributes rated the highest by franchisees, as in previous years, the following ones stand out: the quality and competitiveness of the DIA brand, as well as advertising and the Club DIA/Minipreço loyalty programme.

## Franchisee support systems

During 2017, the company created several professional profiles aimed at providing an even more personalised service to franchisees, as well as **on-going support**. Accordingly, all the warehouses in Spain already have a **franchise analyst** in their teams, in charge of providing franchisees with financial and economic advice so that they can **leverage the profitability of their business**. There is also a logistics contact person who deals with all order requests and any other logistics issues. In Portugal, a position has been created to handle new projects, providing support to franchisees in terms of the implementation of new activities created by the company. The **"DIA Academy"** is a professional training school in Argentina, and is also open to external entrepreneurs, with the aim of training future entrepreneurs and provide them with guidance related to running a business. In 2017, Brazil set up the DIA Experts Committee with a group of franchisees. The aim of this initiative is to share issues, ideas, and suggestions on which is can subsequently implement improvement plans.

In 2017, DIA continued with its policy to provide financial support to its franchise network. The company's total net exposure to franchisees after taking into account the portion of the risk that is covered with guarantees amounted **to EUR127m at the end of 2017** (vs. EUR106m in the same period last year). This credit risk is extremely diversified among the 3,197 franchisees who at the end of 2017 operated the 3,785 franchised DIA stores.

## Digital drive for franchises

The franchise, as a **key part of DIA's business model**, is also fully involved in the **digital and technological transformation** that the company has been implementing for the past few years now. In order to improve the profitability of franchised stores and further streamline the operational processes, DIA has implemented several management applications in stores.

These digital tools provide new solutions and further streamline the processes even further, making it **much easier to manage stores**, with a direct positive impact on business profitability. Accordingly, during 2016 and 2017, the company developed a store management application that aims to **digitalise and streamline day-to-day tasks in stores**. This new system optimises procedures to further reduce the margin of error, simplify access to information, and make customer





service more efficient. This application is already available in Spain, and will soon be developed in the other countries in which the company operates.

Franchisees in Argentina already have a **logistics tool** that allows them to measure in real time the degree of compliance of deliveries, as well as to review each store's delivery timetable. This system also includes SMS alerts related to the timing and location of trucks. Testing of this application also began at the end of 2017 in Spain, where it is due to be rolled out during 2018.

In addition to these applications, there are some new features related to the company's commercial offer, and which are also directly related to the digitalisation process. In Spain, for example, **the online food and non-food service has been expanded** to include franchises, with around 30 stores already included for food e-commerce, and all stores included for catalogue sales at the end of 2017. In turn, the non-food offer of Oportunidades DIA has also been included. This service is also being offered to franchises in Argentina.



## Geographical reach of franchises

### Master franchise: Big strategic agreements

As a complement to DIA's franchise strategy, the company also develops the master franchise model with entrepreneurs and local chains. Used as a spearhead with which to enter new markets, DIA grants the exclusive right to operate its brand in certain regions with the aim of triggering an expansive process without the need to implement all of its operating processes there. Accordingly, the company can grow its store network fast in large regions with very diverse consumer profiles.

The master franchise system has allowed DIA to enter large regions and new countries such as Paraguay, which it entered in 2016 through a strategic agreement with a local partner. At the end of 2017, it already had 19 stores in that country.

In countries such as Argentina and Brazil, the master franchise concept has also been used to access large regions with a different consumer profile. This is the case in Rio de Janeiro and the Bahía state in Brazil, as well as the Salta region in Argentina.

### The DIA brand is increasingly international

In addition, the DIA Group has trademark assignment agreements with local partners in Africa and the Middle East, leading to a total of 22 stores under the City DIA format in Nigeria (6), Ivory Coast (9), Guinea Conakry (3), and Ghana (4). The partnership management team offers all the support and expertise to its partners to develop the model in these countries.

## Awards and recognition for franchisees



The franchise model work carried out over all these years has placed the **DIA Group** among the top 20 franchising companies in the world, according to the international consultancy Franchise Direct, which focuses on parameters such as innovation capacity, number of stores, support provided to partners, and environmental policies, among others. With good reason, DIA is the leading franchising company in Spain, and number three in the sector in Europe.

With the creation of its **"Awards to the Best Franchisees"** the company gives awards to its Spanish franchisees who best represent the company's five core values: Client, Efficiency, Initiative, Respect, and Team. For the first time, the DIA Group has given awards to recognise the performance of its best international franchisees in the countries in which it is present: Argentina, Brazil, Spain, and Portugal.

In the fourth edition of these awards, the **"Customer"** award went to **Raquel Ruiz de la Fuente**, from Colindres (Cantabria), who, following 15 years working for the DIA Group, decided to become a franchisee of the company. Raquel Ruiz has a DIA Market store, which is one of the best stores in the area thanks to her innovative actions. Her approach to customer satisfaction is key in her work.

The **'Efficiency'** award was won by **Noelia Lorenzo Martín**, from Salamanca. After eight years working at DIA, she started managing her first store as a franchisee. Thanks to her proactivity, efficiency, and team management, Noelia Lorenzo managed to overcome the difficulties she encountered. She currently manages two DIA Market stores.

**Gloria Bress**, in Barcelona, was one of the first people to apply for a Clarel franchise, and was therefore given the '**Initiative**' award. Gloria Bress manages this store impeccably, constantly improving it and increasing the store's sales and customer satisfaction.

The DIA Group also recognised the work of **Raquel Selles**, from Petrel (Alicante), giving her the '**Respect**' award. Following ten years working for the group, Raquel Selles decided to open a DIA Maxi store, and has proven to have excellent teamwork skills, doing outstanding work in terms of customer outlook within an environment of respect and kindness.

The '**Team**' award was given to the **Romero Jacome brothers** from Casabermeja (Málaga), who manage three DIA Market stores. These two franchisees are a model of perseverance, organisation, and teamwork. They are both excellent company ambassadors, contributing to the training and development of new franchisees.

In Argentina, the '**Track record**' award was given to **Adriana Ledesma**, who manages a total of 20 employees in her two stores in Buenos Aires. Her extensive track record and commitment to the group led to her being given this award. For Adriana Ledesma, DIA represents her "independence and personal growth".

**Flavio Azevedo** received a '**Track record**' award in Brazil thanks to his three DIA Market stores in the state of São Paulo. After having worked for the company for six years, Flavio created a big DIA family with more than 70 employees, following the principles of partnership and teamwork. For him, DIA represents "significant personal fulfilment".

The group also recognised the work of **Manuel Jesús Rodríguez Muñoz**, from Vejer de la Frontera (Cádiz), for his **track record in Spain**. Manuel has worked with the group for 20 years, and he currently manages a DIA Market store. His dedication, sacrifice, customer service and care for his staff have been transferred to his sons, two of whom now also manage company stores.

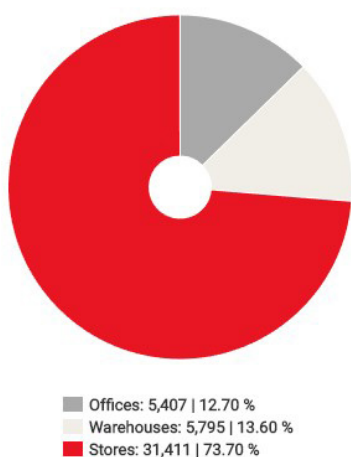
Lastly, **Pedro Fernandes** and **Francisco Peixeiro** received a '**Track record**' award in Portugal. They began in 2005 with a store in Boticas, and then opened a store in Murtosa and after that in Esmoriz (these towns are all close to Oporto). In each of these three towns, they manage a Minipreço store. Fernandes and Peixeiro have remodelled two of the three stores that they manage to adapt them to the needs of their customers. In total, they employ 25 people.

## Employees

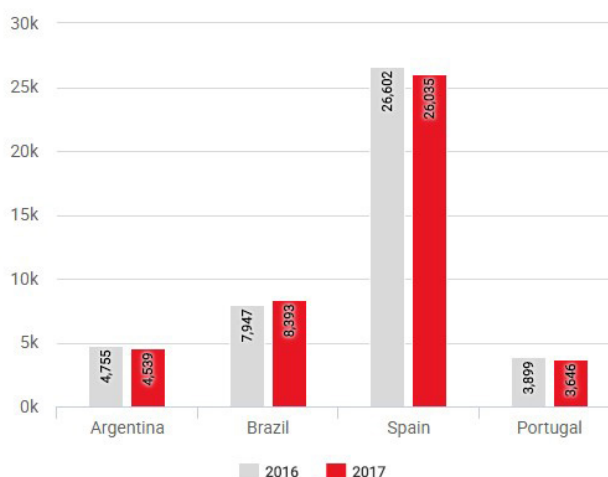
At the end of 2017, the DIA Group had an average workforce of 42,613 employees across four countries: Spain, Portugal, Brazil, and Argentina.

Out of the total number of workers at DIA, 70% are based on the European continent, and 30% are in Latin America. Looking at the split by workplace, 73.7% work in stores, 13.6% work in warehouses, and 12.7% work in offices. This workforce is complemented by people working for the DIA Group on different employment contracts, such as the logistics distributors and the purchasing area, which outsourced some of its functions in 2017, as can be seen in the "Suppliers and Supply Chain" chapter. (102-8)

**Workforce by workplace**



**Year-end workforce  
(31th december)**



Workforce of the **DIA Group** by december **2017: 42,613**

As we have seen in recent years, the company has grown its business to the extent that it has had repercussions for the Human Resources department. Some of the key objectives in this area now include promoting the development of new skills among employees, capturing new professional profiles with an omni-channel focus, and adapting to customers' new consumption habits.

The company has a 2017-2020 Human Resources Strategic Plan, approved by the Board of Directors. This Plan is based on three main pillars:



- **Customer focus:** Provide continuity and support the initiatives started in recent years to increase employees' focus on customers, which is one of the DIA Group's basic strategic pillars.
- **Digital transformation:** Promote the necessary organisational and cultural changes to digitally transform the organisation.
- **Employee focus:** Work on employee satisfaction in the context of the "100% love my job" project, which includes a series of actions focused on employees, aiming to achieve a higher degree of employee commitment to the project.

## 01. Committed to customer focus

During 2017, the Client Attitude project (set up a year ago) was developed further, and is now one of the company's key training pillars. This transversal programme aims to improve consumers' shopping experience, promoting the direct involvement of employees at all levels through training programmes, interdepartmental meetings, and several specific initiatives.

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More than **23,067** hours of training to more than **3,000** employees

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A new feature of this project is that it was expanded in 2017 to Portugal, developing a programme based on a cultural change in the management of people, leadership, selection, and digitalisation. In Spain, the programme includes a new initiative aimed at getting closer to the customer, which involves all the headquarter employees at all levels, whereby they visit stores and conduct personalised surveys, participating in day-to-day store operations.

Since the start of the project, more than 23,067 hours of training have been given in the context of this programme, involving more than 3,000 employees from the headquarters, warehouses, and stores across Spain.

## 02. New capacities for digital transformation

During 2017, the company continued to work on providing its employees with the necessary tools and knowledge to deal with the digital transformation in which the company has been immersed for years.

The main new feature here relates to the creation in 2017 of the “**Digital Transformation School**”, where digitalisation is tackled through cultural change in the company, and employees are provided with the necessary tools and concepts to implement this transformation. Through a blend of **e-learning and classroom teaching**, the headquarter employees have the chance to participate in various workshops and talks given by experts in technology and digitalisation (both in-house and external), where the content is adapted to suit participants’ needs.



The Digital Transformation School is aimed at all of the company’s structure, and its content covers both specific areas and transversal ones. Accordingly, since 2017, **23 specific training sessions related to big data, robotics, digital marketing or e-commerce have been carried out**, which represent around 190 hours and the training of 900 workers (404-2). In the coming years, the company intends to export this concept to the other countries in which it operates.

In addition, the digital transformation allows the company to promote its headquarter training through e-learning platforms, acquired in 2017. Of note is the language training (20% of which is online) and the Code of Ethics training.

This digital adaptation also applies to store employees. In Spain, digital training in stores is focused on providing supervisors with the necessary tools to tackle the digitalisation of daily business management (including optimising stock management, the store management application, the franchise application, invoicing and franchisee reports) and to improve knowledge of the customer through tools that measure customer satisfaction, such as Qualtrics.

Of note in 2017 was the training processes for Clarel staff based on managing the product ranges. The first “demo trivial pursuit game” has been developed, whereby employees challenge each other to gauge their level of knowledge about Clarel as a banner, sales techniques, and store operating processes, with a total of 5,200 challenges in the last quarter of 2017. In 2018, this will be rolled out across all Clarel stores.

In the Human Resources area, there is a focus on new technologies and social networks to streamline talent attraction in order to create the Employer Brand. Accordingly, the company has a corporate profile on LinkedIn, which serves as a recruiting platform and source of information for potential candidates interested in the profiles requested. This platform is managed by the Group Human Resources talent attraction team. During 2017, this project was extended to include Brazil, with the aim of supporting the rapid business growth in the country. Thus, DIA Brazil has its own LinkedIn profile where it publishes its job openings and then carries out its recruiting work.

In Portugal, an in-house application was also launched in 2017 that focuses on managing candidates and streamlines the recruitment processes, in line with the Group’s digitalisation strategy.

## 03. Employee focus

The DIA Group is aware that an improvement in employee satisfaction leads to higher levels of employee commitment towards the company's projects. This is why employee satisfaction is one of the objectives of the Human Resources Master Plan, and is focused on at all levels, from the most basic (related to needs such as remuneration or equal opportunities) to higher levels related to facilitating better employee performance and ensuring greater employee recognition.

### Quality work practices

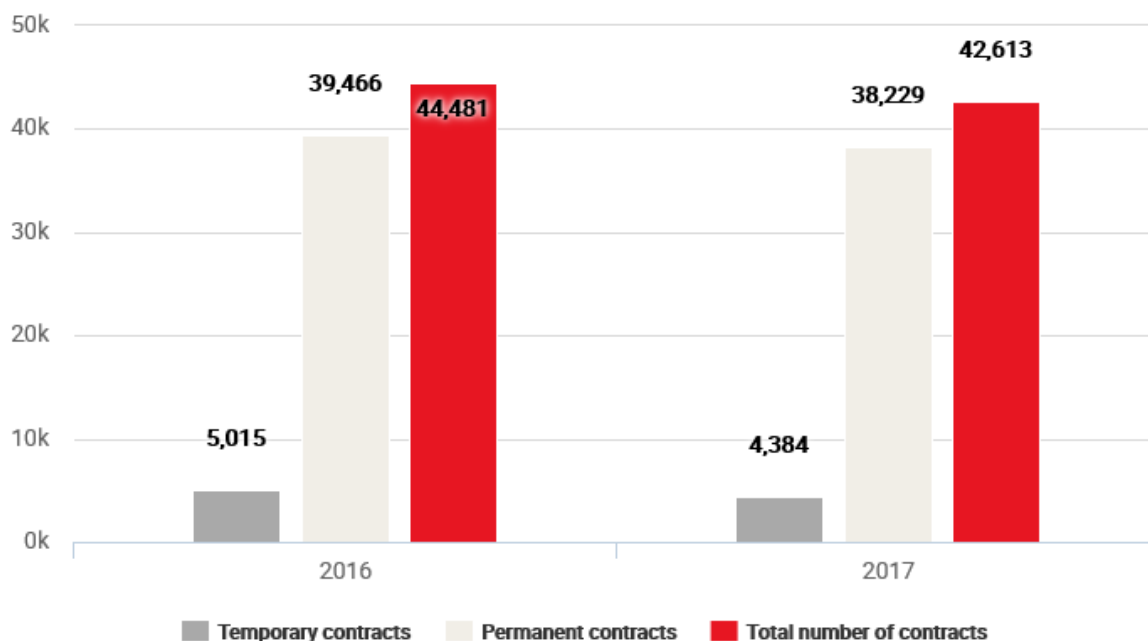
In 2017, 89.7% of all of the group's employment contracts were permanent, while average employee turnover (understood to be voluntary resignations) was 1.01%. 100% of the group's employees are protected by a collective labour agreement, either at company level (in the case of Spain) or at sector level (in the case of Portugal, Argentina, and Brazil), and the company has 1,113 trade union representatives worldwide (102-41). These data, coupled with an average employee seniority of 8.3 years, represents a good indicator of the quality of labour relations between the DIA Group and its employees.

(102-8)



### Permanent contracts

**Total Number of contracts**



## 2016 types of contracts %



■ Temporary contracts 11.27 %  
■ Permanent contracts 88.73 %

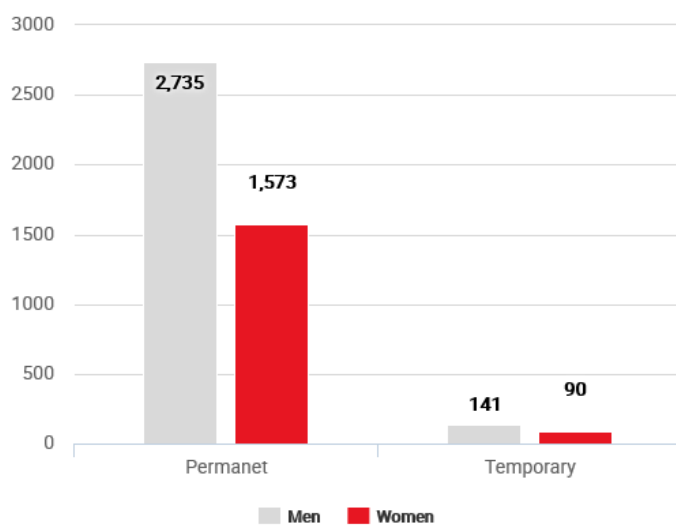
## 2017 types of contracts %



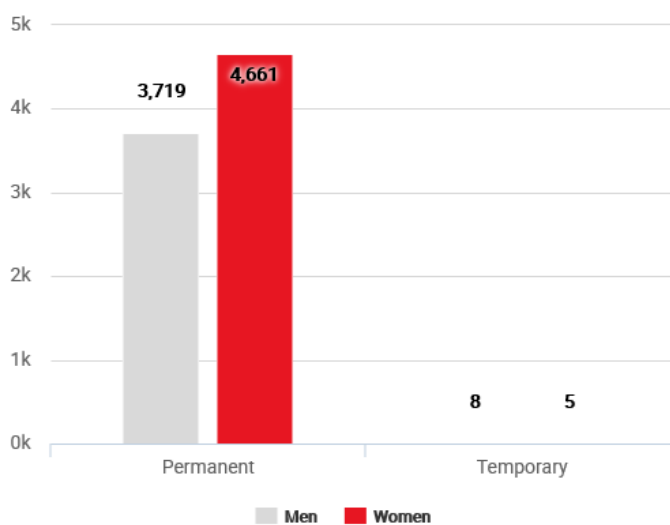
■ Temporary contracts 10.29 %  
■ Permanent contracts 89.71 %

## Permanent contracts by sex and country

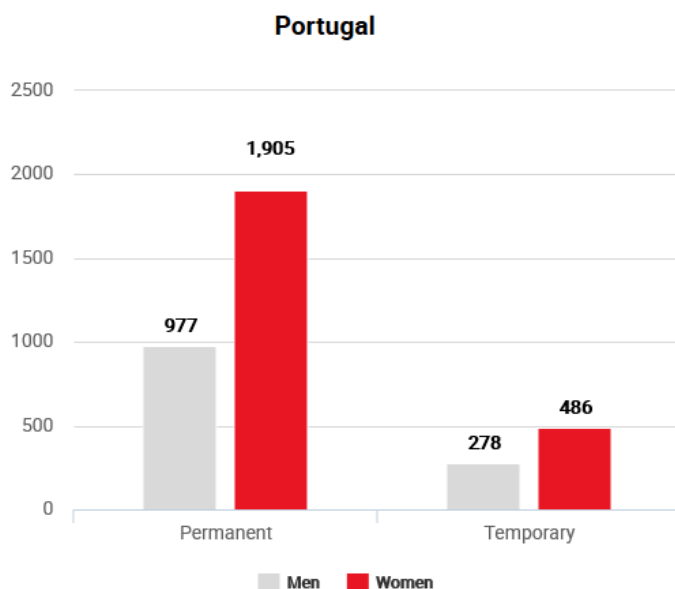
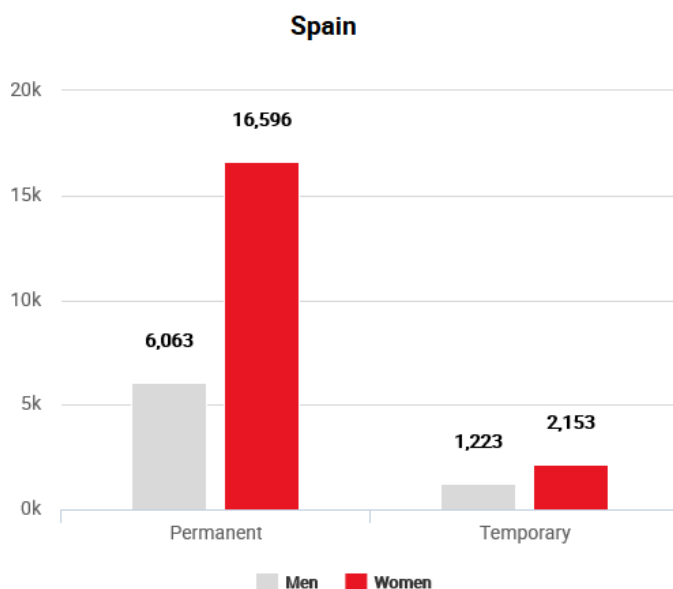
### Argentina



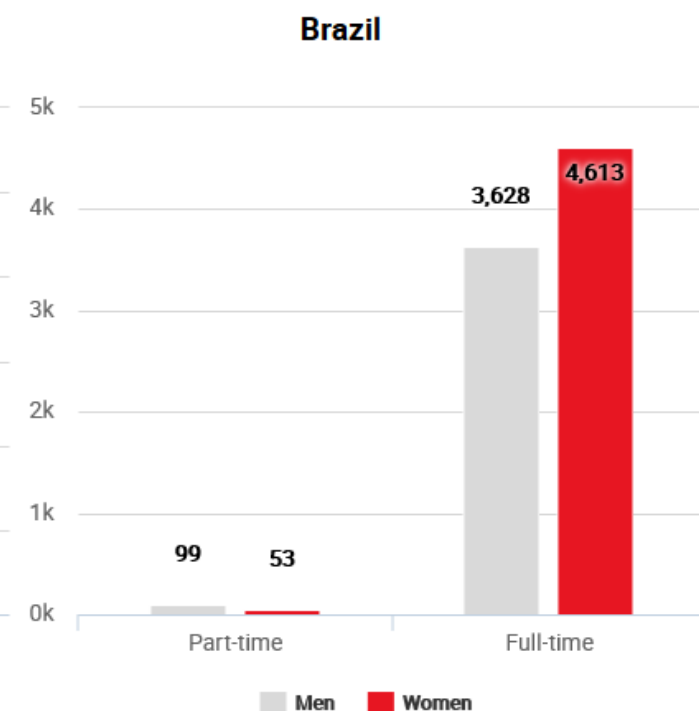
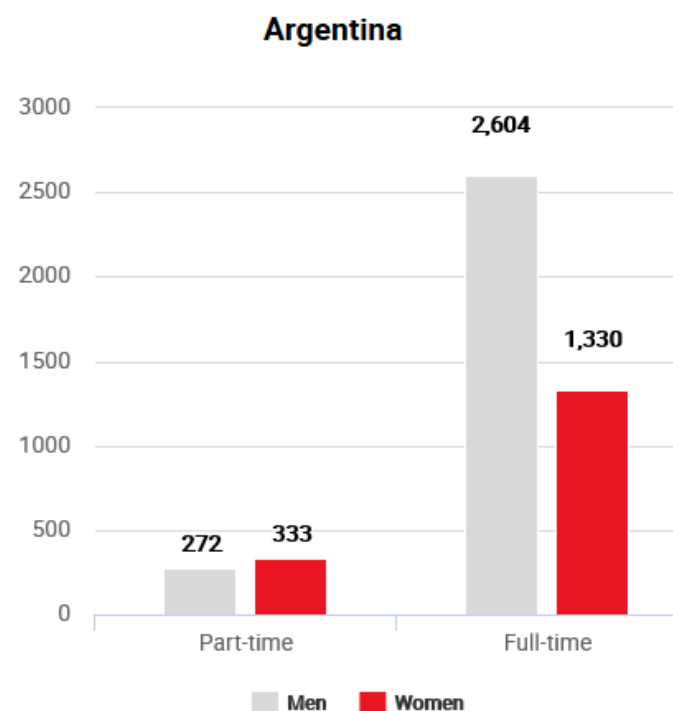
### Brazil



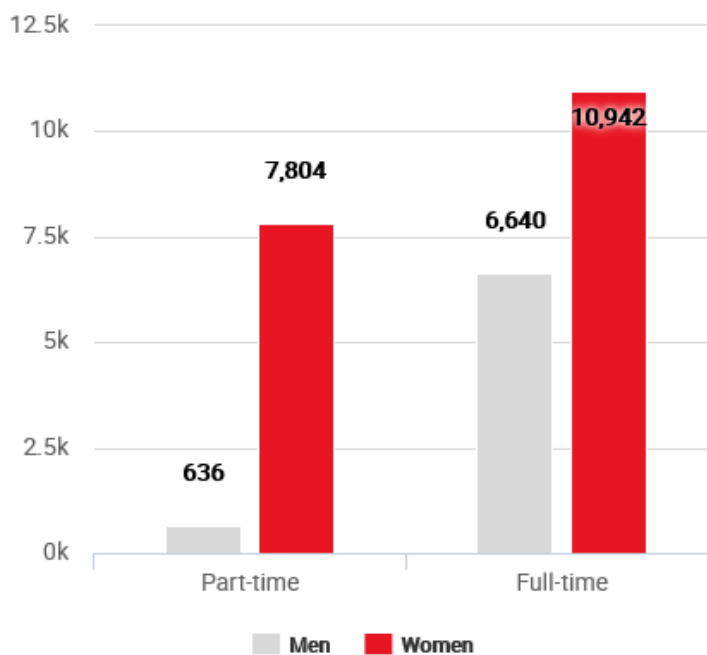




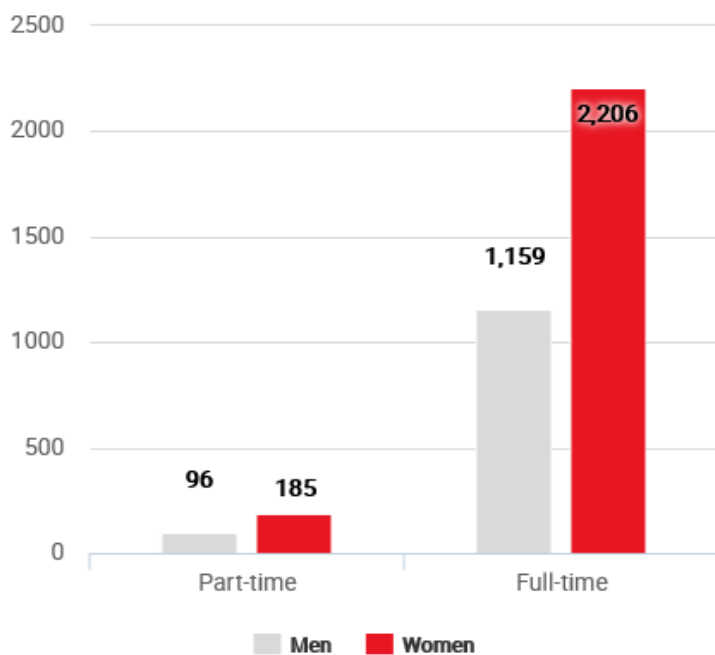
#### Full-time contracts by sex and country



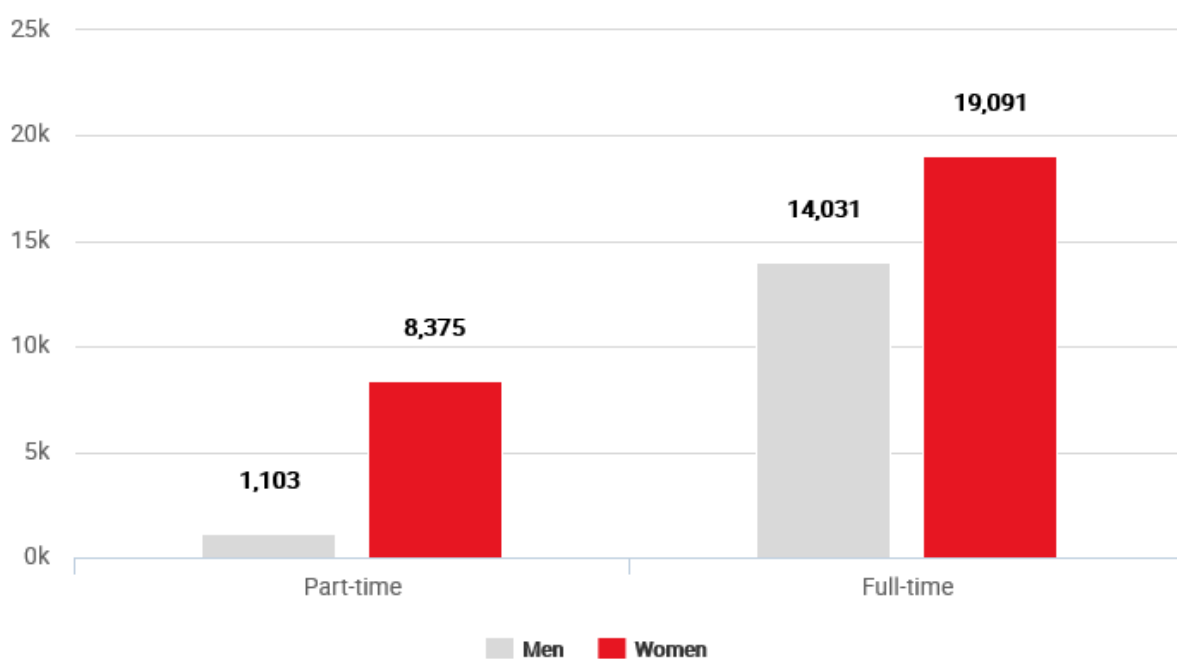
## Spain



## Portugal



## Group



In relation to job creation, average workforce has slightly decreased in relation to 2016 not only due to the reduction of retail surface but also because the running of some stores is been outsourced. (401-1)

### Recruitment and rate of recruitment

	< 30		30-50		> 50		Total
	Men	Women	Men	Women	Men	Women	
Argentina	509 (0.112)	228 (0.050)	135 (0.030)	86 (0.019)	5 (0.001)	9 (0.002)	972
Brazil	1,684 (0.201)	1,834 (0.219)	739 (0.088)	973 (0.116)	12 (0.001)	6 (0.001)	5,248
Spain	2,118 (0.081)	3,117 (0.120)	1,360 (0.052)	3,678 (0.141)	96 (0.004)	282 (0.011)	10,651
Portugal	532 (0.146)	674 (0.185)	85 (0.023)	172 (0.047)	5 (0.001)	2 (0.001)	1,470

### New employee hires and employee turnover

	< 30		30-50		> 50	
	Men	Women	Men	Women	Men	Women
Argentina	592 (1.06)	282 (0.5)	179 (0.32)	118 (0.21)	9 (0.016)	3 (0.005)
Brazil	1,418 (1.4)	1,721 (1.7)	644 (0.63)	989 (0.98)	18 (0.017)	19 (0.018)
Spain	2,447 (0.76)	3,729 (1.16)	1,541 (0.48)	4,418 (1.37)	213 (0.06)	538 (0.17)
Portugal	582 (1.24)	742 (1.58)	119 (0.25)	278 (0.59)	8 (0.017)	4 (0.008)

### Internal communication

The DIA Group is in constant communication with its employees at all levels, allowing it to transfer its corporate identity to the workforce, building confidence and good relations between employees.

### More active listening to employees

In addition to the direct contact with employees that the company is promoting through the tools mentioned in this section, every two years the DIA Group conducts a survey involving 100% of its workforce in all the countries in which it operates. This is a voluntary project, which, through a third party, guarantees the total anonymity and privacy of all the answers given by employees.

The last survey was conducted in the last quarter of 2016, in which more than 44,000 people took part. The results of this survey allowed the company to identify several improvement areas that are being worked on, at the Group level as well as in each country and in the regional centres.

During 2017, the company once again took stock of the mood among headquarter staff due to the new internal organisation by banner, and of the commercial and purchasing areas that are being developed. The aim of this was to determine (through specific surveys conducted through mobile applications) employees' opinions regarding organisational and structural issues.

### **New tools to improve communication**

2017 was the year of the deployment at the company's headquarters and a pilot project for stores involving the new Corporate Portal for employees, a space created to promote communication with employees, to generate professional knowledge, to share free time, and to disseminate corporate information. Among other content, the new portal, which works like an internal social network, includes:

- Information about the Group's services, structure, policies, products, brands, and media campaigns.
- Information about the Group's companies.
- News about the Group.
- Employment information.
- Offers for employees and social benefits.
- Free membership spaces for exchanging information.

In Argentina, this new portal (which is more dynamic and intuitive) has started to be developed, with a first pilot project at the end of 2017, in which 1,400 employees have already been involved. Brazil and Portugal are still in the preparation phase, and plan to roll it out in 2018.

In addition, internal two-way communication has been strengthened with the creation of new two-way communication spaces, sometimes face-to-face, or leveraging the latest technologies, which allow employees to express their questions or concerns to management. Twice a year, the CEO and the entire management team give a presentation about the company's performance, with questions in an open format through videoconferences with employees in all countries. These informative meetings cover both operational and strategic issues and objectives, which are shared with most of the workforce.

In turn, the Group directors have three meetings a year with the Management Committee, in which they analyse the results and share various questions about the business.

The webcast with analysts and the presentation of results to the press can be followed by employees on the corporate website (for the webcast) and on Periscope (for the press conference).

## Development of human capital

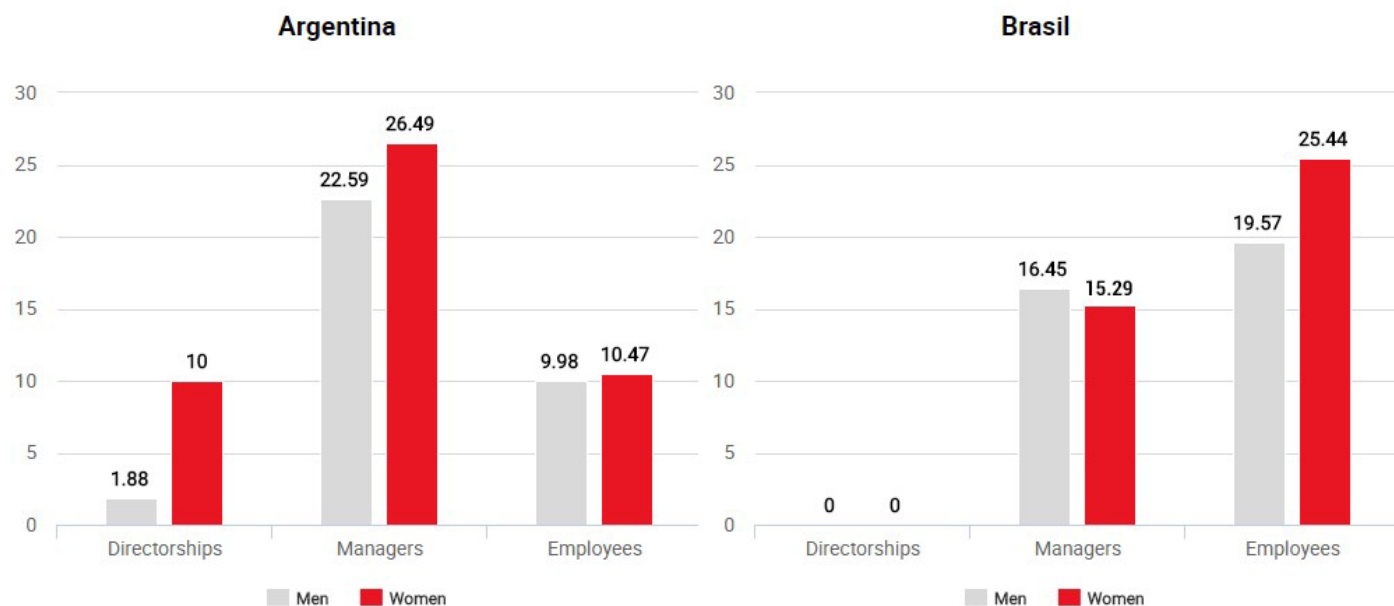
### Talent training and development

The DIA Group has an active policy in terms of talent retention and training, which identifies, recognises, and promotes the value that different profiles generate for the organisation. Ongoing training is a priority in a context of constant change and innovation, mainly focused on adapting to new customer needs.

Accordingly, the company has placed an ongoing focus on training its workforce. During 2017, 476,813 hours of training were given to more than 34,022 store, warehouse and headquarter employees in the four countries in which the company operates.

In addition to external training, the DIA Group has 31 own training centres for employees and franchisees who work in stores. These centres are involved in training sales people at all levels to carry out functions such as checkout operations, new services, and more specific tasks such as the running of the meat and fish sections. The company also runs specific training programmes in its logistics centres, mainly focused on the efficient use of tools and machinery, and (as for the other profiles) on guaranteeing the occupational safety of its workers.

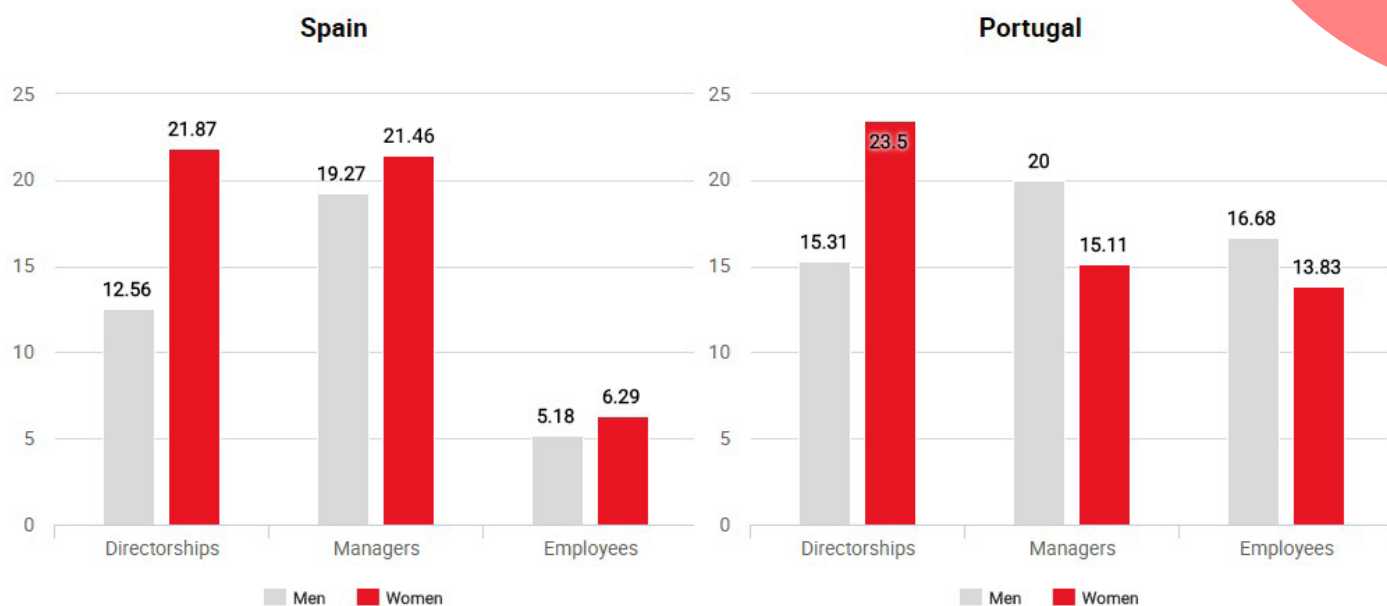
**Average hours of training per year per employee (404-1)**



Average hours of training per year: **12.07**

Average hours of training per year: **22.71**





Average hours of training per year: **6.39**

Average hours of training per year: **14.88**

In addition to the focus on digital transformation training in Spain, in Argentina the “Escuela de Excelencia operativa DIA” (“DIA School of Operational Excellence”), is involved in training employees in daily operations in the regional centres. During 2017, close to 700 employees were trained at this school, taking part in more than 800 specialised courses.

In Brazil, progress has been made in developing initiatives within the framework of the “Universidade DIA” (“DIA University”) project. This is a strategic pillar for the training of employees in Brazil, offering ongoing training to transform their skills and knowledge into business results.

Portugal continued to provide training on skills related to the new services implemented in its stores, focusing on aspects such as the management and handling of fresh produce, new applications, and digitalisation. During 2017, more than 6,000 store and warehouse employees participated in these training courses with the aim of ensuring that they have the correct knowledge in relation to the new proximity and attraction formats.

### Internal promotion

DIA has tools to identify and recognise the value that different functions generate for the organisation. This more flexible system, in addition to offering organisation coherence, allows the company to recognise the strategic business areas and identify the employees who add value to the company, based on the parameters of system with common criteria.

Year after year, the DIA Group keeps a constant focus on internal promotion and long-term professional development, leveraging employee profiles with a bigger global and transversal vision of the company. During 2017, 47% of vacant positions in offices were covered internally, implying a shift of 9% of the workforce.

## Health and safety in the workplace

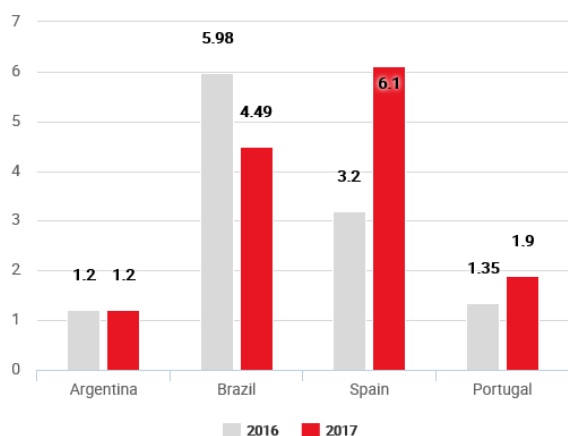
DIA is aware that preventing work-related risks among its employees is the leading indicator in terms of measuring its quality as an employer. Across the entire group, the number of hours lost due to work-related accidents is 0.53%, which is a low percentage given the nature of the work in stores and warehouses.

### Types of injury and rates of injury (403-2)

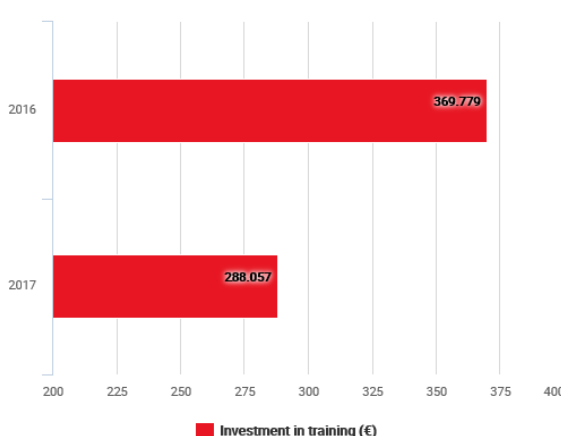
	Argentina		Brazil		Spain		Portugal	
	Men	Women	Men	Women	Men	Women	Men	Women
Working hours per year	6,751,250	3,556,858	6,894,299	8,954,211	13,344,522	29,079,587	2,500,788	4,577,381
Work-related accidents	65	26	50	77	751	1.069	169	307
Injury rate	0.184	0.001	0.116	0.133	0.827	0.463	1.04	1.00
Lost day rate (%)	0.23	0.22	0.22	0.27	0.77	0.64	0.718	0.635
Absentee rate (%)	2.02	3.24	5.77	10.70	4.25	7.79	2.99	3.36
Number of fatalities	0	0	0	0	0	0	0	0

In each of the countries in which the group operates, training is provided in new stores and in relation to new processes, such that the company can guarantee that all of its employees have been trained in occupational health and safety, including employees who are already with the company and who are updating their knowledge, and new employees who are just joining.

Number of hours of occupational risk prevention training per employee



Total investment in occupational risk prevention training (EUR)



In 2017 in **Brazil**, the company launched a training programme for store managers on the prevention of occupational risks, with the aim of involving all teams and foster an understanding of the importance of working safely. Warehouse operators also took part in this programme; in total, **more than 2,600 employees** participated, with over **14,900 hours of training given**.

In **Portugal**, the company also gave courses to store and warehouse employees related to health and safety in the workplace, **with 1,100 employees taking part**. The courses, which included **over 3,400 hours of training**, covered areas such as load ergonomics, fire safety, ergonomics, first aid, and prevention of occupational risks.

In order to help improve the healthy lifestyle habits of its employees, for the seventh year in a row, the DIA group organised a Healthy Week ("Semana Saludable"), both at its headquarters in Las Rozas de Madrid and at its regional centres, involving its store, warehouse, and office staff. Accordingly, employees could enjoy activities based on physical exercise, healthy eating, hydration, and emotional wellbeing.

In the context of health surveillance, the company has developed other campaigns that have been used in previous years in all the countries in which it operates, such as the Flu Vaccination Campaign, initiated and promoted by the public health services, and which DIA also got involved in, to provide vaccinations to any people interested.

Along the same strategic lines, health surveillance is integrated into the **company's global Prevention Plan**: through the **Health Assessment and Monitoring programme**, employees' state of health can be evaluated in relation to the risks they are exposed to in their workplace, allowing them to adopt any preventative measures by adapting the workplace if necessary, and monitoring their health over time in order to detect any signs of possible and potential injuries early, thus avoiding them turning into professional illnesses.

Accordingly, DIA has integrated procedures into its Global Prevention Plan to detect the repercussions of working conditions on employees' health, identifying employees who are particularly exposed to such risks in order to adapt their workplaces to the needs of each person.



## 04. Performance and remuneration

DIA's remuneration system attracts, motivates, and retains a workforce that is trained to face the challenges that arise in the retail distribution sector. Accordingly, the company has developed a process aimed at the fair weighting of excellence among employees.

The remuneration policy is established by the Group's management, according to local market practices, inflation, agreements with unions, and collective agreements.

### **DIA's remuneration policy is based on the following principles:**

- Moderate and align remuneration according to local trends seen in companies of a similar size and activity, guaranteeing that they are aligned with the best practices in the market.
- Reward the quality of work, dedication, responsibility, business knowledge, and commitment to the Company for employees who hold key positions and lead the organisation.
- Establish a close link between remuneration and the Company's results, such that the weight of the variable remuneration is sufficient to efficiently compensate the individual achievement of targets, as well as the value added to the Company and its shareholders.
- Internal equality and external competitiveness.

The company has performance evaluation mechanisms in place for 100% of its workforce (404-3) that vary according to job title and position. In the case of store and warehouse employees, they are evaluated on their performance and productivity, both on an individual level and in their overall workplace. In the case of offices, the personal objectives are focused on individual performance and values, and aligned with the Company's results.

Merit is the main driver behind salary growth. This merit is calculated based on an annual appraisal of values, skills, and compliance with previously set objectives. All of these appraisals conclude with one of the following results: Excellent, Good, Satisfactory, or Room for improvement, which have a bearing on salary increases.



DIA understands employee potential to be the latter's ability to undertake positions with a higher degree of responsibility in the future, which is a way to boost salary growth.

By means of a system that manages employee potential, the company can detect high-potential employees and establish retention measures, including promoting them to a higher job grade, and giving them preference in training processes and internal selection.

In 2017, there was a change in the variable remuneration system applied in Spain for more than 10,000 employees in the own stores. The new remuneration system is more aligned with the company's strategy, and takes customers' views into account by including their degree of satisfaction as a measurement factor.

Accordingly, the addition of new assisted sales and fresh produce sections in the DIA banner stores, as well as in the La Plaza de DIA supermarkets, is now linked to the good management of these sections. Therefore, there is an ongoing flow of the above-mentioned commercial activities and recruitment of professionals. This new variable remuneration system for this group therefore complements overall remuneration of delicatessen, meat, and fish professionals.

The rest of the store and warehouse personnel continue with the previous tranche system according to their performance and category in relation to the variable remuneration.

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In Spain, **100% of the store** and warehouse staff benefit from the variable remuneration system, which **is above the minimum salary** levels established in the collective agreement.

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As for employees working in offices, managers, and directors, the variable remuneration is split as follows: 60% is linked to the company's targets (EBIT, gross sales under banner, like for like, and merchandise cash and 40% is linked to personal objectives, which include targets that are agreed with the employee's direct superior, as well as the improvement in the customer satisfaction index. In 2017, a new feature is that the improvement in the franchise satisfaction index has been included in these personal objectives, and which is applicable to all the office staff in Spain and the directors in other countries.

## 05. Equal opportunities in the workplace

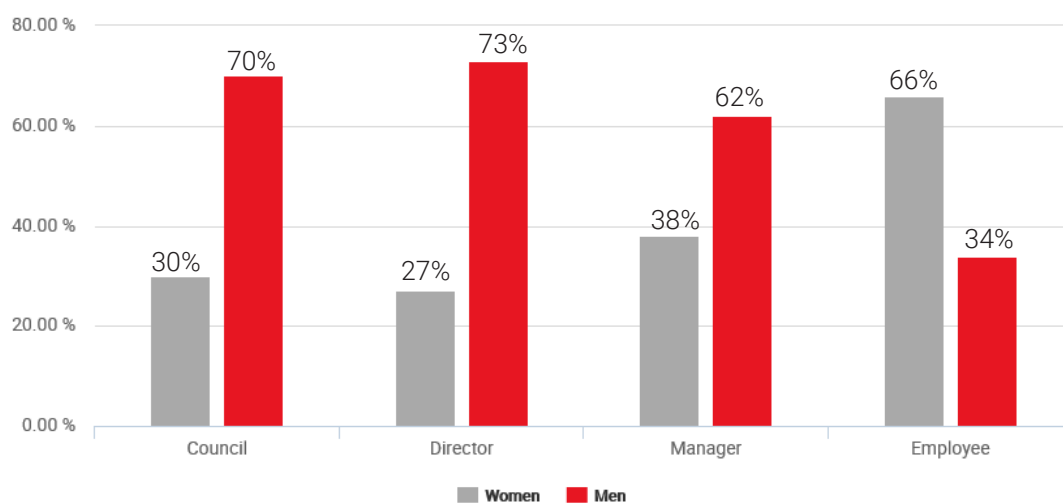
The DIA Group is committed to ensuring equal opportunities in the workplace. Women accounted for 64.4% of the total workforce, and 36.5% of people in management positions at Group level, reaching 43.8% in countries like Spain. On the Board of Directors, the proportion remains around 30%, while at Director level this ratio is 26.4%, slightly below last year's figure (29.2%).

At the end of 2017, the workforce split, by gender, hierarchical level, and country, was as follows:

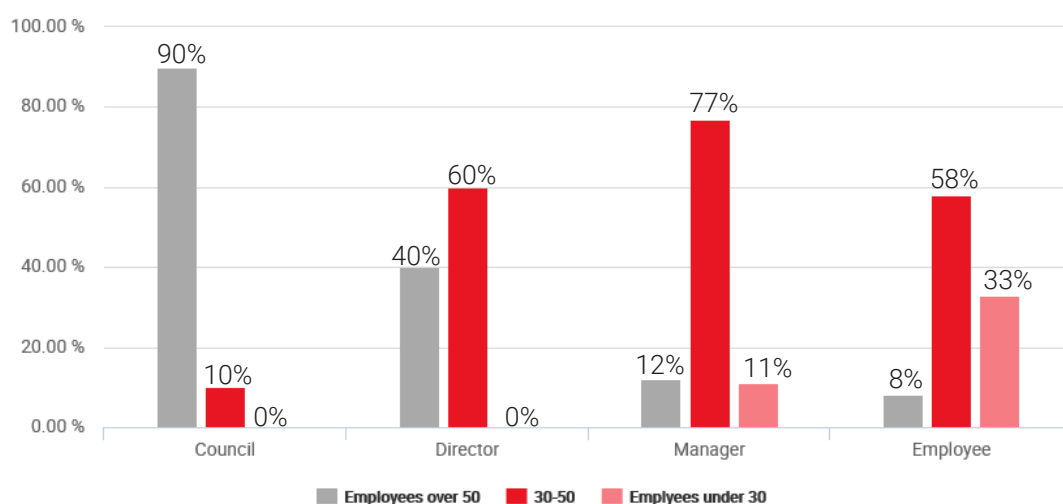
(405-1)



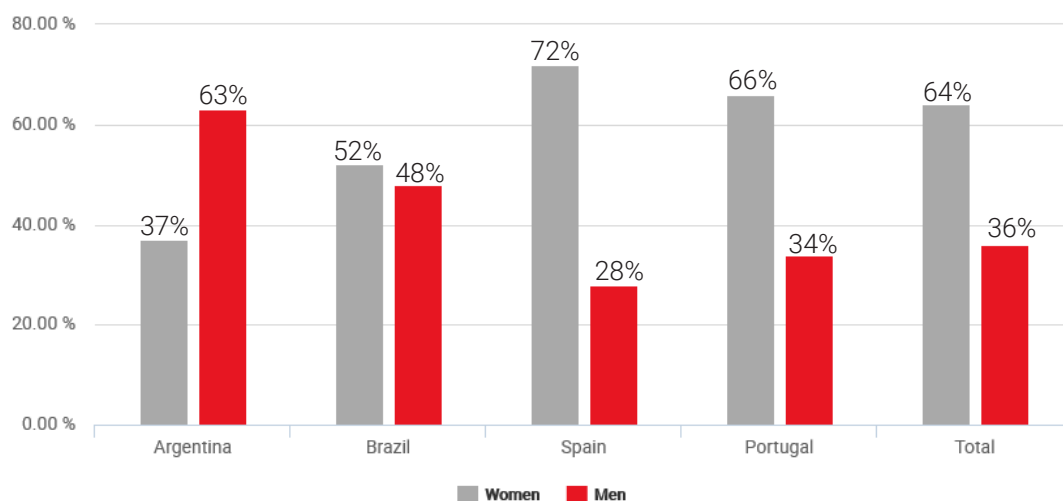
**Percentage of individuals per professional category and gender**



**Percentage of individuals per professional category and group of age**



**Percentage of individuals per region and gender**



The DIA Group openly publishes its processes of selection, promotion and occupational training, and **guarantees salary equality in jobs of equal value**. There were no cases of discrimination in this area in 2017 (406-1).

The company has an **Equality Programme**, which was approved in 2012 in Spain, which aims to delve even further into the equality of professional opportunities at all levels of the workforce. During 2017, at manager and director level, women employees accounted for 34.23% of promotions to professional groups different to their original group.

On 8, 9, and 10 of March 2017, to celebrate International Women's Day, the DIA Group launched an information and awareness campaign based on two main pillars: talent and digitalisation. This initiative involved the company sending infographics to its entire workforce in Spain, with data and statistics about equality and digitalisation, as well as an article about women and digital transformation. The company also circulated among its employees the United Nations objectives for Gender Equality, and it convened the "Mujeres que dejaron huella" ("**Women who left a mark**") competition, whereby DIA employees submitted their selfies with contributions such as inventions created by women or literary works written by women throughout history.

Since 2016, the company has also participated in the Universo Mujer (**Women's Universe**) programme in Spain, an initiative focused on the development of women and their personal progress within society. This was set up to develop initiatives that can contribute to improvement and social transformation through the values of female sports. DIA, which is also involved in other initiatives to promote gender equality and female leadership, is concentrating its efforts into this programme to promote women, and, in partnership with the FEB (Spanish Basketball Federation), will develop a series of projects that will contribute to the objectives defined, and in which customers and employees will participate.



## 06. Diversity and integration

The DIA Group is focused on raising awareness in our environment and throughout the year to ensure that people with disabilities live and work in a more inclusive society, in which everyone can enjoy equal opportunities. In total, among DIA's workforce at the end of 2017, there were **542 people** with some type of physical or intellectual disability, DIA Brazil having the highest number (308) of people with disabilities in their workforce.

	2016		2017	
	Average number of people with disabilities	% Equivalent full-time employees	Average number of people with disabilities	% Equivalent full-time employees
Argentina	1	0.02%	1	0.02%
Brazil	267	3.53%	308	3.64%
Spain	238	0.93%	212	0.87%
Portugal	19	0.21%	21	0.57%
Group	525	1.27%	542	1.34%

At the end of 2017, the DIA Group renewed the **Inserta agreement** with the **Fundación ONCE** in Spain. This project was started in 2012, and has led to 90 people with disabilities being employed by the DIA Group in Spain. The company has now committed to hiring another 150 people with disabilities over the next four years. The DIA Group will continue to rely on Inserta Empleo, the training and employment entity of the Fundación ONCE, to cover new positions that the company needs to fill, pre-select candidates that fit the required profiles, and provide personalised training that allows them to carry out the tasks assigned. The agreement also aims to promote other actions that indirectly favour the integration into the workplace of people with disabilities, through the acquisition of goods and services from the special employment centres.

Along the same lines, and for the sixth consecutive year, in Spain the company celebrated the International Day of Persons with Disabilities, contributing to the dissemination and awareness of integrating people with different capacities into our company.



## Suppliers and Supply Chain

DIA has a worldwide network of over 4,500 suppliers who are key in terms of providing customers with the DIA Group's proposition of offering the best quality at the best price.

(102-9)

The company's international profile, its omni-channel concept, and its ongoing development in very different types of markets, offers these suppliers (who are mainly local) new business opportunities and better knowledge of consumer behaviour.

The DIA Group's supply chain is run using an efficient and innovative logistics system, linking its 37 warehouses with a wide and dispersed store network in the four countries in which the company operates. These warehouses use pioneering systems such as radio frequency voice picking to prepare orders, which boosts efficiency and eliminates the use of paper.



All the systems and software used in its logistics network are designed and developed in-house, thus allowing it to react fast to the changing needs of its different markets and to make quick adjustments, allowing it to operate very efficiently within its proximity model.

Transportation companies operate under an autonomous structure, deliver merchandise using multi-temperature trucks, which simultaneously transport fresh produce, frozen products, dry products, and 0+ temperature products, thus speeding up deliveries, reducing transport costs and simplifying the delivery process for stores, as they only receive a single truck with all the merchandise.

The products are packaged ready for selling, with no need for additional handling, which saves time when stacking shelves, and are also more aesthetic for customers. In addition, barcodes are placed on several parts of the product packaging to streamline scanner detection at the store checkouts.

The group's internal reorganisation by banner in Spain has also involved the warehouses, which since 2017 have delivered to stores according to format and not location, as was the case in the past.

As for operations, in 2017 a new application was launched to locate and track trucks, allowing for real-time monitoring of merchandise from the shop. This application started to be implemented in Argentina in 2016, and in 2017 it was developed in Spain and Portugal.



## Nº of warehouses by country

	Nº of warehouses	Floor area
Argentina	5	110,994
Brazil	7	154,398
Spain	22	431,771
Portugal	3	76,350
<b>Total</b>	<b>37</b>	<b>773,513</b>

## Own labels: innovation and quality at the best prices

The DIA Group has a broad portfolio of own-label brands, with over 7,000 SKUs in total. This constitutes a big differentiating factor in DIA's commercial offer, and its success is due to the excellent value for money that these own-label products represent, supported by a cost-efficiency policy and exhaustive checks on manufacturing and distribution processes.

DIA's own-label brands are present in all the countries in which the group operates, and they always account for a high percentage of total sales. Accordingly, in Spain, own-label sales accounted for 48% of total sales in 2017, and this figure was 54% in Portugal. In emerging markets, where there is less of a tradition of own-label products, the percentage of total sales was very significant: 37% in Argentina and 34% in Brazil.

During 2017, the company continued to expand its assortment, in line with its strategy to adapt to customers' changing needs through innovation, with 200 new SKUs launched in the market. Thanks to this strategy, a new own-label brand was added to the portfolio: Vital, which encompasses products focused on a balanced, healthy diet.

## Private labels by market

**48%**

Spain

**54%**

Portugal

**37%**

Argentina

**34%**

Brazil

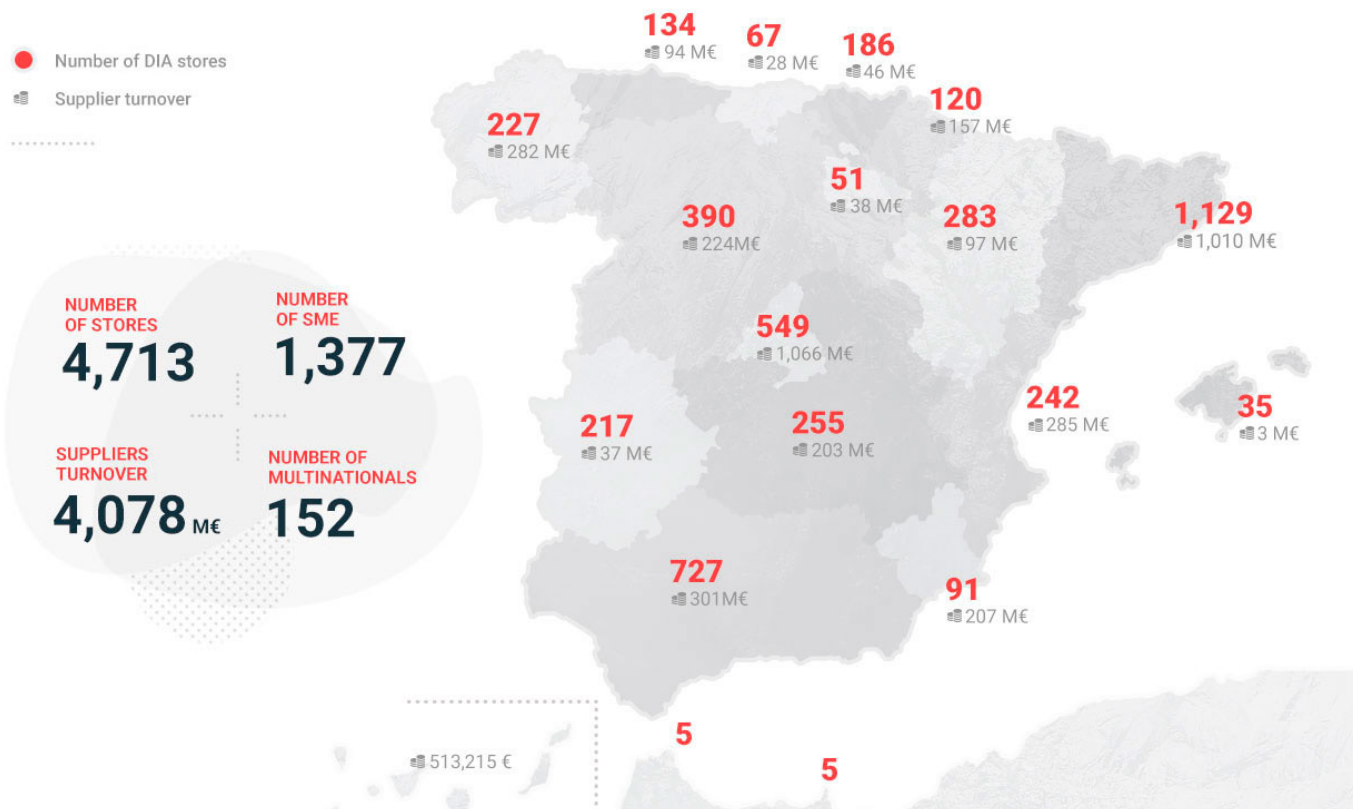


## 01. Wealth generation through local business

Given that the company's business model is mainly based on proximity, **almost 90% of the suppliers that the company works with are local<sup>1</sup>**, so most the DIA's purchases are from them, as shown in the following table. By country, 89% of suppliers are local in Spain, 57% are local in Portugal, 97% are local in Argentina, and 98% are local in Brazil.

	Total number of suppliers	Percentage of purchases with local suppliers [%] (2024-1)
Argentina	494	98.06
Brazil	919	99.8
Spain	1,711	94.41
Portugal	800	81.62

### DIA suppliers in Spain



1. Local companies that present the same tax code of the country where those goods are sold.

In 2017, the DIA Group made purchases from the suppliers of national brands worth EUR4.864bn, which implies a 3.3% increase versus the previous year. In turn, purchases of own-label products from suppliers reached over EUR3.190bn. The split between national brands and DIA Group own-label products was 60%-40% in favour of the former.

Year after year, the DIA Group exports its main own-label brands. This activity is managed by the Executive Partnership board, which serves as a launching pad towards new markets where the company does not currently have a physical presence. This therefore represents an unbeatable opportunity to carry out large operating investments and is also a good chance for DIA's local suppliers to broaden their horizons and bolster their image internationally. During 2017, the DIA Group invoiced a total of EUR30m in exports, which implies a 57% increase versus the previous year. A new feature in 2017 was that these exports were going to a larger number of destinations, with new clients in the UK and Germany, so the Group has added these two countries to the 30 countries to which it already supplies its own-label products.

### Exports by the DIA Group



Purchases of **own-label products** from suppliers  
reached over **EUR3.190bn**

1. Local companies that present the same tax code of the country where those goods are sold.

## 02. Strategic partnerships: better prices and more opportunities

In recent years, the DIA Group has entered into a series of strategic partnerships with other operators in the sector with the aim of improving efficiency in all the purchase processes from suppliers, both in terms of negotiations and the actual purchasing process and commercial services. Note that the companies which have set up partnerships (and which are detailed below) continue to manage their commercial strategies completely separately, competing in the markets in a fully independent way, both on a commercial level and in terms of managing their points of sale. In fact, during 2017 no action was undertaken due to causes related to monopolistic practices and against free competition.

- Agreement between DIA Group and Eroski for own-label and national brands: in 2015, both companies agreed on a partnership to improve their negotiating conditions with large suppliers of national and international brands for the Spanish market. While keeping their commercial policies completely independent, the aim is to boost efficiency, which leads to more competitive prices that benefit all customers. The partnership was approved by the antitrust authorities in Spain.
- The decision was taken to broaden this agreement in 2017, with the creation of Red LibraTrading Services S.L., a new company whose objective is to negotiate with suppliers of private-label products on behalf of both companies, as well as to acquire other materials and supplies necessary for their activity, with the same aim of maximising value for money for consumers.
- Red Libra Trading Services, which employs just over 50 people, started operations in April 2017, operating from Madrid with an initial capital equally split between the DIA Group and Eroski.
- A joint purchasing centre with Intermarché in Portugal: In 2015, the DIA Group and Intermarché (a supermarket banner that includes independent companies) set up a joint purchasing centre under the name of CINDIA, headquartered in Portugal. The negotiating mandate given to CINDIA does not include traditional fresh produce from agriculture or fishing, and neither does it include negotiations with SMEs.
- Agreement between the DIA Group and Casino for negotiations and commercial services: At the end of 2015, and to be applied in 2016, DIA and the French distribution group Casino set up a new company, headquartered in Switzerland, called ICDC Services, which aims to improve the competitiveness of both companies when faced with the large international suppliers. The agreement, which covers both national brands and own-label products, allows both companies to improve their offer to consumers in terms of assortment and price.

This partnership was broadened during 2017 with the creation of a new joint venture, CD Supply Innovation S.L, which is headquartered in Madrid and started operations at the end of December 2017. This company, in which both partners have a 50-50 stake, is in charge of managing certain financial and logistics services, such as payments and sourcing (102-10). In addition, there are plans to create an innovation laboratory to optimise supplier processes and enhance efficiency, ultimately allowing for a better offer for consumers.





### 03. Responsible management of relationships with suppliers

The DIA Group selects its suppliers based on criteria relating to competition, process efficiency, and product quality. As we have highlighted in previous sections, all of DIA's suppliers of own-label products are subject to internal and external audits that take place periodically.

In addition, all the suppliers have been proactively informed about the rollout of the DIA Group's Ethics Channel, and they have been encouraged to use it in the event of any non-compliant situation being detected. Given that more than 90% of the suppliers of own-label products are local suppliers, to date it has not been deemed necessary to conduct a risk analysis related to non-compliance of human and occupational rights in the DIA Group's supply chain (412-1). However, this issue will be discussed in the coming months.

All of DIA's contracts with its suppliers include a clause indicating that the company is a signatory of the United Nations' Global Compact. In accordance with these instruments, the DIA Group's relationship with its suppliers could lead to penalties or the contract being rescinded if there is any violation of the Ethics Code and/or of any of the principles included in the Global Compact.



# The environment

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The DIA Group's commitment to the environment is defined in its Environmental Policy, endorsed by the Board of Directors in 2016.

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This policy includes the general principles that govern the management and planning of the company's activity, as well as the objectives that the DIA Group has in this area.

The integration of the efficiency and sustainability criteria is the basis on which the main commitments are established:

- Comply with existing regulations.
- Promote the responsible use of resources.
- Manage waste by following the waste hierarchy model, prioritising waste prevention and avoiding waste disposal where possible.
- Adopt measures to reduce the emission of greenhouse gases.
- Actively work on identifying improvement opportunities.
- Encourage staff through training and awareness initiatives so that they can actively participate in the application of these commitments.

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All of the above is under the premise of working toward continuous improvement and minimising the environmental impact of the Group's activity.

In order to achieve the objectives set out in each of these areas, the DIA Group has set up an Environmental Management system that is applicable to all of the company's facilities and activities.

Although the DIA Group's operations do not pose a serious environmental risk, the company's Risk Committee periodically analyses and monitors the incidents that may arise. No fines related to any regulatory infringement were recorded during 2017 (307-1).

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## 01. Eco-efficiency, one of the largest contributions

The company's activity related to the distribution and commercialisation of products entails a high level of consumption of energy sources and materials. Accordingly, the technical, supply chain, and product development teams actively work to continuously improve the company's facilities and procedures, and **in 2017 they managed to avoid the release of 7,786.88 tonnes of CO2 into the atmosphere (305-5)**, and a reduction in the use of materials that amounted to -1,074,461kg; 5.5% less, despite the increase in plastic consumption (301-1). The environmental budget associated with the adoption of these measures amounts to **17,838,211€**.

### Energy consumption of the organisation (302-1, 305-1, 305-2, 305-3)<sup>1</sup>

	Energy consumption (Kwh)	Emissions
	<b>Fixed source consumption:</b> 6,680.6 Gj	<b>Fixed source consumption:</b> 556.72 Tn CO2 eq
Scope 1	<b>Mobile sources:</b> Primary and secondary transport: 54,288,729 liters Company cars: 1,219,078 liters	<b>Mobile sources :</b> Primary and secondary transport: 145,548.08 Tn CO2 eq Company cars: 3,181 Tn CO2 eq
	<b>Refrigerant gas emissions:</b> 153,633.5 Kg <sup>2</sup>	<b>Refrigerant gas emissions:</b> 314,403 Tn CO2 eq
Scope 2	<b>Indirect electricity consumption:</b> 3,959,884.57 Gj	<b>Indirect electricity consumption:</b> 329,990.38 Tn CO2 eq
Scope 3		<b>Business trips:</b> 12,157 Tn CO2 eq

1. Given the impossibility of quantifying consumption of the last month of the year at the time of writing this report, consumption/emission from company cars and business trips data corresponds to the twelve-month period December 2016 – December 2017.

2. Reported gas details: R134A, R290, R404A, R407A, R407C, R410A, R417, R422D, R449A, R507A and R22, which correspond to a total 1.32 metric tonnes of CFC-11 equivalent from R-22 gas. Data corresponds to the twelve-month period December 2016 – December 2017 with the exception of Portugal (store consumption corresponds to January 2017- December 2017; warehouses December 2016 – December 2017).

### Eco-efficiency in the energy consumption of facilities

The DIA Group has been a pioneer in the introduction of energy efficiency systems in stores, and has been working for over a decade on three main improvement areas: freezer and refrigeration systems, air conditioning, and lighting.

The DIA Group's stores have condenser batteries to offset energy consumption. Savings of 77% in energy consumption are achieved by using freezer cabinets with sliding doors, variable speed compressors, and propane as a freezing agent. Moreover, the "free cooling" systems make use of outside air to achieve the desired temperature inside the store, the use of floating condensation systems in the central refrigeration unit, and the installation of automation control boxes. The latter, in addition to offering the intelligent control of the air conditioning, adapt interior and exterior lighting according to work timetables and natural light coming in from outside.

Several energy improvement projects were carried out in 2017 in the company's stores and warehouses in the countries in which DIA has a presence. Of these improvements, we highlight the closing of cold cabinets in the stores in Brazil, the use of electronic valves in Argentina, and the use of more efficient fans in Portugal and Spain. In total, these improvements have saved 18,620,630 kWh equating to 5,58.2 tonnes of carbon dioxide.

Despite the progress made in terms of in-store eco-efficiency, the DIA Group continues to test the most innovative systems that appear in the market in what are known as "eco-sustainable stores". These are pilot stores where the operation and efficiency of new measures are verified, such as the use of new coolants and the use of dual air curtains in the door-less wall cabinets, before they are rolled out to the rest of the store network.

### KWh saved

	Argentina	Brazil	Spain	Portugal	Total
Estimate of KWh saved as a result of the various initiatives <sup>3</sup>	2,904,260	4,493,400	10,410,509	812,461	18,620,630

3. Estimated annual savings from new measures implemented in warehouses and stores in 2017.

**With these sustainable measures implemented in stores and warehouses, at a constant surface area, the company has generated accumulated energy savings of up to 25% compared to previous systems, which equates to a reduction of 20 tonnes of CO2 emissions released into the atmosphere for each store (302-4).**

Moreover, it is estimated that the emission of an additional 996 tonnes of CO2 into the atmosphere was avoided thanks to the increased use of videoconferences and the promotion of shared transport systems.

**100% of the DIA, Maxi DIA and La Plaza stores have energy efficiency measures in place, such as systems to improve the efficiency of its refrigeration units, LED lighting, and automation systems for the intelligent rationalisation of energy consumption.**

### Eco-efficiency in logistics

According to data from the European Environmental Agency, logistics operations are responsible for 25% of CO2 emissions in Spain. Given that the DIA Group is aware of the impact that these activities have on the environment (with daily deliveries from its 38 logistics centres to over 7,300 stores), it is constantly striving to improve its environmental footprint through projects that allow it to optimise the logistics processes.

	Initiative	Litres saved vs 2016	Tonnes of CO2 equivalent
Argentina	Balancing of stores between warehouses	36,105	96.8
Brazil	Hybrid truck	370,184	994.15
	BITREM project (road train)	22,551	60.46
Portugal	Fleet renewal	6,939	18.6
Spain	Fleet renewal	12,936	34.68
Total		448,715	1,204.69

Specifically, the company has renewed some of its fleet, with 30 new vehicles with lower fuel consumption and that are compliant with the most recent Euro 6 emissions standards, the use of high-capacity combined trucks such as mega trailers megatrailers and the use of hybrid trucks, have led to fuel savings of 448,715 litres and more than 1,200 tonnes of CO2 that are not released into the atmosphere. Despite these improvements, the overall fuel consumption of primary and secondary transport has increased by 2%, due to the increased frequency of deliveries demanded by the new commercial models.

However, the company's commitment goes further than that, with a target of an additional 20% reduction in energy consumption over the next five years. This is the objective of Lean&Green, an interprofessional European initiative, and its Commission is presided over by the DIA Group. As part of this initiative, companies must present an action plan with the initiatives that they intend to implement to reduce emissions, and the level of compliance will be audited by an independent company.

## Reduction in the consumption of other inputs

The growing digitalisation of processes allows DIA to make great strides forward in reducing paper and toner consumption in its offices, warehouses, and stores.

In addition to the setting up of online process management system (BPMS - Business Process Management Suite), the company has digitalised its loyalty coupons, which has been very well received by customers. These two initiatives led to an estimated saving of 200 tonnes of paper in 2017. In fact, since 2015, in Spain, the company has saved almost 8 million kilograms of paper that were used to print advertising leaflets.

For yet another year, the DIA Group's experience in optimising its packaging, ready for sale, and applying eco-design techniques, has allowed it to obtain both quantitative and qualitative improvements in this area, optimising the consumption of raw materials and reducing the company's environmental impact.

## Materials used in 2017 and variation compared to 2016, by large group (301-1)

	Paper and cardboard		Plastic		Others	
	Consumption 2017 (kg)	Difference vs 2016 (kg)	Consumption 2017 (kg)	Difference vs 2016 (kg)	Consumption 2017 (kg)	Difference vs 2016 (kg)
Argentina	1,032,430	18,300	1,394,900	-128,100		-1,758
Brazil	3,191,345	238,816	160,230	26,898	9,650	0
Spain	6,484,961	-2,021,375	5,457,170	1,676,070		
Portugal	1,448,505	-885,696	26,061	2,509		
<b>Total<sup>4</sup></b>	<b>12,157,241</b>	<b>-2,649,955</b>	<b>7,038,361</b>	<b>1,577,377</b>	<b>379,437</b>	<b>-1,883</b>

4. Given the impossibility of quantifying the energy consumption of the last month of the year at the time of writing this report, some data corresponds to the twelve-month period December 2016 – December 2017.

## 02. Improvement of environmental information

In 2016, the DIA Group obtained an A- score in the Carbon Disclosure Project (CDP), and is one of the leading Spanish companies in terms of initiatives to reduce emissions and mitigate climate change, as well as transparency in the publication of its results.

In 2017, the DIA Group's environmental management allowed it to retain this score, and DIA is among the 22% of companies with the highest score (Leadership), exceeding the average worldwide score of the distribution sector, as well as the average of Spanish companies, both corresponding to a C score.



## 03. Waste management

Proper waste management has become increasingly important in the day-to-day running of the environmental department, in parallel with the DIA Group's focus on fresh produce and ready meal solutions. This change in activity has led to the need to invest more in staff training, both in stores and warehouses, and in the strengthening of procedures used for the separation and valuation of waste.

As a result of this initiative, during 2017 the company managed to reduce its landfill waste thanks to the recovery of useable fractions and the implementation of new options such as biomethanisation and the evaporation of the remaining fraction. In general terms, including the other categories, **the DIA Group has managed to reduce its waste by 7% in relation to 2016** and slightly improved the percentage of landfill waste, which is now at 32.6%. In other words, 67.4% of the non-hazardous waste generated by DIA is recycled or reused.

(306-2)

### Non-hazardous waste

	Total kg generated	% recycled	% reused	% landfill
Toner	6,989	0	68.12	31.88
Remaining fraction	44,952,788	19.19	0	80.81
Scrap metal	1,096,750	97.61	2.39	0
Plastics	5,435,567	100	0	0
Wood	1,712,879	0	100	0
Paper/Cardboard	66,657,644	100	0	0
RAEE	38,541	100	0	0
Others	4,281,514	0.11	0	99.89
<b>TOTAL</b>	<b>124,182,672</b>	<b>65.96</b>	<b>1.399</b>	<b>32.64</b>

### Hazardous waste

	Total kg generated	% recycled	% reused	% landfill
Batteries (Kg)	70,601	91.52	0	8.48
Fluorescents (Kg)	1,603	96.88	0	3.12
<b>Total hazardous waste</b>	<b>72,204</b>	<b>91.64</b>	<b>0</b>	<b>8.36</b>



Hazardous waste (batteries and fluorescent lamps and tubes), which amounted to 72,204kg, is managed in accordance with the regulations in each country.

### The Colrecepts EPS recycling project

Our modern lifestyle has increased the consumption of resources, as is the case with expanded polystyrene (EPS), leading to an exponential increase in the quantity of landfill waste (1.3m tonnes a year in Europe).

In 2017, the LIFE COLRECEPS project ended, in which DIA participated as an industrial partner of the consortium. The aim of this project was to build a prototype plant to recycle EPS waste and convert it into packaging used by other sectors. This plant, which is unique in Europe, is able to recycle 500kg of waste and produce 25,500 boxes of packaging a year. DIA has played a key role in this project, where it is responsible for the logistics and collection of EPS waste. More information is available on the project website: <http://lifecolrecepts.eu/>

### The fight against food waste

For a retail distribution company, the fight against waste is a key issue for its business profitability. Possibly because of this, distribution may be the link in the food chain that generates the least amount of waste, representing 5% of total food waste in Europe.

In the case of DIA, the company is fighting waste through three main courses of action: prevention, providing food to the most disadvantaged people, and public awareness. Regarding the first course of action, the restocking and stock management systems allow the company to only place the necessary amount of products in stores, and link commercial activities with their expiry dates. Thanks to this system, which aims to be improved on the back of one of the projects financed by the Nexus programme on dynamic prices, the DIA Group has already achieved shrinkage levels that are below the sector average.

Despite these efforts, there is always some excess product that cannot be sold but is okay to be consumed. These products are donated to various organisations through a system that is integrated into DIA's logistics process. In Spain, DIA has had an agreement with the Spanish Federation of Food Banks since 2009 whereby it makes periodic deliveries to various soup kitchens nationwide. **In 2017, 808,900.5 kg of food were donated from shops and warehouses**, then reducing the remaining fraction generated (306-2).

Raising awareness is key in the fight against waste. Since its creation, DIA has been involved in the "La Alimentación no tiene desperdicio" initiative led by AECOC, in which more than 350 manufacturers and distributors are currently involved. The project has three main objectives: to establish prevention and efficiency practices along the entire food chain; to maximise the use of excess products along the entire value chain (redistribution, reuse, and recycling); and raise public awareness about this problem. In addition, the support of projects such as that of Plant Jammer, and of Nexus by DIA, will help consumers to improve their meal planning and make the most of the ingredients in their kitchens, which could imply a significant reduction in food waste at the very end of the chain.

## Public administrations and Regulatory bodies

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The DIA Group believes that the relationship between the Administration and companies must be based on transparency, free markets, and partnerships.

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Therefore, the DIA Group is in constant communication with the Public Administrations in the countries in which it operates, in accordance with the Code of Ethics and respecting all existing procedures. Note that the DIA Group prohibits any type of donation that has political goals (415-1).

In 2017, the DIA Group's institutional communication was strengthened in Spain by the creation of a **fortnightly newsletter directed at political representatives of the Spanish and European parliaments**, as well as associations and members of civil society with the aim of reporting on the company's various projects and results. In addition, DIA sets up institutional visits in various workplaces to publicise its activity, such as that carried out with the Departments of Galicia and Castile and Leon. The **company's institutional agenda in 2017** included a visit to the Digital Agenda Commission of the Congress of Deputies, to report on the company's digital transformation process, and a meeting with the Minister of Agriculture and Fishing, Food and the Environment to discuss several issues related to the sector and the food chain law.

Lastly, the DIA Group is conveniently registered as a business lobby for its interaction with the European Union, although in 2017 this activity only took place through its unions in Spain and Portugal.



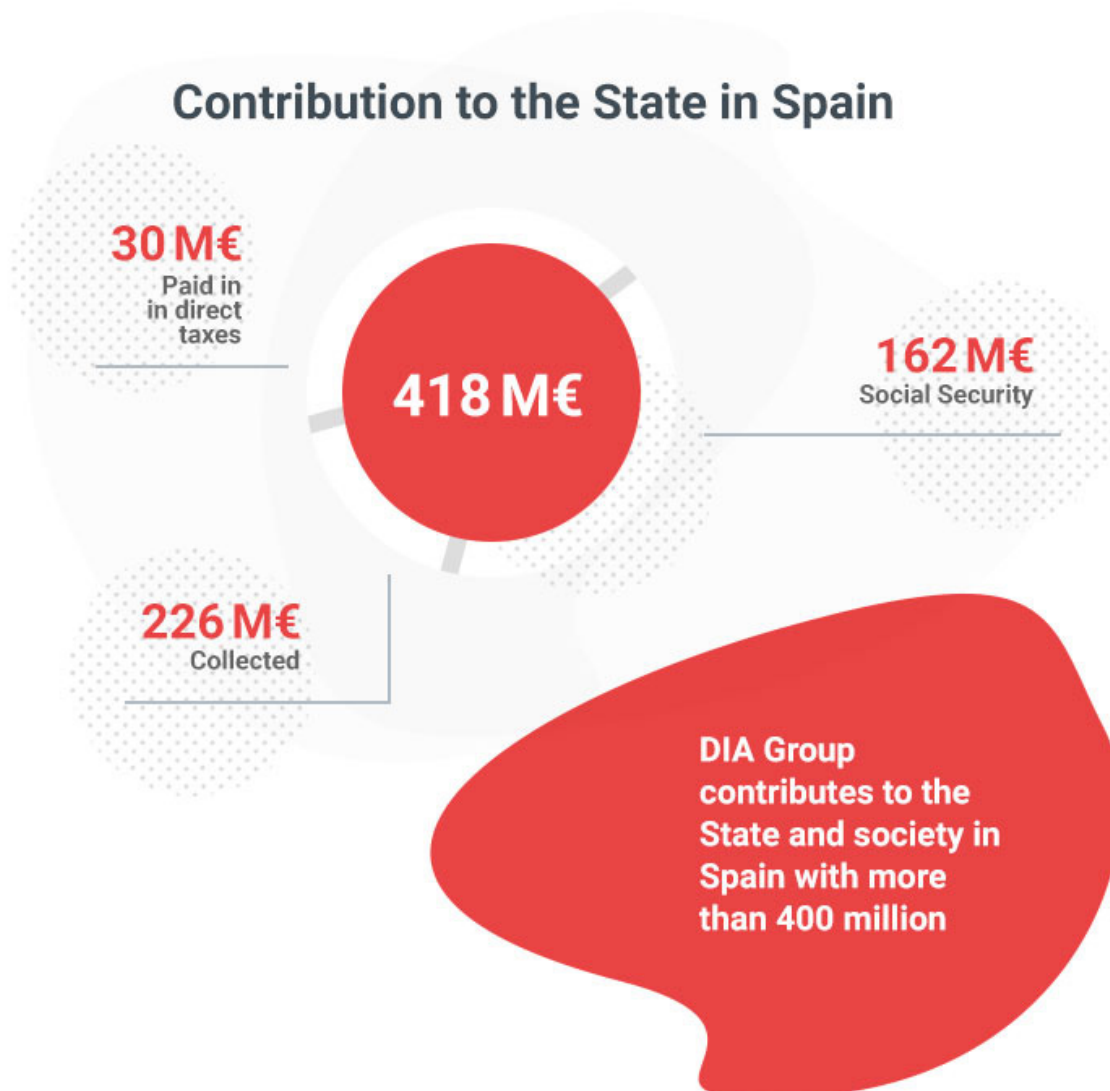
## The DIA Group's socio-economic contribution

The DIA Group contributes responsibly and complies with its fiscal and occupational obligations in all the countries in which it operates. Its tax strategy is mainly focused on ensuring its responsible compliance with tax regulations, supporting business interests and serving social interests. Accordingly, tax governance and tax discipline are included in the

company's risk management system, which **in 2017 did not record any fines for non-compliance with legislation in the social or economic context (419-1)**. Neither does the DIA Group have any entities linked to tax havens included in the European Union's blacklist.

**29.7%** tax rate

The following table shows DIA's coherence with its commitment and willingness to generate wealth and contribute to the development and generation of positive impacts in society.



## Other Interested parties

### 01. Industry

The DIA Group's relationship with the industry is based on the recognition of free competition as a guarantee of business efficiency and the respect of consumer rights to quality products at the best prices. Accordingly, the company's relationship with other operators in the sector will always respect the 31 scenarios that imply unfair commercial practices as defined in Directive 2005/29/CE of the European Parliament and the Council.

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During 2016 and 2017, DIA Group had to answer to **0 legal actions** related to monopolistic practices and free competition  
(206-1)

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### Commercial partnerships: better prices and more opportunities

The countries in which the DIA Group operates have a low level of concentration in the sector, with very regionalised operators and specialists in the development of proximity shopping. To cope with the negotiating capacity of these large companies, for a while now the European retail distribution sector has been involved in a process of commercial partnerships between operators. DIA has signed commercial partnerships with Eroski in Spain, with Intermarché in Portugal, and with Casino in France, with the aim of passing on to consumers the efficiency gains. The suppliers chapter of this report provides more details about these partnerships.

### Partnerships to cope with global challenges

Moreover, the DIA Group's partnerships with other operators are crucial in order to tackle global challenges, and everyone's participation is required. The reduction in the use of packaging, the awareness of alcohol consumption among children, and a reduction in the logistics footprint in the transport segment are some of the examples of where DIA is present through partnerships with third parties.

For the sake of transparency, below are the sector associations with which the DIA Group is involved worldwide  
(102-13):

- **Eurocommerce:** DIA is present in this European distribution union through its participation in ASEDAS.
- **ASEDAS** (Asociación Española de Distribuidores de Autoservicio y Supermercados – Spanish Association of Distributors, Self-service Chains, and Supermarkets). The company is part of the management board.

- **CEDAC** (Consejo de Empresas de Distribución y Alimentación de Cataluña – Council of Distribution and Food Companies of Catalonia). The company is part of the management board.
- **Spanish Network of the Global Compact**. The DIA Group has been a member since 2012.
- **Ecoembes**. This organisation aims to protect the environment by recycling and promoting the ecodesign of packaging in Spain. The DIA Group is a founder member and member of the Management Board.
- **AECOC**: (Asociación Española de Fabricantes y Distribuidores – Spanish Association of Manufacturers and Distributors). The DIA Group is on the Management Board through its CEO.
- **CEL** (Centro Español de Logística – Spanish Logistics Centre). The DIA Group has been present in this organisation since 1995 and occupies the vice-presidency of the management board.
- **PACKNET** (Plataforma Tecnológica Española de Envase y Embalaje – Spanish Technological Platform of Containers and Packaging). The DIA Group is a founding member.
- **AEA** (Agencia Española de Anunciantes – Spanish Advertisers' Agency). The DIA Group has been a member since 2001.
- **AGERS** (Asociación Española de Gerencia de Riesgos y Seguros – Spanish Association of Risk Management and Insurance).
- **IGREA** (Iniciativa de Gerentes de Riesgos Españoles Asociados – Initiative of Associated Spanish Risk Managers).
- **Expofranquicia**: The DIA Group is a member of the organising committee.
- **Asociación Española de Franquiciadores** (Spanish Franchisers' Association): The DIA Group has been a full partner since 1992, and a member of the management board.
- **AUTELSI** (Asociación Española de Usuarios de Telecomunicaciones y de la Sociedad de la Información – Spanish Association of Telecommunications Users and of the Information Society).
- **ISMS FORUM** (La Asociación Española para el Fomento de la Seguridad de la Información – Spanish Association for the Advancement of Information Security)
- **ISACA** (Information Systems Audit and Control Association).
- **AERI** ((Asociación Española de Relaciones con Inversores – Spanish Association of Investor Relations). The DIA Group has been a member since 2012, and holds the Treasury position.
- **AOP** (Asociación de Operadores para la Portabilidad – The Association of Operators for Portability). The DIA Group has been a member since 2009.
- **APED** (Associação Portuguesa de Empresas de Distribuição – Portuguese Association of Distribution Companies): This is the supermarket union in Portugal.
- **APF** (Associação Portuguesa de Franchising – Portuguese Franchising Association): This is the franchise association in Portugal.
- **ASU** (Asociación de Supermercados Unidos – Association of United Supermarkets): This is the supermarket union in Argentina.

## 02. Media

The DIA Group has a close and open relationship with media outlets, and it is proactively involved with them on a daily basis through its **External Relations Department**.

In line with this policy of transparency and the opening up of its activity to the society in which it operates, during 2017 the company published a total of 170 press releases. In addition, the communication department has several information tools, such as the corporate website, the group's corporate blog, the press office, presentations, press packs, and press conferences to report on all the projects and news related with the Group's activities. Together with its customer service and permanent telephone availability, the company channels requests from media outlets and various official bodies through the email [comunicación@diagroup.com](mailto:comunicación@diagroup.com), which in 2017 processed more than 2,100 queries and requests.



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More than **2,100 queries and requests** processed by the External Relations Department

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In 2016, the company set up a new corporate account on Twitter, in English and Spanish, which serves as another communication channel with external agents (which include more than customers) such as media outlets, shareholders, investors, ONGs, and government institutions, among others. The company also set up a corporate blog that deals with regulatory issues, among others. At the end of 2017, the company also created a corporate account on Instagram, with the aim of adding audio-visual content and complementing the daily activity of the External Relations Department.

### 03. Non-profit organisations and other associations

DIA has maintained its commitment to responsibility and respect for the environment in which it operates and for the people with whom it works, in line with what has been written in this report. Furthermore, given the high level of penetration of its store network in the neighbourhoods and towns in the countries in which it operates, the company feels the obligation to position itself and support certain social causes that are important for its customers and partners. Accordingly, every year, in partnership with various non-profit entities and associations, it implements a series of social initiatives through its own CSR policy, through which it clearly and transparently sets out the procedures for these partnerships.

During 2017, the company focused once again on its social projects and making food reach the largest number of people possible, in line with its main business activity, which it knows how to do efficiently. Moreover, in Spain, the DIA Group has historically promoted awareness of the fight against rare diseases that mainly affect children, and it has sponsored the Spanish Basketball Federation. Pursuant to this sponsorship, the several projects related with the causes that the company identifies the most with have been launched: promoting sports, gender equality, and support for the most vulnerable children. In turn, Argentina, Brazil and Portugal have invested in various social awareness programmes, both for employees and customers worldwide.

## Deliveries to food banks

During 2017, the DIA Group delivered more than **3.8 million kilos of food to the Food Bank in Spain**, implying an increase of more than 6% versus the previous year, and seven times more than in 2012. This figure was possible thanks to the solidary participation of its customers, the company's own employees, DIA franchisees, and the suppliers of products and logistics services. This figure includes deliveries from the company's warehouses (more than 800,000 kilos), the "Gran Recogida de Alimentos" – "Big Food Collection" (2.8 million kilos), and the various "Operaciones kilo" – "Kilo campaigns" carried out during the year (145,500 kilos).

Food donation also takes place in the rest of the countries where DIA operates. In 2017, Brazil donated **more than 760,000 food kilograms through Mesa Brazil**, while **Argentina gave away more than 192,000 food products** to different charity organizations.

## Sports sponsorship

In September 2017, the DIA Group signed an agreement for the next two seasons whereby the company has become the main sponsor of the Spanish women's basketball league, which is now called "**LigaDIA de Baloncesto**" (the DIA basketball league"). This agreement represents a new step forward in relation to the partnership signed a year ago between both entities in the context of the Universo Mujer Baloncesto project, a comprehensive programme for the development of women in society and sports, headed up by the Spanish Basketball Federation. The aim of this programme is to develop initiatives that contribute to social improvement and transformation through the values of women's sports as a whole. DIA is focused on this programme to promote women, and in partnership with the Spanish Basketball Federation, it will develop a series of projects that will contribute to the objectives defined, and in which both customers and employees will participate.

In the context of the agreement that the DIA Group has with the **Spanish Basketball Federation (FEB)**, with whom the company signed the first sports sponsorship deal in its history a year ago, during 2017 the company developed social action initiatives aimed at promoting the values of this sport among such diverse groups as young children and retirees. This gave rise to the "**Superliga DIA**" a children's basketball competition in the school context, which in its first edition saw 192 teams from all over Spain take part, made up of 2,300 boys and girls aged between 9 and 10. In line with the promotion of the values of sports and a healthy lifestyle, a programme called "**SuperSenior**" was also launched, for people over the age of 50, focused on tackling physical inactivity and promoting active and healthy ageing using basketball as the main tool, and with the work of technical experts. In both cases, in addition to the close partnership with the Spanish Basketball Federation, the Regional Federations, Autonomous Regions, and town halls also got involved.



## Most prominent social initiatives (102-12)

DIA maintains close ties with several national and international non-profit organisations focused on improving the lives of vulnerable children.

### Spain

#### **Snacks together with the Red Cross in Galicia and Extremadura for children at risk of exclusion**

This is a programme to guarantee that more than 800 children whose families are facing economic hardship can have snacks. Specifically, the agreement stipulates that the DIA Group distributes, on a weekly basis, a menu that is appropriate for children participating in the “Éxito Escolar de Cruz Roja” (“Red Cross Academic Success”) project in Extremadura and Galicia, including healthy regional products.

The menus change daily and have been prepared by a Red Cross nutritionist to guarantee that they are rich in nutrients, varied, and appropriate for the children’s development stage. The menus include juices, cereals, dairy products, fresh fruit, dried fruit, and water.

#### **Agreement with the Fundación Altius to provide professional training to young unemployed people**

The DIA Group and the Fundación Altius Francisco from Vitoria presented the ‘1 Kilo de Ayuda + Cena para Dos’ (“1 kilo of Help and Dinner for Two”) project, an initiative that has helped to train 650 young unemployed people in the Madrid region during 2017. The aim of this agreement reached between both organisations is the social integration and employability of young unemployed people through personalised development paths. Accordingly, the DIA Group’s customers could acquire a “1 kilo of help” card at the checkout when paying for their shopping, at a cost of 1 euro. By buying this card, in addition to helping those most in need, the customers participated in a monthly lottery of five dinners for two, valued at 100 euros per person, to be chosen from a list of the best restaurants across all the Spanish provinces.

#### **Campaign for children without alcohol, a challenge for everyone**

The DIA group implemented the “Menores sin alcohol, un reto de todos” (“Children without alcohol, a challenge for everyone”) campaign, an initiative aimed at finding solutions to the growing problem of alcohol consumption among children, and which institutions, civil society, and the general public have been condemning for a while.

This is a transversal campaign in which employees, franchisees, and suppliers participate, raising awareness through posters in stores and other initiatives, about this problem affecting one segment of society. In order to publicise this, a website has been created ([www.menoresinalcohol.com](http://www.menoresinalcohol.com)) which includes the key figures, as well as information about the objective of the campaign, as well as news related to the project, which will ensure it continues during 2018.

The aim is to try to provide more than 20,000 employees with the necessary tools to ensure that children do not purchase alcohol in their stores, thus trying to curtail possible early consumption of alcohol among children.

As part of this agreement, the DIA Group and the Federación Española de Bebidas Espirituosas (FEBE – the Spanish Federation of Spirituous Beverages) reached a pioneering partnership agreement to implement initiatives aimed at trying to prevent alcohol consumption among children, in the context of the respective campaigns with this aim in mind. Through this partnership, the first of its kind among companies in the sector and a distribution company, FEBE is involved in the DIA Group’s campaign ‘Menores sin alcohol, un reto de todos’ (“Children without alcohol, a challenge for everyone”), and the DIA Group is involved in the ‘Menores ni una Gota’ (“Children, not a drop”) campaign, an initiative promoted by the FEBE. This partnership aims to carry out activities focused on information and prevention directed at both children and families, with the aim of providing them with the tools to tackle possible early consumption of alcohol among children.



## 1st Race against child poverty together with Save the Children in Sevilla

The DIA Group and Save the Children started the 'I Carrera Solidaria contra la Pobreza Infantil' in Seville. This family-focused social sports event, for people of all ages, aimed to raise funds for projects that Save the Children is involved in to help poverty-stricken children in Seville. This initiative (in which, in addition to these two entities, the regional government of Andalusia, the town hall of Seville, and one of DIA's suppliers, Jolca, also participated) is established within the Alliance against Child Poverty in Andalusia, set up in June 2015, and to which the regional administration and 31 entities and organisations from civil society in Andalusia have put their name. Its aim is to counteract the effects of the crisis, exclusion, and child poverty. The common challenge was to improve the lives of boys and girls in Andalusia and minimise the impact that the economic crisis could have on them.

## 8th Race against rare diseases in Madrid

For yet another year, the Federación Española de Enfermedades Raras (FEDER) organised the 8th Madrid race for Hope in the Casa de Campo of Madrid, with the aim of raising awareness about these pathologies through sports. The DIA Group, which has sponsored this event since its first edition, continued its commitment to this event for yet another year, inviting all of its employees and customers to join in the cause.

This activity represents the final touch to the Rare Disease Day that was initiated worldwide on 28 February (the "most special day of the year") and in which more than 5,000 people were involved during a morning of sports, fun, and family activities.



## Comprehensive programme against Gender Violence

The DIA Group is part of the Empresas por una Sociedad Libre de Violencia de Género programme that is promoted by the Spanish Ministry of Health, Equality, and Social Services. This agreement aims to raise awareness about equality, respect for basic rights and the creation of a society free of violence against women. These messages are sent out both internally and externally, also involving customers.

## Initiative for responsible animal adoption organised by Clarel

Clarel, the DIA Group's banner specialised in personal and household care, set up an initiative called Forever Friends, which aims to find families for abandoned dogs. Under the slogan "A walk can be the start of a great friendship", the Asociación Protectora de Animales de Granollers, in Catalonia, took some abandoned dogs to a public area and allowed members of the public to take them for a walk along an agility circuit together with one of the association's volunteers. In addition, free samples of AS products (the DIA Group's exclusive pet food and pet care brand) and 50% discount coupons for the purchase of AS products, both in Clarel and DIA stores.

## Agreement with Labdoo to send technology to third-world schools

The DIA Group and the Labdoo collaborative platform signed an agreement to send discarded laptops to children and schools in the third world, with the aim of providing new solutions to the educational systems in those regions, and giving a second life to devices that are considered obsolete. The computers sent are previously reformatted and loaded with educational software that include exercises and activities in maths, science, and other subjects.

In addition, DIA employees who are interested in this initiative could also take part by sending their own devices, or could even take on a more active role by delivering the computers themselves to third-world countries if they had a trip planned that coincided with one of the areas where the platform operates.



### **Family solidarity walks in Avilés and Gijón in favour of the most needy members of the population**

For yet another year, the DIA Group and its employees took part in solidary walks organised by the El Comercio newspaper, providing provisioning for those handing out water, juices, and fruit, both in Gijón and Avilés. The initiatives were carried out in favour of the Asociación Gijonesa de Caridad Cocina Económica and Cáritas Asturias, which were in charge of providing basic needs (food, accommodation, and clothing) and social assistance to the people most in need.

## **Brazil**

### **Dreams race in favour of children with cancer**

En 2017, Grupo DIA en Brasil volvió a organizar junto con GRAACC (Grupo de apoyo a adolescentes y niños con cáncer) en el patrocinio a la Carrera del Sueños, que tiene como objetivo recaudar fondos para el tratamiento de niños y adolescentes con Cáncer. Durante la carrera se repartieron todo tipo de productos de marca DIA a los participantes y se premió a los ganadores de todas las categorías con productos de las marcas propias de la compañía.

### **Clothes collection campaign among employees in Brazil**

For yet another year, Brazil started the do Agasalho campaign to collect clothes among group employees. In 2017, more than 4,500 items of clothing were collected, to be donated to the most deprived families during the winter period. All of the company's regional centres in Brazil took part. The clothing was delivered to the Núcleo Assitencial Anjos da Noite association. Employees who volunteered to help were involved in collecting and delivering the clothing.



### **"Un golazo de Solidaridad" ("A Solidarity Goal")**

DIA Brazil organised a football cup in which 24 teams participated, made up of employees, and several of the company's suppliers were invited to take part. Both DIA and the suppliers were involved in providing products, managing to collect more than 500 kilos of food, which were distributed among the children's charities that selected the three winning teams.

### **"DIA para hacer el Bien" ("Day to do Good") in the fight against hunger**

DIA Brazil was involved in its first solidarity initiative directly focused on store customers. The aim was to promote and mobilise society in favour of a cause, generating resources and visibility. Accordingly, it was decided that for each bag of rice sold, one Brazilian real (also converted into rice) would be donated to the "Amigos del Bem" ("Friends of the Good") association. With the participation of 670 in the state of Sao Paulo, more than 30 tonnes of rice were collected, providing food for more than 21,000 people for an entire month.

### **Christmas gifts for children in Brazil**

Once more, the DIA employees decided to provide gifts to destitute children so they did not go without presents at Christmas. For the third year, the gifts collected as part of the campaign were donated to the children in need of the Lar do Alvorecer association.



## Argentina

### Day of the Child: "Sumemos sonrisas" initiative

For yet another year, during August, the company organised a collection of money and toys among the employees of DIA Argentina, and this was given to the new paediatric ward of the Muñiz Hospital in Buenos Aires, where the children are hospitalised. The company doubled the amount collected by its employees.

### "Ponete el guardapolvo" campaign

The employees of DIA Argentina organised a campaign to buy school smocks that were donated to the Merlo 'Sembrando Sonrisas' kitchens, in the province of Buenos Aires. DIA Argentina also provided some school supplies.

### "Navidad es Compartir" campaign

As it has done each year, DIA Argentina organised a Christmas campaign among employees to provide toys to many children in need, thus helping them to enjoy Christmas Eve. This year, the donation was given to children abandoned by their families, or victims of abuse who live in the 'Palestra' home in Mar del Plata.

## Portugal

### 'Futebol de rua da CAIS' Project

For yet another year, DIA Portugal took part in the 'Futebol na Rúa' initiative, an event organised by the CAIS association to fight against poverty and to promote the social integration of young people through sports. Food and hygiene kits were distributed to 250 children, along with T-shirts for training in the championships.

### Support for the Portugal fires

The employees of DIA Portugal joined in to support those affected by the fires that affected a large part of the country during the spring and summer of 2017. The company mainly provided food and clothing.

## Active communication channels

The DIA Group has a central mailbox, [rsc@diagroup.com](mailto:rsc@diagroup.com), which receives any queries or partnership requests related to Social Responsibility and Social Action. **During 2017, more than 1,050 queries were handled** across the four countries in which the company operates.

This line of communication is completed with a notification service set up by the DIA Group. Interested parties can subscribe in order to receive content of interest with all the corporate news. This service, which can be reached through the corporate website, has more than **1,000 subscribers**.

