

X5 RETAIL GROUP

Rules on External Auditor Independence and Selection

Adopted on 1 December 2015 by the Audit Committee

1. Purpose

The purpose of these rules is to:

- Establish a process for assessing auditor independence
- Provide a framework for making decisions on which services the external auditor is, and is not, entitled to provide
- Establish a process for selecting and evaluating the external auditor
- Confirm the role and responsibilities of the Audit Committee in these processes

2. Rule

X5 Retail Group N.V., including all its consolidated subsidiaries, (“X5” or the “company”), will only use the appointed external auditor to provide audit services as outlined below. Non-Dutch-based consolidated subsidiaries will only use the local affiliates of the appointed external auditor to provide other services, in cases where these services are permitted under local laws and regulations, and do not conflict with the auditor’s independence. Further details on scope of services are provided in Rule 6.

3. Guidance

As a general guidance, these rules require X5’s external auditor – as X5 qualifies as an “OOB” according to Dutch law (Organisatie van Openbaar belang, Public Interest Company (PIE)) – to be independent in accordance with:

- Dutch law, art 24 Wta (Wet Toezicht Accountantsorganisaties) and ‘Verordening onafhankelijkheid voor accountants (ViO);
- IFAC/IESBA requirements on Statutory Auditor’s Independence
- Current European rules and regulations

“External auditor” in the context of these rules relates to either the audit firm that is engaged as group auditor, the affiliates of this firm, or the persons that act as external auditors.

These rules are based on the principle that an external auditor must be independent of the company, both in fact and in appearance, to ensure that the external auditor is capable of exercising objective and impartial judgment on all issues encompassed within his engagement. As a consequence, the external auditor is not independent if he/she, directly or indirectly, maintains a financial, employment or business relationship with X5, or provides a service which:

- Creates a mutuality of interest
- Places the auditor in a position to audit his/her own work
- Results in the auditor acting as an X5 manager or X5 employee
- Puts the auditor in the role of advocate for X5

A reporting procedure for a potential conflict of interest involving the external auditor is included in article 14 of the Rules governing the Principles and Practices of the Supervisory Board of X5 Retail Group N.V.

4. Role of Audit Committee

The function of the Audit Committee is to assist the Supervisory Board in fulfilling its oversight responsibilities, including assessing the qualifications, performance and independence of the external auditor.

The Audit Committee determines the rules for auditor selection and evaluation, and recommends that the external auditors be proposed for shareholder approval in accordance with the Articles of Association. Every four years, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditors. The Audit Committee is therefore involved in the decision-making process relating to the selection and appointment of the external auditor, as well as the appropriate compensation for audit and audit related services. In addition, the Audit Committee approves audit, audit related and any permitted non-audit services for non-Dutch subsidiaries in line with this policy. The independence of the external auditor is reviewed annually.

5. Appointment of external auditor

The appointment of the external auditor is a definite appointment for a maximum period of ten (10) fiscal years. A thorough assessment of their services (as set out in the next paragraph) is performed by the Audit Committee every four (4) fiscal years, in accordance with provision V.2.3 of the Dutch Corporate Governance Code.

The Audit Committee advises the Supervisory Board, who communicates the results of this assessment to the Annual General Meeting of shareholders of X5 Retail Group N.V.

Should the Supervisory Board propose not to continue the appointment of the existing external auditor, a tender process will be started to select a new external auditor. For the selection of a new external auditor, the Management Board shall advise the Audit Committee, who in turn will advise the Supervisory Board. The Supervisory Board selects and recommends the appointment of the new external auditor to the Annual General Meeting of shareholders.

6. Services provided by external auditor

The external auditor can only provide audit services for the company as listed below. Audit services are defined as:

- Statutory audit of the company, of the company's consolidated financial statements, and of the company's subsidiaries
- Audit or review of (interim) financial statements (including carve-out and special purpose financial statements)
- Providing assurance with regard to other aspects of annual reporting, such as corporate governance, risk management and corporate social responsibility
- Providing assurance and reporting on results of research for fact justification for regulatory bodies and/or tax authorities
- Any other statutory task related to audit, which by law is imposed on the external auditor or the audit firm (e.g. grant statements)
- Provision of assurance and report of factual findings requested by third parties (e.g. comfort letters)

And, only if and when requested by the Supervisory Board and/or the Audit Committee, and as part of their regular activities:

- Providing assurance and report of factual findings (e.g. in the fields of internal control, mergers and acquisitions, tax position and structures, and fraud)

In addition to these audit services provided to the company, X5's external auditors' foreign local affiliates are able to provide audit related and permitted non-audit services¹ for non-Dutch subsidiaries, if and as far as these services:

- do not conflict with the auditor's independence;
- may be mandated to the local statutory auditor under local laws and regulations, and;
- the maximum non-audit fees that the external auditor of the company can bill in any one year is set at 70% of the audit fees charged during the same fiscal year in which the non-audit services are provided; this maximum may be exceeded taking into account the specific circumstances of the proposed engagement, subject to the prior approval of the Audit Committee.

7. Audit Committee pre-approval of services

The Audit Committee pre-approves the engagement of the external auditor, and or its affiliates, for all of the abovementioned audit, audit related and non-audit services. The Head of the Corporate Audit Department and/or the CFO can provide clarification as to whether requested services from the external auditor, and or its affiliates, fall under the above categories. The approval responsibilities may not be delegated to management, and the procedure will provide for timely information on each service to the Audit Committee.

Requests for non-audit services are subject to a mandatory tender procedure. The participation of the external auditor in any such tender is subject to the prior approval of the Audit Committee. The Audit Committee will not decide upon participation of the external audit company in a tender before having obtained a formal confirmation in writing from the external auditors' key audit partners (including at least the lead partner in the Netherlands) that the requested non-audit services are permitted under the external auditor's internal independence guidelines and any other applicable rules and regulations (re. Rule 3).

Subject to prior approval of the Supervisory Board, the Audit Committee may delegate any of the above decisions with respect to audit related and non-audit services to one or more of its members.

The Audit Committee must be informed on a quarterly basis about all services provided by the external auditor and or its affiliates.

8. Rotation of audit partners

X5 requires its external auditor to provide an appropriate balance between going concern (effectiveness and efficiency, e.g. audit costs), risk management, independence and credibility. Rotation of the lead (signing) and concurring (review) partner of the X5 audit is required after a maximum period of five (5) fiscal years from their appointment date into this position. None of these partners may rotate to a different position within the X5 audit team within a period of two years. Other key audit partners, either at the X5 group level or partners signing off audit opinions of

¹ Audit related and permitted non-audit services are described in Annex A.

material X5 entities, are required to rotate from their position after a maximum period of seven (7) fiscal years.

9. Audit Committee's assessment of the auditor's independence and objectivity

Each year, the Audit Committee must formally review the external auditor's independence in line with these rules and document its position in this matter.

Every four (4) years, the Audit Committee conducts a robust assessment of the auditor's independence and objectivity.

This assessment includes the Audit Committee's consideration of the:

- Effectiveness of the external auditor, including whether the external auditor selected is in the best interest of the company and its shareholders and why
- Independence of the external auditor, including any breaches that have occurred since the prior review and how they have been mitigated
- Type and extent of non-audit services being provided by the external auditor and why the audit committee concluded these were appropriate to obtain from the auditor
- Fees paid to the external auditor for audit and non-audit services and whether they are appropriate
- Length of continuous tenure of the audit firm, the date of the last tender, and whether the audit should be put out for tender
- Audit Committee's involvement in the selection of the auditor's lead engagement partner and any other information about how they manage audit partner rotation

10. Responsibility of the external auditor

The external auditor must maintain a quality control system which provides reasonable assurance that its independence will not be impaired. The external auditor reports annually to the Audit Committee on all aspects concerning independence, including possible conflicts with this policy, if any. The external auditor annually confirms its independence in writing. The external auditor ensures that their firm will remain registered at the Autoriteit Financiële Markten (AFM). Any material changes in this registration will be reported immediately in writing to the Audit Committee.

11. Hiring arrangements

X5 and the external auditor agree on a restricted hiring policy:

- X5 will not hire partners and professional employees of the external auditor involved in the X5 audit within the previous two (2) years, unless the consent of the firm is obtained
- The external auditor will not hire senior management from X5 for involvement in the X5 audit within two (2) years of the termination of their employment with X5

12. Maintenance of rules

The Audit Committee will address any changes to these rules or situation as needed. Any independence issues or conflicts of interest will be communicated immediately to the AFM, relevant exchange commissions and any other regulatory body as required.

13. Communication

X5 will communicate its rules on auditor's independence and selection to stakeholders.

14. Date of effectiveness

On 12 November 2015, X5's General Meeting of Shareholders appointed EY as the new external auditor of the company. This appointment is intended for the audit services to the company and the company's consolidated financial statements commencing in the fiscal year 2016.

These rules are adopted on 1 December 2015, and effective as per the same date.

Annex A.

1. Audit related services

Audit related services are assurance and related services that are reasonably related to the performance of audit and assurance services or other work traditionally provided to X5 by the external auditor in its role as external auditor. Insofar not covered by the audit services defined in Rule 6, audit related services include:

- Opinions / audit reports on other information provided by the company upon request from a third party (e.g. a prospectus, comfort letters, royalty audits, or a report on employee benefit plans);
- Opening balance sheet audits of acquisitions;
- Closing balance sheet audits of disposals;
- Advice on accounting policies;
- Sustainability reviews and audits;
- Special purpose IT audits or IT auditors' review of set up of IT systems;
- Internal audit outsourcing services that relate to internal accounting controls, financial systems or financial statements, provided that (i) management remains fully responsible for the internal control system, determining the internal control measures and giving follow-up on findings in respect of internal controls, and (ii) a concurring review on the audit files is provided by an audit partner not involved in the audit of the financial statements;
- Due diligence services, to be assessed on a case-by-case basis taking into account the specific circumstances of the proposed engagement.

2. Permitted non-audit services

As a general rule, the external auditor's foreign local affiliates are permitted to perform non-audit services for non-Dutch subsidiaries provided that these services are permitted under local laws and regulations, and do not conflict with the auditor's independence.

Permitted non-audit services include:

- Tax compliance work;
- Tax consulting services including tax planning but excluding:
 - Representation in (tax) courts;
 - Recommending aggressive tax position transactions;
 - Tax services to certain persons serving in financial oversight roles.
- Risk management and internal control projects.