



ANNUAL REPORT ON  
**CORPORATE GOVERNANCE**



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**ISSUER IDENTIFICATION DETAILS**

**FISCAL YEAR-END DATE:** 30/09/2019

**C.I.F.:** A87008579

**COMPANY NAME:** Compañía de Distribución Integral Logista Holdings, S.A.

**REGISTERED OFFICE:** Calle Trigo, 39 – Polígono Industrial Polvoranca – 28914 Leganés (Madrid)

## ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

### A) CAPITAL STRUCTURE

#### A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
04/06/2014	26,550,000.00	132,750,000	132,750,000

Please state whether there are different classes of shares with different associated rights:

Yes No

#### A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Imperial Brands PLC	0.00	50.01	0.00	0.00	50.01
Allianz Global Investors GmbH	0.00	4.98	0.00	0.00	4.98
BlackRock, Inc	0.00	3.94	0.00	0.02	3.96
Santander Asset Management, S.A.	0.00	3.01	0.00	0.00	3.01

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Imperial Brands PLC	Altadis S.A.U.	50.01	0.00	50.01
Allianz Global Investors GmbH	Allianz Global Investors Fund	3.16	0.00	3.16
	Other Investor's Companies	1.82	0.00	1.82
BlackRock, Inc	Other Investor's Companies	3.94	0.02	3.96
Santander Asset Management, S.A.	Santander Small Caps Europa, FI	0.90	0.00	0.90
	Santander Acciones Españolas, FI	2.11	0.00	2.11

State the most significant shareholder structure changes during the year:

Name (person or company) of shareholder	Transaction Date	Transaction Description
Capital Research and Management Co.	08/04/2019	Fell below the 3% share capital threshold
Santander Asset Management, S.A.	01/07/2019	Exceeds the 3% share capital threshold

**A.3. In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:**

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. Luis Egido Gálvez	0.08	0.00	0.15	0.00	0.23	0.00	0.00
Mr. Rafael de Juan López	0.02	0.00	0.05	0.00	0.07	0.00	0.00
Mr. Gregorio Marañón y Bertrán de Lis	0.00	0.02	0.00	0.00	0.02	0.00	0.00

**Total percentage of voting rights held by the Board of Directors** **0.32**

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
Mr. Gregorio Marañón y Bertrán de Lis	Cigarral de Inversiones, S.L.	0.02	0.00	0.02	0.00

**A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:**

Not applicable

**A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:**

Related parties names or corporate names
Imperial Brands PLC

**Kind of relationship:** Contractual

**Brief description:** "ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12<sup>th</sup>, 2014".

Imperial Brands PLC (formerly named Imperial Tobacco Group-ITG) undertakes to maintain and respect the freedom of management and decision making of the administrative and managerial bodies of the Company, and the neutrality principle in its commercial and services relations with third parties, also establishing the confidentiality of the business information of the Company and the separation of their respective IT systems.

The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.

#### Related parties names or corporate names

Imperial Brands Finance PLC

**Kind of relationship:** Contractual

**Brief description:** "INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12<sup>th</sup>, 2014, amended on December 1<sup>st</sup>, 2015, and extended on March 21<sup>st</sup> 2018.

Agreement on a reciprocal credit facility, in force until June 12, 2024 (with a yearly tacit renewal), with a maximum disposal limit of two thousand six hundred million euros.

According to this agreement, Compañía de Distribución Integral Logista S.A.U. (100% subsidiary of the Company) will daily lend Imperial Brands Finance PLC (IBF) (formerly named Imperial Tobacco Finance PLC), its cash excess, at the base rate of the European Central Bank, plus a margin of 0.75%.

If Logista has to get into debt to meet the needs of its working capital, it can reciprocally borrow the amount from IBF.

#### **A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.**

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Mr. John Matthew Downing	Imperial Brands PLC	Imperial Brands PLC	Group's Company Secretary
Mr. Richard Guy Hathaway	Imperial Brands PLC	Imperial Brands PLC	Director of Finance Strategic Initiatives
Mr. John Michael Jones	Imperial Brands PLC	Imperial Brands PLC	Director of Treasury
Mr. Amal Pramanik	Imperial Brands PLC	Imperial Brands PLC	Strategy Director of Imperial Brands Group

**A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:**

Yes No

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

Yes No

**A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:**

Yes  No

**Name of individual or company**

IMPERIAL BRANDS PLC

Indirect participation of 50.008%, through Altadis, S.A.U.

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

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
486,013	0	0.37

**A.10. Provide a detailed description of the conditions and terms of the authority given by the shareholders' meeting to the Board of Directors to issue, repurchase, or dispose of treasury shares:**

The General Meeting of Shareholders of March 21, 2018 authorised the Board of Directors to acquire Company's own shares in the following terms:

"To authorize the Board of Directors so that pursuant to the provisions established in Article 146 of the Act on Capital Companies ("Ley de Sociedades de Capital"), it may acquire, at all times, shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that:

- i) the face value of the shares acquired, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., and
- ii) the acquisition, including any shares that the Company or person acting in its own name but on behalf of the Company may have acquired or previously held, does not result in the Company's net equity falling below the share capital amount plus any restricted reserves foreseen by the regulations or the By-laws.

Furthermore, to authorize the subsidiaries so that, notwithstanding the relevant authorisation of their General Meeting of Shareholders, pursuant to said Article 146, they may at all times acquire shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that the face value of the acquired shares, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

Said acquisitions may be carried out through a purchase, swap, donation, allocation or non-recourse debt and, in general, under any other form of acquisition for consideration. In any case, the shares to be purchased will be circulating shares that are fully paid up.

The Board of Directors of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or of its subsidiaries may agree to purchase the Company's shares in one or more transactions, for a maximum price that does not exceed 20% of their listed price, and for a minimum price that is not less than the face value of 0.20 Euros per share.

This authorization is granted for a five-year term, calculated as of the date of this General Meeting.

To expressly allow, for the purposes of Article 146.1.a), last paragraph, of the Act on Capital Companies ("Ley de Sociedades de Capital"), that any share acquired by COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or its subsidiaries, further to this authorization, be used or attached, in whole or in part, for its transfer, amortization or delivery to directors of the Company, and managers and other employees of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. and its Subsidiaries Companies, or in accordance with and in implementation of Long-Term Incentive Plans consisting of the delivery of Company shares or of options on Company shares."

**A.11. Estimated floating capital:**

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Estimated floating capital	37.36%
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**A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.**

Yes      No

**A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.**

Yes      No

**A.14. State if the company has issued shares that are not traded on a regulated EU market.**

Yes      No

## B) GENERAL SHAREHOLDERS' MEETING

**B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail.**

Yes No

**B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:**

Yes No

**B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.**

Standards applicable to the amendments of the company's Articles of Association are those provided in the Articles 285 to 294 of the Act on Capital Companies (Royal Legislative Decree of July 2<sup>nd</sup>, 2010).

**B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:**

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
21/03/2017	70.36	18.45	0.00	0.00	88.81
Of which, free float:	0.36	18.45	0.00	0.00	18.81
21/03/2018	60.12	24.53	0.00	0.00	84.65
Of which, free float:	0.12	24.53	0.00	0.00	24.65
26/03/2019	50.21	33.87	0.00	0.00	84.08
Of which, free float:	0.20	33.87	0.00	0.00	34.07

**B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.**

Yes No

**B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:**

Yes No

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

Yes      No

**B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.**

The address of the company's website is [www.grupologista.com](http://www.grupologista.com).

The most relevant information on the Company's corporate governance and other information on the General Meetings is available in the section "Shareholders and Investors"/ "Corporate Governance"/ "Annual Corporate Governance Reports", and through the same section, "General Meetings" (for current fiscal year), or "Previous General Meetings".

## C) COMPANY ADMINISTRATIVE STRUCTURE

### C.1. Board of Directors

#### C.1.1. Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	10
Number of directors set by the general meeting	10

#### C.1.2. Please complete the following table on directors:

Name of Director	Natural Person representative	Director Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr. Gregorio Marañón y Bertrán de Lis	-	Independent	Chairman	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Luis Egido Gálvez	-	Executive	CEO	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Rafael de Juan López	-	Executive	Secretary Director	13/05/2014	21/03/2018	General Shareholders' meeting
Ms. Cristina Garmendía Mendizábal	-	Independent	Director	04/06/2014	21/03/2018	General Shareholders' meeting
Mr. Alain Minc	-	Independent	Director	24/04/2018	24/04/2018	By co-option
Mr. Jaime Carvajal Hoyos	-	Independent	Director	25/09/2018	25/09/2018	By co-option
Mr. John Matthew Downing	-	Proprietary	Director	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Richard Guy Hathaway	-	Proprietary	Director	24/03/2015	26/03/2019	By co-option
Mr. John Michael Jones	-	Proprietary	Director	29/01/2019	29/01/2019	By co-option
Mr. Amal Pramanik	-	Proprietary	Director	24/04/2018	24/04/2018	By co-option

**Total number of directors**

**10**

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr. Richard Charles Hill	Proprietary	25/04/2017	31/12/2018	None	Yes

**C.1.3. Complete the following tables regarding the members of the Board and their categories:**

**EXECUTIVE DIRECTORS**

**Name or company name of director:**

Mr. Luis Egidio Gálvez

**Post in organisational chart of the company:**

Chief Executive Officer

**Profile:**

Mr. Luis Egidio Gálvez is the CEO of Compañía de Distribución Integral Logista Holdings S.A.

From 2005, He is CEO of Compañía de Distribución Integral Logista S.A. He was COO of the Logistics business unit of the Imperial Tobacco Group PLC (2008-2011).

Prior to taking on these roles, he held various roles, including Director of Business Logistics at Altadis S.A.U. (2001-2008); General Manager of Logista (1998-2005); Logistics Director of Tabacalera (1996-1999); Distribution Manager of Tabacalera (1988-1996); and Chairman of Serventa (1991-1993).

Mr. Egidio also spent seven years at Telettra Española, S.A., a joint venture between Fiat and Telefónica, where he served as Materials Director (1981-1984), Director for Material Requirements Planning (1980-1981), Head of the Engineering Department (1979-1980), and as an Engineer in production organization (1978-1979).

Mr. Egidio received his Bachelor of Science in Industrial Engineering from the College of Industrial Engineering of Madrid in 1977. He also completed the Senior Management Program at the IESE Business School in 1996.

**Name or company name of director:**

Mr. Rafael de Juan López

**Post in organisational chart of the company:**

Secretary Director

**Profile:**

Mr. Rafael de Juan López is a Director and Secretary to the Board of Compañía de Distribución Integral Logista Holdings S.A.

He also currently serves as General Secretary of Grupo Logista. Prior to joining the Logista Group, he worked as a government lawyer for the Spanish Economy and Taxes Ministry (1993-1999).

Mr. de Juan has also served as: an attorney at the Spanish law firm Martínez Lage Asociados (1990-1993); Director and Legal Affairs General Manager of Spanish chemical company Unión Española de Explosivos S.A. (ERT) (1983-1990); and as a government lawyer for various ministries in Spain (1974-1983).

Mr. de Juan received his Bachelor of Laws in 1967 from Complutense University of Madrid.

<b>Total number of executive directors</b>	<b>2</b>
<b>Percentage of Board</b>	<b>20.00%</b>

## PROPRIETARY DIRECTORS

### **Name or company name of director:**

Mr. John Matthew Downing

### **Name or company name of the significant shareholder represented or that has proposed their appointment:**

Imperial Brands PLC

### **Profile:**

Mr. John Matthew Downing is a Director of Compañía de Distribución Integral Logista Holdings S.A. He joined the Imperial Brands (formerly Imperial Tobacco) legal department in 2005 and currently serves as Group Company Secretary of Imperial Brands PLC.

Mr. Downing played a leading role in all aspects of Imperial Tobacco's acquisition of Altadis and has considerable experience in managing key corporate projects related to financing, business development and other commercial matters.

Prior to joining Imperial Brands, he worked in the corporate department of Linklaters in both London and SE Asia (from 1998 to 2005).

Mr. Downing received a Bachelor of Arts (Honors) in History from the University of Cambridge in 1993, after which he completed a conversion course in Law, passing with Distinction in 1995.

### **Name or company name of director:**

Mr. Richard Guy Hathaway

### **Name or company name of the significant shareholder represented or that has proposed their appointment:**

Imperial Brands PLC

### **Profile:**

Mr. Richard Guy Hathaway serves as Director of Finance Strategic Initiatives and has been responsible for leading the Risk Management function at Imperial Brands Group.

Prior to joining Imperial Tobacco, he worked for KPMG from 2000 to 2012, where he held different positions as Partner of the Company, being the Head of Travel, Leisure and Tourism Sector for KPMG UK first (2008-2010), and after for KPMG Europe (2010-2012).

He also worked for ADS Anker, where he was Project Manager for IPO (1999-2000).

Mr. Hathaway received a Bachelor of Mathematics (Honors) (1988) from Oxford University in 1988, and is Fellow of the Institute of Chartered Accountants in England & Wales.

**Name or company name of director:**

Mr. John Michael Jones

**Name or company name of the significant shareholder represented or that has proposed their appointment:**

Imperial Brands PLC

**Profile:**

Mr. John Michael Jones joined Imperial Brands in 1998 in the Treasury Department and has been Director of Treasury since 2001.

He has gained extensive financial experience over that time and played a major role in the development of the financing and Risk Management activities of the Imperial Brands Group, particularly with the transforming acquisitions of Reemtsma (2002), Altadis (2008) and the US brands (2015). He is currently responsible for treasury, insurance and the financial risk management of pensions for the group.

Prior to Imperial Brands, after graduating with a degree in mathematics from York University, John started his career in audit with KPMG (1992-1996) then as Assistant Group Treasurer with Hickson International PLC (1996-1998).

**Name or company name of director:**

Mr. Amal Pramanik

**Name or company name of the significant shareholder represented or that has proposed their appointment:**

Imperial Brands PLC

**Profile:**

Mr. Amal Pramanik is a Bachelor of Civil Engineering (Hons) (Indian Institute of Technology, Kharagpur, India) and MBA (Marketing & Systems) (Indian Institute of Management, Ahmedabad, India); he has a Diploma in Non-Executive Directorship (Australian Institute of Company Directors) and is a Certified Executive Coach, (Advanced Coaching Excellence, The Preston Associates).

He currently serves at Imperial Brands Group as Group Strategy Director. Previously, he held several positions within the Imperial Group (Growth Division Director, Managing Director in UK and The Netherlands, and Marketing Director in Australia). Prior to joining the Group Imperial Brands, he worked in different positions for other companies: Gillette India, Pepsi Cola India and ITC India (BAT).

<b>Total number of proprietary directors</b>	<b>4</b>
<b>Percentage of the Board</b>	<b>40.00%</b>

## INDEPENDENT DIRECTORS

### Name or company name of director:

Mr. Gregorio Marañón y Bertrán de Lis

#### Profile:

Mr. Gregorio Marañón y Bertrán de Lis, Marqués de Marañón, is the Chairman of Compañía de Distribución Integral Logista Holdings S.A. He also serves as Chairman of Universal Music; Chairman of Air City Madrid Sur, and member of the Board of Patrimonio Nacional.

He is Chairman of the Board and the Executive Committee of the Teatro Real opera house, Honorary President of the Real Fundación de Toledo; Chairman of the Teatro de la Abadía, Funding Trustee of the Ortega-Marañón Foundation; Trustee of the Museo del Ejército; Trustee of the Centro Internacional de Toledo para la Paz; Permanent Member of the Real Academia de Bellas Artes de San Fernando and of the Académie Européenne des Sciences et des Arts.

He was awarded the Grand Cross of Alfonso X el Sabio; the Gold Medal for Merit in Fine Arts; and the Gold Medal of Castilla-La Mancha Region. He was appointed Commandeur de la Légion d'Honneur Française and Commendatore della Ordine de la Stella della Repubblica Italiana.

Mr. Marañón received his Bachelor of Laws in 1964 from Complutense University of Madrid, and completed an Advanced Management Program in 1979 at the IESE Business School.

### Name or company name of director:

Ms. Cristina Garmendia Mendizábal

#### Profile:

Ms. Cristina Garmendia Mendizábal obtained a PhD in Biological Sciences, specialising in Genetics, and became a Doctor of Molecular Biology at the Dr Margarita Salas laboratory, Severo Ochoa Centre for Molecular Biology. She completed her studies with an MBA from the IESE Business School of the University of Navarra.

She was Minister of Science and Innovation in the Spanish Government during the whole of its IXth Legislature. Since leaving the Government, she resumed her responsibilities at the companies she herself founded, Ysios and Genetrix.

She is chairperson at the Fundación COTEC and a member of various advisory boards, member of university councils and sits on the Boards of several companies, including Mediaset, CaixaBank and Logista.

She is an advisor at the European Union, as member of the High Level Group (HLG) that has presented the recommendations for the design of the IX Framework Program of the EU (2021-2026).

Her work and entrepreneurial vision have been recognized on several occasions with awards for research and innovation in business.



**Name or company name of director:**

Mr. Alain Minc

**Profile:**

Mr. Alain Minc is a graduate of the Ecole des Mines de Paris and of ENA.

After serving as Inspecteur des Finances, he joined Compagnie de Saint-Gobain in 1979, as Chief Financial Officer.

In 1986, Mr. Minc became Vice-Chairman of CIR International (Compagnie Industriali Riunite International) and General Manager of Cerus (Compagnies Européennes Réunies) which were the non-Italian affiliates of Benedetti Group.

He has been Board member of numerous companies and the Chairman of the Supervisory Board of Le Monde, the leading French newspaper (19/12/94 to 11/02/2008).

Today he is Chairman of AM Conseil and Sanef.

He is Commandeur de la Légion d'Honneur (France); Commander of the British Empire; Grand Cross of the Order of Civil Merit (Spain).

Alain Minc wrote more than 30 books on different subjects (economics, history, social and politics, among others).

**Name or company name of director:**

Mr. Jaime Carvajal Hoyos

**Perfil:**

Mr. Carvajal Hoyos holds a Bachelor of Arts in Physics from Princeton University (New Jersey, USA).

Mr. started his professional career in the Mergers and Acquisitions department of Lehman Brothers in New York and, after some years in Spain where he founded his own financial advisory firm, Mr. Carvajal returned to the United States, this time to The World Bank in Washington D.C. where he was Chief of Staff of the President among other posts.

Upon his return to Spain, he became General Manager of Sabadell Banca Privada in Barcelona and is currently Chief Executive Officer of Arcano Partners, the advisory and investment management firm of which he is a co-founder.

Mr. Carvajal was also Chairman of the Board of EVO Banco, S.A. until May 2019.

Currently, in addition to his position at Arcano Partners and at Grupo Logista, Mr. Carvajal is member of the Board of Allfunds Bank and member of the Board of a number of foundations such as the Fundación Princesa de Girona (of which he was Vicepresident for seven years) or the Fundación Joan Bosca as well we member of the International Advisory Board of the Teatro Real of Madrid.

<b>Number of independent directors</b>	<b>4</b>
<b>Percentage of the Board</b>	<b>40.00%</b>

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

Yes No

**C.1.4. Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:**

	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	1	1	1	10.00%	10.00%	10.00%	10.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>

**C.1.5. State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.**

Yes  No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

**Description of policies, objectives, measures and how they have been implemented, including results achieved**

The Board of Directors of the Company, of 19 December 2017, approved the Policy on Selection of Board Members, based, among other principles, on “gender diversity, experience and knowledge.”

The Policy also establishes that “the Board of Directors will ensure that the procedures for selecting its members promote diversity of gender, experience and knowledge, have no latent bias which could involve discrimination of any kind, and in particular, facilitate the selection of female Board Members.”

The Appointments and Remuneration Committee proposes, without any bias of gender diversity, the most convenient candidate, with the best knowledge and experience in the Group’s activities, as required by the Policy, having not been covered, finally, vacancies, with members who also meet the status of female Board Member.

**C.1.6. Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:**

**Explanation of means**

See Section C.1.5 above

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

**Explanation of means**

See Section C.1.5 above

**C.1.7. Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.**

See Section C.1.5 above

**C.1.8. If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:**

N/A

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes      No

**C.1.9. State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:**

**Name of director:**

Mr. Luis Egido Gálvez

**Brief description :**

He has been delegated all the faculties of the Board of Directors that can be delegated according to the Law and the Bylaws, excluding the faculties that, according to Article 38 of the Bylaws of the Company, require the approval of the resolution by, at least, the 70% of the members of the Board of Directors.

**C.1.10. Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:**

Name (person or company) of the director	Company name of the entity of the Group	Position	Does he/she have executive functions?
Mr. Luis Egido Gálvez	Compañía de Distribución Integral Logista, S.A.U.	Chairman	YES
Mr. Luis Egido Gálvez	Logista Italia, S.p.A.	Chairman	YES
Mr. Luis Egido Gálvez	Logista France SAS	Representative of the President (Compañía de Distribución Integral Logista S.A.U.)	YES
Mr. Rafael de Juan López	Compañía de Distribución Integral Logista, S.A.U.	Secretary Director	YES
Mr. Rafael de Juan López	Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Chairman	NO
Mr. Rafael de Juan López	Dronas 2002, S.L.U.	Director	NO
Mr. Rafael de Juan López	Logista Pharma, S.A.	Director	NO
Mr. Rafael de Juan López	Logista Italia, S.p.A.	Director	NO

**C.1.11. List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:**

Name (person or company) of the director	Name of listed company	Position
Ms. Cristina Garmendia Mendizábal	Mediaset España Comunicación, S.A.	Director
Ms. Cristina Garmendia Mendizábal	CaixaBank, S.A.	Director

**C.1.12. State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:**

Yes  No

**Explanation of the rules and identification of the document where this is regulated**

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Logista Group. Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by law, of a maximum of nine boards of directors of listed companies other than the Logista Group (Article 23 of the Board of Directors Regulations).

**C.1.13. State total remuneration received by the Board of Directors:**

Board remuneration in financial year (thousand euros)	4,477
Amount of vested pension interests for current members (thousand euros)	3,119
Amount of vested pension interests for former members (thousand euros)	0

**C.1.14. Identify senior management staff who are not executive directors and their total remuneration accrued during the year :**

Name	Position
Mr. Pascal Ageron	General Manager - Tobacco, Telecoms & Strator France
Mr. Jan Babst	Corporate Director of Information Services
Mr. Antonio Garcia Villanueva	Corporate Resources Director
Mr. Miguel Gómez Prado	CEO - Logista Pharma
Mr. Juan José Guajardo-Fajardo Villada	Corporate Human Resources Director
Mr. Antonio Mansilla Laguía	Corporate Operations Director
Ms. Gloria Martín Gimeno	Investors Relations and Strategic Analysis Corporate Director
Mr. Francisco Pastrana Pérez	General Manager - Tobacco and Convenience Iberia
Mr. Pablo Rebollo Pericot	General Manager Nacex and Integra2
Mr. Manuel Suarez Noriega	Corporate Finance Director
Ms. Laura Templado Martín	Corporate Internal Audit Director

<b>Total senior management remuneration (thousand euros)</b>	<b>4,583</b>
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**C.1.15. State whether the Board rules were amended during the year:**

Yes      No

**C.1.16. Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.**

**Directors' Appointments**

The appointment, ratification, re-election and removal of Directors correspond to the General Meeting, without prejudice to the authority of the Board of Directors to make appointments by co-option.

If during the term for which a Director was elected that Director ceases to be a Director of the Company, for any reason, the Board of Directors, to fill the vacancy, may appoint a Director by co-option.

The co-option will be governed by the provisions of law, with the Director appointed by the Board not necessarily being required to be a shareholder of the Company.

The appointment of Directors by the system of co-option in accordance with the provisions of law will be effective until the first following General Meeting, which must ratify the appointment or designate the person that thereafter is to fill the position, or until the holding of the next following General Meeting, if the vacancy occurs after the call of the General Meeting, and before it is held.

Proposal of appointment or re-election of Directors corresponds to the Appointments and Remuneration Committee, in the case of independent Directors, and to the Board of Directors itself, in other cases.

A proposal of appointment, re-election or removal of any non-independent Director in addition must be preceded by a report of the Appointments and Remuneration Committee.

The proposal in any event must attach a justifying report of the Board of Directors, which evaluates the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board of Directors itself.

The provisions of this section also are applicable to individuals who are appointed as representatives of a Director that is a legal person. The proposal of the individual representative must be submitted to a report of the Appointments and Remuneration Committee.

The Board Regulations state the following competencies (among others) for the Appointments and Remunerations Committee (Articles 18.2 a, c) and d) of the Regulations):

- Evaluating the skills, knowledge and experience required on the Board. For these purposes, it will define the functions and skills required of candidates that are to fill each vacancy and will evaluate the time and dedication necessary for them to be able to effectively perform their duties.
- Making proposals to the Board of Directors of independent Directors to be appointed by co-option or for submission to decision by the General Shareholders Meeting, and proposals for re-election or removal of those Directors by the Meeting.
- Inform about the appointment, ratification, reappointment and removal of non-independent Directors, as well as the appointment and removal of the Managing Director/s and of the members of the Executive Committee, and the permanent delegation of its relevant faculties to them.

### **Eligibility. Incompatibilities**

The Board of Directors and the Appointments and Remuneration Committee, within the scope of their competencies, shall endeavour to ensure that the candidates are selected from among persons of recognised solvency, competence and experience, and that have the necessary availability for the proper performance of their duties as Directors, and shall be particularly rigorous in choosing the persons to cover the posts of Independent Directors.

In the case a Director is a legal entity, the requirements indicated will also be applicable to the individual representing the organisation, and, in addition, the Director duties set out in these Regulations will also be enforceable on a personal level.

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Company.

Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by Law, of a maximum of nine boards of directors of listed companies other than the Company (Article 23 of the Board of Directors' Regulations).

### **Re-election of Directors**

The proposals for re-election of Directors that the Board of Directors decides to present to the General Meeting of Shareholders shall be subject to a formal procedure, which must necessarily include a report issued by the Appointments and Remuneration Committee in which the quality of work and dedication to the post of the proposed Directors during the preceding term of office is evaluated.

The Board of Directors shall endeavour to ensure that the External Directors who are re-elected do not always remain assigned to the same Committee (Article 24 of the Board of Directors' Regulations).

## **Term of office**

Directors shall occupy their post during the period established in the By-Laws, which shall in no case exceed four years, and may be re-elected.

Directors appointed by the Board of Directors by co-opting to fill a vacancy pursuant to these Regulations shall occupy their posts until the date of the next General Meeting of Shareholders, unless their appointment is ratified by such General Meeting of Shareholders (Article 25 of the Board of Directors' Regulations).

## **Board Assessment**

The Board of Directors will dedicate at least one meeting a year to assessing its operation and the quality of work performed by Committees.

## **Debates and Voting**

In accordance with the provisions in article 27 of the Board Regulations, Directors concerned with any appointment, re-election or removal proposals will not intervene in debates and voting on those matters.

### **C.1.17. Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:**

On October 30<sup>th</sup>, 2018, the Company's Board of Directors approved an Improvement Action Plan for its functioning and that of its Audit and Control and Appointments and Remuneration Committees, as well as for the performance of the Chairman, the CEO and the Secretary of the Board. As a consequence of such Plan:

1. The information sent to Board has been revised, reducing the weight of recurrent information and concentrating the reflection and analysis elements.
2. The CEO, together with the Appointments and Remuneration Committee, has improved Talent and Key Management Succession Plans.
3. The information for Directors is sent in advance.
4. The intervention and debate on the matters discussed at the Audit and Control Committee has been strengthened.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

### **Description of evaluation process and evaluated areas**

The Board of Directors of September 24<sup>th</sup>, 2019 has evaluated, in relation to fiscal year 2018-2019, the following:

1. The Board of Directors of the Company, in the followings aspects:
  - General questions
  - Meetings of the Board
  - Functions and Responsibilities
  - Composition

2. The Audit and Control Committee, in the following aspects:
  - Composition
  - General questions
  - Meetings
  - Functions and Responsibilities
3. The Appointments and Remuneration Committee, in the following aspects:
  - Composition
  - General questions
  - Meetings
  - Functions and Responsibilities
4. The Chairman of the Board (Performance)
5. The CEO (Performance)
6. The Secretary of the Board (Performance)

This self-assessment was carried out, on the proposal of the Appointments and Remuneration Committee, at its session of June 25, 2019, and has had the external advice of KPMG Asesores, S.L.

**C.1.18. Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.**

**FY 2015-2016: KPMG Asesores, S.L.**

- Legal services of elaboration of expert reports as independent experts for Compañía de Distribución Integral Logista S.A.U., provided by KPMG Asesores, S.L.

**FY 2018-2019: KPMG Asesores, S.L.**

- Internal Audit Services for Logista France, SAS, provided by KPMG, S.A.
- Legal services of elaboration of expert reports as independent experts for Compañía de Distribución Integral Logista S.A.U., provided by KPMG Asesores, S.L.
- Due Diligence Advisory Services for Compañía de Distribución Integral Logista S.A.U., provided by KPMG AG.
- Services of external evaluation of the Internal Audit quality for Compañía de Distribución Integral Logista Holdings, S.A., provided KPMG Asesores, S.L.



### C.1.19. State the situations in which directors are required to resign.

In accordance with article 26.2 of the Board Regulations, Directors must place their post at the disposal of the Board of Directors and formally resign as a Director, if the Board of Directors considers it appropriate based on the following counts:

- a) When they are removed from the executive posts to which their appointment as Directors was associated;
- b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;
- c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;
- d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage to its credibility and reputation. In particular, Directors should inform the Board of any criminal charges brought against them and the progress of any subsequent trial;
- e) The moment a Director is indicted or tried for any of the offences stated in Company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the Annual Corporate Governance Report.
- f) When, having been appointed on the proposal of a significant shareholder, the latter notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.

### C.1.20. Are qualified majorities other than those established by law required for any specific decision?

Yes  No

If so, please describe any differences.

#### Description of differences

According to the provisions of Article 38 of the Company By-Laws, the Board shall approve resolutions by absolute majority of the Directors attending the meeting, either in person or via proxy. Notwithstanding the above, the adoption of any resolutions related to any of the matters set out below will require the positive vote of at least 70% of the Directors, as rounded up in case that the application of that percentage does not result in a whole number of Directors, that form part of the Board of Directors and will not be delegated:

- a) any increase or reduction in the share capital of the Company in accordance with article 7 of these By-laws, or the issuance by the Company of any bonds or securities pursuant to Title III of these By-laws.
- b) the approval of an annual plan in relation to the capital expenditure, investments and other funding commitments to be carried out by the Company in the following year (the "Annual Capex Plan");
- c) the acquisition of all or part of any business of any third party whether by way of the purchase (whether direct or indirect) of shares, assets or other like interests of any third party (including by way of merger or business combination) by the Company or any member of its Group;
- d) the disposal of all or part of any business to any third party whether by way of the disposal (whether direct or indirect) of shares, assets or other like interests (including by way of merger or business combination) by the Company or any member of its Group;

- e) any decision of the Company to enter into any partnership or joint venture or any other arrangement to share or distribute profits or assets;
- f) any decision of the Company to incur or agree to incur, whether directly or indirectly, any capital expenditure, investment or other funding commitment in respect of any matter in excess of €1,000,000 in aggregate save to the extent that such capital expenditure, investment or other funding commitment (including the amount of such capital expenditure, investment or other funding commitment) is set out in the Annual Capex Plan for that period that has been approved in accordance with section (b) above;
- g) any decision of the Company to amend the terms of its borrowing or indebtedness in the nature of borrowing or grant guarantees, or to create or incur borrowing or indebtedness in the nature of new borrowing
- h) the creation of any mortgage, pledge, lien, charge, assignment of any of such securities, hypothecation or other security interest in relation to the Company, other than a security interest created by operation of law as a result of the ordinary course of business of the Company; and
- i) any decision to delegate any powers of the Board of Directors to a Managing Director, or to delegate any powers of the Board to any Committee of the Board.

For the purposes of counting the majority of members of the Board of Directors for the adoption of the abovementioned resolutions, the members of the Board that may be under a conflict of interest and that shall abstain from voting, shall be discounted from the total number of members of the Board on which shall be calculated said majority.

**C.1.21. Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors:**

Yes      No

**C.1.22. State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:**

Yes      No

**C.1.23. State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:**

Sí      No

**C.1.24. State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.**

The Directors must attend Board meetings and, when they cannot do so in person, they shall arrange for their representation and vote to be granted in favour of another Board member, including appropriate instructions.

The delegation may be made by letter, fax, telegram, e-mail, or by any other valid means acknowledged in writing.

Non-executive Directors may do so only to another non-executive Director.

**C.1.25. State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.**

Number of Board meetings	9
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
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Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	7

**C.1.26. State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance:**

Number of meetings when all directors attended	9
% of attendance over total votes during the year	96.7
Number of meetings in situ or representations made with specific instructions of all directors	7
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	97.7

**C.1.27. State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:**

Yes      No

**C.1.28. Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.**

In accordance with the provisions of Article 17.2 of the Board of Directors' Regulations and of Article 5.1 of the Audit and Control Committee rules, the Audit and Control Committee, in what refers to its responsibilities in relation to the control of financial information, shall supervise that the Board of Directors can present the Company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should give a clear account to shareholders of their scope and content.

Prior analysis of economic and financial information, including the analysis of the main assumptions and magnitudes, changes in the consolidation perimeter, and evaluation of the potential impacts arising from changes in the Accounting Standards.

Supervision of the annual planning of the audit of accounts, as well as the Internal Control System of Financial Information.

Quarterly attendance of external auditors, in joint action, which allows managing in advance possible aspects that could have a significant financial impact on the Group's assets, results or reputation.

Historically, the Company's audit reports have been filed without qualification.

**C.1.29. Is the secretary of the Board also a director?**

Yes  No

**C.1.30. State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.**

Relations of the Board with external auditors will take place via the Audit and Control Committee.

The Board of Directors shall refrain from hiring those audit firms whose projected fees including all items exceed five per cent of its total revenues during the previous financial year.

The Board of Directors shall make public the total fees paid to the audit firm for services other than accounts auditing.

In addition, the Audit and Control Committee has among its competencies, the following:

- Establish appropriate relationships with external auditors or audit firms to gather information on those matters which may threaten his/her independence for examination by the Committee, and any other matters relative to the development of Account auditing, and when appropriate, authorise services other than those prohibited under the conditions provided in the relevant regulations regarding the independence of auditors, as well as any other communications schedules in Account auditing legislation and Auditing technical regulations. In any event, it must receive from the external auditors or audit firms a written declaration on an annual basis of their independence against the Logista Group or entities directly or indirectly related thereto, as well as detailed information on an individual basis about additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the Laws on auditing accounts. The Committee shall ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

In this regard, the Committee shall ensure that the remuneration of the external auditor does not compromise its quality or independence.

- On an annual basis, prior to the audit report, issue a report containing an opinion on the independence of the auditors and on whether the independence of auditors and audit firms has been compromised. This report, which shall be published in the Logista Group website well in advance of the Annual General Meeting, in any event must cover a detailed evaluation of the provision of each and every additional service referred to in the preceding section, taken individually and as a whole, other than the legal audit, as regards independence of the auditors and regulations governing account audit activities.

In accordance with the Company's Policy of Information and Communications with Shareholders, Securities Markets and Public Opinion, meetings with analysts, investors and communication media should be planned in advance, so that, in no case, any information which could place them in a privileged or advantageous situation is delivered to them.

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

Yes No

**C.1.32. State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:**

Yes  No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	80	594	674
Amount invoiced for non-audit services/Amount for audit work (in %)	79%	27%	33%

**C.1.33. State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.**

Yes No

**C.1.34. State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:**

	Individual	Consolidated
Number of consecutive years	6	6
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100.00%	100.00%

**C.1.35. State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:**

Yes  No

#### **Detail of the procedure**

Summoning of ordinary sessions will be performed by letter, fax, telegram or e-mail, or by any other means which provides evidence, and this notification will be authorised with the signature of the Chairman, or the person substituting the Chairman, or the signatures of the Secretary or Deputy-Secretary following the Chairman's orders. The call will be effectuated with a minimum notice of two days.

Except for justified cause, the call will include an agenda for the meeting and will be accompanied by a summary of all the necessary information relevant to deliberation and adoption of resolutions regarding the matters to be considered.

Absent just cause, the call will include the agenda for the meeting and will attach a summary of the necessary information relevant to deliberation and adoption of resolutions regarding the matters to be considered, clearly indicating on which points Directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

In the event that, for reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda, their inclusion will require the express prior consent, duly minuted, of the majority of Directors present.

Furthermore, Article 33 of the Board Regulations sets as one of the obligations of the Director, to gather information and prepare suitably for Board meetings as well as meetings of the delegated bodies or Committees he is a member of.

Finally, and according to Article 28 of the Board Regulations, Directors have the duty to demand and the right to receive from the Company such appropriate and necessary information allowing them to fulfil their obligations. This right to information is extensible to all the companies of the Company Group, whether these are national or foreign.

With the aim of not disturbing the ordinary management of the Company, the exercise of information duties will be channelled through the Chairman, Managing Director or the Secretary of the Board of Directors, who will assist the Director's request providing the information directly, facilitating contacts with the relevant department in the organisation or deciding on the measures so that examination tasks may be performed in situ.

**C.1.36. State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:**

Yes  No

**Explain the rules**

See Section C.1.19

**C.1.37. State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:**

Yes No

**C.1.38. Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.**

The Company has not reached any agreement that may come into force in the event of a change in control of the Company from a public takeover bid.

**C.1.39. Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.**

**Number of beneficiaries: 10**

**Type of beneficiaries:**

Certain senior managers.

**Description of the resolution:**

- Compensation in the case of wrongful dismissal (10 agreements). The compensation to pay, depending on the case, will be of 3 months' salary, or of 1 or 2 years of Fix and Variable Remuneration, unless the legal compensation is higher.

- Compensation for post-contractual non-compete clause (9 agreements): 6 or 12 months of Fix and Variable Remuneration.
- Compensation in case of change of control (4 agreements): minimum of 24 months of Fix and Variable Remuneration.

All these agreements, excepting one, were executed before the admission to listing of the Company's shares.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholder's Meeting
Body authorising the severance clauses	Sí	No

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

## C.2. Committees of the Board of Directors

C.2.1. Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

### AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Mr. Alain Minc	Chairman	Independent
Ms. Cristina Garmendia Mendizábal	Member	Independent
Mr. Gregorio Marañón y Bertrán de Lis	Member	Independent
Mr. Richard Guy Hathaway	Member	Proprietary

<b>% of executive directors</b>	<b>0.00%</b>
<b>% of proprietary directors</b>	<b>25.00%</b>
<b>% of independent directors</b>	<b>75.00%</b>
<b>% of external directors</b>	<b>0.00%</b>

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit and Control Committee has the following competencies:

- Inform the General Meeting of Shareholders on the matters raised by the shareholders relating to the matters under its competence.

- b) Refer to the Board of Directors the proposals for selection, appointment, re-election and replacement of the outside auditor, as well as the conditions of the engagement thereof.
- c) Supervising Internal Audit services and activities and, in particular, the Annual Audit Plan.
- d) Supervising the effectiveness of the Internal Control Systems of the Company, as well as of the Risks Management Systems, including tax Risks.
- e) Establish and supervise a procedure that allows employees from the Company Group to confidentially report irregularities.
- f) Establish appropriate relationships with external auditors or audit firms to gather information on those matters that may put their independence at risk.
- g) On an annual basis, prior to the audit report, issue a report on the independence of the auditors.
- h) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- i) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- j) Ensure that the external auditor has a yearly meeting with the Board plenary to inform it of the work undertaken and developments in the Company's Risk and accounting positions.
- k) Inform the Board of Directors of the Company's Annual Financial Statements, as well as the regulated financial information.
- l) Monitor compliance with legal requirements and proper application of generally accepted accounting principles, and report on proposals for modification of accounting criteria and principles suggested by Management, and on and off balance sheet risks.
- m) Supervise the preparation, integrity and fair presentation of the regulated financial information.
- n) Report to the Board of Directors transactions in special-purpose entities, or in entities domiciled in territories treated as tax havens, and any conflicts of interest.
- o) Examining and previously reporting on the Corporate Governance Annual Report, on the compliance with the Internal Code of Conduct on Securities Market and with the Board Regulations and, in general, with the Company's governance rules, as well as putting forward proposals for its improvement.
- p) Supervise compliance with the Corporate Social Responsibility policy of the Company.
- q) Drafting an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee.
- r) Any other reporting and proposal functions it is tasked with by the Board of Directors.
- s) Any other competence or function under the law, the By-Laws, the Regulations of the Board, or the Rules of the Committee.

The Audit and Control Committee shall meet as periodically as determined, whenever called by its Chairman or requested by two of its members, and in any event at least four times per year.



### **Main activities of the Audit and Control Committee during financial year 2018-2019:**

- Information and Supervision of the Periodic Financial Information that the Company submits to the National Stock Market Commission ("CNMV") and to the markets.
- Information and submission to the Board of Directors of the Individual and Consolidated Annual Accounts of the Fiscal Year, as well as of the Interim Condensed Consolidated Financial Statements at 31 March 2019.
- Supervision of the Degree of Compliance with the Model for the Prevention of Risks from Crime.
- Quarterly and annual monitoring of the Internal Audit Plan 2017-2018, and approval of 2019-2020 Plan. Analysis of the Group's cybersecurity.
- Report-Proposal to the Board of Directors of the Policy "General Principles of Conduct of the Suppliers of Logista Group", of the amendment of the Group's Purchasing Policy, as well as of the updating of the Logista Group Internal Audit Policy.
- Update of the Risk Map of the Group. Analysis of the Group's cybersecurity.
- Monitoring of the Internal Control activities of the Group, including the System of Internal Control over Financial Reporting (ICFR).
- Annual Evaluation of the Internal Audit Unit and of the Business and Individual Objectives for the Short-Term Variable Remuneration of the Corporate Director of Internal Audit.
- Supervision of Accounts Audit fees 2018-2019, and planning of the accounts audit for the financial year.
- Authorization for the provision by auditors of the Company or of companies of the Group, of services other than accounts auditing.
- Appointment of the President of the Committee, due to the expiration of the term of office of the previous President.
- Proposal to engage an independent expert to verify the Statement of Consolidated Non-Financial Information for fiscal year 2018-2019.
- Proposal of engagement for the provision of services of Internal Audit, and for the external quality evaluation of the Internal Audita.
- Supervision of the Annual Report on the Corporate Social Responsibility.
- Report-Proposal to the Board of Directors of the Annual Report on Corporate Governance for the fiscal year 2017-2018.
- Report on the Auditor independence.
- Report on the functions and activities of the Committee during fiscal year 2017-2018.
- Self-assessment of its functions and composition during the fiscal year.

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

Name of directors with experience	Mr. Richard Guy Hathaway Mr. Alain Minc
Date of appointment of the chairperson	26/03/2019

### APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Mr. Gregorio Marañón y Bertrán de Lis	Chairman	Independent
Mr. Alain Minc	Member	Independent
Mr. Jaime Carvajal Hoyos	Member	Independent
Mr. John Matthew Downing	Member	Proprietary

<b>% of executive directors</b>	<b>0.00%</b>
<b>% of proprietary directors</b>	<b>25.00%</b>
<b>% of independent directors</b>	<b>75.00%</b>
<b>% of external directors</b>	<b>0.00%</b>

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments and Remuneration Committee has the following competencies:

- a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.
- b) Establishing a goal for under-represented sex on the Board of Directors, and developing guidance on how to achieve that goal.
- c) Propose the appointment, ratification, reappointment and removal of Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the CEO, and the permanent delegation of the Board relevant faculties.
- d) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.
- e) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.
- f) Reporting appointments and removals of Senior Managers, previously proposed by the first executive to the Board of Directors.
- g) Proposing the following to the Board of Directors for its approval:

- i) Compensation policies for Directors and Senior Management.
  - ii) The Annual Report on Remuneration of Directors.
  - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.
  - iv) The basic conditions in the contracts of Senior Managers.
- h) Ensuring compliance with the Company's remuneration policies.
  - i) Ensuring that selection processes are not implicitly biased in such a way that selecting female Directors is prevented.
  - j) Verifying compliance with the Directors' selection policy.
  - k) Any other competence or duty conferred by the Law, the By-Laws or Board Regulations.

The Appointments and Remuneration Committee will meet every time it is called by its Chairman or two of its members' request, and when the Board of Directors or its Chairman request the issuance of a report or the adoption of agreements.

The Appointments and Remuneration Committee adopts decisions or make recommendations by voting majority of the total number of its members.

**Main activities during financial year 2018-2019:**

- Submission to the Board of the Annual Report on Directors' Remuneration 2017-2018.
- Evaluation of the degree of achievement of the Group's Business Objectives 2017-2018 (Bonus) and Proposal of Setting of the Group's Business Objectives 2018-2019.
- Evaluation of the Short-Term Variable Remuneration of the Executive Directors (2017-2018).
- Setting of the Fixed Remuneration of Executive Directors for 2019.
- Reports on the cessation and appointment of Senior Managers
- Report on the ratification by the General Shareholders' Meeting of the appointment by co-option of proprietary Directors Mr. Amal Pramanik and Mr. John Michael Jones, and of independent Directors Mr. Alain Minc and Mr. Jaime Carvajal.
- Proposal to the Board of settlement of the Second Consolidation Period of the Company 2014 Plan (General Plan and Special Plan).
- Proposal of Beneficiaries and Number of Shares to be granted, in the General and Special Plans for Performance Shares 2017 of the Company/Second Consolidation Period (2018-2021).
- Report-Proposal on appointment of the Chairman of the Audit and Control Committee.
- Follow-up of the Group's Talent Management Plan/Group's Succession Plan for Top-Level Directors.
- Self-assessment of its composition and functions, and proposal to the Board of improvement actions. Engagement of external consultant.

- Proposal to the Board of self-assessment of the Board performance, as well as that of its President, CEO and Secretary Director, and Improvement Plan.
- Report on the functions and activities of the Appointments and Remuneration Committee 2017-2018.

**C.2.2. Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:**

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
Audit committee	1	25.00%	1	25.00%	1	25.00%	1	25.00%
Appointments and remuneration committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**C.2.3. State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.**

Besides the Capital Companies Act, the By-Laws of the Company (Articles 41 to 43 bis) and the Board of Directors' Regulations (Articles 15 to 18) contain the rules governing the Board Committees.

The Audit and Control Committee is also governed by its Rules, of December 19, 2017, approved following the recommendations of the Technical Guide of the Audit Committees of public interest entities of public interest ("The Technical Guide").

On December 19, 2017, the Board of Directors modified articles 15, 17 and 46 of the Board Regulations, and to adapt them, in particular, to the Recommendations of the Technical Guide.

## **D) RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

### **D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.**

Article 39 of the Board of Directors' Regulations state that the Board formally reserves the knowledge and authorization, previous report of the Audit and Control Committee, of Related-Party Transactions (Transactions of the Company with Directors or with significant shareholders), except for such matters that are legally within the competence of the General Meeting. To authorise, if appropriate, the Related-Party Transactions, the Board of Directors first and foremost shall serve the interests of the Company, evaluating the transaction from the standpoint of equitable treatment of shareholders and market conditions.

No authorisation of the Board of Directors shall be required in connection with Related-Party Transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to many customers; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; (iii) that the amount thereof does not exceed one per cent of the Company's annual revenues.

In the case of ordinary transactions that are not subject to the Board's authorisation, a general authorisation of the line of operations and its execution conditions shall be sufficient.

The Directors affected by the related-party transaction, either personally, or to the shareholders whom they represent in the Board, in addition to not intervene in the decision or exercise or delegate their right to vote, they will be absent from the meeting room, while the Board deliberates and votes on the related-party transaction.

The Company shall report on the mentioned related-party transaction mentioned, in the Annual Report on Corporate Governance, in the regulated financial information, and in the notes to the Financial Statements, to the extent by Law.

Likewise, Article 34 of the Board Regulations states that Directors shall report to the Board of Directors any situations involving a direct or indirect conflict, either personally or through persons linked to him, with the interests of the Company or the companies in its Group.

Also, the Framework Agreement dated 12 June 2014, signed between the Company and Imperial Brands (formerly named Imperial Tobacco Group) establishes that all Related-Party Transactions and, in general, any transaction that may pose a conflict of interest affecting the Group and the IB Group should be arranged under market conditions that, according to the circumstances, would have been reasonably stipulated by two independent operators and in accordance with the principle of equal treatment of shareholders and the principle of neutrality established in that same Framework Agreement.

**D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:**

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Purchase of finished or not finished goods	346,966
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Services performance	5,850
Imperial Brands Finance Plc	Compañía de Distribución Integral Logista, S.A.U.	Contractual	Collected interests	14,489

**D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:**

No transaction has been carried out.

**D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.**

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

N/A

**D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.**

N/A

**D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.**

Article 34 of the Board Regulations rules the conflict of interest that may affect Directors and their related parties, requiring both of them to (i) report to the Board of Directors any situation involving a direct or indirect conflict, either personally or through persons linked to them, with the Company's interests and (ii) refrain from intervening in the agreements or decisions relating to the transaction to which the conflict of interests refers.

Related persons are the persons described in article 231 of the Spanish Companies Act ("Ley de Sociedades de Capital").

The Director should report any stakes held directly or indirectly and personally or by related persons in the share capital of a company with the same, similar or complementary activity that constitutes the corporate purpose, as well as positions or functions they discharge, as well as performing either personally or for another party similar or complementary activities, to the ones which constitutes the social purpose of the Company.

Directors should abstain in engaging in professional or commercial transactions with the Company unless the situation of conflict of interests is reported previously and the Board, subject to a report from the Audit and Control Committee, approves the transaction.

Furthermore, Section 7 of the Company Internal Regulations for Conduct in the Securities Markets establishes the conduct regulations regarding conflicts of interest. In particular, the Company Internal Regulations for Conduct establishes the general principles of independence, abstention and confidentiality that persons subject to it must observe. These Regulations also state the procedure that persons subject to them must follow to previously report any situation of conflict of interest. These transactions must be previously authorised by the Company Board of Directors, in case of conflict of interests affecting Directors and Senior Management of the Company, and by the Company CEO, in all other cases.

Also, the Framework Agreement provides that when a related-party transaction personally affects a Director or the shareholder he represents at the Board, he must abstain from intervening in the decision, as well as from voting or delegating his vote. He will also leave the Board meeting room, while the Board deliberates and votes on such related transaction. Nevertheless, the Proprietary Directors appointed by or representing Imperial Brands must be present in each debate and voting regarding the Framework Agreement or the Treasury Agreements (even though they will not be able to vote regarding these matters).

**D.7. Is there more than one company in the group listed in Spain?**

Yes      No

## E) RISK MANAGEMENT AND CONTROL SYSTEMS

### E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

The Corporate Risk Management System of the Company and its subsidiaries (hereafter, "the Group" or "Logista Group") is set forth in the Risks Management General Policy of September, 29<sup>th</sup> 2015.

The Risk Management General Policy, applicable both to each of the businesses and countries, and Corporate areas of the Group, sets up the guidelines to integrate all the information originating from the different functions and operations of the Group, with the purpose of providing to the Business Managers/Corporate Directorates, a holistic view, improving the Management capacity to manage Risks in an efficient way and minimizing the impact in case the Risks materialize.

The Policy defines different Risk categories, in which, as part of the financial Risks category, tax Risks related to the current Group activity are included.

Therefore, Fiscal strategy described at Fiscal Policy of the Group, states, as part of its key objectives the following:

- To minimize the fiscal Risks associated with the Company's operations and strategic decisions, thus ensuring that the tax payable is appropriate and in proportion to the operations of the Businesses, the material and human resources, and the business Risks of the Group.
- To define the fiscal Risks and determine the Objectives and Activities of Internal Control, and to set up systems for reporting fiscal compliance and for keeping documentary records, integrated with the Group's General Framework of Internal Control.

On the other hand, the Group's Internal Control General Policy of April 25<sup>th</sup>, 2017, establishes a general action framework for controlling and management of internal and external Risks of any nature, which may affect the Logista Group, in accordance with the Risk Map in place at all times in the achievement of its objectives (Corporate Governance Risks, market Risks, financial Risks, regulatory Risks, business Risks, operational Risks, penal Risks and reputational Risks, among others).

### E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk:

#### The Board of Directors

Among its non-delegable faculties, the Board of Directors has to approve the general policies and strategies of the Group and among them, the control and Risk Management Policy, including tax Risks, as well as the supervision of the internal reporting and control systems, in particular those for financial information.

Risk and Control Management Policy will identify, at least, (i) different Risk categories, financial and not financial (operational, technological, legal, social, environmental, political and reputational, among others), for which the Group is exposed to, including those financial or economical, contingent liabilities and other off-balance Risks; (ii) the determination of the Risk level that the Group considers acceptable; (iii) predefined measures to mitigate impact of the Risks identified, in case they would materialise, and (iv) information and Internal Control Systems that will be used to control and manage those Risks, including contingent liabilities or off-balance Risks.



## **The Audit and Control Committee**

Among others, the Audit and Control Committee shall have the following competencies in relation to the supervision of the management and control of Risks, according to its Regulation, dated on December 19<sup>th</sup>, 2017:

- i) Supervising the effectiveness of the Company's Risk systems, reviewing the appointment and replacement of the managers, and also, when appropriate, submitting recommendations or proposals to the Board of Directors, and the corresponding period for their following-up.
- ii) Supervising the Risk control and management unit, which will have, among other duties, that of ensuring that the Risk control and management systems are functioning correctly, and in particular, that the major Risks to which the Company is exposed are correctly identified, managed and quantified; that of actively participating in the preparation of Risk strategies and in key decisions about their management; and that of ensuring that the Risk control and management systems are mitigating Risks effectively within the framework of the policy established by the Board of Directors.

## **The Internal Control Committee**

This Committee depends on the Audit and Control Committee of the Board of Directors, hierarchical and functionally.

The Committee has the following basic functions, among others: To promote and coordinate the work for annually updating the Group's Risk Map and propose approval to the competent bodies.

In relation with the Penal Risks Prevention Model, the Internal Control Committee also acts as Unit of Control and Follow-Up of Penal Risks, in relation with the direct penal responsibility of the legal persons, established by Spanish laws.

The Logista Group Internal Control Committee is comprised of the Corporate Financial Director, who acts as Chairman, the Internal Control Director, the Human Resources Director, a representative of the Legal Department, the Corporate Resources Director as well as the General Managers of the three most important businesses of the Group, acting the Internal Control Director as Secretary.

## **The Corporate Internal Audit Directorate**

The Corporate Internal Audit Directorate has the responsibility of:

- Preparing the Group's Procedures and criteria for the Risks Management, and controlling those approved by the Board of Directors for the Risks Management.
- Coordinating the development and regular updating the Group's Risks Map and regularly reporting to the Audit and Control Committee, who will report to the Board, on the appearance of new Risks, the evolution of the identified Risks the extent of implementation of the approved action plans and the general manner of functioning of the Group's System of Risks Management.
- Inform about the Risks that may have materialized, indicating the circumstances that have motivated them and if the established control systems have worked.

## **Process Owner**

Employees responsible for the design, process development and detection of Risks and opportunities that may affect them. They are also responsible for the implementation of policies and Internal Control standards. They should identify the Risks of the Process and the Internal Control Activities that have to be performed in order to avoid or reduce those Risks, as well as monitoring them and supporting and reporting to the Internal Control Coordinators.

### **Internal Control Coordinators**

They are responsible for promoting the implementation, development and coordination of the Internal Control System. Generally, this function will be occupied by financial officers of the Business and Corporate Management that makes up the Group.

### **Control Owner**

Employees responsible for carrying out the Control Activities defined in the Internal Control System and for informing the Process Owner, through reporting, of their results. When appropriate, they must suggest improvements and corrective measures to improve the design and effectiveness of the Control Activities, and they must at all times follow the directives in relation to the Risks Management.

### **E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:**

In the Group Risk Map, the following Risks were identified, among others, which are classified according to its category as stated at the Risks Management Policy of Logista Group:

#### **Environment Risks:**

- Group's business could be adversely affected by the deterioration of the economic conditions, habits and consumption behaviour in the markets in which it operates (mainly Spain, Portugal, France and Italy).
- Tobacco illicit trade and contraband affecting in distributed tobacco volumes.
- Any future significant tax increase (eg: VAT and excise duties) or Tobacco price increase could have a negative effect on the business, as it would generate a drop of consumption and increase of illicit trade, and worsen the prospects or the financial situation and the operating result.

#### **Business Risks:**

- Liberalization in the main markets where the Group operates as tobacco products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.
- The growth strategy of the Group relies, among others, on other business activities different from tobacco. As long as the Group won't be able to achieve a sustainable increase of that business, the Group results would be affected.

**Operational Risks:**

- Theft of tobacco in facilities and during transport associated to increases in insurance premiums.
- Technological Risks associated to the lack of (or faulty) availability of the Information Systems.
- Cybersecurity Risk, as the Group is exposed to threats and vulnerabilities due to the regular use of technologies and information systems in the development of their different activities.

**Regulatory Compliance Risks:**

- The Logista Group Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- Penal Risk (commission of crimes within the company and/or in the benefit of the Group) or Risks associated to litigation in which the Group is currently part, either as plaintiff or defendant.

**Financial Risks/ Tax Risks:**

- Changes in the group's payment cycles could oblige it to seek external sources of finance to fulfil its obligations: As with any other wholesale business, the payment cycles for products acquired from manufacturers and the collection cycles of the points of sale do not coincide. For this reason alone, the Logista Group's payment to the tax authorities is made in a cycle which is different from that of the manufacturers and the points of sale.
- Risk of impairment of fair value of assets, in relation with goodwill high carrying value.
- Commercial credit Risk derived from the usual business operations with customers.

**E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk:**

Group Risk Management methodology, is developed according to the following scheme, as described at its Procedure: establishment of objectives and context, identification of potential Risks, Risk analysis, Risk assessment (impact and probability), Risk treatment (assume, mitigate, transfer, eliminate), control and continuous monitoring of the Risk Management process, and information and communication.

On top of that, considers different Risk tolerances when rating gross Risks, both with quantitative and qualitative criteria, and assessing the Risk impact, which allocate each Risk in the general scheme of Risk appetite.

Criteria used by the Group to determine impact are the following: regulatory compliance, financial-economic impact, safety and security, impact in processes and reputational impact.

These criteria, together with ratings over likelihood rating and evaluation of Risks tolerance for each Risks identified, are added to the tools used for Risk Management (Risk Register and Risk Map), in order to report and monitor and adequate follow-up of key Risks by the corresponding bodies.

The Risk Management Policy defines the position of the Company regarding the Risk typology, including tax-related Risks.

The Group has a low tolerance towards the Risk in what concerns to policies, laws and regulations compliance, including tax regulation.

In general, due to the particularity of the business and the markets where the Group is present, it has a moderate Risk profile, therefore Risk Management has to be done considering the following:

- a) Achieve those strategic objectives defined by the Group, keeping a level of uncertainty under control.
- b) Maximize the level of guarantee to shareholders.
- c) Protect Group financial results and reputation.
- d) Take care of stakeholders interests (shareholders, customers and manufacturers).

Highlight that in the strategic Group framework, providing high added value logistical services with a high level of technological innovation, the Group presents higher level of tolerance considering the technological Risks that could occur.

#### **E.5. State which risks, including tax compliance risks, have materialised during the year:**

Risks materialized throughout the year are regular operational Risks, in the ordinary course of business, particularly theft of tobacco in the company facilities and during transport, not affecting the Group's financial results as the merchandise was properly insured, and also, liabilities for the resolution of fiscal litigation processes, ruled against the Group, not affecting significantly the Group's financial results, as these were properly provisioned, as well as other litigations of non-fiscal character.

In both cases the established control systems have allowed their mitigation, either the impact of Risk, neither its probability of occurrence. In general, the Internal Control and Risk Management Systems of Logista Group have allowed the allocation of several Risks in a low Risk profile, moreover some of them have been finalized without negative impact for the Group.

On April 10<sup>th</sup>, 2019, the National Commission for Markets and Competition imposed on Compañía de Distribución Integral Logista, S.A.U. ("Logista"), (100% subsidiary of the Company), a penalty of € 20.9 million, for "exchange of sensitive information regarding the sale of cigarettes from 2008 to 2017". Logista does not consider the sanction appropriate, and has filed against said resolution, an administrative contentious appeal before the National Court, and request for suspension of the payment of the sanction, which as of the date of this Report, is pending resolution.

Additionally, in the current year, Risks derived from the macroeconomic, social and political situation have materialized, especially those derived from the tax increase in France which routes the price of the package to 10 euros by 2020; its impact on sales volumes has been partially absorbed by restructuring plans, as well as the impact on the part of the manufacturers of said increases in the sale price, which causes a revaluation of inventories.

#### **E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise:**

The methodology to elaborate the Group Corporate Risk Map, based on the individual Risk evaluation of the businesses, forces the evaluators to assess the Risks before and after considering the mitigating controls and action plans established for each case, ending up with the residual Risk classification (Severe, High, Moderate or Low). The Risk Management Procedure of Logista Group states that, for each residual Risk, it will be decided which action has to be done (Eliminate, Mitigate, Transfer or Assume), and also an action plan will be defined.

See below the main existing controls for the Risks identified in the E.3 section:

## Environment Risks

- The markets most affected by the poor economic evolution, and the Businesses most exposed to its customer credit Risks, are reinforcing the procedures for the recovery of debts to shorten the terms, as well as reducing and tightly monitoring the credit limits, fostering the obtaining of bank guarantees.
- Regarding tobacco illicit trade and contraband, the Group is developing projects together with the manufacturers to establish more demanding track and trace protocols, in compliance with the European Directive of April, 3<sup>rd</sup> 2014.

## Business Risks:

- The effect of liberalizing the main markets in which the Group operates as tobacco-related products authorized distributor where currently there is a State monopoly for retail sale would, if there is a negative effect, mitigated by the business diversification strategy followed by the Group, and the capacity to sell tobacco through the large capillary point of sales network.

## Operational Risks:

- Theft of tobacco in the company facilities and during transport:

The following measures reduce both the impact and the likelihood to a tolerable Risk level:

- Follow up of maximum security standards.
- Insurance Policies.
- Technological Risks:
  - Existence of Contingency Plans periodically tested to assess their effectiveness.
  - There are permanent monitoring activities of the service level agreements according to the supplier that provides and administrates the Group infrastructures.
- Cybersecurity Risk :
  - Preventive work of digital surveillance.
  - Bi-annual external intrusion test and internal for new web applications.

**Regulatory Compliance Risks:**

- The Corporate Legal Department centralizes the supervision of the most relevant contracts within the Group, to ensure that they strictly comply with Laws, and that the third parties contracting with the Group's companies comply with the principles of the Code of Conduct.
- In relation to Compliance and Crime Prevention within the Group's companies, the following controls currently exist:
  - The Group has a Code of Conduct and periodically asks employees to undertake mandatory training on its contents.
  - The Group has an Internal Channel for denounces and irregularities, with policies and procedures available to every employee in the Group intranet.
  - There are Policies for investment, expenditures, indebtedness and other transactions, that require a strict approval and communication workflow.
  - Also, adapted to the specific characteristics of the penal codes in Spain and Italy, in addition to the Group Code of Conduct, there are specific Manuals for crime prevention in these countries according to which, in case of lack of compliance with the controls and general behaviour principles stated in them and in the Group Code of Conduct, disciplinary actions could be taken against the offenders.
  - There are specific procedures for preventing money laundering in the Group, being the Regulatory Compliance Director the body in charge addressed as the valid interlocutor with the SEPBLAC.

**Financial/Tax Risks:**

- Regarding the goodwill high carrying value, the Group undertakes impairment tests according to the IFRS.
- Credit Risks mitigated by periodical credit controls, hiring insurance policies in order to mitigate possible impacts of unpaid credits in the commercial transactions.

Regarding the procedures followed by the Company to ensure that the Board of Directors responds to the new challenges that arise, the Audit and Control Committee supervises twice a year the evolution of the different key Risks, as well as its response strategies and associated mitigation plans, including fiscal ones, and approves and issues the Group Risk Map Update. In those two quarters in which the said complete update is not presented, the Audit and Control Committee is informed about the most significant changes in the main Risks, which allows identifying new threats, as well as managing Risks in advance. Said Committee reports quarterly to the Board of Directors on its work of supervision of the Control and Risk Management Systems.

Likewise, the Board of Directors is specifically and periodically informed about the Group's main Risks, their evolution, response strategies and their associated mitigation plans, by the Corporate Internal Audit Department.

## **F) INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

### **F.1. Control environment**

**Report on at least the following, describing their principal features:**

**F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.**

The Logista Group System for the Internal Control of Financial Reporting (hereinafter 'ICFR') forms part of the Logista Group Internal Control System and consists of the whole of the processes carried out by the Board of Directors, the Audit and Control Committee, Senior Management and the Logista Group personnel to provide reasonable security in relation to the reliability of the financial information which is released to the markets.

Article 5 of the Rules of the Board of Directors of 26<sup>th</sup> January, 2016, modified at December 19<sup>th</sup> 2017, entitled 'The general role of supervision', lays down as one of its responsibilities the definition and approval of the Logista Group policies and general strategies, and in particular, the Policy on Control and Management of Risks, including fiscal Risks, and the supervision of the internal systems of reporting and control, and in particular, of financial reporting. It also defines the ultimate responsibility of the Board of Directors over the financial information which, as a quoted company, the Company has to publish regularly, and its responsibility to formulate the annual accounts and present them to the General Shareholders' Meeting.

In accordance with the provisions of Article 43 of the By-Laws, the Company has an Audit and Control Committee, whose main responsibilities, according to Article 17.2 of the Board's Rules and article 5 of Audit and Control Committee Regulation dated on December 19<sup>th</sup> 2017, are the following:

a) In relation to the control of financial reporting:

- Reporting at the General Shareholders' Meeting on the questions raised by shareholders about subjects within its area of responsibility, and in particular, about the result of the audit, and explaining how it contributed to the completeness of the financial information and to the role which the Committee performed during this process.
- Supervising the process of drawing up the required financial information and its completeness and submission, and making recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking compliance with regulations, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles, and in particular, knowing, understanding and supervising the effectiveness of, the system for the Internal Control of Financial Reporting (ICFR).
- Supervising compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting on the proposals for modification of accounting principles and criteria suggested by Management, and of the Risks on and off the balance sheet.
- Ensuring that the Board of Directors arranges to submit the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in the unlikely event of there being qualifications, that both the Chairperson of the Audit and Control Committee and the auditors clearly explain to the shareholders the nature and extent of those limitations or qualifications.

- Reporting to the Board of Directors on the Company's Annual Accounts and on the financial information, which the Company has to publish regularly, and which has to be sent to the bodies that regulate or supervise the markets.

b) In relation to the supervision of internal control and of internal auditing:

- Supervising the effectiveness of the Company's internal control systems, and in particular, those for financial reporting and the Company's Risks systems, reviewing the appointment and replacement of its managers, and discussing with the accounts auditors or auditing companies the weaknesses of the internal control system, detected during the audit, all of this without compromising its independence. To that end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding period for follow-up activities.
- Supervising the services and activities of the Internal Audit unit and, in particular, assuring the independence of the unit handling the Internal Audit function, which will report functionally to the Committee's Chairperson and will ensure the effectiveness of the reporting and internal control systems; proposing the selection, appointment, re-election and cessation of the head of the Internal Audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main Risks to which the Company is exposed; receiving regular reports on its activities; and verifying that the senior managers are acting on the findings and recommendations of its reports.

The head of the unit handling the Internal Audit function will present an annual work programme to the Committee, inform it of any incidents arising during its implementation and submit a report on its activities at the end of each year.

In accordance with the Internal Control General Policy of Logista Group, it is assigned to the Internal Control Committee of the Logista Group, which President is the Finance Corporate Director, the mission to drive forward and monitor the Internal Control System (in which Internal Control of Financial Reporting is embedded), and provide and approve the basic guides to its operation, under the supervision of and dependency on the Audit and Control Committee of the Board of Directors.

Among other functions, the Internal Control Committee establishes the responsibility to validate the proposals of the Internal Control Process Owners or Co-ordinators, or of the Corporate Directors or Business Managers, to define, update and develop new processes or sub-processes and Risks and control activities, including all those which are related to the ICFR.

The Finance Corporate Directorate is the body responsible for defining the Systems of Internal Control of Financial Reporting. In this regard, it establishes and defines the policies, guidelines and procedures related to the generation of the said information, in order to guarantee the quality and authenticity of the financial information generated and monitors its compliance.

In addition, the Corporate Internal Audit Directorate has, among others, the following functions, competencies and responsibilities, defined in the Internal Audit Policy, which has been updated this year:

- Evaluating whether the procedures, activities and objectives of Internal Control which constitute the Group's Internal Control System are appropriate, effective and efficient, and whether they assure to the Group, the Audit and Control Committee and the Board of Directors an effective supervision of the Risk and Control Management System, and promoting, directly or through the Internal Control Directorate and/or the Internal Control Committee of the Group, recommendations for their strengthening.
- To supervise the Internal Control System of Financial Reporting (ICFR).



**F.1.2. State whether the following are present, especially if they relate to the creation of financial information:**

**Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

According to Article 6.2 of its Rules, the general purpose of the Board of Directors of the Company is to determine and supervise the Company business and financial objectives, agreeing on the strategy, the plans and the policies by which to achieve them, propelling and supervising the management of the Company and the achievement of the established objectives, and ensuring the existence of adequate management and organisation, under effective supervision of the Board.

Notwithstanding the foregoing, the policy of the Board of Directors is to delegate the ordinary management of the Group to the Executive Bodies and the Management Team, except in those matters that, according to the Law, the By-Laws or the Board's Rules, cannot be delegated.

For this reason, the Appointments and Remunerations Committee has the responsibility, among others, to advise on the proposals for the appointment or severance of senior directors which the Chief Executive proposes to the Board.

The roles of the Senior Management include, among others, to acknowledge, inform and, if it is the case, propose and approve, modifications to the organisational structure of the Group, for the purpose of identifying needs, inefficiencies and areas for improvement in the design of those structures, and the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Directorate of Human Resources has procedures for updating the organisational structures at corporate level and of each of the Logista Group subsidiaries. These procedures are documented in organisation charts, which show the lines of authority up to a certain organisational level.

The Logista Group has a range of internal regulations governing the allocation and division of responsibilities and the segregation of functions in the different areas of the Group. Also, the Logista Group has job descriptions where main responsibilities of each job positions are described.

Specifically, the Corporate Financial Directorate has organisation charts showing the composition of the Financial Departments of each of the subsidiaries and business units; it also has regulations and procedures containing information about the tasks carried out by the different members of those departments, and information about the responsibilities included in the jobs of the key personnel involved in the preparation of the financial statements.

Dissemination is through the corporate Intranet which is used for internal communications, and through which the Logista Group regulations and procedures, as well as information about the most important changes occurring in the organisational structure, are disseminated. Furthermore, in the Corporate Intranet Directory one may find complete information about each of the employees of the Logista Group, including the post occupied and the reporting lines.

**Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

**Code of conduct**

The Logista Group adopted the Code of Conduct issued by its Controlling Shareholder, Imperial Brands PLC, which has been approved by its Board of Directors. There is, in addition, a Code of Conduct which applies specifically to the Logista Group companies in Italy (the 'Código Etico'), approved by the Board of Directors of Logista Italia, S.P.A., within the framework of Legislative Decree 231/01, which governs the regulation of compliance in the matter of criminal Risks, and which describes

in detail all the processes of the Logista Group Italian companies, including the preparation of financial information, which are in turn analysed by the governing and control bodies legally required in Italy.

The Logista Group Code of Conduct may be consulted on its Intranet. For those employees who do not have a computer or other type of electronic device, a summary leaflet is delivered in which the main characteristics and ethical principles of the Code of Conduct are presented.

All the employees of the Logista Group have to commit themselves to its compliance and as a prove of that, they must sign a 'recognition' document, confirming that they have read the Code of Conduct and will observe its provisions. Logista has versions of this document in English, Spanish, French, Italian, Portuguese and Polish, so that it can be correctly disseminated and understood in all the countries in which it operates.

The Code of Conduct lays down the principles of responsible behaviour which all the employees have to observe, and offers a practical guide to the way in which important ethical and legal matters should be dealt with. As fundamental values, it includes business integrity, responsible commercial practice, trust, respect and responsibility. Each of the general principles is elaborated on in the body of the Code.

In particular, within the principle of responsible commercial practice, there is a section on accuracy in accounting and the keeping of financial records and notifications, of which the main obligations are explained below:

- To report and record all our financial information accurately and objectively.
- To ensure that accurate and complete financial and commercial records are kept.
- To ensure that all the financial reports, notifications, forecasts and analyses for which we are responsible are transmitted honestly and accurately.
- To observe all of the laws, external requirements and procedures of the Company when transferring financial and commercial informa.
- To co-operate openly with the Logista Group Compliance Department and with our external auditorss.
- To strive to identify any potentially erroneous representation of the accounts, data or records, or any occurrence of potential fraud or deception, and to inform the local, regional or departmental heads of finances, the Director of Accounting, Forecasting and Taxation or the Logista Group Compliance Manager of any worry or doubt about the accuracy of the financial reports.

Any new incorporation must carry out a training course, which is mandatory, on the Code of Conduct, consisting of the practical explanation of different axioms defined in the Code of Conduct, as well as a final exam. Likewise, it is mandatory to carry out specific training courses for the prevention of Criminal Risks in Spain and the Legislative Decree in Italy, in order to provide the employee with a vision of the main Criminal Risks, as well as of the behaviors expected by them.

The Code of Conduct itself and its complaints procedure lay down a procedure for notifying, recording and investigating possible breaches of the Code of Conduct as well as the principles of the investigations and the disciplinary measures, including dismissal, and the rights of appeal.

### **General Principles of Conduct of suppliers of the suppliers of Logista Group**

The Board of Directors of the Logista Group, in its session of April 30<sup>th</sup>, 2019 approved the issuance of the General Principles of Conduct of the suppliers of the Grupo Logista, available on the corporate website, in which they are exposed as commitments, of binding effectiveness for the Logistic Group and of necessary assumption by the Suppliers that contract with the Group.

Within the scope of the ICFR, we emphasize the Principle of Accounting and Financial Records: "The Logista Group Suppliers fulfill their obligations regarding accounting and maintenance of financial records in a precise, honest and objective manner, in accordance with the legislation and regulations accountant".

### **Responsible bodies**

The body ultimately responsible for these activities is the Audit and Control Committee itself, who in its Regulation states as part of its responsibilities the supervision of compliance with corporate governance rules and the Internal Codes of Conduct of the Company.

In particular, the Audit and Control Committee shall (Article 5 (v) b (i)):

- Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, the Regulations and the Logista Group's governance rules, as well as putting forward proposals for its improvement.

**Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

The Regulations of the Board of Directors assign the Audit and Control Committee the responsibility of establishing and supervising a procedure that allows the Logista Group's employees, confidentially and, if appropriate, anonymously, to report irregularities of potential importance, especially financial and accounting, that can be detected within the Company.

The Logista Group has a Policy and Procedure on Complaints of Malpractice ("Whistleblowing"), which was approved by the Board of Directors on April 26<sup>th</sup>, 2016.

This Policy formalizes the existence of a channel for denouncing behaviour, deeds, actions, omissions or failure to observe the principles, ethical values, laws and internal regulations applicable to the Logista Group, and establishes the general principles which govern the notification of the complaint, as well as the subsequent actions that have to be taken by the Logista Group as a result of such a notification of complaint. The procedure develops the aspects or premises which require the implementation and execution of the Policy. The Procedure develops the aspects or extremes required by the implementation and execution of the Policy, as well as the means of communication of complaints (either verbally, or in writing to the email address [denuncias@logista.es](mailto:denuncias@logista.es) or by ordinary post).

One of the bodies competent to receive complaints and to investigate cases of malpractice is the Audit and Control Committee, when if, in the conduct, deeds, acts, omissions or non-compliance which constitute(s) the Malpractice, the participation or direct or indirect involvement of any Member of the Board, including its Secretary, or of a Company Director, or of the General Manager of a Business, is deduced, immediate report will be given by the Secretary of the Whistleblowing committee or Internal Control Unit, to the President of the Audit and Control Committee, or if implicated, to any member of the Board of that Committee.

Also, the Procedure states that the Directorate of Corporate Internal Auditing will prepare a report on cases that are relevant, of significant importance, of a financial or accounting nature, or serious, which will be forwarded to the Audit and Control Committee, which will, in addition, supervise the general observance of the Logista Group's Policy on Complaints, and of the provisions of this Procedure.

With regard to the confidentiality of complaints, the Policy states as one of its key principles the guarantee of Confidentiality and, as far as the applicable local legislation allows, the anonymity of the complaint.

The identity of the 'whistleblower' will not be disclosed to anyone other than the Bodies Competent to receive and investigate a complaint of Malpractice, in any of the stages of the Investigation Procedure, nor will the said identity be revealed to third parties or to the people being investigated. At the time of receiving a complaint, it is encoded, so that

the nominative relationship of the complainant-denounced disappears. Likewise, the minutes of the Complaints Channel Committee, as well as, where appropriate, the documentation provided, are anonymized, once the conservation periods established in the General Data Protection Regulation ("GDPR") have elapsed.

As an exception, and under the applicable regulations, the identity of the 'whistleblower' can be revealed to the Administrative or Legal Authority which is handling the investigation procedure initiated by or resulting from the complaint of Malpractice.

**Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (internal control system for Financial Information), that covers at least accounting rules, audits, internal control and Risk Management.**

Within the system for annual performance management assessment, personal development is encouraged, and any need for training in the said subjects is detected and then reflected in the Annual Training Plan.

The Human Resources Department, in collaboration with each of the business units, is responsible for defining the Logista Group Annual Training Plan, in which the training needs of the staff, including those involved in the generation and issue of financial information, and the Internal Control and Management of Risks, are identified.

In this way, training courses are given annually to those of the staff who are involved in the preparation and reviewing of financial information. Specifically, external training has been given on the following subjects: Adobe experience manager, process analysis, CESCO certification, CIA certification, fiscal and accounting closure, Internal Control of Financial Reporting, definition and implementation of Risk appetite, speech and influence Internal auditors, segregation of duties, external evaluation of audit quality internal, fundamentals of project management, Risk Management in the area of HR, implementation of the Risk process, negotiation, time management, methodology for the analysis of privacy Risk and data protection, monograph on consolidation of financial statements, Microsoft Office (formulation, macros, pivot tables, database management), power BI, money laundering prevention and internal audit evaluation technician.

In order to ensure that the regulatory modifications and updating which are required to guarantee the reliability of financial information are understood and applied, the departments involved in the preparation and supervision of financial information keep themselves permanently informed of any such modification, through the subscription to bulletins and newsletters from external sources, as well as by the attendance to conferences and seminars of specific topics and technical updates, such as an evaluation of the control design and its effectiveness, and national Risk Management meeting.

**F.2. Assessment of financial information risks.**

**Report on at least the following:**

**F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:**

**Whether the process exists and is documented.**

The Logista Group has a specific selection of policies for the process of identifying Risks in the Group, specifically:

The "General Policy on Internal Control" has the purpose of establishing a model or general framework of action of the Logista Group for Control and Management of external or internal Risks of whatever kind, which could affect the Group.

The "Internal Control Procedure" defines and regulates the Control activities that the Logista Group must follow, to avoid or attenuate these internal and external Risks.

Also, the "Risk Management Policy" and the "Risk Management Procedure" describe Risks Management as an interactive and continuous process, incorporated into strategy and planning process. The Policy and the Procedure together define the basic principles and methods to be followed in the Group, and they are reflected in the Logista Group Risks Map.

In the methodology used for Risks Management implemented in the Group, during the phase of identification and prioritization of Risks, those Risks of a financial nature are considered; among these, the Risks of fraud and Risk of error in valuation and financial reporting are considered to be relevant when categorizing the financial Risks.

The Risks Management process is reflected in a Risks Register, which is prepared from assessments of the impact and probability of each Risk, made by those responsible for the processes in all the Logista Group companies, who take into consideration variables both quantitative and qualitative.

Its output is the Logista Group Risks Map: there is a consolidated Risks Map of the Logista Group and also there are maps of specific Risks for each Company and Business unit or Corporate Directorate, linked to key Business and Corporate Directorates' processes.

There is also an inventory of specific Risks of financial information, classified by categories, including error and fraud categories, both external and internal.

**If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency**

Additionally, on an annual basis, Internal Control Department makes an assessment, by each Business and Company, of the significant accounts, both at quantitative and qualitative level, which are later on linked to the different processes, and which results are gathered in what is denominated as ICFR Scope Matrix, which determine relevant process for ICFR purposes.

Taking the Scope Matrix as a reference, the Group develops the identification and description of each of the transactional Risks in the processes that are relevant for the purposes of the ICFR. This analysis is documented at the ICFR Risks and control matrix.

The Corporate Financial Directorate developed in 2016 an instruction for "ICFR documentation", in which premises to be followed are exposed in order to guarantee an adequate documentation maintenance. More explicitly, it is reflected that the review of these documentation must be a continuous and constantly updated process. Nevertheless, at least annually, at the beginning of the fiscal year, Internal Control Coordinator will do a general review of the documentation in order to guarantee a proper maintenance and communication. In case no update needs to be done to the current documentation, this fact will be communicated both to Internal Control Department.

**The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

The Logista Group consolidation perimeter is determined monthly by the Financial Corporate Directorate, based on the "Annex 23-Consolidation Procedure" of the "Finance Accounting Manual, Consolidation and Reporting of Logista Group and its Subsidiary Companies. This Procedure establishes the system to be followed to define the consolidation perimeter and to ensure that it is correctly updated, so that nothing is omitted from the consolidated financial information.

In the Group consolidated financial statements at the close of the financial year, in accordance with the methods of inclusion applicable in each case, all those companies belonging to the Logista Group, joint businesses and companies associated with it were included in accordance with the content of the IFRS. For that purpose, the Consolidation Department has a detailed checklist of all the companies belonging to the Logista Group, and carries out a specific, regular analysis of the consolidation criteria to be applied.

**If the process takes into account the effects of other types of Risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

In its System of Risk Management, the Logista Group considers the following categories of Risk, which may be distinguished according to their nature or their consequences:

- Environment Risks: including those events regarding economic matters, such as the consequences in the consumer habits from the economic crisis in the countries where the Group operates. As well, due to the regulated nature of the tobacco market, main business of the Group, the Risks regarding any modification to the tobacco regulations fall into this category.
- Business Risks: enclosing in this category any Risk regarding the behaviour of the different agents present in the Businesses of the Group, such the relationship with the tobacco manufacturers, or the entrance of new competitors.
- Operational Risks: those related to the regular Group operations, such as process inefficiency, technology problems, non-compliance with quality or environment standards, or those resulting from errors in the execution of the activities.
- Regulatory Compliance Risks: resulting from non-compliance with existing regulations affecting the Group, including the internal policies and procedures, as well as those regarding the legal regulations that subject the Group, the penal Risks and the compliance with the both the legal regulations and the internal policies regarding the Internal Control of Financial Reporting.
- Financial/Fiscal Risks: considering those Risks regarding the Group exposure to price and other market variables fluctuations, such as the exchange rate, interest rate, oil price, etc. Furthermore, credit Risks resulting from contractual liabilities, as well as fiscal Risks from the Group activities lie into this category.
- Decision-making Risks: incorporating in this strand those events that could derive in errors due to an incorrect process of the decision-making data, such as the elaboration of accounting and financial statements.
- Reputational Risks: including those events that could negatively affect the Group image and, therefore, its value, resulting from a behaviour under the stakeholders expectative.

The Logista Group has also introduced a Model for the Prevention of Criminal Risks, covering the legal Risks considered in the Manual for the Prevention of Offences, and also a Crime Prevention System in their Italian subsidiaries to comply with Legislative Decree 01/231.

In the process of identifying Risks, according to these categories, the possible effects derived from the materialization of said Risks are taken into account.

### **The governing body within the company that supervises the process:**

The Board of Directors of the Company, has a non-delegable faculty, according to Article 5 of its Regulation, the determination and approval of the policy for control and management of Risks, including tax Risks, as well as supervision of the internal reporting and control systems, in particular those for financial information. The policy for control and management of Risks should identify at least: (i) The different types of financial and non-financial Risk which the Company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational Risks), including under the financial or economic Risks, contingent liabilities and other off-balance-sheet Risks; (ii) the determination of the Risk level the Company considers acceptable; (iii) the measures in place to mitigate the impact of identified Risk events should they occur; and (iv) the Internal Control and Reporting Systems to be used to control and manage the above Risks, including contingent liabilities and off-balance sheet Risks.

On the other hand, Article 5 of Audit and Control Committee Regulation assigns to this Committee, the latest responsibility of the supervision of the management and control of Risks:

- Supervising the effectiveness of the Company's Risk Systems, reviewing the appointment and replacement of the managers, and also, when appropriate, submitting recommendations or proposals to the Board of Directors, and the corresponding period for their following-up.
- Supervising the Control and Risks Management Unit, which will have, among other duties, that of ensuring that the Risk control and management systems are functioning correctly, and in particular, that the major Risks to which the Company is exposed are correctly identified, managed and quantified; that of actively participating in the preparation of Risk strategies and in key decisions about their management; and that of ensuring that the Risk control and management systems are mitigating Risks effectively within the framework of the policy established by the Board of Directors.

The mentioned Control and Risk Management Unit is represented by the Logista Group Internal Control Committee, which has the functions stated in the preceding section E.2.

Likewise, and regarding this issue, the Internal Audit Corporate Directorate has the functions set up in the preceding section E.2.

### **F.3. Control activities**

#### **Report on whether the company has at least the following, describing their main characteristics:**

**F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

### **Procedures for review and authorization of financial information:**

The regulated financial information to be sent to the markets complies with the provisions of Royal Decree 1362/2007 of 19<sup>th</sup> October, and Circular 3/2018 of June 26<sup>th</sup>, of the CNMV (Comisión Nacional del Mercado de Valores: National Securities Market Commission).

The Logista Group has an "Accounting Policy Manual", issued by the Corporate Finance Directorate, which defines a series of manual and automatic checks that are used to verify financial information, prevent fraud, the Risk of error, and ensure compliance with current legislation and the generally accepted accounting principles. There is also a formal procedure for accounts closure in which the financial information is prepared by each economic/financial manager of each subsidiary company or business, which is verified by the Consolidation and Reporting Department, and approved, before publication, by the Logista Group Finance Corporate Directorate. It is also checked by the external auditors. Finally, it is analysed by the Audit and Control Committee, which reports to the Board of Directors, the latter being the body which finally approves it and agrees to its publication and dissemination to the markets, as explained in section F.1.1.

In addition, every quarter, the Financial Directors and Controllers of the Logista Group Businesses and/or Companies issue a certificate in which they declare that the Logista Group General Policy on Internal Control has been complied with as regards reconciliation of key accounts and controls. Every year, they also issue a representation letter in which they certify:

- That they were themselves responsible for preparing the financial statements reported at the close of the financial year, and for any other breakdown produced.
- That the financial statements were obtained from the Company's accounting records, which reflect all its transactions and its assets and liabilities.
- That the Company's accounting records correspond to what was produced by the consolidation tool in accordance with the local accounting standards plus the adjustments necessary to align them with the IFRS.
- That the concepts included in each account correspond to those in the Group's Accounting Plan and Manual.
- That the estimates and important decisions were made on the basis of the latest information available in the business and are sufficiently well documented and justified.
- That responsibility is accepted for the reliability of the information contained in the consolidated financial statements of the Company or subgroup (where applicable) at the close of the financial year.

Twice a year, Senior Management and Financial Managers sign a certification in which they ratify the following points, among others, within their scope of responsibility:

- It has been evaluated the effectiveness of the Internal Control System their area of responsibility and are satisfied that it has been operating effectively throughout the period defined above.
- All controls defined in each ICFR Controls Matrix within their area of responsibility are operating effectively with any exceptions documented within each matrix submitted.
- Any known significant control weaknesses and/or breakdowns in control have been reported to the direct people manager and to the relevant Authorized Bodies.
- All transactions and events, as well as any material post balance sheet events, have been recorded appropriately, in line with financial and non-financial reporting requirements, to give an accurate view of the state of affairs within their area of responsibility.



### **Descriptive documentation of activity flows and controls:**

Furthermore, and with regard to the documentation describing the flows of activities and controls of the different types of transaction which can materially affect the financial statements, the Logista Group has prepared the required documentation which describes the control activities which cover all the purposes of controlling financial reporting for the Logista Group, by means of its corresponding ICFR Risk and control matrix, narratives and flowcharts ("ICFR Documentation"), in accordance with the recommendations made by the CNMV, in its Internal Control Guide on Financial Information in Listed entities, issued in 2010.

The aforementioned ICFR documentation is configured based on control objectives for each Risk, whose achievement must allow to achieve reliability and transparency in the process of preparing the Financial information, which are intrinsically linked to the defined Control activities resulted to be efficient in all its terms in each of the material processes for the ICFR. In this context, the ICFR F Documentation contains information about, among others matters, the Control activity, the Risk to be mitigated, the frequency and the person responsible for its implementation, its level of automation, as well as the definition of critical controls and Fraud controls aimed at ensuring the proper registration, valuation, presentation and breakdown of transactions in non-financial information.

The IFCR Documentation has been developed both for the material corporate processes (general accounting, consolidation, fiscal management, Treasury, Human Resources and purchases of non-inventory assets, mainly), as well as for those relevant Business / Country operational processes for the IFCR, such as purchases, sales, stock and logistics services.

Said IFCR Documentation is periodically updated, both by the Internal Control Department, as well as by those responsible for said documentation, through their self-assessment, as established in the Instruction on the "Internal Information Control Documentation Financial", mentioned in section F.2.1, which allows confirming the validity and validity of the IFCR Documentation.

### **Specific review of relevant judgments, estimates, assessments and projections:**

With regard to the specific review of the relevant opinions, estimates, valuations and projections, the Logista Group, as part of their Accounting Manual, has an specific annex about financial Provisions which describes the manner of dealing with each of the provisions which the companies in the Logista Group may make, and which is designed to reduce the risk of error in processes related to specific transactions.

Additionally, the Corporate Financial Director presents to the Audit and Control Committee, in order to facilitate said Body the review of regulated financial information, a detail with the main estimates and valuations made in the period under supervision, as well as the main ones hypothesis or methodology used for these estimates.

### **F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.**

The Logista Group uses information systems to keep an adequate record and control of its operations, so their correct functioning is crucial for the Logista Group.

The Management of Information Systems within the Management of Corporate Resources is responsible for the Logista Group information and telecommunications systems. Among its functions is that of providing the Information Systems Department with a set of policies, procedures and technical and organizational means to ensure the completeness, availability, confidentiality and continuity of the corporate information, including the financial information.

The regulations ,available to all the employees through the Logista Group intranet and relating to the Internal Control of the Information Systems, is mainly formulated by the following internal Rules, some of them have been updated during the current year, and consist of:

- The General Policy on Internal Control
- The strategic framework of the Information Systems
- The General Security Policy for the Information
- The Security Procedure for the Information
- The Technical Instruction for Roles Redesign

The General Policy on Internal Control establishes the guidelines and directives relating to the management of the Risks associated with the management and use of information systems and, specifically, estates that the Group's Information Systems must be controlled in order to guarantee their proper functioning and ensure control of the various types of transactions.

The General Security Policy for the Information formulates a reference framework and a set of guidelines and general principles that must be followed by all the Organization, to guarantee the Security of the Group's information and systems and other non-technological assets that it manages, as well as to determine the bodies responsible for it.

General Security Information Procedure, which develops, the mentioned Policy, as part as their provisions, estates, among other, the following premises:

- **MANAGEMENT AND CONTROL OF ACCESS TO THE LOGISTA GROUP INFORMATION SYSTEMS**, whose general aim of the procedures and measures provided for in this Provision 6 is to anticipate and, as far as possible, prevent unauthorized access to the Logista Group Information, and to:
  - i) Establish a procedure for granting Users rights of logical access to the Logista Group Information Systems, and for modifying and revoking them when the User changes job or ceases to provide services to the Logista Group, respectively.
  - ii) Define the identification requirements of an authorized User to access the Information Systems.
  - iii) Establish specific control measures for access to Group Network Services and source codes.
  - iv) Establish specific control measures for access to Information Process Equipment.
- **ACQUISITION, DEVELOPMENT AND MAINTENANCE OF INFORMATION SYSTEMS**, which establishes a process to ensure that security is built into the lifecycle of Information Systems, and ensures that Information Security is taken into account from the beginning of the process in which an Information System is acquired (or developed) until it is implemented, maintained and eliminated. Explicitly, in this section, it is described the control procedure for changes to Business Applications within Logista Group, and the management on changes in standard market software packages.
- **SECURITY IN OPERATIONS**, in order to maintain and manage the processing of Information and Information Systems in the Logista Group on a continuous and secure basis, and to guarantee that the technological services provided by the Corporate Directorate for Information Systems are being provided normally, the operational procedures necessary for this purpose (such as those relating to backups and recovery of Systems, monitoring, task planning, installation and configuration of Systems, etc.) are documented by this Department. Additionally, in this Procedure there is a specific section concerning Communications Security Management (Network Infrastructure Security Management, Network Device Security, Firewall Policy, and Wireless Networks).
- **CONTINUITY AND REDUNDANCY IN INFORMATION SECURITY**, which describes the requirements to ensure the continuity of the Systems during any major event or disaster that may occur, including the continuity of Information Security in said Systems; the availability of the Technology Infrastructure in terms of redundancy, and the continuity

of the functions of the different businesses of the Logista Group, including the Information Security managed by them.

Regarding Segregation of Duties, the Logista Group has designed and implemented a matrix for the segregation of functions, which segments the privileges of the users according to the minimum resources and information that are indispensable for the correct performance of the tasks associated with the workstations in the users' areas. In addition, and to complement the matrix for the segregation of functions, a set of measures and/or activities complementary to the segmentation of privileges has been established, such as the inclusion in the model of a group of users with greater privileges, with the aim, after an express request and while keeping track of the operations carried out, of supporting the operations of the corresponding users' area.

Finally, the Technical Instruction for Roles Redesign defines the specific guidelines that should be taken into account when designing the roles, their classification, their nomenclature and the structure they should have, existing a classification and nomenclature specifically for those "SOD Roles", which are those containing critical transactions managed by the Segregation of Duties Model.

### **F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.**

For the current financial year, none of the processes resulting in the collection of financial information with a material impact on the individual or consolidated financial statements of the Logista Group have been externalised, so the Logista Group has not required reports about the effectiveness of the controls established by entities outside the Logista Group, other than the requirements of the policies for contracting third parties which the Logista Group uses in its Purchasing Policy.

However, as the result of the valuations is not significant, the Logista Group does repeatedly use reports of independent experts for the valuation of certain commitments to employees' benefits, and for the valuations of certain properties.

The Finances Corporate Directorate monitors the work of those experts in order to check: competence, training, accreditation and independence, the validity of the data and methods used, and the reasonableness of the hypotheses used, if applicable.

## **F.4. Information and communication**

**State whether the company has at least the following, describing their main characteristics:**

**F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.**

The functions of the Management of Consolidation and Reporting, belonging to the Finance Corporate Directorate, are to define and communicate the accounting policies and keep them up-to-date, and it also has to answer enquiries about the accounting standards and their interpretation.

The Management of Consolidation and Reporting keeps abreast of changes in the accounting standards by means of communications with the external advisors and through the training which they themselves receive. These changes have to be analysed, and when they are applicable, the Accounting Policies defined in the accounting manual have to be updated.

The issue of all types of accounting standards is centralised in the Finance Corporate Directorate through their Management of Consolidation and Reporting department, which will be responsible for following and, if appropriate, applying, the modifications published in the regulations.

The Logista Group has a Manual of Accounting Policies, issued on October 9<sup>th</sup> 2015 and last update on 2017, with the purpose of establishing and describing the accounting policies and the Accounts Plan to which the financial information of all the Logista Group companies, the management information and the formation and formulation of the Logista Group Individual and Consolidated Annual Accounts must mandatorily be submitted.

In this way, it is intended to ensure that the content of the financial information and of the Individual and Consolidated Annual Accounts of the Logista Group are homogenous, consistent, accurate and harmonised, and that they are prepared on time.

The Manual contains and explains the key Good practices of Internal Financial Control of the Group; the rules of registration and valuation and accounting of the most significant elements of the assets and liabilities of the Group's Accounting; the rules for preparation the Financial information, and how they should be applied to the operations carried out by the Group; the consolidation and reporting rules, and in particular, contain different annexes for each of the headings of the financial statements and other areas of special relevance, such as the treatment of long-term incentive plans and recording of provisions, for example.

**F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.**

The Logista Group main ERP tool is the 'SAP', which is used to record, at individual level, the accounting transactions from which financial information is obtained for the subsidiaries of the Logista Group. All the companies which constitute the Logista Group work in accordance with the same plan of accounts, which is homogenous and common to the whole Logista Group, contained in the Accounting Manual.

The consolidated financial statements are prepared centrally from the financial statements which are reported in the established format by each of the Logista Group subsidiaries. To do that, the Logista Group has HFM consolidation software, which the Logista Group subsidiaries and companies use for reporting, and which enables the data to be aggregated, homogenised and analysed at individual and consolidated levels. In the consolidation process, there are checks to ensure the correctness of the consolidated financial statements.

In addition, the Consolidation and Reporting Department, as part of the Accounting Manual, has developed a series annexes - such as the procedures for consolidation, for inter-company transactions and for reporting, which are applicable to all the companies which constitute the Logista Group - which establish the mechanisms for collecting and preparing financial information in homogenous formats, the general rules, rules for the insertion of entries, for the approval of manual entries, opinions and estimates (including valuations and relevant projections) and a system for communicating financial information to the senior management and ensuring the homogeneity of the process of drawing up financial information.

## F.5. Supervision of system performance

### Describe at least the following:

**F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.**

Through the Internal Audit Corporate Directorate, Body entrusted with the Supervision of the Internal Control System of Financial Reporting, the Audit and Control Committee has carried out the following supervision activities during the fiscal year:

- Approval of the audit activities related to ICFR to be executed according to Annual Internal Audit Plan for 2019, which includes the review of the key controls of the Corporate Consolidation and General Accounting processes, as well as the operational processes of Purchases-accounts payable of the Tobacco business in Spain, France and Italy; SCIIF controls of those other operational processes that are subject to audit will also be included in the Annual Internal Audit Plans. These annual activities have been considered sufficient based on the premises established for the supervision of the ICFR within the 2019-2021 Strategic Audit Plan.
- Quarterly monitoring of the results of the ICFR reviews performed by the Internal Audit Corporate Directorate, including the evaluation of the impact of the weaknesses detected in the financial information, as well as the progress on the action plan implementation resulted during the audit reports.
- Review of the information about the ICFR which is included in the Annual Report on Corporate Governance.
- Review of the report of the External Auditor's opinion on this subject.

The Logista Group has an Internal Auditing Corporate Department with functional dependence on the Chairman of the Audit and Control Committee, composed by 8 employees, and a budget item for outsourcing Audit services in France.

In its Internal Audit Policy, approved by the Board of Directors through its Audit and Control Committee on 2015, and updated in 2019, the purpose, authority and responsibility of the activity of Internal Auditing, and its position within the organisation are defined. Within the responsibilities of the said function, the following competencies (among others), are established:

- To evaluate whether the processes, activities and aims of Internal Control which constitute the Logista Group System of Internal Control are adequate, effective and efficient, and guarantee the Group, the Audit and Control Committee, and the Board of Directors of the Logista Group the effective supervision of the system of management and control of Risks, if necessary making recommendations, either directly or through the Logista Group Management of Internal Control, for its strengthening;
- Supervision of the System of Internal control of Financial Reporting (ICFR).

With regard to planning, communication with the Audit and Control Committee, and implementation of corrective measures, the following responsibilities are defined in the Internal Audit Policy:

- In an open dialogue with the Management and the Audit and Control Committee, the drawing-up of an Annual Plan for Internal Auditing based on an appropriate method of Risk management, and, if appropriate, on the needs expressed by the Businesses or Corporate Directorates. The work involved in the Annual Plan must be mainly orientated towards the Group's important Risks. The Plan must envisage work for special, ad hoc requirements

during the year. The Annual Plan, and any updating of the Plan, will be sent to the Audit and Control Committee for its approval;

- The performance of the work described in the approved Auditing Plan, as well as any special work or project, requested by the Management, the Audit and Control Committee, or the Board of Directors;
- the preparation and despatch of regular (at least quarterly) summary reports to the Audit and Control Committee, on the results of the activity of Internal Auditing in fulfilment of the Annual Plan for Internal Auditing, or of other actions not included in the Plan, and on the monitoring by the Businesses and the Corporate Directorates or the Senior Management of the recommendations made;
- collaboration with the Businesses and/or Corporate Directorates in the definition of the plans of action to comply with their recommendations, and supervision of their correct starting-up and implementation;

According to its Internal Audit Plan, approved by the Audit and Control Committee, activities related to ICFR supervision have been carried out. More specifically, a Strategic Plan 2019-2021 has been prepared in which the rotation criteria of the CNMV Guide of June 2010 are adopted, which allows defining the scope of the ICFR evaluation by carrying out an evaluation that covers the entire of the ICFR in each fiscal year or throughout several fiscal years, in which case for each of them, rotation policies of areas of the financial statements or locations may be established for periods not exceeding two or three years, depending on various factors such as whether it has already been reviewed, process changes, etc.

Subject to review in the current fiscal year have been most of the tobacco purchase processes in countries with significant impact on the financial statements, sales process for the integration of the Integra2 business, as well as the corporate general accounting and consolidation processes. Likewise, in the first quarter of the year, the conclusions about the SCIIF of tobacco sales in Italy and the corporate process for the purchase of non-inventory assets, initiated in the previous year, were issued. As for the audits of an operational nature that have covered SCIIF controls, in the year the stock and sales reviews of vending machines in Portugal were carried out, as well as the regional warehouses of Anagni, Crotone and Bari in Italy.

As part of ICFR evaluation process, which conclusions are included in audit reports for each business and process audited, it is verified the operative efficiency of the critical controls described at the existing ICFR documentation, this means: evaluate if there are significant internal control deficiencies related to financial information; if so, the financial impact is measured, and corrective measures are set up in order to solve them resulting in action plans. Deficiencies are classified in the audit reports according to criticality, a responsible is appointed and they are monitored until its final solution.

During the current fiscal year, no internal control deficiencies have been detected with significant weaknesses on financial statements in those processes audited, although it has been communicated to the Audit and Control Committee those adjustments or reclassifications, not significant, raised as a result of the audit reviews.

**F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.**

The Audit and Control Committee meets at least quarterly with the aim of obtaining and analysing the necessary information in order to fulfil the responsibilities entrusted to it by the Board of Directors. There is an annual activities calendar in order to facilitate the proper planning of functions that the Audit and Control Committee is assigned, and execute the periodical activities, notwithstanding that during the year extraordinary subjects could come to light or the planned ones could be subject to changes. This calendar has been prepared on the basis of the provisions of the Capital Companies Law, the Good Governance recommendations of the Listed Companies of the CNMV and the Technical Guide on Audit Commissions

of public interest entities and the Regulations of the Board of Directors. In this document, it is determined those sessions attended by the Corporate Internal Audit Director, the External Auditors, and fiscal experts or other experts when this is considered necessary.

In this regard:

- The external auditors are present at, and report on, all the sessions of the Committee in which regulated financial information and accounts formulations are analysed. In those sessions, the external auditors report to the Committee on important Auditing and Accounting matters, and on the recommendations identified as those which would enable the Internal Control System to improve. They also present the planning of the Accounts Auditing, their methodology, legislative innovations, and any other information considered to be useful.
- Corporate Internal Audit Director has full access to the Audit Committee, attending its sessions as a guest. Issues, among others, quarterly information, both about detected significant Internal Control weaknesses, including agreed actions plans arising out of the audits with a view to correcting the detected weaknesses in Internal Control, and also, about the state and evolution of these action plans until their proper implementation.

Additionally, the Chairman of the Audit and Control Committee issues to the Board of Directors a summary report of the matters dealt with in these committees, which summarize the significant weaknesses in Internal Control identified during the review processes, the analysis of the annual accounts, as well as any other financial information to be disclosed, the status of action plans, or any other subjects that have been entrusted to the Audit and Control Committee.

Lastly, both the Corporate Finance Department and the Corporate Director of Internal Audit, hold private meetings with the Chairman of the Audit and Control Committee, to discuss the scope of the sessions, the work, its conclusions, the information to present in the Audit and Control Committee, as well as any other information deemed appropriate.

## **F.6. Other relevant information**

No other relevant information regarding the ICFR implemented in the Group has been revealed, which has not been broken down into the sections corresponding to this epigraph F.

## **F.7. External auditor's report**

### **Report from:**

**F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.**

The Logista Group has submitted for review by the external auditors the information about the ICFR that was sent to the markets for fiscal year 2019.

The scope of the auditors' review procedures was in accordance with Circular E14/2013 of 19<sup>th</sup> July, 2013, of the Instituto de Censores Jurados de Cuentas de España, in which the 'Guide to Action and Model Auditor's Report relating to the System of Internal Control of Financial Reporting (ICFR) in quoted entities', which is attached as an annex, was published.

## G) EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

**1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

Complies  Explanation

**2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

**a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**

**b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies  Complies Partially  Explanation  Not Applicable

**3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

**a) Changes that have occurred since the last General Shareholders' Meeting.**

**b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies  Complies partially  Explanation

**4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

**And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.**

Complies  Complies partially  Explanation



5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies  Complies partially  Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies  Complies partially  Explanation

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies  Explanation

The Board of Directors has not considered it necessary so far, due to the current floating capital (37.36%).

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies  Complies partially  Explanation

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies  Complies partially  Explanation

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies       Complies Partially       Explanation       Not Applicable

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies       Complies Partially       Explanation       Not Applicable

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies       Complies Partially       Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies       Explanation

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies  Complies partially  Explanation

**15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

Complies  Complies partially  Explanation

**16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.**

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies  Explanation

**17. That the number of independent directors represents at least half of the total number of directors.**

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies  Explanation

**18. That companies publish and update the following information regarding directors on the company website:**

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies  Complies partially  Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies       Complies partially       Explanation       Not Applicable

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies       Complies partially       Explanation       Not Applicable

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies       Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies       Complies partially       Explanation

**23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies       Complies partially       Explanation       Not Applicable

**24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.**

Complies       Complies partially       Explanation       Not Applicable

**25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.**

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies       Complies partially       Explanation

**26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.**

Complies       Complies partially       Explanation

**27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.**

Complies       Complies partially       Explanation

**28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.**

Complies       Complies partially       Explanation       Not Applicable

**29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies       Complies partially       Explanation

**30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.**

Complies       Complies partially       Not Applicable

**31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

**When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.**

Complies       Complies partially       Explanation

**32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies       Complies partially       Explanation

**33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.**

Complies       Complies partially       Explanation

**34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.**

Complies       Complies partially       Explanation       Not Applicable

**35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies       Explanation

**36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

**In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.**

**Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.**

**Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.**

**The process and the areas evaluated shall be described in the Annual Corporate Governance Report.**

Complies       Complies partially       Explanation

**37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies       Complies partially       Explanation       Not Applicable

**38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies       Complies partially       Explanation       Not Applicable

**39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.**

Complies       Complies partially       Explanation

**40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies       Complies partially       Explanation

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies

Complies Partially

Explanation

Not Applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies

Complies partially

Explanation

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies

Complies partially

Explanation



**44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies       Complies Partially       Explanation       Not Applicable

**45. That the risk management and control policy identify, as a minimum:**

**a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**

**b) Fixing of the level of risk the company considers acceptable.**

**c) Means identified in order to minimise identified risks in the event they transpire.**

**d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks**

Complies       Complies partially       Explanation

**46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**

**a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**

**b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**

**c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies       Complies partially       Explanation

**47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies       Complies partially       Explanation

**48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies       Explanation       Not Applicable

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies  Complies partially  Explanation

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies  Complies partially  Explanation

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies  Complies partially  Explanation

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies  Complies partially  Explanation  Not Applicable

**53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:**

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies

Complies partially

Explanation

**54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:**

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies

Complies partially

Explanation

**55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.**

Complies  Complies partially  Explanation

**56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.**

Complies  Explanation

**57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.**

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies  Complies partially  Explanation

**58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.**

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies  Complies partially  Explanation  Not Applicable

**59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.**

Complies       Complies partially       Explanation       Not Applicable

**60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.**

Complies       Complies partially       Explanation       Not Applicable

**61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.**

Complies       Complies partially       Explanation       Not Applicable

**62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

**The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.**

Complies       Complies partially       Explanation       Not Applicable

**63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies       Complies partially       Explanation       Not Applicable

**64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies       Complies partially       Explanation       Not Applicable

## H) FURTHER INFORMATION OF INTEREST

1. **If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.**
2. **This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.**

**Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.**

3. **The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.**

### Note to Section C.1.32

The amount of non-audit work exceeds 70 per cent in the Company since, as a Holding entity, it supports the verification services of the Consolidated Group, such as the limited review of the Interim Condensed Consolidated Financial Statements for the period ended 31 March 2019 of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries, prepared according to IAS34 "Interim Financial Information", the auditing of the Internal Control System of the Financial Information, and the verification services of the Statement of non-financial Information of the Company.

### Note to Section C.1.39

On 21<sup>st</sup> March, 2017, the General Shareholders' Meeting agreed to appoint Deloitte S.L. and PricewaterhouseCoopers Auditores, S.L. as joint auditors of the Individual and Consolidated Annual Accounts of the Company, for the fiscal years ending September 30<sup>th</sup>, 2017, 2018 and 2019.

In consequence, Deloitte, S.L. has been auditing for six consecutive financial years, and PricewaterhouseCoopers Auditores, S.L. for three. However, please note that Deloitte, S.L. has been the auditor of the Group's accounts for 20 years, if the previous Group is considered, existing prior to the Company's 2014 IPO.

The percentage that represents the number of years that the Company has been audited by Deloitte, S.L., over the number of years in which the annual accounts have been audited is 100%, and by PricewaterhouseCoopers Auditores, S.L. is 50%. For the Group's accounts, the percentages are 100% for Deloitte, S.L. and 15 % for PricewaterhouseCoopers Auditores, S.L.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 29<sup>th</sup> October 2019.

State whether any directors voted against or abstained from voting on this report.

Yes

No

**COMPAÑÍA DE DISTRIBUCIÓN  
INTEGRAL LOGISTA HOLDINGS, S.A.**

Auditors' report on the "Information relating to the System of Internal Control over Financial Reporting (ICFR)" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30<sup>th</sup>, 2019



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

***Auditors' report on the "Information relating to the System of Internal Control over Financial Reporting (ICFR)" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30<sup>th</sup>, 2019***

To the Directors of Compañía de Distribución Integral Logista Holdings, S.A.:

In accordance with the request of the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. ("the Entity") and our engagement letter dated April 16<sup>th</sup>, 2019, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30<sup>th</sup>, 2019, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our joint audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on September 30<sup>th</sup>, 2019 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Deloitte, S.L. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, España  
Tel.: +34 915 145 000 Fax: +34 915 145 180, [www.deloitte.es](http://www.deloitte.es)  
Registro Mercantil de Madrid, tomo 13.650. sección 8ª, folio 188, hoja M-54414, inscripción 96ª  
Inscrita en el R.O.A.C. con el número S0692 - C.I.F.:B-79104469.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, [www.pwc.es](http://www.pwc.es)  
Registro Mercantil de Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª  
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

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Also, since this special engagement does not constitute an audit of financial statements and is not subject to the consolidated Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the Directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 7/2015 of December 22<sup>nd</sup>, 2015 and in CNMV Circular 2/2018 of June 12<sup>th</sup>, 2018.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 5/2013, amended by CNMV Circular 7/2015 of December 22<sup>nd</sup>, 2015, and amended by CNMV Circular 2/2018 of June 12<sup>th</sup>, 2018, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

Deloitte, S.L.

PricewaterhouseCoopers Auditores, S.L.

[Original in Spanish signed by  
Victoria López Téllez (nº ROAC 21,238)]

[Original in Spanish signed by  
Raúl Llorente Adrián (nº ROAC 20,613)]

4 November 2019

