

**ANNEX 1**

**ANNUAL REPORT ON THE REMUNERATION PAID TO DIRECTORS OF LISTED CORPORATIONS**

**IDENTIFICATION DETAILS OF THE ISSUER**

<b>DATE OF END OF REFERENCE FINANCIAL YEAR</b>	12/31/2017
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**COMPANY NAME**

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.

**REGISTERED OFFICE**

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

**STANDARD FORM OF THE ANNUAL REPORT ON THE REMUNERATION  
PAID TO DIRECTORS OF LISTED COMPANIES**

**A THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT YEAR**

A.1 Explain the company's remuneration policy. In this section include information related to the following:

- The general principles and basis for the company's remuneration policy.
- The most significant changes made to the remuneration policy compared with one applied in the previous financial year and the changes made in the year to the terms and conditions for exercising options already granted.
- The criteria and composition of comparable company groups whose remuneration policy has been examined to determine the company's remuneration policy.
- The relative importance of the variable remuneration items compared with the fixed ones and the criteria applied to determine the different components of the directors' remuneration package (remuneration mix).

**Explain the remuneration policy**

The directors' remuneration policy of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. ("DIA" or the "Company") is based on the following principles and bases:

- Prudence: DIA's Board of Directors endeavors to ensure that the remuneration is moderate and in accordance with the trends and references of remuneration applied in the market by companies of a similar size and that perform a similar business, so that it is in line with the best market practices.
- Commitment: the remuneration policy endeavors to reward quality, dedication, responsibility, knowledge of the business and commitment to the company of the people who hold key positions and lead the organization.
- Linked to profits: the policy is based on the necessary link between remuneration and the company's profits, so that the variable remuneration has sufficient weight to effectively reward the targets achieved and the contribution made to the company's value and
- Internal and external equality: the remuneration takes the external competitive environment and internal equality into consideration.

The general principles and bases of the remuneration system established for directors endeavor to ensure that their remuneration has a reasonable proportional relationship with the importance of the Company, its financial situation and market standards for comparable companies.

In relation to the criteria applied and the composition of the groups of comparable companies whose remuneration policies have been examined to establish the remuneration policy of the Company, DIA periodically reviews the level of competitiveness of its remuneration as compared to the market, including that of its senior executives and the members of the Board of Directors. For that purpose, it compares the remuneration structure and amounts paid to the professionals of the DIA Group with those of Spanish companies that are comparable to it in size, volume of activity and geographical presence, as well as with international companies whose activity is related to the production and distribution of consumer goods (for example, in relation to the Incentive Plan 2016-2018 which may be settled in shares in the Company, the companies initially chosen within the peer group were the following: Casino, Carrefour, Tesco, Cencosud, Sainsbury, Pão de Açúcar, Jeronimo Martins, Colruyt, Ahold, Delhaize, P&G, Nestlé, Colgate-Palmolive, Unilever and Mondelez. The composition of this peer group has been revised and adjusted periodically to reflect changing circumstances, as described in section A.4 below). The results of these reviews show that DIA's remuneration system meets market standards, from both a quantitative and a qualitative standpoint.

The remuneration system established, especially in the case of executive directors, is in all case oriented towards promoting long-term profitability and sustainability and includes the necessary precautions to avoid the excessive assumption of risks and rewarding unfavorable results.

The criteria used to determine the remuneration policy for the members of the Board of Directors are included in Articles 39bis of the company's Bi-laws and Article 33 of DIA's Board of Directors Regulations, and they are different depending on whether the directors are executive or non-executive.

In accordance with the aforementioned principles, the remuneration system of the directors of DIA in their status as such has the following characteristics:

- Transparent information regarding director's remuneration.
- It provides incentives for remunerating rating their dedication, qualification and responsibility, without being an obstacle to their loyalty.
- It consists primarily of an amount for pertaining to the Board of Directors and, if appropriate, Board Committees.
- The fixed amount depends on the duties performed or the positions held within the Board of Directors or on its Committees.
- Part of the remuneration is share-based, which they must continue to own until time they cease to be directors.
- Per diems are received for attending Board or Committee meetings.

The criteria for determining the various components of the remuneration package for external directors relate to compensating them for their professional value, dedication to the position and the responsibility assumed without their objectivity when defending the business' interest being affected by the remuneration received.

Specifically, the remuneration mix in the case of non-executive directors is as follows:

- Fixed remuneration consists of a cash amount established based on their position and responsibility, placing a higher weight on the duties of the Chairperson of the Board and its Committees.
- Per diems are received in cash for Board and Committee meetings.
- 50% of the directors' fixed remuneration is paid in cash and 50% by granting them company shares. These shares are awarded net of the corresponding PIT withholdings, for which the director is responsible.

- In keeping with Recommendation no. 57 of the code of good governance of listed companies, of the Spanish National Securities Market Commission, directors must continue holding the company shares they receive for this remuneration until they cease in their position as directors. This obligation seeks to involve directors in the long-term sustainability of the company and is one of the risk control measures which the company has included in the design of the directors' compensation system.
- The number of shares granted as part of the fixed remuneration of the directors is calculated by reference to the result of dividing 50% of the fixed remuneration payable to each director by a reference market price that was the Volume Weighted Average Price for the market prices for the DIA shares in the 15 stock exchange business days prior to the date on which the Board approves the annual remuneration report.

In any event, the sum of the fixed remuneration and per diems may not exceed the maximum amount approved on an annual basis by the General Shareholders' Meeting and the Board of Directors may establish a lower amount. At present, the maximum amount of remuneration of the directors as a whole is set at 1,500,000 euros, which is the maximum amount set for the first time in 2012 and which has not varied since then. For the reasons that will be stated below (in section A.3), the Board of Directors intends to propose to the next General Shareholders' Meeting the approval of an increase in that maximum amount for fiscal year 2018 onwards.

The remuneration system for the director that performs executive duties at the Company, Mr. Ricardo Currás de Don Pablos (the "Chief Executive Officer") is based on the remuneration policy applied to DIA senior executives. The general principles and bases for that system are as follows:

- The remuneration is assigned for the performance of executive functions in accordance with the policy established for the remuneration of senior executives.
- It entails a balanced and efficient proportion between fixed and variable components.
- The variable remuneration of the Chief Executive Officer is designed with a medium and long-term focus that rewards his performance in strategic terms, besides the achievement of short-term results.
- The remuneration system is compatible with an adequate and efficient risk management and the long-term business strategy, values and interests of DIA, and the variable remuneration does not pose a threat to the Company's capacity to maintain a healthy solvency and financial situation.

It takes into account market trends, and is consistent with DIA's strategic approach to the market, being effective for attracting and retaining the best professionals.

The remuneration policy is, therefore, geared toward generating value for the Company, seeking alignment with the shareholders' interests, in keeping with prudent risk management and strict compliance with legislation in force in relation to the remuneration of directors of listed companies.

In this regard, besides the remuneration received by the Chief Executive Officer in his capacity as director, his remuneration mix in fiscal year 2018 is composed by:

- A fixed remuneration of 600,000 euros in 2018, the aim of which is to compensate him for the performance of his executive functions. The Board of Directors intends to propose to the next General Shareholders' Meeting the approval of a system for updating that figure, effective starting on January 1, 2018, by the positive interannual CPI (the general national consumer price index published by the National Statistics Institute) of the period December 2016 – December 2017, and successively in the following fiscal years, applying the CPI of the preceding period.
- Certain additional remuneration items in kind, which are detailed in section A.10 of this report.

- A pay supplement, called pension assistance, according to the remuneration policy for directors.
- A short-term and a long-term variable remuneration.

The short-term variable remuneration in 2018 is equal to 100% of the fixed remuneration for a case of achievement of 100% of the objectives. Given that the annual variable remuneration system can range between 0% and 200%, the annual variable remuneration of the Chief Executive Officer can theoretically go from 0% to 200% of the fixed remuneration.

The long-term variable is based on long-term incentive plans consisting of the assignment of Restricted Stock Units (“RSUs”) which will serve as a basis for determining the delivery of shares in DIA, provided certain conditions and objectives are met after a specific period of time has elapsed and never before 3 years.

As regards the most significant changes made in the remuneration policy with respect to the policy applied in fiscal year 2017, there are no substantial modifications with respect to the remuneration policy applied to date. At the date hereof, the Nomination and Remuneration Committee is analyzing the possibility of implementing a new long-term incentive plan based on shares, which is also mentioned in section A.4 below, addressed to its managing team, which includes the Company’s Chief Executive Officer, thereby giving continuity to the share-based incentive plans implemented previously, all of the foregoing pursuant to the remuneration policy currently in force. This new incentive plan is intended to be annual, such that RSUs will be assigned to the beneficiaries in 2018, 2019 and 2020. The breakdown of that plan will be included, as appropriate, in the General Shareholders’ Meeting resolution approving it and in the annual report on directors’ remuneration of next year. Likewise, the Board of Directors intends to propose to the next General Shareholders’ Meeting (a) the approval of a system for updating the fixed remuneration of the Chief Executive Officer based on the CPI, and (b) an increase in the maximum amount of the remuneration of the directors as a whole for their status as such for fiscal year 2018 onwards.

**A.2 Information about the preparatory work and decision-making process used to determine the remuneration policy and the role played, if any, by the Remuneration Committee and other control bodies in structuring the remuneration policy. This information must include, if any, the mandate and composition of the Remuneration Committee and the identifying details of the external advisors whose services have been used to define the remuneration policy. Similarly, the position of the directors must be expressed that, if any, have taken part in defining the remuneration policy.**

<b>Explain the process for determining the remuneration policy</b>
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The control bodies that take part in defining the company’s remuneration policy are the Board of Directors and the Nomination and Remuneration Committee.

The company's Board of Directors.

Pursuant to Article 31 of the company’s By-laws and Article 5 of the Board of Directors’ Regulations, the Board of Directors is responsible for the following duties:

- Make decisions relating to the remuneration of directors, pursuant to the bylaws and, as the case may be, the remuneration policy approved by the General Shareholders’ Meeting; and
- In the case of the executive directors, determine any additional remuneration for their executive duties and other terms and conditions that their contracts must observe.

In addition, according to the provisions in Article 31.4(j) of the company's By-laws and Article 5.4.b) (ix) of the Board of Directors' Regulations, the Board of Directors of DIA is the competent body to prepare the annual corporate governance report and the annual report on directors' remuneration, and to submit it to the General Shareholders' Meeting.

#### The Nomination and Remuneration Committee.

Pursuant to Article 39.4 of the company's Board of Directors' Regulations, the NRC has the following functions, among others:

- Propose the following to the Board of Directors: (a) the remuneration policy for the directors and senior managers or for those who perform senior management functions under the direct supervision of the Board, committees or of managing directors, and (b) the individual remuneration of executive directors, and the other terms and conditions in the contracts, ensuring that they are observed, and (c) the basic terms and conditions of senior executives' contracts;
- Analyze, draw up and regularly review the applicable remuneration policy for executive directors and the management team, including the stock remuneration systems and their application, and guarantee that they are in proportion to the amounts paid to other directors and members of the management team and other members of the company's staff;
- Supervise that the remuneration policy determined by the company is observed;
- In general, supervise the compliance with the rules of corporate governance applicable to the company, including periodically evaluating its corporate governance system in order for it to fulfil its aim of promoting social interest and taking into account, as appropriate, the legitimate interests of the other interest groups;
- Inform the shareholders of the performance of its functions, attending for that purpose the General Shareholders' Meeting; and
- Assist the Board of Directors in drawing up the directors' remuneration report and submit any other reports to the Board of Directors in relation to the remuneration stipulated herein, verifying the information on the remuneration of the directors and senior executives contained in the different corporate documents, including the annual report on directors' remuneration.

In addition, the NRC plays an important role in drawing up the directors' annual remuneration report, in order to ensure it is in line with the best corporate governance practices and with the regulations in force.

The By-laws and the Board of Directors' Regulations state that the NRC must be composed by external or nonexecutive directors, mostly independent, with a number that must be determined by the Board of Directors of a minimum of three and a maximum of five.

At the time this report was prepared, the composition of the NRC was as follows: Mr. Mariano Martín Mampaso, "independent external director", as Chairman, Mr. Antonio Urcelay Alonso, "other external director", as member, and Ms. Angela Lesley Spindler, "independent external director", as member.

Mr. Ramiro Rivera Romero acted as Nondirector Secretary of the NRC, who performed the duties of Nondirector Secretary of the company's Board of Directors; and Mr. Miguel Ángel Iglesias Peinado acted as Nondirector Deputy Secretary of the Committee, who is Nondirector Deputy Secretary of the Board of Directors.

The Board of Directors' Regulations state that such Committee must hold a meeting as often as may be deemed necessary, in the opinion of its Chairperson, who must summon a meeting whenever a report must be issued or proposals must be adopted and, in all cases, whenever it may be necessary for the correct performance of its duties.

In 2017, the NRC held seven official meetings and frequent informal and preparatory sessions. All of the directors belonging to the NRC attended those official meetings. In fiscal year 2018 and up to the date of preparation of this Report, the NRC has met two other times.

When performing its duties, the NRC periodically uses external advisors to configure the remuneration policy for directors. It has also received external advisory services in relation to the design of long-term incentive plans, regarding the compensation benchmark of the DIA Group's executive committee and the Chief Executive Officer and for the preparation of this report. The company was assisted by Garrigues Human Capital Services and Mercer Consulting as external advisors for matters related to remuneration.

- A.3 Specify the amount and the nature of the fixed components, with a breakdown, if needed, of the remuneration for performing senior management duties by the executive directors, the additional remuneration for the chairperson or members of the Board of Directors or any of its committees, the expenses incurred for attending the board and its committees' meetings or any other fixed remuneration paid to the directors, along with an estimate of the annual fixed remuneration resulting therefrom. Identify other benefits that are not paid in cash and the main parameters applied in order to grant them.**

<b>Explain the fixed components of the remuneration</b>
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As mentioned in section A.1 above, the Company provides a remuneration package which differs depending on whether the directors are executive or non-executive.

In the case of non-executive directors:

- At present, the maximum remuneration of the directors as a whole, for their status as such (for all items) is set at 1,500,000 euros, which is the maximum amount set for the first time in 2012 and which has not varied since then. As six years have elapsed without that amount having changed, the Board of Directors intends to propose to the next General Shareholders' Meeting the approval of an increase in that maximum amount for fiscal year 2018 onwards, setting it at a total of 2,000,000 euros starting on January 1, 2018 -and effective for successive years covered by the next Remuneration Policy (2019, 2020 y 2021)-. In the Board's opinion, the necessary increase to reach that figure (i.e., an additional 500,000 euros) is justified by the following reasons: (a) the potential increase in the number of Board members (set at ten since the listing of DIA in 2011, but able to be increased to fifteen according to the Bylaws in force); (b) the announced increase in the number of Board committees, due to the creation of a new Strategy Committee, which would raise the number of committees to three; (c) the average number of members of those committees; and (d) the increase in the average number of meetings of the Board and of its different committees throughout the fiscal year.
- As indicated below, the increase in the maximum amount of remuneration of the directors as a whole, in their status as such, will not cause, in fiscal year 2018, an increase in the figures specified in the breakdown by posts and responsibilities of the members of the Board of Directors of DIA.
- Of said amount, the fixed remuneration paid to the members of DIA's Board of Directors for their supervision functions and collective decision-making duties, pursuant to a decision by the Board of Directors for 2018, is as follows:
  - Chairperson of the Board of Directors: 165,000 euros.
  - Member of the Board of Directors: 80,000 euros.

- Chairperson of the Nomination and Remuneration Committee: 35,000 euros (additional).
- Member of the Nomination and Remuneration Committee: 25,000 euros (additional).
- Chairperson of the Audit and Compliance Committee: 35,000 euros (additional).
- Member of the Audit and Compliance Committee: 25,000 euros (additional).

That distribution of the remuneration is the responsibility of the Board, and since fiscal year 2013, that distribution has not varied from what is shown in the above breakdown (with the sole exception of the 5,000 euros per year increase in the fixed remuneration payable to the Chairman of the Board of Directors since fiscal year 2015).

At the date of this report, the Board has not yet established the remuneration to be paid to the members of the new Strategy Committee.

- For 2018, the Board of Directors has approved maintaining that distribution of remuneration among the various members of the Board of Directors and the committees. This amount will be adapted when directors are appointed or step down from office during the year and it will be awarded in proportion to the time they hold their posts.
- Included in the maximum amount approved by the Board, the directors will receive 2,000 euros for attendance at each meeting of the Board of Directors, and 1,000 euros for attending Committees.-

In relation to the Chief Executive Officer:

The Chief Executive Officer receives a fixed remuneration for performing executive duties which, in 2018, the Board of Directors has maintained at 600,000 euros. Nonetheless, it is the Board's intention to propose to the General Shareholders' Meeting the approval of a system for updating that figure, effective starting on January 1, 2018, by the positive interannual CPI (the general national consumer price index published by the National Statistics Institute) of the period December 2016 – December 2017, and successively in the following fiscal years, applying the CPI of the preceding period.

Additionally, as remuneration in kind, he is also granted a life insurance policy, health care insurance coverage and the use of a company car, as explained in section A.10 below.

The company includes the Chief Executive Officer in the supplementary remuneration called pension assistance, established by the company for its executives, according to the policy on directors' remuneration. This supplementary remuneration consists of the payment to the executives of a certain cash amount so that they contribute that amount, net of taxes, to their individual pension plans. The Board of Directors is analyzing the possibility of structuring these payments through another procedure or vehicle, without it representing any increase in the amounts currently paid to its employees.

**A.4 Explain the amount, the nature and main variable components included in the remuneration systems.**

In particular:

- Identify each of the remuneration plans in which the directors are beneficiaries, their scope, date of approval, date of implementation, valid term and their main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information about the terms and conditions for exercising such options or financial instruments for each plan.
- Specify any remuneration paid for profit sharing or bonuses and the reasons for which they are granted.
- Explain the main parameters and basis for any annual bonus system.
- The kinds of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of the remuneration systems or plans that include variable remuneration.
- The basis for such variable remuneration systems or plans, the assessment criteria chosen for being benefiting from them, along with the components and assessment methods to determine whether or not such assessment criteria have been met and an estimate of the absolute amount of the variable remuneration resulting from the remuneration plan in force, depending on the hypothesis or targets used as reference being achieved.
- If any, information must be provided about the terms for deferral or delays in payment that have been determined and or the periods for withholding stock or other financial instruments, if any.

<b>Explain the variable components of the remuneration systems.</b>
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**Annual Variable Remuneration System (AVR).**

Of the Board members, the variable remuneration only applies to the Chief Executive Officer.

The variable remuneration is based on objective criteria aimed at evaluating the Chief Executive Officer's contribution, in the performance of his executive functions, to the business objectives of the company and of the DIA Group.

The objective criteria used to calculate the AVR may be, among others:

- (i) Quantitative targets: targets linked to the performance of sales, both global and by divisions; targets linked to the performance of indicators of the income statement (e.g. performance of distribution costs, sales margin, EBITDA, EBIT, net profit, etc.); targets linked to the performance of balance sheet indicators (e.g., performance of working capital or its components, CAPEX, debt); quantitative targets that measure any of the aforementioned variables compared to the competitors (e.g., market share). The weight of these targets on AVR is 70].

Each year, the Board of Directors approves the quantitative targets of the AVR bearing in mind the company's business priorities. In this regard, the Board has approved the following quantitative targets for fiscal year 2018:

<b>Quantitative targets</b>	<b>Weight</b>
LFL growth of chain store sales	10%
Adjusted EBIT	40%
Growth of chain store sales	10%
Cash from goods (" <i>Average trade working capital</i> ")	10%
<b>Total</b>	<b>70%</b>

- (ii) Specific targets, which, in turn, can include quantitative targets which the Board may consider a priority at any given time for developing the business in the short term, and qualitative or business development targets on a long-term basis (e.g., consumer involvement, development and integration of new businesses and acquisitions, reinforcement of internal organization, quality of stakeholder relations, franchisee satisfaction rating, equity story, market share, etcetera.). The weight of these targets on AVR is 30%.

In the case of the Chief Executive Officer, the establishment of the amounts of the AVR, targets and evaluation of performance falls to the Board of Directors, at the proposal of the NRC. For fiscal year 2018, the Board has established an AVR for the Chief Executive Officer equal to 100% of the fixed remuneration, for a case of 100% achievement of the targets. The AVR can range between 0% and 200%, so the AVR of the Chief Executive Officer can theoretically reach from 0% to 200% of the fixed remuneration. The fundamental parameters of the AVR are reviewed annually by the NRC, which has concluded that they are adequate for measuring the contribution by the management team, including the Chief Executive Officer, to the results of the DIA Group..

#### Long-Term Incentive Plans

- (i) Long-Term Incentive Plan 2016-2018

The Board of Directors of DIA, at the proposal of the NRC, resolved at its meeting on March 11, 2016 to implement a Long-Term Incentive Plan 2016 -2018, addressed to the Chief Executive Officer and the management team, which was approved by the General Shareholders' Meeting on April 22, 2016 and is in force at the date of preparation of this report.

The Plan consists of the allocation of Restricted Stock Units ("RSUs") that will enable participants to receive DIA shares in the future, subject to certain metrics and shareholder returns.

The main aim of the Long-Term Incentive Plan 2016-2018 is to align the interests of the beneficiaries with those of the company's shareholders, and incentivize the achievement of results and the fulfillment of the company's strategic objectives for the period 2016-2018.

In order to do so, the Plan:

- Establishes transparent, demanding and long-term targets (at least three years).
- Includes accrual metrics and conditions that are clearly linked to the attainment of certain demanding financial and operating targets that increase shareholder value.

- Uses two operating metrics, one measured in absolute terms (“Cumulated Organic Cash From Operations” - CFO) and the other measured in relative terms (“Relative Organic Sales Average Growth” - ROSAG) bearing in mind the company’s position in the ranking of entities comparable to DIA, and the return for shareholders, measured on absolute terms to offer a more complete view of the Company's performance. For these purposes, the companies chosen within the peer group to delimit the comparison of the operating metric “Relative Organic Sales Average Growth” were initially the following: Casino, Carrefour, Tesco, Cencosud, Sainsbury, Pão de Açúcar, Jeronimo Martins, Colruyt, Ahold, Delhaize, P&G, Nestlé, Colgate-Palmolive, Unilever and Mondelez (Ahold and Delhaize having merged and Sonae having been included in order to maintain the number original agreed)
- The degrees of achievement of the objectives of the Long-Term Incentive Plan 2017-2018 have been established taking into account the company’s strategy plan for the measurement period (2016-2018). Those objectives are periodically monitored to ensure that the conditions agreed are adapted, to the extent necessary, to the preservation of the principles that underlie the original aim of the Plan, while supporting the company’s interest in avoiding any possible loss of competitiveness in the market. In this regard, at the proposal of the ARC and in the exercise of its powers, the Board approved the authorization of an increase in the CAPEX for fiscal years 2017 and 2018, a marginal increase that would not be taken into account to calculate the CFO for the purposes of the Plan, provided that the metric (CFO) reaches the objective initially set.
- Establishes share-based remuneration for the executive team, as part of total remuneration, which is in line with long-term shareholder interests and objectives.
- Establishes for the Chief Executive Officer and the members of the Management Committee (COMEX) the obligation to retain ownership the shares received, after taxes, under the Long-Term Incentive Plan 2016-2018 and other long-term incentive plans implemented by DIA in the future, until they reach the number of shares equivalent to two times the fixed remuneration, in the case of the Chief Executive Officer, and one time the fixed remuneration in the case of the members of COMEX. The Chief Executive Officer and members of COMEX shall retain ownership of those shares until their employment or independent contractor relationship with the company comes to an end.
- Defers over time the delivery of part of the shares to ensure that no remuneration is paid based on incorrect results (“malus” clause)
- Complies with requirements to report to institutional shareholders the metrics used.

The number of RSUs allotted will depend on the level of the participant's responsibility within the organization. The number of RSUs assigned to the Chief Executive Officer in 2016 pursuant to the Long-Term Incentive Plan 2016-2018 was 376,898 RSUs.

(ii) Long-Term Incentive Plan 2014-2016

Additionally, the Chief Executive Officer participated in the Long-Term Incentive Plan 2014-2016, the termination of which was reported in the annual report on the directors’ remuneration for 2016. However, in 2017, the Chief Executive Officer did not receive, nor will he receive in 2018, any right for his participation in the Long-Term Incentive Plan 2014-2016, for the reasons detailed in section C.1 below.

In view of the Company’s experience with incentive plans implemented previously and based on the favorable report by the NRC, the Board of Directors of DIA is analyzing the possibility of approving the implementation of a new Incentive Plan 2018-2022 for the Chief Executive Officer and the managing team of the Company, for its approval by the General Shareholders’ Meeting.

The new incentive plan will give continuity to the previous incentive plans, in all case respecting the basic principles underlying the long-term variable remuneration, which are based on: (i) a minimum duration of three years in order for the beneficiaries to be eligible to receive shares, and (ii) the condition that certain operating targets must be met and value must be created for the shareholders, measured in terms of performance of relative TSR in comparison to a group of comparable entities, in order for shares to be delivered.

The characteristics of the Long-Term Incentive Plan 2018-2022 approved by the Board of Directors of DIA shall be described in detail in the proposed resolution to be submitted to the next General Shareholders' Meeting for approval, as appropriate.

- A.5 Explain the main features of the long-term savings systems, including retirement and any other pension benefits partially or fully financed by the company, whether provided internally or externally, with an estimate of their amount or equivalent annual cost, specifying the kind of plan, whether it is defined contribution or benefits, the conditions for consolidation of the economic rights in favor of the directors and their compatibility with any kind of severance pay for early dismissal or termination of the contractual relationship between the company and the director.

Moreover, specify the contributions in favor of the director to defined contribution pension plans; or the increase in the director's consolidated rights, when they involve contributions to plans with defined benefits.

<b>Explain long-term saving systems</b>
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The Company has no long-term savings schemes for any of its directors

- A.6 Specify any remuneration agreed or paid in the case of dismissal of a director from his/her post.

<b>Explain the indemnities</b>
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On the date of this Report, there are no golden parachute or severance pay clauses agreed by DIA in the case of removal of the Company's directors from their posts as such.

With regard to the Chief Executive Officer, the conditions for termination of his contract are included in section A.7.

- A.7 Specify the conditions that must be observed in the contracts of those performing senior management duties, such as executive directors. Among others, information must be provided about the terms, the limits in the amounts of severance pay, permanence clauses, prior notice terms, and payment as replacement of the aforementioned prior notice, and any other clauses related to recruitment bonuses and severance pay or golden parachute clauses due to early dismissal or termination of the contractual relationship between the company and executive director. Include, inter alia, any non-competition, exclusivity, permanence or post-contractual loyalty and non-competition clauses or agreements.

## Explain the terms and conditions of the executive directors' contracts

Essential terms and conditions that must be observed in the contracts of those performing senior management duties, such as the Chief Executive Officer.

The essential terms and conditions of the Chief Executive Officer's contract are the following, among others:

- Term: Indefinite
- Exclusivity: The Chief Executive Officer's contract includes a condition that he must fully and exclusively render his services to the company and the DIA Group may not render his services or perform professional activities, by means of any kind of contractual relationship, for other persons or companies without the company's express prior consent.
- Prior notice term: If the Chief Executive Officer decides to terminate his contract, he must send written notice to the company specifying this fact at least six months in advance.
- If the Company dismisses the director, it must provide at least six months' prior notice.
- Permanence: The Chief Executive Officer's contract does not include any permanence or loyalty clauses.
- Severance pay: The Chief Executive Officer's contract specifies that he is entitled to severance pay equal to two (2) annual payments of his remuneration if the Board of Directors decides to terminate the contract for reasons not based on his failure to fulfill his duties or due to a case of disciplinary dismissal declared to be justified. For these purposes, it is established in the Chief Executive Officer's contract that remuneration shall be defined as the sum of the fixed annual remuneration relating to the year in which the contract is terminated, plus the variable annual remuneration received by the Chief Executive Officer prior to the termination of the contract.
- Post-contractual non-competition: The Chief Executive Officer's contract includes a post-contractual non-competition clause obliging the Chief Executive Officer for a period of twelve (12) months: (i) not to provide services or perform activities that compete with those of the company or of the DIA Group, and (ii) not to contract or try to contract or solicit, in his own benefit or that of third parties, employees, professionals, directors or members of the company or of the DIA Group. The Chief Executive Officer would receive, as a consideration for those obligations, a compensation equal to one annual payment of the fixed annual remuneration that he is receiving at the time of termination of the contract.
- Clawback clause: the Chief Executive Officer's contract includes a clause whereby the Company can claim repayment of the amounts received by him as annual and multiyear variable remuneration if, in the three years following their calculation and payment, the Company becomes aware that the calculation and payment of that remuneration has been fully or partially based on information manifestly proven to be false or inaccurate afterwards, or risks or other unexpected circumstances arise that have not been assumed or foreseen by the Company which have a material adverse effect on the Company's income statement.

During fiscal year 2015, in order to adapt to the requirements of Law 31/2014, amending the Corporate Enterprises Law in relation to directors' remuneration, the Company agreed with the Chief Executive Officer to renegotiate his employment conditions in force up to that time. The provisions introduced in the contract thus signed include, most notably, a clawback clause (whereby the Company can claim from the Chief Executive Officer the reimbursement of the amounts received by him as variable annual and multiyear remuneration in certain circumstances), the provision of compensation (right to receive a severance equal to two (2) annual salary payments in case the Board of Directors were to decide to terminate the contract for reasons other than the Chief Executive Officer's failure to perform his functions, or in a case of disciplinary dismissal held to be justified), and a post-contractual non-competition clause. The conditions in force previously were described in detail in the annual reports on directors' remuneration relating to prior years.

The Chief Executive Officer's relationship with the Company dates back to 1986 and has been maintained uninterruptedly in different formats and conditions up to the present. With the execution of the new contract, the Chief Executive Officer accepted a reduction in the contractual rights to severance in cases of termination of the employment contract (resulting from the recognition of a severance equal to a certain number of days per year of service and without contractual limit, which rights at that time resulted in a severance of around three (3) annual salary payments), and which hereinafter were limited to two (2) annual salary payments, in keeping with the provisions of the Company's Board Regulations and with Recommendation no. 64 of the Code of Good Corporate Governance of Listed Companies, of the Spanish National Securities Market Commission, relating to payments for contract termination.

Additionally, the Chief Executive Officer assumed a post-contractual non-competition clause, not stipulated until that time, which extends for a period of twelve (1) months after the end of the relationship, and according to which the Chief Executive Office undertakes: (i) not to provide services or perform activities that are concurrent or competitive with those of the Company or for the DIA Group, and (ii) not to hire or to try to hire or solicit, in his own benefit or interest or that of third parties, employees, professionals, managers or directors of the company or for the DIA Group, receiving a compensation in that case, as an economic consideration for those obligations, equal to one annuity of the fixed annual remuneration being received by him at the time of termination of the contract, prorated and paid monthly.

**A.8 Explain any supplementary remuneration earned by the directors as consideration for the services they render other than those related to their posts.**

**Explain supplementary remuneration**

The directors earn no supplementary remuneration as consideration for the services they render other than those related to their posts.

**A.9 Specify any remuneration paid as advances, credits and guarantees granted, stating the interest rate, their essential features and the amounts possibly reimbursed, as well as the commitments undertaken on behalf of each one as a guarantee.**

**Explain the advances, credits and guarantees granted**

There are no advances, credits or guarantees of any kind granted by the companies in the DIA Group to their directors.

A.10 Explain the main features of the remuneration in kind.

**Explain the remuneration in kind**

DIA has undertaken the following commitments for the Chief Executive Officer for 2018:

- The cost of a life insurance policy, covering his death for any reasons (distinguishing the events of “any reasons”, accident and traffic accident) and full permanent disability. On the date of this Report, the amount of the annual premium estimated for 2018 is 1.084,59 euros.
- The cost of a health care coverage insurance policy with a premium of 699 euros.
- He is allowed to use a company car, according to the company’s policy with a cost of 10.388,52 euros.

A.11 Specify the remuneration received by the director by virtue of the payments made by the listed company to a third company where the director renders his services, when the purpose of such payments is to remunerate the services rendered thereby in such company.

**Explain the remuneration received by the director by virtue of the payments made by the listed company to a third company where the director renders his services**

The Chief Executive Officer is not paid any remuneration as a director at other companies of the DIA Group.

A.12 Any other remuneration item different to the previous ones, whatever its nature may be or the company in the group that pays it, in particular when it is considered a related transaction or the granting thereof distorts the true image of all the remuneration payable to the director.

**Explain the other remuneration items**

There are no other different or additional remunerations to those described in this Report remuneration.

A.13 Explain the measures the company has adopted related to the remuneration system to reduce excessive risks of exposure and to adapt it to the company’s long-term values and interests, which must include, if any, a reference to the following: the measures planned to guarantee that the remuneration policy takes into account the company’s long-term profits, measures that determine a suitable balance between the fixed and variable components included in the remuneration, measures adopted related to the jobs of staff whose work has a significant impact on the company’s risk profile, reimbursement formulae or clauses to be able to claim the refund of the variable components included in the remuneration based on the profits and losses, when such components have been paid taking into account data that have been clearly proven inaccurate afterwards and the measures applied to avoid conflicts of interests, if any.

## Explain the actions adopted to reduce risks

Through its Board of Directors and the NRC, DIA Group performs ongoing supervisory and review duties for its directors' remuneration policy.

By virtue of the foregoing, the remuneration systems for the directors in the DIA Group implicitly include the following measures to control risks in their design, as follows:

- The remuneration of the directors for their duties as such is limited to a fixed amount, and to the receipt of per diems in cash, within the limits determined by the General Shareholders' Meeting and the Board of Directors, which, among other measures, may determine a total amount lower than that stipulated by the General Shareholders' Meeting or eliminate per diems.
- 50% of such fixed remuneration must be paid by granting DIA shares.
- All the directors (including the remuneration paid to the executive for such item) must keep such shares until they step down from office as directors.
- The additional fixed remuneration, along with the variable remuneration, is only applicable to the Chief Executive Officer, and he receives this for his executive duties, apart from those related to his position as director and regardless of his remuneration as a member thereof.
- The variable remuneration is linked to the achievement of corporate business targets and special quality and quality targets and is only available to the Chief Executive Officer.

The Company deems that the fixed remuneration of the directors who perform executive duties is sufficiently high so as to permit the company to withhold the variable remuneration if they do not fulfill the performance criteria established.

According to the provisions in Article 33 of the Board of Directors' Regulations, where variable components of remuneration are paid, the payment of a large part thereof is deferred for a sufficient period of time to verify the performance criteria established.

Due to the foregoing, the schedule for the award of shares included in the incentive plan regulations is as follows: (i) in the case of the preceding Incentive Plan 2014-2016, the award dates established were no later than April 30, 2017 (50% of the number of shares he is entitled to receive) and January 2018 (50% of the number of shares he is entitled to receive), and (ii) in the case of the Incentive Plan 2016-2018, the award dates are no later than April 30, 2019 (50% of the number of shares he is entitled to receive) and January 2020 (50% of the number of shares he is entitled to receive).

It should be remembered that, as indicated in section A.7, the Chief Executive Officer's contract includes a clause (the "clawback" clause) which permits the Company to claim the repayment of the amounts received by him as annual and multiyear variable remuneration if, in the three years following their calculation and payment, the Company becomes aware that the calculation and payment of that remuneration has been fully or partially based on information manifestly proven to be false or inaccurate afterwards, or risks or other unexpected circumstances arise that have not been assumed or foreseen by the Company which have a material adverse effect on the Company's income statement.

Moreover, the Long-Term Incentive Plan 2016-2018 establishes for the Chief Executive Officer and the members of the Management Committee (COMEX) the obligation to retain the ownership of all the shares received under that Plan and other long-term incentive plans implemented by DIA in the future, until they reach a number of shares equivalent to two times the fixed remuneration, in the case of the Chief Executive Officer, and one time the fixed remuneration in the case of the members of COMEX. The Chief Executive Officer and the members of COMEX shall retain the ownership of those shares until their employment or independent contractor relationship with the company comes to an end.

## **B THE COMPANY'S REMUNERATION POLICY ESTABLISHED FOR FUTURE YEARS**

**Revoked**

## **C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED IN THE FINANCIAL YEAR JUST ENDED**

C.1 Explain, in a nutshell, the main characteristics of the structure and remuneration items of the remuneration policy applied during the financial year just ended, giving rise to the individual remuneration earned by each of the directors as itemised in Section D of this report, along with a summary of the decisions taken by the board for the application of such items.

<p><b>Explain the structure and remuneration items of the remuneration policy applied during the year</b></p>
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The remuneration structure and items of the remuneration policy applied during 2017 are consistent with the principles, bases and composition of the remuneration system in force under the current remuneration policy, which has been described in section A.1 above.

Specifically, the remuneration items received by the directors as members of the Board in 2017 were the following, amounting to a total of 1,173,361.10:

- Ms. Ana María Llopis Rivas: 120,162.03 euros in cash and 43,934.94 euros in shares.
- Mr. Ricardo Currás de Don Pablos: 67,472.75 euros in cash and 21,302.41 euros in shares.
- Mr. Julián Díaz González: 81,827.94 euros in cash and 32,688.68 in shares.
- Mr. Richard Golding: 88,846.86 euros in cash and 28,908.36 euros in shares.
- Mr. Juan María Nin Génova: 86,559.53 euros in cash and 27,957.10 euros in shares.
- Mr. Mariano Martín Mampaso: 89,677.18 euros in cash and 34,698.27 euros in shares.
- Mr. Antonio Urcelay Alonso: 90,559.53 euros in cash and 27,957.10 euros in shares.
- Ms. Angela Lesley Spindler: 83,674.23 euros in cash and 34,842.40 euros in shares.
- Mr. Borja de la Cierva Álvarez de Sotomayor: 89,559.53 euros in cash and 27,957.10 euros in shares.
- Ms. María Garaña Corces: 73,472.75 euros in cash and 21,302.41 euros in shares.

In relation to the aforementioned items and amounts, the following should be noted:

- The amount of the remuneration in cash includes the fixed remuneration and attendance fees (2,000 euros for attending each meeting of the Board of Directors and 1,000 euros for attending committee meetings).
- The fixed remuneration for the post of director was paid half in cash and half in company shares.
- The number of shares granted as remuneration to the directors was calculated by reference to the result of dividing 50% of the fixed remuneration payable to each director by a reference market price that, for the financial year 2014, was the Volume Weighted Average Price for the market prices for the DIA shares in the 15 stock exchange business days prior to February 22, 2017 (inclusive).

- Directors (including the Chief Executive Officer) are required to hold the shares until they cease to be directors.
- The difference in remuneration of directors between 2017 and 2016 (detailed in the tables included in D.1 below) is due to the following aspects: (i) the different value of the share at the time of the allotment (that is, the time when the number of shares to which each director would be entitled is set) and the date on which the financial instruments are claimable and awarded, (ii) the number of meetings of the Board and its committees, and (iii) the changes taking place in the composition of the Board and its committees.
- In relation to the Chief Executive Officer, in 2017, in addition to the remuneration paid to him in his capacity as director, the Board of Directors decided that he would receive the following fixed and variable components:
- A fixed component of 600,000 euros.
- An AVR for 2017 of 217,500 euros, which the Chief Executive Officer will effectively receive (in 2018).

The amount of the AVR for 2017 of the Chief Executive Office has been obtained from the degree of achievement of the following targets:

<b>Targets</b>	<b>Weight</b>
<b>Quantitative targets</b>	<b>70%</b>
LFL growth of chain store sales	10%
Adjusted EBIT	40%
Growth of chain store sales	10%
Cash from goods	10%
<b>Specific targets</b>	<b>30%</b>

By applying the scales of achievement approved by the Board of Directors, the degree of achievement of targets is 10% for the quantitative targets as a whole, and 26.25% in the case of specific targets.

This AVR for 2017 to be received in 2018 can differ from that recorded by the company in the financial statements of that year.

- An amount of 7,228.92 euros corresponding to remuneration in kind derived from the premium of a life insurance policy, the premium of a health care coverage insurance policy and the use of a company car.
- A pay supplement called pension assistance, of 6,400 euros.
- Long-Term Incentive Plan 2014-2016: On March 19, 2016, the Company's Board of Directors approved the Long-Term Incentive Plan 2014-2016 based on the report and proposal from the NRC, and which included the Company's Chief Executive Officer. At the end of the Plan's duration, the Board, at its meeting held on February 22, 2017, determined that although the targets established in the Plan had been met, the growth strategy carried out by the DIA Group through different acquisitions caused one of the specific indicators, i.e. the Non-recurrent Accumulated Costs, established solely for the Chief Executive Officer and for another senior executive, to exceed the maximum threshold established in the Plan. For this reason, the Chief Executive Officer has not received in 2017, and will not receive in 2018, shares for his participation in that Long-Term Incentive Plan 2014-2016.

**D** ITEMIZATION OF INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR.

<b>Name</b>	<b>Type</b>	<b>2017 accrual period</b>
ANA MARIA LLOPIS RIVAS	Other external	From 01/01/2017 to 12/31/2017
RICARDO CURRÁS DE DON PABLOS	Executive	From 01/01/2017 to 12/31/2017
JULIÁN DÍAZ GONZÁLEZ	Independent	From 01/01/2017 to 12/31/2017
RICHARD GOLDING	Independent	From 01/01/2017 to 12/31/2017
JUAN MARIA NIN GENOVA	Other external	From 01/01/2017 to 12/31/2017
MARIANO MARTÍN MAMPASO	Independent	From 01/01/2017 to 12/31/2017
ANTONIO URCELAY ALONSO	Other external	From 01/01/2017 to 12/31/2017
ANGELA LESLEY SPINDLER	Independent	From 01/01/2017 to 12/ 31/2017
BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	Independent	From 01/01/2017 hasta 12/31/2017
MARÍA GARAÑA CORCES	Independent	From 01/01/2017 to 12/31/2017

D.1 Complete the following tables on each director's individual remuneration (including remuneration for the performance of executive functions) earned during the financial year.

a) **Remuneration earned at the company that is the subject of this report:**

i) **Remuneration in cash (amounts in € thousand)**

Name	Salaries	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board Committees	Severance	Other items	Total 2017	Total 2016
ANA MARIA LLOPIS RIVAS	0	106	14	0	0	0	0	0	120	124
RICARDO CURRÁS DE DON PABLOS	600	51	16	217	0	0	0	14 <sup>1</sup>	898	1,522
JULIÁN DÍAZ GONZÁLEZ	0	63	19	0	0	0	0	0	82	82
RICHARD GOLDING	0	70	19	0	0	0	0	0	89	99
JUAN MARÍA NIN GÉNOVA	0	68	19	0	0	0	0	0	87	92
MARIANO MARTÍN MAMPASO	0	67	23	0	0	0	0	0	90	95
ANTONIO URCELAY ALONSO	0	68	23	0	0	0	0	0	91	94
ANGELA LESLEY SPINDLER	0	61	21	0	0	0	0	0	84	73
BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	0	68	22	0	0	0	0	0	90	29
MARÍA GARAÑA CORCES	0	51	22	0	0	0	0	0	73	3

<sup>1</sup> This amount includes the cost of life insurance, health insurance, the value of the use of a vehicle, and the amount relating to the pay supplement called pension assistance.

ii) Share-based remuneration systems

<b>ANA MARIA LLOPIS RIVAS</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
10,669	4.118	44	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>RICARDO CURRÁS DE DON PABLOS</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. Of options	Shares affected	Strike Price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares allotted	Strike price (€)	Exercise period	
5,173	4.118	21	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>JULIÁN DÍAZ GONZÁLEZ</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
7,938	4.118	33	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>RICHARD GOLDING</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
7,028	4.118	29	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>JUAN MARÍA NIN GÉNOVA</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
6,789	4.118	28	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>MARIANO MARTÍN MAMPASO</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
8,426	4.118	35	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ANTONIO URCELAY ALONSO</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
6,789	4.118	28	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ANGELA LESLEY SPINDLER</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected		No. of Options			Shares affected		No. of Options	Shares affected		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	No. of shares	Price	
8,461	4.118	35	0.00	0	0	0	0	0	0	0.00	No applicable	
Other conditions for exercise: Not applicable												

<b>BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOER</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected		No. of Options			Shares affected		No. of Options	Shares affected		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	No. of shares	Price	
6,789	4.118	28	0.00	0	0	0	0	0	0	0.00	No applicable	
Other conditions for exercise: Not applicable												

<b>MARÍA GARAÑA CORCES</b>												
<b>2017 Fixed share-based remuneration</b>												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected		No. of Options			Shares affected		No. of Options	Shares affected		
01/01/2017	0		0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	No. of shares	Price	
5,173	4.118	21	0.00	0	0	0	0	0	0	0.00	No applicable	
Other conditions for exercise: Not applicable												

**iii) Other benefits (amounts in € thousand)**

RICARDO CURRÁS DE DON PABLOS			
Remuneration in the form of advances and loans granted			
Interest rate for the transaction		Basic characteristics of the transaction	Any amounts reimbursed
0.00		Not applicable	Not applicable
Life insurance premiums		Company guarantees in favour of directors	
2017	2016	2017	2016
1	1	Not applicable	Not applicable

**b) Remuneration earned by directors due to membership on the boards of other group companies:**

**i) Remuneration in cash (amounts in € thousand)**

Name	Salaries	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board Committees	Severance payments	Other items	Total for 2015	Total for 2014
ANA MARIA LLOPIS RIVAS	0	0	0	0	0	0	0	0	0	0
RICARDO CURRÁS DE DON PABLOS	0	0	0	0	0	0	0	0	0	0
JULIÁN DÍAZ GONZÁLEZ	0	0	0	0	0	0	0	0	0	0
RICHARD GOLDING	0	0	0	0	0	0	0	0	0	0
JUAN MARÍA NIN GÉNOVA	0	0	0	0	0	0	0	0	0	0
MARIANO MARTÍN MAMPASO	0	0	0	0	0	0	0	0	0	0
ANTONIO URCELAY ALONSO	0	0	0	0	0	0	0	0	0	0
ANGELA LESLEY SPINDLER	0	0	0	0	0	0	0	0	0	0
BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	0	0	0	0	0	0	0	0	0	0
MARÍA GARAÑA CORCES	0	0	0	0	0	0	0	0	0	0

**ii) Share-based remuneration systems**

ANA MARÍA LLOPIS RIVAS												
Not applicable												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
1/1/2017	0	0	0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

RICARDO CURRÁS DE DON PABLOS												
Not applicable												
Date implemented	Options held at the start of 2017						Options allotted during the year 2017					
	No. of Options	Shares affected	Strike price (€)	Exercise period			No. of Options	Shares affected	Strike price (€)	Exercise period		
1/1/2017	0	0	0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares allotted	Gross profit (€k)	No. of Options	No. of Options	Shares allotted	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>JULIÁN DÍAZ GONZÁLEZ</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2017</b>					<b>Options allotted during the year 2017</b>						
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			
1/1/2017	0	0	0.00	Not applicable		0	0	0.00	Not applicable			
Conditions: not applicable												
<b>Shares delivered in 2017</b>			<b>Options exercised in 2017</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2017</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount (€ thousand)</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>RICHARD GOLDING</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2017</b>					<b>Options allotted during the year 2017</b>						
	<b>No. of Options</b>	<b>Shares allotted</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		<b>No. of Options</b>	<b>Shares allotted</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			
1/1/2017	0	0	0.00	Not applicable		0	0	0.00	Not applicable			
Conditions: not applicable												
<b>Shares delivered in 2017</b>			<b>Options exercised in 2017</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2017</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount (€ thousand)</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares allotted</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares allotted</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>JUAN MARÍA NIN GÉNOVA</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2017</b>					<b>Options allotted during the year 2017</b>						
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			
01/01/2017	0	0	0.00	Not applicable		0	0	0.00	Not applicable			
Conditions: not applicable												
<b>Shares delivered in 2017</b>			<b>Options exercised in 2017</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2017</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount (€ thousand)</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>MARIANO MARTIN MAMPASO</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2017</b>					<b>Options allotted during the year 2017</b>						
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			
1/1/2017	0	0	0.00	Not applicable		0	0	0.00	Not applicable			
Conditions: not applicable												
<b>Shares delivered in 2017</b>			<b>Options exercised in 2017</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2017</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount (€ thousand)</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ANTONIO URCELAY ALONSO</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2017</b>						<b>Options allotted during the year 2017</b>					
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		
1/1/2017	0	0	0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
<b>Shares delivered in 2017</b>			<b>Options exercised in 2017</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2017</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount (€ thousand)</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

<b>ANGELA LESLEY SPINDLER</b>												
<b>Not applicable</b>												
<b>Date implemented</b>	<b>Options held at the start of 2017</b>						<b>Options allotted during the year 2017</b>					
	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>			<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>		
1/1/2017	0	0	0.00	Not applicable			0	0	0.00	Not applicable		
Conditions: not applicable												
<b>Shares delivered in 2017</b>			<b>Options exercised in 2017</b>				<b>Unexercised expired options</b>	<b>Options at the end of 2017</b>				
<b>No. of shares</b>	<b>Price</b>	<b>Amount (€ thousand)</b>	<b>Strike price (€)</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Gross profit (€k)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Shares affected</b>	<b>Strike price (€)</b>	<b>Exercise period</b>	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

**BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR****Not applicable**

Date implemented	Options held at the start of 2017					Options allotted during the year 2017						
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period			
1/1/2017	0	0	0.00	Not applicable		0	0	0.00	Not applicable			
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

**MARÍA GARAÑA CORCES****Not applicable**

Date implemented	Options held at the start of 2017					Options allotted during the year 2017						
	No. of Options	Shares affected	Strike price (€)	Exercise period		No. of Options	Shares affected	Strike price (€)	Exercise period			
1/1/2017	0	0	0.00	Not applicable		0	0	0.00	Not applicable			
Conditions: not applicable												
Shares delivered in 2017			Options exercised in 2017				Unexercised expired options	Options at the end of 2017				
No. of shares	Price	Amount (€ thousand)	Strike price (€)	No. of Options	Shares affected	Gross profit (€k)	No. of Options	No. of Options	Shares affected	Strike price (€)	Exercise period	
0	0.00	0	0.00	0	0	0	0	0	0	0.00	Not applicable	
Other conditions for exercise: Not applicable												

### iii) Long-term saving systems

Name	Company's contribution during the year (€ thousand)		Amount of accumulated funds (€ thousand)	
	Fiscal year 2017	Fiscal year 2016	Fiscal year 2017	Fiscal year 2016
ANA MARIA LLOPIS RIVAS	0	0	0	0
RICARDO CURRÁS DE DON PABLOS	0	0	0	0
JULIÁN DÍAZ GONZÁLEZ	0	0	0	0
RICHARD GOLDING	0	0	0	0
JUAN MARÍA NIN GÉNOVA	0	0	0	0
MARIANO MARTÍN MAMPASO	0	0	0	0
ANTONIO URCELAY ALONSO	0	0	0	0
ANGELA LESLEY SPINDLER	0	0	0	0
MARÍA GARAÑA CORCES	0	0	0	0
BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	0	0	0	0

#### c) Summary of remuneration (amounts in € thousand):

The summary must include the amounts relating to all remuneration items included in this report that have accrued to the Director, in thousand euro.

In the case of long-term saving systems, the contributions or allocations made to this type of system will be included.

Name	Remuneration earned at the Company				Remuneration earned at Group companies			Totals			
	Total cash remuneration	Amount of shares granted	Gross profit from options exercised	Company total fiscal year 2017	Total cash remuneration	Amount of shares awarded	Gross profit from options exercised	Total fiscal year 2017 group	Total fiscal year 2017	Total fiscal year 2016	Contribution to savings systems during the year
ANA MARIA LLOPIS RIVAS	120	44	0	164	0	0	0	0	164	175	0
RICARDO CURRÁS DE DON PABLOS	898	21	0	919	0	0	0	0	919	1.823	1
JULIÁN DÍAZ GONZÁLEZ	82	33	0	115	0	0	0	0	115	120	0
RICHARD GOLDING	89	29	0	118	0	0	0	0	118	135	0
JUAN MARÍA NIN GÉNOVA	87	28	0	115	0	0	0	0	115	125	0
MARIANO MARTÍN MAMPASO	90	35	0	125	0	0	0	0	125	137	0
ANTONIO URCELAY ALONSO	91	28	0	119	0	0	0	0	119	127	0
ANGELA LESLEY SPINDLER	84	35	0	119	0	0	0	0	119	107	0
BORJA DE LA CIERVA ÁLVAREZ DE SOTOMAYOR	90	28	0	118	0	0	0	0	118	40	0
MARÍA GARAÑA CORCES	73	21	0	94	0	0	0	0	94	4	0
<b>TOTAL</b>	<b>1,704</b>	<b>302</b>	<b>0</b>	<b>2,006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,006</b>	<b>2,793</b>	<b>1</b>

**D.2 State the relationship between the remuneration obtained by the directors and the entity's results or other performance measurements, explaining, as pertinent, how changes in company performance may have influenced the change in the directors' remuneration.**

The AVR applied to the Chief Executive Officer takes into account the achievement of certain business targets with a direct impact on the company earnings.

The variable remuneration for 2017, taking into account the achievement of the targets of that year as detailed in section C.1 of this Report, amounted to 217,500 euros (to be received in fiscal year 2018), which represents 36.25% of fixed remuneration. That amount corresponds to the amount which the Chief Executive Officer will effectively receive and can defer from the AVR of 2017 registered by the company in the financial statements of that year.

**D.3 Report the result of the consultative vote by the general shareholders' meeting on the annual report on prior-year remuneration, indicating the number of votes against, if any.**

	<b>Number</b>	<b>% of total</b>
<b>Votes cast</b>	347,789,839	56.8234%

	<b>Number</b>	<b>% of total</b>
<b>Votes against</b>	29,765,753	8.3428%
<b>Votes in favour</b>	318,023,566	89.1363%
<b>Blank votes</b>	520	0.0001%
<b>Abstentions</b>	8,993,810	2.5208%

**E OTHER INFORMATION OF INTEREST**

**If there is any relevant aspect of director remuneration that it has not been possible to set out in the other sections of this report, but which it is necessary to include for more complete and reasoned information on the remuneration structure and practices of the company with its directors, describe it briefly.**

This report has been prepared in accordance with the provisions of Article 541 of the Spanish Corporate Enterprises Law ("LSC"), which establishes the obligation of listed companies to prepare an annual report on director remuneration, in accordance with the content, format and structure stipulated by Order ECC/461/2013 (March 20, 2013) and the Spanish National Securities Market Commission's Circular 4/2013 (June 12, 2013), amended by that Commission's Circular 7/2015, of December 22, 2015.

Article 529 *septdecies* of the LSC establishes the obligation for listed companies to have a directors' remuneration policy which describes in detail the different remuneration items that they are entitled to receive in their capacity as directors, and the characteristics and bases of the remuneration of the managers who perform executive functions at the company.

Subarticle 1 of article 529.1 *novodecies* of the LSC introduces for listed companies the obligation for the General Shareholders' Meeting to issue a binding resolution approving the directors' remuneration policy at least every three years, as a separate item on the meeting agenda.

The Company applied the transitional rules established in the LSC according to which, as the General Shareholders' Meeting of 2015 approved, on an advisory basis, the report on the directors' remuneration, it was understood that the Company's remuneration policy contained therein had also been approved for purposes of the aforementioned article 529 *novodecies*.

In view of the foregoing, and as the annual report on the directors' remuneration for 2015 was approved with an advisory vote, the directors' remuneration policy described in that report has maintained its validity during the three fiscal years following that in which it was approved by the General Shareholders' Meeting (i.e., up to 2018).

Given that three years have elapsed since the annual report on directors' remuneration was approved by the General Shareholders' Meeting of 2015 (i.e., in 2018), a binding vote by the General Shareholders' Meeting is required for a new directors' remuneration policy, after having received a specific report from the NRC. That remuneration policy will be in force for the three years following its approval (i.e., in 2019, 2020 and 2021).

The Board of Directors intends to approve the new remuneration policy for fiscal years 2019, 2020 and 2021 and present it for approval at the next General Shareholders' Meeting. Although at the date of preparation of this report, the drafting of that policy has not yet concluded, significant changes are not expected to be made with respect to the remuneration policy currently in force, save for those already indicated in this Report. In any case, the content of the new policy will be described in detail in the information that will be made available to the shareholders sufficiently in advance.

This annual remuneration report was approved by the company's Board of Directors at its meeting held on February 21, 2018.

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

Yes  No