

REGULATIONS OF THE AUDIT AND CONTROL COMMITTEE  
OF THE  
COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

*December 19, 2017*

*Amendments:*

*1. 21 July 2020: Article 5.1 (ii) c) and (v)*

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## **Article 1. Purpose**

1. The Audit and Control Committee of the Board of Directors of the Compañía de Distribución Integral Logista Holdings, S.A. (hereinafter, the "**Company**") is constituted in accordance with the provisions of the Law of Capital Companies and of Article 43 of the Bylaws and Article 17 of the Rules of the Company's Board of Directors.
2. The purpose of these Regulations of the Audit and Control Committee, approved by the Company's Board of Directors, is to establish the rules for the organisation and functioning of the Company's Audit and Control Committee, which, for the best accomplishment of those functions, will incorporate, as appropriate, statutory provisions and those of the Rules of the Board of Directors emanating from the recommendations and criteria for good governance established by the *Comisión Nacional del Mercado de Valores* (National Securities Market Commission), and taking account of the characteristics of the Company and its Group.
3. Anything not expressly foreseen in these Regulations will be governed by the Committee itself, and as far as its nature and functions allow, that which is laid down in the Bylaws and in the Board's Rules in relation to the functioning of the Board of Directors will apply supplementally.

## **Article 2. Interpretation, amendment and dissemination**

1. In the interpretation and application of these Regulations, the Audit and Control Committee will take account of the legally applicable regulations and the recommendations and requirements for good governance laid down by the supervisory bodies, and, in particular, by the *Comisión Nacional del Mercado de Valores*.
1. The Regulations will be regularly reviewed by the Board of Directors, who will take account of the related proposals formulated by the Audit and Control Committee, and they will be disseminated to shareholders and to the markets in general by being published in the Company's website.

## **Article 3. Composition of the Audit and Control Committee**

1. The Board of Directors, in accordance with Article 43 of the Bylaws and Article 17 of its own Rules, will form an Audit and Control Committee composed of a minimum of three and a maximum of seven non-executive Directors, appointed by the Board of Directors, who will take account of the Directors' knowledge, aptitudes and experience and the tasks of the Committee, at the proposal of the Appointments and Remuneration Committee, who will decide on the profile of the people most suitable to form part of it. Most of the Committee's members will be independent Directors, and one of them will be appointed on the basis of his or her knowledge and experience of accounting and/or auditing.
2. Additionally, the Board of Directors will ensure that the members of the Audit and Control Committee, and especially its Chairperson, have knowledge and experience

of accounting, auditing and risk management, and also of other fields which may be appropriate in the performance of the Committee's functions as a whole, such as finance, internal control and information technology, although they do not necessarily need to be experts in these latter fields, except as provided above.

In addition, and having due regard to ensuring the promotion of diversity of sex and of geographical origin, the members of the Audit and Control Committee, who will be appointed because they have the necessary dedication to the performance of the functions entrusted to them, will, as a whole, have the technical knowledge which is pertinent to the Company's sector of activity.

3. The members of the Committee will leave the Committee when they cease to be Directors, or when the Board of Directors so decides.

#### **Article 4. Positions on the Committee**

1. The Chairperson of the Audit and Control Committee will be elected by the members of the Audit and Control Committee from among those of its members who are independent Directors, must be replaced every four years, and may be re-elected after one year has elapsed since their cessation.
2. The Secretary of the Audit and Control Committee will be the Secretary of the Board of Directors, and failing that, will be the Deputy Secretary, if any.

The Secretary will be responsible for assisting the Committee's Chairperson in the planning of Committee Meetings and in compiling and distributing the necessary information sufficiently in advance of the meetings, and also for taking the minutes of those meetings.

#### **Article 5. Functions of the Audit and Control Committee**

1. Without prejudice to other duties which the Board may assign to it, the Audit and Control Committee will have, at least, the following responsibilities:
  - (i) In relation to the control of financial reporting:
    - a) 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.
    - b) 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 (ICOFR).

- c) 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.
- d) 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.
- e) 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.

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

- a) 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, and deducing the degree of confidence in, and reliability of, the system. 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.
- b) 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; verifying that the senior managers are acting on the findings and recommendations of its reports; and annually evaluating the functioning of the internal audit unit and the manner in which the unit's manager performs his/her functions, for which purposes it will seek the opinion of the executive management.

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.

- c) c) Setting up and supervising a procedure which allows employees of the Company's group, and other persons related to the Company, such as Board members, shareholders, suppliers, contractors and subcontractors, confidentially and, where applicable, anonymously, to report irregularities of potential importance, especially financial and accounting irregularities, within the Company or its Group, receiving regular information about its functioning, and being able to propose appropriate actions to improve it and to reduce the risk of irregularities in the future.

(iii) In relation to the supervision of the management and control of risks:

- a) 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.
- b) 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.
- c) Reconsidering, at least annually, the list of the most serious financial and non-financial risks, assessing the extent to which they may be tolerated, and, if appropriate, proposing their adjustment to the Board.
- d) Holding, at least annually, a meeting with senior managers of the business units so that they can explain the business trends and the associated risks.

(iv) In relation to the accounts auditor:

- a) Referring to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the auditor, assuming responsibility for the selection process pursuant to the provisions of the European regulations, as well as for the terms and conditions of the auditor's engagement. To that end, it will have to:

- 1º. determine the procedure for selecting the auditor; and
  - 2º. Make a reasoned proposal which will include the names of at least two candidates for the position of auditor, except when the same auditor is re-elected.
- b) Regularly gathering information from the auditor about the Auditing Plan and its implementation, while preserving his or her independence in the exercise of his/her functions.
  - c) Establishing appropriate relationships with external auditors or audit firms in order to receive information about those matters which may represent a threat to their independence, in particular, disagreements which could arise between the auditor and the Company's management, so as to have them examined by the Committee, and about any other matters related to the process of auditing the accounts. When appropriate, authorising services other than those prohibited under the terms of the regulations applying to the independence of auditors, and any other communications envisaged by the legislation on the auditing of accounts and by the auditing regulations.

In any event, the Committee will have to receive from the external auditors or auditing firms an annual, written declaration of their independence in relation to the Company and companies directly or indirectly linked to it, and detailed, individual information about additional services provided, of any kind, and about the corresponding fees received from those entities by the said auditors or firms, or by persons or entities connected with them, in accordance with the regulations governing the auditing of accounts. The Committee will ensure that the Company and the external auditor adhere to the current regulations governing the provision of services other than auditing services, the limits on the concentration of the auditor's business, and the other rules about the independence of auditors.

In this regard, the Committee will ensure that the remuneration for the external auditor's work does not adversely affect its quality or independence.

- d) Annually issuing, prior to the issue of the audit report, a report in which an opinion is expressed about whether the independence of the auditors or auditing firms has been compromised. This report, which will be published in the Company's website sufficiently in advance of the Company's Annual General Meeting, will have to include, in every case, a detailed evaluation of the provision of each and every additional service referred to in the preceding paragraph, considered individually and as a whole, apart from the legal audit, in relation to the independence of the accounts auditing and to the regulations governing that auditing.

- e) Ensuring that the Company notifies the CNMV of any change of external auditor as a material event, and that such notification is accompanied by a statement about any disagreements with the outgoing auditor, and the reasons for the same.
  - f) Investigating the circumstances of any resignation of an external auditor.
  - g) Ensuring that the external auditor attends, annually, the plenary session of the Board of Directors to inform it about the work done and about developments in the Company's risk and accounting situations.
  - h) Making a final evaluation of the auditor's intervention and the way in which it contributed to the quality of the audit and the completeness of the financial information.
- (v) In relation to non-financial information
- Monitor and evaluate the process of elaboration and integrity of non-financial information, as well as the control and management systems for non-financial risks relating to the Company and its group, including operational, technological, legal, social, environmental, political and reputational or corruption-related risks.
- (vi) Other functions
- a) Reporting in advance to the Board of Directors on transactions connected with the creation or acquisition of interests in special-purpose entities, or entities domiciled in countries or territories treated as tax havens, and on obligations, actions, activities and transactions that involve, or could involve, conflicts of interest, particularly in relation to transactions with related parties, and also, in general, on the duties envisaged in chapter IX of the Board's Rules.

The report, if any, issued by the Audit and Control Committee on transactions of related parties will be published in the Company's website sufficiently in advance of the Annual General Meeting.

- b) Supervising compliance with the rules of corporate governance and with the Company's Internal Codes of Conduct. In particular, the Audit and Control Committee has to:
  - (i) Supervise compliance with the Internal Codes of Conduct, including the Internal Rules of Conduct of the Securities Markets, with the Board's Rules and with the Company's rules on governance, and make proposals for its improvement.



- (ii) Oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.
  - (iii) Regularly evaluate the adequacy of the Company's corporate governance system, to confirm that it is fulfilling its purpose of promoting the corporate interest and catering appropriately for the legitimate interests of the other stakeholders.
  - (iv) Evaluate all aspects of the non-financial risks to which the Company is exposed, including operational, technological, legal, social, environmental and political risks and risks to its reputation
  - (v) Propose to the Board of Directors the Annual Report on Corporate Governance.
  - (vi) Give a prior report to the Board of Directors on any structural or corporate changes which the Company is planning to make, on their economic conditions and accounting impact and, when applicable, on the exchange ratio proposed.
  - (vii) Gather information and, if appropriate, issue a report on disciplinary measures for senior managers of the Company and its Group.
- c) Supervising compliance with the Company's policy on corporate social responsibility. In particular, the Audit and Control Committee will:
  - (i) Review the Company's policy on corporate social responsibility, ensuring that it is orientated towards the creation of value.
  - (ii) Monitor corporate social responsibility strategies and practices and assess the degree of compliance in these areas.
  - (iii) Monitor and evaluate the Company's interaction with its stakeholder groups.
  - (iv) Co-ordinate the processes of reporting non-financial information and diversity, in accordance with the applicable regulations and international standards.
  - (v) Ensure that the Company's policy on corporate social responsibility includes the principles and commitments which the Company will voluntarily adhere to in its dealings with stakeholder groups, and that it specifies at least:
    - a) The aims of the policy on corporate social responsibility and the supporting instruments to be deployed;
    - b) The corporate strategy with regard to sustainability, the environment and social issues;

- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct;
- d) The methods or systems for monitoring the results of the practices referred to above, the associated risks, and their management;
- e) The mechanisms for supervising non-financial risk, ethics and business conduct;
- f) The channels for communicating with stakeholders, and for participation and dialogue;
- g) Responsible practices in communication which avoid the manipulation of information and protect integrity and honour.

The report issued by the Audit and Control Committee on the Company's policy on corporate social responsibility will be prepared using one of the internationally accepted methods, and will be published in the Company's website sufficiently in advance of the Annual General Meeting.

- d) Preparing for the Board of Directors an Annual Report on the functioning of the Audit and Control Committee over the year. This Report will serve as the basis for an evaluation by the Board of Directors, including, among other subjects, the significant activities carried out during the period and reporting on those which were completed with the collaboration of external experts. The Report will be published in the Company's website sufficiently in advance of the Annual General Meeting.
  - e) Any other duty of reporting or proposing, of a general or specific nature, which is entrusted to it by the Board of Directors.
  - f) Any other responsibility or function assigned to it by Law, by the Bylaws or by the Board's Rules.
2. In exercising its functions, the Audit and Control Committee will take account of the principles and standards laid down in *Technical Guide 3/2017 on audit committees*, of the CNMV, of 27th June, 2017, without prejudice to the adaptation of the same to the particular circumstances and characteristics of the Company and its group.
  3. Every year, the Audit and Control Committee will make an action plan of the Committee's main activities during the year, in relation to the accomplishment of its functions, for which it will account to the Board, as it will for the work done.

## **Article 6. The calling of meetings**

1. The Audit and Control Committee will meet at agreed intervals, and at least four times per year. One of the meetings will necessarily be devoted to evaluating efficiency and the observance of the Company's rules and governance procedures, and to preparing the information which the Board of Directors has to approve and include in its annual public documentation. In connection with these subjects, the Committee will have to include the internal auditor in its meetings, and if any kind of review report is issued, will also include the external accounts auditor, but neither auditor will be present in the decision-making part of the meeting, when the Audit and Control Committee adopts the appropriate decisions.
2. In addition, it will meet whenever called to do so by its Chairperson, when the latter deems this necessary for the correct performance of its functions or when requested to meet by two of its members, and it will have to meet whenever the Board or its Chairperson asks for a report to be issued or for the adoption of resolutions by the Audit and Control Committee.
3. The meetings of the Committee will be called by its Secretary, on the orders of the Chairperson, with at least ten days' notice, unless there are urgent reasons which justify an immediate calling or a shorter period of notice, and the call will be by letter, telefax, electronic mail or any other method which provides proof of receipt.

The call will always include the agenda of the meeting and will be accompanied by the necessary information, even when, in certain circumstances, all or part of the information is justifiably supplied during the meeting itself.

## **Article 7. Meetings**

1. The meetings of the Audit and Control Committee, in accordance with its annual plan of work, will be held at the Company's registered office or at any other place previously chosen by the Chairperson and indicated in the notification of calling.
2. The Committee's meetings may be held by telephonic multi-conference, videoconference or any other comparable system, so that one or several members can participate in the meeting in this way. To that end, the notice of call of the meeting, as well as indicating the place where the physical meeting will be held, will have to mention that participation in it may be by telephonic conference, video conference or an equivalent system, for which purpose the necessary technical means must be indicated and available, and must enable direct and simultaneous communication among all the participants. The Secretary of the Audit and Control Committee will have to record in the minutes of meetings held in this way, in addition to the names of the members who attended physically or who were physically represented by another Committee member, the names of those who participated in the meeting by telephonic multi-conference, videoconference, or a comparable system.

3. In the meetings of the Board, constructive dialogue will be encouraged among its members, promoting free expression and a supervisory and analytical attitude. The Committee's Chairperson must ensure that the members participate freely in the deliberations.
4. The Audit and Control Committee will prepare an annual report on its functioning, highlighting, among other matters, any incidents which arose in connection with its own functions. In addition, and when the Audit and Control Committee deems it appropriate, it will include in that report proposals for improving the Company's rules of governance. The report of the Audit and Control Committee will be made available to shareholders and investors through the website, sufficiently in advance of the Annual General Meeting.
5. Any member of the management team or personnel of the Company or Group who is so required will be obliged to attend the meetings of the Audit and Control Committee and to provide them with collaboration and access to any information that they possess, and the Committee may require them to attend without the presence of any other director. Other people (executive directors, experts, external accounts auditors, etc.) may also attend, but only by invitation of the Committee's Chairperson, and only to deal with the specific items of the agenda for which they were summoned. In particular, other directors, whether executive directors or not, will be present only occasionally in the Committee's meetings.

#### **Article 8. Formulation and adoption of resolutions**

1. The Audit and Control Committee will be validly constituted when the majority of its members are present or represented, and when its resolutions are adopted by an overall majority of the members present or represented at the meeting. When the vote is tied, the Chairperson will have the casting vote.
2. The members of the Audit and Control Committee may grant proxy to another member of the Committee. The proxy must be conferred in writing, and specifically for each specific meeting.
3. In situations of conflict of interest, the Committee members concerned will abstain from participating in the deliberation and from voting on resolutions or decisions in which they or anyone linked to them have a conflict of interest, directly or indirectly. The vote of the Members affected by the conflict, and who have to abstain, will be deducted in the calculation of the necessary majority of votes.

#### **Article 9. Minutes of the Committee Meetings**

1. Minutes of the meetings of the Audit and Control Committee will be taken, will record the conclusions and the proposals formulated in the meetings, and will be signed by the Committee's Chairperson and Secretary or by whoever may have substituted for them.

2. The minutes of the Committee's meetings must be made available to all members of the Board of Directors.

#### **Article 10. Access to information and advice**

1. The Audit and Control Committee will have suitable, timely and sufficient access to any information or documentation which the Company possesses in relation to matters for which it is responsible, provide that this is considered necessary for the performance of its duties.
2. In addition, the Committee may obtain, for the Company's account, collaboration or advice from external professionals whenever it considers this necessary for a better performance of its functions, and for this purpose Article 29 of the Rules of the Board of Directors will apply.

#### **Article 11. Means and resources**

1. The Audit and Control Committee will approve a programme of regular training to ensure that the knowledge of its members is up-to-date. It will also provide a welcome programme for its new members.
2. In order to carry out its duties, the Audit and Control Committee will have at its disposal the necessary means and resources for independent operation. The resources needed must be channelled through the Secretary of the Company's Board of Directors.

#### **Article 12. Relations of the Audit and Control Committee with the Board, the shareholders, the external accounts auditor and the internal auditor**

1. The Audit and Control Committee will have to set up a channel for effective and regular communication with its usual interlocutors, who will normally be the Committee's Chairperson and, among others, the following:
  - a) The Company's management, particularly the general and financial management;
  - b) The Manager of internal auditing; and
  - c) The external auditor who is principally responsible for auditing the accounts.
2. Communication between the Audit and Control Committee and the external auditor must always be fluid, in accordance with the regulations governing the external auditing of accounts, and must not impair the independence of the auditor or the efficiency with which the auditing or its procedures are carried out.
3. The Committee will give an account of its activity to the first plenary session of the Board of Directors that follows its meetings, at which it will be answerable for the work done.

4. The Chairperson of the Committee will act as its spokesperson in the meetings of the Board of Directors and, when applicable, in the General Meetings of the Company's shareholders.

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