

***ANNUAL REPORT OF THE ACTIVITIES OF THE  
AUDIT AND CONTROL COMMITTEE  
2015-2016***



**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.  
(THE COMPANY)**

**AUDIT AND CONTROL COMMITTEE**

**Report on functions and activities**

**Financial year 2015-2016**

**1.- REGULATION**

The Company's Audit and Control Committee was constituted by the Company's Board of Directors in the meeting held on 4 June 2014, before the shares were approved for listing on Spain's Official Stock Exchanges and the general aim is to assist the Board of Directors in the supervision of the financial statements, while exercising the function of controlling and ensuring good corporate governance.

The Committee is regulated in article 43 of the Articles of Association and in articles 15 and 17 of the Board of Directors' Regulations, Consolidated Text of 26 January 2016.

Pursuant to the aforementioned standards, the Board of Directors shall constitute an Audit and Control Committee, with a minimum of three and a maximum of seven non-Executive Directors, being the most of them Independent Directors, appointed by the Board of Directors, at the proposal of the Appointments and Remuneration Committee.

The members of the Audit and Control Committee shall choose a President from among the Independent Directors that form part thereof, who shall be replaced every four years and may be re-elected once a period of one year has elapsed since his/her stepped down.

The Secretary of the Committee shall be the Secretary of the Board of Directors or the Vice-secretary, if applicable.

The Board of Directors shall ensure that the members of the Audit and Control Committee and in particular its President, have knowledge and experience in relation to accounting, auditing or risk management in accordance with their functions, but they do not necessarily have to be experts.

Notwithstanding other roles assigned by the Board, the Audit and Control Committee shall have the following responsibilities:

- a) Inform at the Shareholders Meeting on the matters raised by the shareholders relating to the matters under its competence and, in particular, regarding the outcome of the audit,

explaining how it has contributed to the integrity of financial information and the role that the Committee has played during this process.

- b) Refer to the Board of Directors the proposals for 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 the conditions of the engagement thereof, and regularly gather information from it regarding the Audit Plan and its implementation, in addition to preserving its independence in the exercise of its functions.
- c) Supervising the services and activities of the internal audit unit and, in particular, monitor the independence of the unit handling the internal audit function, which shall report functionally to the Chairman of the Audit and Control Committee and will monitor the effectiveness of reporting and control systems; proposing the selection, appointment, re-election and removal 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 the Company is exposed to; receiving regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.

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

- d) Supervising the effectiveness of the internal control systems of the Logista Group, in particular those for financial information and the risk systems of the Logista Group, reviewing the appointment and replacement of managers, and discuss with the auditors or audit firms the weaknesses of the internal control system, detected during the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding time frame for follow-up activities.

In particular, the Company shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

- e) Establish and supervise a procedure which allows employees from the Logista Group, in confidentially and, where possible, and if deemed appropriate, anonymously report irregularities of potential importance, especially financial and accounting irregularities within the Company.

- f) 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.

- g) 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's 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.
- h) Ensure that the Company notifies any change of external auditor to the CNMV (Spanish Securities Market Commission) 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) Report to the Board of Directors regarding the Annual Accounts of the Logista Group, as well as the financial information the Logista Group is required to make public from time to time, to be submitted to the market supervisory or regulatory agencies.
- 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 process of drawing up and the integrity and submission of the required financial information, and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- n) Report in advance to the Board of Directors regarding transactions related to the creation or acquisition of interests in special-purpose entities, or entities domiciled in countries or territories treated as tax havens, and regarding obligations, actions, activities and transactions that imply or could imply conflicts of interest particularly with regard to related persons' transactions, and, in general, regarding the duties contemplated in chapter IX of the Company Board of Directors Regulations.

The Report, if any, issued by the Audit and Control Committee on related persons' transactions, shall be published in the Logista Group's website well in advance of the Annual General Meeting.

- o) Supervise compliance with corporate governance rules and the Internal Codes of Conduct of the Company. In particular, the Audit and Control Committee shall:
  - (i) Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, these Regulations and the Logista Group's governance rules, as well as putting forward proposals for its improvement.
  - (ii) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
  - (iii) Periodically evaluate the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
  - (iv) Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
  - (v) Propose to the Board of Directors the approval of the Annual Corporate Governance Report.
  - (vi) Previously report to the Board of Directors on any fundamental changes or corporate transactions the Company is planning, on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

- (vii) Gather information and, if applicable, issue a report on disciplinary measures for the Logista Group's senior managers.
- p) Supervise compliance with the corporate social responsibility policy of the Company. In particular, the Audit and Control Committee shall:
  - (i) Review the Company's corporate social responsibility policy, ensuring that it is geared toward value creation.
  - (ii) Monitor corporate social responsibility strategies and practices and assess compliance in this respect.
  - (iii) Monitor and evaluate the Company's interaction with its stakeholder groups.
  - (iv) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.
  - (v) Supervise that the Company's corporate social responsibility policy includes the principles or commitments which the Company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
    - a) The goals of its corporate social responsibility policy and the support 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 and identifying and managing related risks.
    - e) The mechanisms for supervising non-financial risk, ethics and business conduct.
    - f) Channels for stakeholder communication, participation and dialogue.
    - g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

The report issued by the Audit and Control Committee with regard to the Company's corporate social responsibility shall be drafted using an internationally accepted methodology, and be published in the Logista Group's website well in advance of the Annual General Meeting.

- q) Draft an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee, on which the evaluation by the Board of Directors shall be based. The Report shall be published in the Logista Group`s website well in advance of the Annual General Meeting.
- r) Any other reporting and proposal function assigned to it by the Board of Directors, generally or specifically.
- s) Any other competence or function under the law, the By-Laws or these Regulations.

The Audit and Control Committee shall meet as regularly as established, whenever its President or two of its members request a meeting and, at least four times a year. One of the meetings will be convened specifically to assess the efficiency and compliance with the Company`s rules and governance procedures and to prepare the information to be approved by the Board of Directors and included in their annual public documentation.

All members of the management team or Company personnel required shall have to attend the Committee's sessions and collaborate and provide any available information. The Committee may also request the attendance of the Accounts Auditors at the meetings.

In order to fulfil its functions, the Audit and Control Committee may request advice from external professionals.

## **2.- COMPOSITION**

At 30 September 2016, the Committee was formed as follows:

<b>Job Title:</b>	<b>Members</b>	<b>Date of Appointment</b>	<b>Nature</b>
President	Ms Cristina Garmendia Mendizábal	09.06.2014	Independent
Members	Mr Gregorio Marañón y Bertrán de Lis	09.06.2014	Independent
	Mr David Resnekov	09.06.2014	Proprietary
	Mr Eduardo Zaplana Hernández-Soro	09.06.2014	Independent
Non-member Secretary	Mr Rafael de Juan López	09.06.2014	-----

## **3.- ACTIVITIES**

During the 2015-2016 financial period, the Company's Audit and Control Committee held seven meetings:

**1<sup>st</sup> SESSION – 27 OCTOBER 2015**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director, (Ms. Laura Templado), and the External Auditor (Deloitte) (Mr. Jose Luis Aller and Mr. Ignacio García Gómez).

The Audit and Control Committee carried out the following activities:

**- Review of the Annual Accounts of the Company (2014-2015)**

The Company's Individual and Consolidated Accounts were studied.

- The External Auditor informed that the Audit Report of the Individual and Consolidated Accounts, ended on 30-09-2015, would be unqualified.
- The materiality, for the purpose of the Consolidated Accounts, was seven million euros and five million euros for the Individual Accounts.
- Being absent the CEO and the Corporate Finances Director, the Committee issued a report in favour of the drawing up, by the Board of Directors, of the Annual Individual and Consolidated Accounts for the financial year ending on 30-09-2015.
- The External Auditor indicated that, pursuant to the provisions established in the audit's technical standards, a review had been carried out of the Group's Internal Control System and that, as a result of this task, no significant weaknesses had been detected in this regard.
- In particular, the Committee received the Report from the External Auditor on the review that had been carried out, pursuant to the Group's instructions, of the information of the Internal Control System of the Financial Information (SCIIF) included in section F) of the Annual Corporate Governance Report (ACGR), resulting in no relevant inconsistencies or incidents that could affect it. Notwithstanding the above, the External Auditor issued a series of improvement recommendations, including, descriptively documenting the internal control activities of the SCIIF.
- The External Auditor stated that they had had no disagreements with the Group's Management which affected their audit work, and that they had received complete

collaboration from the Group's Management in relation to the auditing of the annual accounts for the financial year ended on 30th September, 2015.

- The Committee accepted the recommendations of the External Auditor on the system of Internal Control of Financial Reporting (ICOFR) and agreed that the competent bodies (especially the Corporate Directorate of Finances), should take the decisions and measures which they considered necessary for their complete implementation.

#### **- Annual Corporate Governance Report**

- A favourable opinion was issued with regard to the Annual Corporate Governance Report (2014-2015) and the approval thereof was proposed to the Board of Directors.

#### **- Independence of the Auditor**

- The Committee approved the Report on the independence of the External Auditor (Deloitte) (report that was annexed to the Minutes of the meeting), with the end result being, in the opinion of the Committee, that Deloitte has acted independently in relation to the examination and verification of the Individual and Consolidated Accounts of Compañía de Distribución Integral Logista Holdings, without this independence being affected, during the abovementioned period, by Deloitte providing services to the Company and its group of companies, in addition to those of the Account Auditing service.

#### **- Report about the Activities of the Committee**

- The Report on its Functions and Activities was unanimously approved for the 2014-2015 period, which was submitted to the Board of Directors, pursuant to article 17.2 of the Board's Regulation.

#### **- Manual of Accounting Policies, Consolidation and Reporting of the Logista Group**

- The Director of Internal Auditing reported to the Committee on the approval of the Procedure 'Manual of the Accounting Policies, Consolidation and Reporting of the Logista Group, that according to CNMV recommendations, establishes and describes the Accounting Policies and the Plan of Accounts to which the Group's Financial Information is obliged to conform.

#### **- Complaints of malpractice**

- There were no complaints of any malpractice during the year.

#### **- Outline of the 2015-2016 Internal Auditing Plan**

- Unanimously, the Committee approved the outline of the 2015-2016 Internal Auditing Plan, proposed by the Corporate Internal Audit Director.

The Audits to be accomplished are related to the following areas:

- i) Audits of procedures in the whole of the Logista Group (Tobacco buying procedures-First quarter financial statement review).
- ii) Unscheduled audits
- iii) Compliance with regulations (Review all procedures related to the ICOFR (SCIIF in Spanish) over a period of three years, starting with the tobacco buying procedure. – Review of compliance with Law 231/01 in Italy and of prevention of risks from crime procedures in Spain).
- iv) Local audits in Iberia, Italy and France
- v) Review of some aspects of the Information Systems

#### **- Report on Corporate Social Responsibility 2014-2015**

The Committee reported favourably on the abovementioned Report.

#### **2<sup>nd</sup> SESSION – 24 NOVEMBER 2015**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), and the Corporate Internal Audit Director, (Ms. Laura Templado).

The Audit and Control Committee carried out the following activities:

#### **- Approval of the Internal Auditing Plan (2015-2016)**

The Committee approved the content of the 2015-2016 Internal Auditing Plan, presented by the Director of Internal Audit.

The content and objectives of the Plan were grouped according to the following scheme:

- A) Global audits for the whole of the Logista Group

The activities proposed are:

- A review of the financial statements for the first quarter
- Tobacco Buying Procedure
- Review of the testing of the Disaster Recovery Plan
- Review of the security of the Data Centre managed by Interxion
- Review of the procedure for managing IT licences and assets.

B) Local Audits in Spain, France and Portugal

C) Surprise visits to warehouses in Spain, Portugal, France and Italy

D) Compliance

- Model 231/01 in Italy

Review of the degree of compliance with the controls defined in the Model for Crime Prevention, and also their sufficiency and efficacy, for Logista Italia, Logesta Italia and Terzia.

- Crime Prevention Framework in Spain- Corporate Defence

Review of the degree of compliance with the controls defined in the Model for Crime Prevention, and also their sufficiency and efficacy, for the Group's Companies in Spain.

- Supervision of the system of internal control over financial reporting

The main aim is to comply with what is laid down in the 'Guide for the preparation of management reports in listed companies', issued by the CNMV, and specifically, to give support to the Group's Internal Control Committee in its task of supervising the internal control system, including the ICOFR (SCIIF), and its impact on the financial statements.

### **- The Logista Group Map of Risks**

The Audit and Control Committee validated the Map of Risks proposed by the Internal Audit Directorate.

### **- The Draft Policy on the Use of the Logista Group's Property**

The Board Secretary presented this Draft Policy to the Committee.

The aims of the Policy were the following:

- To organize and regulate the use of those of the Logista Group's items of property which are placed at the disposal of its Employees.
- To lay down the basic criteria and general conditions to which the use of such property must conform.
- To inform all the Employees that the Logista Group, in the exercise of its legally recognized powers, reserves the right to supervise and control the use of such property and the methods and procedures used in the exercise of that corporate right.
- To define the standards and procedures to which the personal use by the Employees of the property placed at their disposal has to conform, when such personal use is permitted.

This Policy is applicable to all Employees of the Logista Group.

The Audit and Control Committee unanimously reported favourably on the 'Policy on the Use of the Logista Group's Property, and proposed that the Board of Directors approve it.

**- Adaptation of the Model for the Prevention of Crime to conform with Organic Law 1/2015 of 30th March, which modifies the Spanish Penal Code, and the consequent modification of Policies 3/2012 ('General Principles of Behaviour for the Prevention of Risks from Crime'), 4/2012 ('Manual for the Prevention of Risks from Crime') and 2/2015 ('Internal Auditing').**

The Meeting was joined by Board Members Messrs. Downing (by videoconference), Hathaway, Keveth and Lissner, and by Mrs. Carolina Werner and Mr. Borja Almodóvar, from Deloitte, whose advice had been sought by the Company in order to adapt the current Model for the Prevention of Crime to Organic Law 1/2015 of 30th March, which modifies the Spanish Penal Code.

The model was reviewed with the intervention of the General Secretariat and of the Legal Advice, Internal Control and Internal Auditing Departments.

Deloitte reported the following:

#### I. Background

Organic Law 5/2010 of 22nd June incorporated into the Spanish Penal Code, for the first time in the history of Spanish Law, the direct criminal liability of the legal entity (Article 31 bis of the Penal Code), which for certain crimes is instituted autonomously in relation to the criminal liability of the natural person who commits the crime.

On that basis, on 27th March, 2012, Logista's Board of Directors approved two sets of internal regulations: 'General Principles of Behaviour for the Prevention of Risks from Crime', and the 'Manual for the Prevention of Risks from Crime', which was modified on 30th October, 2013, in

order to adapt it to the provisions of Organic Law 7/2012 of 27th December, modifying the Criminal Code. Those regulations laid down a system of internal control in order to avoid or attenuate the risk of Logista's suffering hardships (which could consist of anything from monetary fines to the suspension of the Company's activities or its dissolution) because of crimes committed by its administrators or employees in their own name and for their own benefit.

## II. Organic Law 1/2015

- Organic Law 1/2015 of 30th March ('Law 1/2015') again modified the Criminal Code, and brought a technical improvement to the treatment of the criminal liability of legal entities.
- Law 1/2015 maintains the assumptions of criminal liability that were introduced by the 2010 law, in such a way that the company will be penally liable when the crime – which must be one of those considered in the Criminal Code as *numerus clausus* – has been committed, in their own name or for their own account, and for their direct or indirect benefit:
  - a) by the administrators or legal representatives;
  - b) by any persons who, being under the authority of the natural persons mentioned in paragraph a), were able to commit the crime because of the serious failure of the latter to perform the duties of supervision, vigilance and control of the activity – before Law 1/2005, “because the due control over them had not been exercised” -, given the circumstances of the case.
- Law 1/2015 expressly introduces exemption from criminal liability of legal entities, provided that certain conditions are fulfilled by the two groups of individuals from among the above-mentioned legal persons:
  - If the crime were committed by administrators or legal representatives, the legal entity would be exempt from liability if the following requirements were satisfied:
    - The adoption and efficient implementation, before the commission of the crime, of a model of organisation and management which includes measures of vigilance and control that are ideal for preventing crimes of the same nature, or for significantly reducing the risk of their being committed.
    - That the perpetrators committed the crime by fraudulently eluding the models for organisation and prevention.
    - That the supervision of the functioning and observance of the prevention model introduced be entrusted to a body of the legal entity which has autonomous powers of initiative and control, or to which the function of supervising the efficiency of the internal controls of the legal entity has been legally entrusted. In legal entities of small size, the said functions may be performed directly by the administrative body.
    - That there has been no omission or insufficient exercise of the functions of supervision, vigilance or control on the part of the aforementioned body.

- If the crime were committed by individuals subject to the authority of the aforementioned, the legal entity would be exempt from liability provided that, before the commission of the crime, it had adopted and implemented a form of organisation and management that was appropriate for the prevention of the crime or for significantly reducing the risk of it being committed, and had set up the aforementioned supervisory body.
- Law 1/2015 lays down the requirements which the models of organisation and management have to fulfil:
  - They will identify the activities in the ambit of which the crimes that have to be prevented could be committed
  - They will set up procedures that materialize the processes of shaping the will of the legal entity, of decision-making and of the implementation thereof.
  - They will have models for the management of financial resources that are appropriate to prevent the commission of the crimes which have to be prevented.
  - They will impose the obligation to report possible risks and breaches to the organisation responsible for monitoring the functioning and observance of the prevention model.
  - They will set up a disciplinary system which adequately sanctions non-observance of the measures laid down by the model.
  - They will perform regular checks on the model and any modification to it in case of relevant infractions, changes in the organisation, in the control structure or in the activity carried on.

Deloitte indicated that the review of the model, in order to adapt it to Law 1/2015, had included the following main aspects:

- 1) The types of crime in which, owing to the nature of the activities of the Logista Group in Spain, there was a greater risk of their being committed were again identified and analysed. For each type, the risk was categorised according to the frequency of its occurrence and the consequences.

To the forms of crime already referred to in the current 'Manual for the Prevention of Risks from Crime', there have now been added, among others, the 'Crime of Contraband' the 'Crime of Illegal Financing of Political Parties', and the 'Crime of Damage to Computers'.
- 2) For each criminal case, the operational matrices of management and control have been reviewed, and a new Matrix of Risks and Controls has been made for all the crimes covered by the Manual.
- 3) The bodies competent to introduce, control and supervise the operation of the model for preventing risks from crime have been designated (the Board of Directors, Audit and Control Committee, Control and Monitoring Unit, Corporate Internal Control Directorate, Control Managers and Corporate Directorate of Internal Auditing).

In particular, reinforcement is being given to the mission and responsibilities of the 'Unit for Control and Monitoring of the Model for Prevention of Risks from Crime' (the 'Control Unit'). This is the body which has autonomous powers of initiative and control to introduce, review and supervise the functioning and control of the model, in accordance with the requirements laid down in Law 1/2015.

- 4) In the composition of the Control Unit, the presence of the Corporate Director of Internal Auditing, as *ex officio* member and Secretary of the same, is no longer required, as it is considered that such functions are totally incompatible with her principal mission in this area, which is to supervise the efficiency of the internal control of risks from crime as reported by the Audit and Control Committee. However, the Corporate Director of Internal Auditing continues in the Control Unit as an advisor/non-member of the same.

The Control Unit will be composed of the following members: (i) the Corporate Director of Finances, who will be its Chairman, (ii) the Corporate Director of Resources, who will be its Vice-Chairman, (iii) the Corporate Director of Human Resources, (iv) the Corporate Director of Internal Control and (v) the representative of the Corporate Legal Advice Department or Regulatory Compliance Department, who will act as Secretary. Another non-permanent member will be the representative of the Businesses or Corporate Directorates, who will be nominated by the Chairman.

- 5) A specific budget has also been allocated to the Control Unit to demonstrate the Company's investment in resources for the prevention of crime.

Finally, Deloitte made the following recommendations:

- To increase the communication channels of the Complaints Channel to guarantee that they are correctly disseminated throughout the Group.
- To consider incorporating the catalogue of infractions and crimes covered by the Model for the Prevention of Risks from Crime into the disciplinary regimes of each collective agreement.
- To include the Model for the Prevention of Crime in the Group's Training Plan.
- To lay down the formal, annual procedure for evaluating the Model for the Prevention of Risks from Crime.
- To consider optimising the process of monitoring and supervising the Model by the use of an IT tool.

Finally, at the proposal of the Control and Monitoring Unit, the Audit and Control Committee unanimously reported favourably on the review of the Model for the Prevention of Risks from Crime, and proposed that the Board of Directors approve the modification of the following internal Policies:

- 1.- The General Principles of Behaviour in the Prevention of Risks from Crime (attached to these minutes as Annexe 1).

- 2.- Manual for Corporate Defence/ Prevention of Risks from Crime (attached to these minutes as Annexe 2).
- 3.- Policy on Internal Auditing (Policy 2/2015, of 27th April) (attached to these minutes as Annexe 3).

**- Information on the activities of the Committee of and Crime Prevention Internal Control**

The Director of Internal Auditing reported to the Committee on the content of the meetings of the Internal Control Committee between April and November 2'15, and handed over the minutes of those meetings.

**- Increase of the reciprocal line of credit with the Imperial Tobacco Group to 2,600 million euros**

The Committee unanimously, with the abstention of Mrs. Garmendia, in respect of the vote of Mr. Resnekov (the representative of the ITG), reported in of the proposal of the Corporate Finances Director, of increasing the reciprocal line of credit to 2,600 million euros, which would be remunerated, as hitherto – remuneration which would, without doubt, be at the market interest rate for the Logista Group, and suggested that the Board approve it.

**3rd SESSION - 26 JANUARY 2016**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finances Director, (Mr Manuel Suárez Noriega), and the Corporate Internal Audit Director, (Ms. Laura Templado).

The Audit and Control Committee carried out the following activities:

**- Quarterly Financial Report**

- The Corporate Finance Director presented the Committee the Quarterly Financial Report (first quarter of the financial year – 1 October to 31 December 2015), which shall be sent to the CNMV and to the markets.

- It received a report from the Corporate Internal Audit Director concerning the abovementioned Financial Report.
- It unanimously agreed to issue a favourable report on the abovementioned Financial Report and to submit a proposal to the Board to prepare and send it to the CNMV and disseminate it via the Company's website.

**- Report on the Proposal to modify Article 6 of the Rules of the General Shareholders' Meeting ('Responsibilities of the General Shareholders' Meeting')**

The Committee's Secretary informed the Committee of the fact that Law 5/2015 of 27th April modified Article 406 of the Law of Capital Companies in respect of the obligation of companies to issue shares.

In accordance with that Article, the Board of Directors was going to propose to the Ordinary General Shareholders' Meeting the modification of the pertinent Articles of the Bylaws (specifically, Articles 13, 14, 15 and 17) to indicate that it is the Board of Directors which is the body responsible for arranging for the issue and admission to trading of bonds, and for the granting of guarantees of the issue of bonds, with the exception of the issue of convertible bonds, which is the responsibility of the General Shareholders' Meeting.

The required concordance between the Bylaws and the Rules of the General Shareholders' Meeting therefore makes it necessary to modify Article 6 of the Rules of the General Shareholders' Meeting of 4th June, 2014, modified on 17th February, 2015, and relating to the responsibilities of the General Shareholders' Meeting, so that it conforms to the provisions of the Bylaws in that regard.

Finally, the Audit and Control Committee unanimously reported in favour of the modification to Article 6, and of the proposed "Report of the Board of Directors to the General Shareholders' Meeting on the proposed resolution to modify Article 6 of the Rules of the General Shareholders' Meeting of 4th June, 2014, modified on 17th February, 2015 (Fifth Point on the Agenda of the General Shareholders' Meeting)"

**- Proposal to modify the Rules of the Board of Directors so that they conform to the Recommendations of the New Code for the Good Governance of Listed Companies**

The Secretary of the Committee reported that on 18th February, 2015, the Board of Directors of the National Securities Market Commission approved a new Code for the Good Governance of listed companies, including new recommendations, which it seems necessary to incorporate into the Consolidated Text of the Board's Rules of 16th December, 2014, that being the main reason for modifying its pertinent articles.

In addition, it was proposed to incorporate into the Rules the modifications to the Law of Capital Companies that have occurred since the date of the Rules, and in particular, the modification produced in its Article 529 *quaterdecies* ('Audit Committee') by the Law of Accounts Auditing of 20th July, 2015.

The Committee's Secretary then summarised the most important modifications, which refer to the following articles: Article 4.- Dissemination Article 5.- Function of supervision Article 6.- Purposes of the Board's intervention Article 7.- Categories of Directors Article 8.- Qualitative composition Article 10.- The Chairman of the Board Article 11.- The Vice-Chairman Article 14.- The Vice-Secretary Article 15.- The Board's Committees Article 16.- The Executive Committee Article 17.- The Audit and Control Committee Article 18.- The Appointments and Remunerations Committee Article 19.- Board Meetings Article 20.- Constitution and conduct of the meetings Article 21.- Adoption of agreements and majorities Article 23.- Official names of Non-Executive Directors. Incompatibilities Article 25.- Duration of the position Article 26.- Cessation of Directors Article 29.- Assistance from Experts Article 30.- The Board's remuneration Article 33.- Due diligence Article 39.- Approval of transactions with Directors and with significant shareholders. Transparency. Article 41.- Indirect Operations, Activities and Actions. People connected with a Director Article 44.- Relationships with shareholders Article 45.- Relationships with institutional shareholders Article 45.- Relationships with the Markets Article 46.- Relationships with Auditors Article 47.- Annual Report on Corporate Governance Article 48.- Annual Report on the Remuneration of the Board Members Article 49.- Corporate website

The Audit and Control Committee unanimously agreed to report in favour of the proposal to modify the abovementioned articles, as well as of the approval by the Board of a new Consolidated Text of the same.

Also, the Committee unanimously proposed to the Board of Directors the '*Report of the Board of Directors to the General Shareholders' Meeting on the modification of certain articles of the Rules of the Board of Directors of 16th December, 2014, so that they conform to the Recommendations of the New Code for the Good Governance of Listed Companies*'.

#### **- Quarterly Report of the Internal Audit**

- The Committee was informed by the Corporate Internal Audit Director on the following subjects:

1. The main auditing activity in the first quarter had been the completion of the reviews begun at the end of the previous fiscal year, and the carrying out of two overall audits:
  - A review of the financial statements for the first quarter of the year
  - Purchases of Tobacco (in progress)

It should be noted that the activities of the ICOFR (SCIIF in Spanish) in relation to purchases of tobacco were being carried out jointly with the above-mentioned review in order to obtain synergies, and that the ICOFR review of non-inventory purchases was also being carried out during this quarter.

The control frameworks of Corporate Defence and 231/01 had been brought up to date.

2. She reported the audits completed during the period concerned, the description of each one, and their general results.

### 3. Follow-up of Actions

Mrs. Templado reported that the degree of accomplishment of the actions recommended by Internal Auditing had risen to 56%, compared with the 40% of the previous year.

#### **- Fees of the External Auditor**

- The Director of Internal Auditing informed the Committee about the hypotheses and variations which had been taken into consideration in the negotiation of the fees for External Auditing.

Her proposed modifications to the auditing services to be contracted were as follows:

- **COLLEGIO SINDACALE:**

- Has double function: control of good governance and accounting control (statutory auditing)
- The offer received from Deloitte for the statutory auditing would be more economical because it would obtain synergies with the work currently being done.

- **BDO:**

- It is maintained as the auditor of four subsidiaries of the Publications sub-group.

Overall, savings would be obtained by these means.

Finally, she proposed for the Committee's approval the contracting of the auditing firms indicated and the fees for the auditing of the accounts for financial year 2015-2016, which amount, for the whole Group, to 1,273,317 € (1,059,638 € Deloitte, 42,790 € BDO and 170,889 € Colegio Sindacale).

The fees indicated are similar (-0.2%) to those of last year.

The Audit and Control Committee unanimously approved the contracting of the auditing firms indicated, and the fees indicated against each of them.

#### **4th SESSION – 26 APRIL 2016**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director (Ms Laura Templado), and the External Auditor (Deloitte) (Mr. Jose Luis Aller and Mr. Ignacio García Gómez).

The Audit and Control Committee analysed the following subjects:

**- Financial Report for the First Half Term of the financial year (1 October 2015 to 31 March 2016).**

With regard to this issue, the Committee:

- i) Was informed by the Corporate Finance Director of the exact content of the Financial Report for the First Half Year Period.
- ii) Was informed by the External Auditor about the verification tasks on this Half-Yearly Financial Report, which was carried out pursuant to Standard NIC 34 "Intermediate Financial Information".

After highlighting issues deemed to be relevant, it concluded that as a result of the limited review of the Company's consolidated intermediate financial statements for the first half of the financial year, these had been prepared pursuant to the requirements of the NIC 34 without any significant aspects being identified.

- iii) A unanimous favourable opinion was issued on the abovementioned Financial Report and a proposal was put to the Board to prepare and send it to the CNMV and disseminate it via the corporate website.

• **Letter of Recommendations of the External Auditor for Financial Year 2014-2015**

Deloitte informed the Committee that a follow-up had been carried out on the main areas for improvement that had been identified in previous years, and that appropriate improvements had indeed been noticed. In addition, new areas for improvement had been identified.

Actions already carried out

- Updating of the Manual of Accounting Policies
- Low stock rotation of the electronic cigarette
- Approval of Policies by the Board

Actions being carried out now

- Completion of the documentation of all parts of the ICOFR procedures.

Actions pending

- Review of the users/administrators of SAP
- Review of the model for fiscal reporting

• **Quarterly Report on Internal Auditing 2015-2016**

The Director of Internal Auditing, Mrs. Laura Templado informed the Committee on the Internal Auditing work carried out during the second quarter of the financial year, and on the result of that work, and on the risk (Impact) that it could produce in the Group's consolidated accounts.

With regard to the extent to which the 2015-2016 Internal Auditing Plan had been implemented, she stated that 41% of the outstanding actions had been carried out, and she proposed a modification to the approved Plan, involving the replacement, within the activity relating to the system of internal control of financial reporting (ICOFR) (SCIIF in Spanish), of the review of the procedure for purchasing non-inventory goods by a review of the ICOFR consolidation procedure, which was regarded as being of higher priority – because a project for the automated processing of orders had already been initiated (at present the processing was basically manual), modification that was approved by the Committee.

- **Report on the Logista Group Policy on Complaints of Malpractice (“Whistleblowing”) and, if appropriate, proposal to the Board of Directors that it approve that Policy and the Procedure for Managing such Complaints.**

The Committee's Secretary, Mr. de Juan, explained to the Committee the justification for the Policy on Complaints of Malpractice, its basic content, and the basic content of the Procedure for Managing the Complaints Channel.

The Draft Policy:

- Defines Malpractice as “any possible irregularity, breach or conduct contrary to the ethical principles and values applied by the Logista Group in the performance of its activities and in its management, to the legality applicable to it, or to the Code of Conduct and other internal regulations of the Logista Group.”
- Establishes the obligation of employees to denounce Malpractice.
- Defines guarantees and general principles applicable to a complaint of Malpractice.

The Policy guarantees to any complainant of Malpractice:

- Confidentiality
- Indemnity (no dismissal or reprisals, except when the complainant knowingly makes complaints that are false or in bad faith).

The Policy also defines the principles to which any of the Logista Group's investigation procedures during the inquiry into, and verification of, the Malpractice denounced should be subject:

- Promptitude, professionalism and confidentiality in the carrying-out of actions and tests.
- The duty to inform the people being investigated.

- Respect for the fundamental rights and the presumption of innocence of the people being investigated.
  - Proportionality, precision and security of information and data compiled during the investigation procedure.
  - Collaboration with the legal authorities.
- Finally defines bodies competent to initiate and follow the procedure for investigating a case of Malpractice
- i) The Complaints Channel Committee
  - ii) The Unit for the Control and Monitoring of the Prevention of Risks from Crime, if the reported Malpractice consists of a breach of the General Principles of Behaviour for the Prevention of Risks from Crime, laid down in the Manual for the Prevention of Risks Crime or, according to the evidence, could be qualified as an offence.
  - iii) The Audit and Control Committee, 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.

The Procedure for Managing the Complaints Channel develops the following subjects:

- The bodies competent to receive complaints. The form and content of the same.
- The bodies competent to make a Preliminary Evaluation, to order a Reserved Investigation, and to initiate, follow and resolve an Investigation Procedure.
- The Complaints Channel Committee will be composed of the Logista Group's Company Secretary, who will chair it, the Corporate Director of HR, and the Corporate Director of Internal Auditing, who will act as Secretary.
- The Unit for the Control and Monitoring of the Prevention of Risks from Crime.

This body is competent to investigate infringements of the Manual for the Prevention of Risks from Crime, and in general, for investigating Malpractice which, according to the evidence, could be qualified as an offence.

It is composed of the Corporate Director of Finances (Chairing), the Corporate Director of Resources (Vice-Chairman), the Corporate Director of HR, the Corporate Director of Internal Control, and a representative of the Corporate Legal Advice Department, who will act as Secretary.

- The Audit and Control Committee
- This body is competent to investigate any Malpractice in which the direct or indirect involvement of a Board Member, Corporate Director, or General Manager of a Business is deduced.

- The Investigation Procedure

The stages of the investigation procedure – its initiation, the preliminary investigation – are regulated by pertinent tests and resolution, which will include the appropriate employment, commercial or penal measures.

Finally, the Audit and Control Committee unanimously:

- Reported favourably, and consequently proposed to the Board of Directors that it approves the ‘Policy on Complaints of Malpractice (“Whistleblowing”) of Logista Holdings and its Subsidiary Companies (Logista Group)’.
- Reported in favour of the ‘Procedure for the Management of the Complaints Channel of Logista Holdings and its Subsidiary Companies (“Logista Group”)’, and in favour of its approval by the Group’s Chief Executive Officer.

**- Reports on the content of the meetings on 16th March 2016 of the Internal Control Committee and of the Crime Prevention Unit.**

- The Director of Internal Auditing informed the Committee of the essential content of the meetings held on 16th March, 2016, by the Internal Control Committee and by the Unit for the Control and Monitoring of Risks from Crime, and handed over the respective minutes.

**- Result of the Survey of the Efficiency of the External Auditors in 2015.**

- Mr. Resnekov stated that this questionnaire, which was intended to evaluate the efficiency of the work of the External Auditors (Deloitte) during the previous financial year, was a requirement of the Audit and Control Committee of IB, which would continue in future financial years.

The evaluation, stated Mr. Chairman, had been very positive for Deloitte, as had Deloitte’s evaluation of the Company’s financial team.

**5th SESSION 23 JUNE 2016**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Board Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), and the Corporate Internal Audit Director (Ms Laura Templado).

The Audit and Control Committee analysed the following subjects:

**- Report and, if appropriate, Proposal to the Board of Approval of the following policies:**

## Purchasing Policy, Policy on Corporate Governance, Policy on Corporate Social Responsibility, and Risk Management Procedure

- The Secretary of the Committee reported in detail on the content of the indicated Policies and Procedure, which would be submitted for their approval to the Board.

### 1. CORPORATE GOVERNANCE POLICY

Based on these corporate values and principles of good governance, the Policy establishes and rules:

- i) the composition, functions, positions and operating of the Board of Directors and its Committees
- ii) the requirements and duties of the Board members and their remuneration
- iii) the principles and commitments on which the Corporate Social Responsibility must be based.
- iv) the Shareholders' rights to attend, and to information, representation and voting.
- v) the Group commitment to set up rules of conduct and regulatory compliance (Internal Rules of Conduct in the Securities Markets, Code of Conduct, Whistleblowing Policy and Corporate Defence Model)
- vi) the Group commitment to transparency and to the periodic reporting (reliability and completeness of the regulated periodic financial information, Company's web site, and Policy on Information and Communications with shareholders, the securities markets and public opinion).

### 2 PURCHASING POLICY OF THE GROUP

The Purchasing Policy is currently covered by a 2009 Policy.

The most relevant news of this new Policy are as follows:

- i) It classifies suppliers in three different categories:
  - **Manufacturers:** Product Purchases made by the Group, under a distribution agreement
  - **Supplier of Stocks:** Product Purchases from a supplier whom no distribution agreement has been signed with (i.e., Convenience Business).
  - **Suppliers of Other Goods and Services:** Purchases of Goods or Services, different from the two explained before.
- ii) The General Managers of the Businesses and the Corporate Directors are the competent contracting bodies to Purchase and to Order, although in some situations, detailed in Provisions 7.3, 7.4 and 7.5, they will need the previous authorization of other bodies (Country Manager, Group CEO or Board of Directors, this latter for Purchases related with a Director or with a significant shareholder).

### 3 POLICY ON CORPORATE SOCIAL RESPONSIBILITY

The aim of this Policy is to establish a framework of action which structures the management of CSR in the Group in keeping with its corporate strategy, and from which all the initiatives and projects in this field emanate. So commitments have been made with the intention of contributing to the development of a sustainable business model, and to add as much value as possible to the interest groups that are connected with the Group.

The CSR Policy details the Group commitments with:

- Good Governance
- Shareholders and Investors
- Employees
- Customers and Channels
- Suppliers
- Society and Environment

### 4 RISK MANAGEMENT PROCEDURE

The Corporate Internal Audit Director reported to the Committee on the content of such Procedure, that develops the Risk Management General Policy of the Group, of September 29<sup>th</sup>.

The Procedure:

- i) Rules the Risk Management Process, according to the following diagram:



- ii) The Risk Assessment stage categorizes the Impact in case of Risk in accordance with the following criteria: Economic, Legal and Compliance, Processes, Health and Safety and Reputational. The Probability of Occurrence of a Risk is calculated referenced to a scale.

- iii) The Information and Communication stage rules the operating of the Risk Register and of the Risk Map that has to be annually updated.

The Committee issued a favourable report on the proposed Policies and submitted them to the Board of Directors for approval.

### **6th SESSION 26 JULY 2016**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Board Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director (Ms Laura Templado), and the External Auditor (Deloitte) (Mr. Jose Luis Aller and Mr. Ignacio García Gómez).

The Audit and Control Committee analysed the following subjects:

#### **- The Company's Financial Report for the Third Quarter of the financial period.**

- With regard to this issue:
  - i) The Corporate Finance Director disclosed to the Committee the exact content of the Company's Financial Report and that of its subsidiary companies for the third quarter of the financial period, which was sent to the CNMV on 28 July.
  - ii) The External Auditor (Deloitte) informed the Committee about the progress of the work and about its annual audit plan
    - During the first half of the 2016 fiscal year, the Group had received an answer to the binding consultation presented to the Directorate-General of Taxation in connection with the deductibility of the "internal" dividends distributed by Logista, S.A.U. to Logista Holdings, S.A., as an additional adjustment to its taxable income for Corporation Tax purposes. As far as the right to deduction under certain conditions was concerned, the reply was favourable, but some aspects were open to interpretation in relation to the time frame applicable to the said deduction.
    - The Group had decided to apply the whole of the deduction of 29.8 million euros to the settlement of the Corporation Tax for fiscal year 2015, but, in the interests of prudence, and after considering the opinion of its fiscal advisers, it had recognized a liability for deferred tax in relation to the part which it considered could possibly be liable to deferral by the tax authority, and which was equivalent to 70%.
  - iii) The Committee issued a unanimous favourable opinion on the abovementioned Financial Report and a proposal was put to the Board to prepare and send it to the CNMV and disseminate it via the corporate website.

### **- Interim Dividend for Financial Year 2015-2016**

- The Corporate Finances Director informed that, according to the Policy on Dividends, it was proposed to distribute a dividend against the results of the 2016 fiscal year, and which, if approved, would be paid through the Banco Santander on 29th August.

The amount of the proposed interim dividend was 0.25 euros per share.

The Audit and Control Committee unanimously reported in favour of the proposal to distribute an interim dividend of 0.25 euros per share, and suggested that the Board approve it.

### **- Monitoring of the Internal Auditing Plan – Third Quarter of the Financial Year**

- The Group's Director of Internal Auditing, Mrs. Laura Templado, presented to the Committee a report on this subject.

She stated that, to date, 60% of the actions envisaged in the 2015-2016 Internal Auditing Plan had been carried out. This percentage was lower than expected because of the review of the "Purchasing Procedures" (ICOFR) (SCIIF in Spanish), which was taking more time than initially foreseen. No significant impact can be deducted from the indicated actions.

According to the Director of Internal Auditing, 72% of the recommendations made for internal auditing actions had already been implemented.

Ms. Templado stated that the audits carried out on the Prevention of Risks from Crime had not revealed any weaknesses in control, in relation to the offences mentioned.

### **- Plan for Auditing the Accounts of the Financial Year**

- Mr. Aller summarized those of the actions in the Auditing Plan for 2015-2016 that had already been carried out, and the most relevant auditing risks, and indicated the automatic checks that the Group had put in place in relation to Sales, Supplies, Stocks and Excise Duty.

He also identified the companies that form part of the Group's consolidation.

With regard to the determination of the materiality to be applied, he gave the following explanation:

- The materiality was calculated as 5% of the Group's expected consolidated result before taxes at the close of the fiscal year.
- Qualitative parameters were also taken into account.
- Any omission of breakdowns of annual accounts will be reported.
- For the purposes of reports on subsidiaries, the auditors of the components will have to report all adjustments of more than 400 thousand euros.

Finally, he enumerated the risks which are most frequently incurred by those who audit accounts, and the procedures used by Deloitte to eliminate or attenuate those risks.

**- Reports on the content of the meetings of the Internal Control Committee and of the Crime Prevention Unit of 6th July, 2016.**

- The Director of Internal Auditing informed the Committee of the essential content of the meetings of the Internal Control Committee and of the Unit for the Control and Monitoring of Risks from Crime, of 6th July, 2016, and handed in their respective Minutes.

**- Regulation relating to Market Abuse (Coming into Force)**

- The Committee's Secretary reported that EU Regulation 596/2014 of 16th April had come into force on 3rd July, so the Company's Internal Rules of Conduct would have to be aligned with it in all matters connected with the Securities Market.

The most important innovations were that:

- It extended to 30 calendar days before the publication of the regulated Financial Information, the prohibition on Board Members and others in possession of that information from carrying out transactions involving any of the Company's securities.
- It reduced to three working days the period for Board Members and Directors to declare to the CNMV and to the Company their transactions involving securities of the Company.

**7th SESSION - 25 SEPTEMBER 2016**

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Board Members).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), and the Corporate Internal Audit Director (Ms Laura Templado).

The Audit and Control Committee analysed the following subjects:

**- Annual Corporate Governance Report 2015-2016**

- The Committee analysed a first draft of the Annual Corporate Governance Report 2015-2016.

**- Internal Audit Plan 2016-2017**

- The Committee approved the content of the Logista Group Internal Auditing Plan for 2016-2017, presented by the Director of Internal Auditing.

The Plan had been prepared on the basis of:

- ✓ a preliminary assessment of the risks faced by the Group, using the Map of Risks as the reference document.
- ✓ legal requirements.
- ✓ requirements of the CNMV in the system of internal control of financial reporting ICOFR (SCIIF in Spanish).
- ✓ various conversations held with Management.
- ✓ internal regulations specific to the Logista Group, which assign certain activities of review and supervision to the Internal Auditing Department.

The activities of Internal Auditing planned for FY 2016-2017 are as follows:

- i) the checking of the stocks at several of the Group's warehouses, by physical counting, programmed checks and surprise visits;
- ii) the reviewing of the adequacy and efficiency of the internal control systems set up by the Group for the processes of stock control, accounting, taxation, treasury/ funding, collections and payments, to fulfil the requirements of the CNMV, in accordance with the Plan for the Internal Control of Financial Reporting (ICOFR);
- iii) the reviewing of the degree of implementation of the Corporate Defence Model in relation to the following offences: Smuggling, Fiscal Offences, Public Health Offences, Social Security Offences and the Illegal Financing of Political Parties;
- iv) the reviewing of the security of the Group's information systems.

#### **- Management Risks Map**

- The Committee analysed the Risks Map of the Logista Group and proposed it for approval to the Board.

#### **- New Internal Regulations for Conduct in the Securities Markets, adapted to the UE Regulation 596/2014, of 16 April 2014, on Market Abuse, and to the Delegated Regulations of the European Commission on the same subject**

- The Audit and Control Committee favourably reported the text of a new Internal Regulations for Conduct in the Securities Markets, and unanimously proposed its approval to the Board.

Prior to such favourable report, the Secretary of the Board informed the Committee of the following:

#### **Background**

The Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. (the "Company"), on the occasion of the admission to listing of the Company on the stock market,

approved on 4 June 2014 the “Internal Regulations for Conduct in the Securities Markets”, currently in force.

Amendments made by Royal Legislative Decree 4/2015, of 23 October, approving the Consolidated Text of the Securities Markets Law, and, specially, the entry into force, last 3 July 2016, of Regulation (EU) N° 596/2014, of the European Parliament and of the Council, of 16 April 2014, on market abuse (hereinafter, the “Market Abuse Regulation”) make it convenient to approve new Regulations.

Most important amendments included in the New Regulations for Conduct in the Securities Market (“NRCSM”), derived from the application of the Market Abuse EU Regulation and its Implementing and Delegated Regulations of the European Commission, on the same subject

– Inside Information

With slight differences, the concept of Inside Information is maintained (NRCSM Definition) as established by Spanish legislation and the current RCSM.

The concept of “Relevant Information” disappears, in application of the Market Abuse Regulation.

– Insider List (Section 4.2 NRCSM)

- It is adapted to the standard format established by Implementing Regulation (EU) 2016/347, of 10 March.
- Includes, in a supplementary section, the List of Permanent Insiders (e.g. the Directors of the Company).
- Access to Inside Information by Temporary Insiders (by reason of a specific matter or event), including External Advisors, requires the subscription of a written statement by each of them, acknowledging the obligations arising from it, as well as the consequences of its non-compliance (administrative, labour, civil or criminal liabilities) (See Annex 1 of NRCSM).

– Transactions on the Company’s Affected Securities or Financial Instruments with Inside Information

- It is prohibited to carry out Transactions with Inside Information (Insider Dealing) (Section 4.4.1 NRCSM), as well as the Unlawful Disclosure of Inside Information (Section 4.4.2 NRCSM).
- The following Exceptions to the Prohibition to Insider Dealing are stated:
  - Legitimate Behaviour (Section 4.5.1 NRCSM)
  - Market Soundings (Section 4.5.2 NRCSM)

- Buy-back Programmes of treasury stock, in compliance with certain requirements and restrictions.
- Stabilization measures of stock, according to accepted market practices (e.g., liquidity agreements).

- Public Disclosure of Inside Information

It is regulated in the NRCSM, more precisely, following the Market Abuse Regulation, and the Implementing Regulation (EU) 2016/1055, of the Commission, of 29 June 2016, and it is included, as novelty, the regulation of Delay in the Public Disclosure of Inside Information (Section 4.6.2 NRCSM).

- Transactions on the Company's Affected Securities and Financial Instruments by the Permanently Obligated Persons (including Directors and Officers)

- The notification period is three business days from the date of the Transaction (before, it was five days).
- Prohibition to conduct operations in the 30 days preceding the publication of a quarterly, half-year or annual financial report (before, it was 15 days).
- Persons discharging managerial responsibilities (Directors and Officers) must notify, not only the purchase or sale of the Company's shares, but other operations, such as lending of shares, or transactions made under an insurance policy, related to Securities of the Company.

- Transactions on treasury stock

- Ordinary Transactions Programme on treasury stock (Section 8.2 NRCSM)

Within the limits authorized by the General Shareholders' Meeting, the Board of Directors must approve the Transactions Programme (purchases and sales), which sole object shall be to assist with the liquidity of transactions or the regularity in the trading.

Purchase and sale transactions on treasury shares are subject to the prohibition on Insider Dealing.

An Ordinary Transaction Programme cannot be executed simultaneously to a Buy-back Programme, as stated below.

- Buy-back Programmes (Section 8.3 NRCSM)

Their purpose must be:

- To reduce the capital of the Company
- To meet obligations arising from convertible debt financial instruments
- Assignment to the Company's Share Programmes

Buy-back Programmes are excluded from the Prohibitions on Insider Dealing, provided they comply with the requirements, restrictions and transparency conditions, set forth in the Market Abuse Regulation, and in the Implementing Regulation (EU) 2016/1052, of 8 March.

Finally, the Audit and Control Committee unanimously reported favourably on the new Internal Rules for Conduct in matters connected with the securities markets, and proposed that the Board approve them.

**- Self-Assessment of the functioning and composition of the Audit and Control Committee in Financial Year 2015-2016.**

The Committee had heard the result of the assessment of the functioning and composition of the Audit and Control Committee that was carried out by the Board Members, with external advice from KPMG, and unanimously agreed to postpone the final conclusions from the self-assessment of its functioning and composition to its next meeting, which was planned for 25th October, 2016.

**- Appointment of Legal Auditors**

The Committee discussed about the incidence that the new Regulation 537/2014, of 16th April, of the European Parliament and of the Council, and particularly, article 5 of such Regulation ("Prohibited Services") may have on the current External Auditor (Deloitte) independence, the audited company and the control group to which it belongs.

This Report has been unanimously approved by the Audit and Control Committee and the members thereof in the meeting held on 25 October 2016.

Leganés, 25 October 2016.

The Secretary of this Committee,

Rafael de Juan López