



REPORT FROM THE AUDIT AND COMPLIANCE COMMITTEE ON THE INDEPENDENCE OF THE EXTERNAL AUDITORS OF THE ACCOUNTS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. IN 2018

I. Introduction and background

In accordance with section 4(f) of Article 529 quaterdecies of the Spanish Companies Act (the “**Companies Act**”) and according to the provisions of Article 38.3 (ix) of the Regulation of the Board of Directors and Article 6.4 of the Audit and Compliance Committee's Regulations of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“**DIA**” or the “**Company**”), each year before the issuance of the audit report, the Committee shall prepare and issue a report expressing an opinion on the independence of the external auditors.

This report must contain an assessment of the provision of additional services other than the legal auditing by these auditors or by persons or entities linked to them, considered individually and as a whole, with respect to the independence regime or the applicable regulatory standards on auditing, according to the Auditing Act 22/2015 of 20 July (the “**Auditing Act**”), which is applicable to the audit assignments related to fiscal years starting as of 17 June 2016.

As a result, the Audit and Compliance Committee prepares this report and makes it available to shareholders and investors through the website sufficiently in advance to the Annual General Meeting, as stipulated by Recommendation 6 of the Code of Good Governance for Listed Companies approved by the National Securities Market Commission (CNMV) dated 18 February 2015 (the “**Code of Good Governance**”).

II. Analysis of the independence of the auditors

This report is based on the document received by the Audit and Compliance Committee and prepared by the auditors of the Company, which contains written statement or confirmation of their independence from the Company and the companies in its group (the “**DIA Group**”), as well as information on the additional services, considered individually and as a whole, of any kind, other than that of auditing, provided to these entities by the said auditors or persons or entities linked to them, in accordance with the provisions of the Auditing Act.

This written confirmation, signed by the auditing partner of DIA’s financial statements, Ms María Lacarra Caminero, dated 4 February 2019, is issued according to the provisions of the Auditing Act, the Companies Act, Article 38 of the Regulation of the Board of Directors and Article 6 of the Audit and Compliance Committee's Regulations.

The Company's Annual General Meeting held on 20 April 2018 re-elected KPMG Auditores, S.L. (“**KPMG Auditores**”) as auditors of DIA and its subsidiaries, to carry out the auditing of the Company’s individual annual financial statements and of the consolidated annual financial statements of the DIA Group for the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

Regarding the re-election as auditors, in the document submitted to DIA’s Audit and Compliance Committee the auditors confirmed their independence as auditors in accordance with the provisions of the Companies Act, the Auditing Act, Royal Decree 1517/2011 of 31 October (amended by Royal Decree 877/2015 of 2 October), approving the Regulation implemented by the consolidated text of the Auditing Act, and in compliance with the



requirements of the International Standard on Auditing (IAS-ES) 260 (Reviewed) on “Communication with those charged with governance” for public interest entities (PIEs).

In addition, KPMG Auditores has informed of the auditing services and the services of any kind other than auditing provided to the DIA Group in the year ending 31 December 2018 by KPMG Auditores and by other firms of the KPMG network.

The details of the services provided in the year ending on 31 December 2018 are attached below:

Service description	Amount (thousands of €)		
	KPMG Auditores, S.L.	Other firms of its international network	Total
Audit services	914,068	440,065	1,354,133
Other services related to auditing	79,949	52,015	131,964
Total auditing services and related	994,017	492,080	1,486,097
Tax services	-	22,104	22,104
Other Services	-	35,589	35,589
TOTAL PROFESSIONAL SERVICES	994,017	549,773	1,543,790

The item “Other services related to auditing” includes, essentially, the services normally provided by the auditor such as the half-year review at 30 June 2018 (ISRE 2410), the comfort letters in relation to the issuance of bonds and the prospectus issued by the Company, the procedures agreed in relation to the financial ratios, the procedures agreed regarding the annual statements of containers and the procedures agreed regarding section F of the annual corporate governance report related to the Internal Control over Financial Reporting (ICFR).

The Audit and Compliance Committee has assessed the provision of the additional services other than legal auditing included in the table above, considered individually and as a whole, in relation to the system of independence and the regulatory standards on auditing. In accordance with the provisions of Article 529 quaterdecies of the Companies Act, during the year DIA's Audit and Compliance Committee authorised the external auditor to provide services other than those forbidden, under the terms set out in Articles 5.4 and 6.2.b) of EU Regulation no. 537/2014 of the European Parliament of 16 April (the “**Regulation**”) and in the Auditing Act, after written confirmation to the Company that such services did not breach the rules on auditor independence as established in the Auditing Act and its implementing regulations, in the Regulation and in the Ethics Code issued by the International Ethics Standards Board for Accountants, as well as in the other applicable regulations in their capacity as the auditors of DIA and its consolidated group.



In order to guarantee the independence of the external auditor, the Audit and Compliance Committee has monitored the fees charged by the main audit firm for services other than auditing the annual financial statements. Likewise, it has supervised the relationship between the fees paid by the DIA Group for both auditing services and services other than auditing, the audit firm and its total income.

In 2018, KPMG Auditores and other firms of its network invoiced the DIA Group for a total amount of 1,486,097 euros for auditing and related services which, added to the 57,693 euros invoiced for services other than auditing, make a total of 1,543,790 euros. This amount does not represent a significant percentage of the total annual income of the auditor, taking into account the published average of the last three years¹.

Apart from the foregoing, the Audit Committee obtained the corresponding information from the Company's auditor (and written confirmation) to confirm that it was not involved in any incompatibility in which, in line with Articles 16 to 20 of the Auditing Act, the auditor did not enjoy sufficient independence to carry the functions regarding the DIA Group.

The statement of independence received from the auditor states that KPMG Auditores has designed and implemented general procedures for independence² to safeguard its independence, which include specific procedures aimed at identifying and assessing the threats that may arise from circumstances related to audited entities, including those that may represent grounds for incompatibility and/or those that may require the application of safeguarding measures to reduce threats to an acceptably low level. In this regard, the auditor's statement declares that, in relation to the audit of the DIA Group, no circumstance considered individually and as a whole that could represent grounds for incompatibility has been identified.

In particular, the auditor confirmed that it did not identify any circumstances which, individually or as a whole, may be a significant threat to its independence and which would require applying safeguarding measures or which could lead to incompatibility, which means that:

- a) The partner signing the audit report on the annual accounts of DIA and its subsidiaries is not a manager or director at the DIA Group. The partner is not an employee or internal supervisor at DIA or the group's subsidiaries, she has not been granted general powers by DIA or the group's subsidiaries, and she and any party related to her are fully independent.
- b) Ms María Lacarra Caminero, the auditor signing the audit report (or the parties related thereto), does not have a direct significant interest in DIA or the group's subsidiaries.

¹ According to the published information taken from the website of KPMG Auditores, S.L.

<https://home.kpmg/es/es/home/insights/2019/01/informe-transparencia-2018.html>

<https://assets.kpmg.com/content/dam/kpmg/es/pdf/2018/01/informe-transparencia-2017.pdf>

<https://assets.kpmg.com/content/dam/kpmg/es/pdf/2016/12/informe-transparencia-2016.pdf>

² As described at the Transparency Report for 2018 of KPMG Auditores, S.L. available in the following link <https://home.kpmg/es/es/home/insights/2019/01/informe-transparencia-2018.html>



- c) The auditor responsible for the audit work has not carried out any type of transaction related to financial instruments issued, guaranteed or backed in any other way by DIA.
- d) The auditor signing the audit report is not related (by marriage, consanguinity or affinity to the first degree, or collateral consanguinity to the second degree, including the spouses of those to whom the latter are related) to the entrepreneurs, directors or chief financial officers of DIA or the group's subsidiaries.
- e) The partner signing the audit report has not requested or accepted gifts or favours from DIA with a significant or high value.
- f) The auditor signing the audit report (or the parties related thereto) and the firm to which she belongs do not provide accounting services nor materially keep or prepare the financial statements or other accounting documents of DIA or the Group's companies.
- g) The auditor (or the parties related thereto) did not provide DIA (or the Group's companies) assessment services during the audit period or year ending 31 December 2018.
- h) The auditor (or the parties related thereto) did not provide DIA (or the Group's companies) internal audit services in 2018.
- i) The auditor Ms María Lacarra Caminero (or the parties related thereto) did not provide or participate in providing legal services to DIA or the Group's companies in 2018.
- j) The auditor did not receive any fees for providing audit or non-audit services to DIA or the Group's companies representing a significant percentage of the total annual income of the auditor, taking into account the average of the last three years. This is analysed below in greater detail.
- k) The auditor did not provide DIA or the group's companies audit services for designing and implementing financial information technology systems.

Regarding the contractual conditions included in Articles 22 and 40 of the Auditing Act, the Audit and Compliance Committee verified that they were complied with. In particular, since DIA is considered to be a public interest entity as it is a listed company, the Audit and Compliance Committee verified that it complied with the obligation of the maximum duration of the auditor's appointment and with the rotation of the auditor signing the audit report. In 2017, the audit partner signing the audit report was replaced by Ms María Lacarra Caminero, who is the current audit partner who signed the 2018 audit. The rotation therefore meets the required frequency, as 2018 is the second year in which she was involved in the audit of the DIA Group.

Regarding the fees corresponding to the auditing services, the Audit and Compliance Committee considers that they have not been influenced or determined by the provision of additional services to the DIA Group, nor have they been based on any type of contingency or condition other than the changes in the circumstances that served as a basis for setting fees.



III. Conclusion

DIA's Audit and Compliance Committee considers that in 2018 KPMG Auditores, the auditor of the Company and of its consolidated Group, carried out its auditing work with independence given the following circumstances:

- The auditor confirms that the team in charge of carrying out the audit and KPMG Auditores, with the extensions applicable to them, have complied with the requirements of independence applicable according to the provisions of the Auditing Act; and highlights with respect to the audit indicated, that no circumstances that could represent a significant to its independence threat have been identified.
- In 2018, the auditor did not inform the Audit and Compliance Committee of any circumstances that could threaten its independence.
- The auditor confirmed the implementation of safeguarding measures to detect threats to its independence, as established in Article 15 of the Auditing Act.
- The fees were not influenced or determined by the provision of additional services and they were not based on contingencies or conditions other than changes in the circumstances used as the basis for establishing the fees, as stated in Article 24 of the Auditing Act.
- The fees for the auditing services and those different from the audit of the accounts do not constitute 30% of the total annual income for the auditor, taking into account the last three years.
- Two years have elapsed since the appointment of the current audit partner who signs the accounts. This period is lower than the one set by the provisions in force regarding the mandatory rotation of the auditor who signs the Audit Report.

The Audit and Compliance Committee, in accordance with the provisions of Recommendation 42 of the Code of Good Governance, has ensured that the Company and the external auditor respect the current rules on the provision of services other than auditing, the limits to business concentration of the auditor, and in general other regulatory standards on the independence of auditors.

The Auditing Act and the Spanish Companies Act require the Audit and Compliance Committee to issue a report every year, before the auditor's report on the financial statements, expressing an opinion on the independence of the auditors. Based on this requirement and the information given above, the Audit and Compliance Committee concludes that there are no objective reasons for questioning the independence of the auditor in 2018.

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In Madrid on 4 February 2019