Grupo Logista

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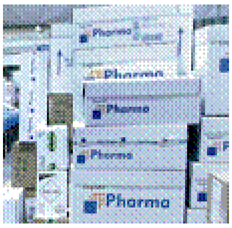
ANNUAL REPORT OF THE ACTIVITIES OF THE

Appointments and Remuneration Committee

2018-2019


COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A
(The Company)

Appointments and Remuneration Committee

REPORT ON FUNCTIONS AND ACTIVITIES

FISCAL YEAR 2018-2019

1.- REGULATION

The Company's Appointments and Remuneration 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.

The Committee is regulated by Article 529 quindecies of Law of Capital Companies, by Article 43 bis of the Bylaws, by Articles 15 and 18 of the Board of Directors' Regulations, Consolidated Text of 26 January 2016, amended on 19 December 2017, and by the Policy on the Selection of Board Members, approved by the Board of Directors' meeting of 19 December 2017.

Pursuant to the aforementioned regulations, the Board of Directors will form an Appointments and Remuneration Committee comprising a minimum of three and a maximum of seven non-executive Directors, of whom the majority will be independent, appointed by the Board of Directors, and will seek members who have the right balance of knowledge, skills and experience for the functions which they are called upon to discharge.

The members of the Appointments and Remuneration Committee will elect a Chairman from among the independent Directors who form part of it.

The Secretary of this Committee will be the Secretary of the Board of Directors or the Vice-Secretary, if applicable.

Notwithstanding other roles assigned by the Board, the Appointments and Remuneration Committee will have the following responsibilities:

a) Assessing the skills, knowledge and experience required on the Board. To that effect, it will define the functions and skills required in the candidates who will fill each vacancy and will assess the time and dedication required to perform their tasks efficiently.

b) Establishing a target representation for the sex which is the least represented on the Board of Directors and to create guidelines on how to achieve that target.

c) Submitting to the Board of Directors the proposals for the appointment of independent Board Members for their co-opted nomination or submission to the decision of the General

Meeting of Shareholders, together with the proposals for the re-election or removal of those Board Members by the Meeting.

d) Reporting on the appointment, ratification, re-election or removal of non-independent Board Members, as well as the appointment and removal of the Chief Executive Officers and members of the Executive Committee and the permanent delegation of powers to them.

e) Communicating the proposals for the appointment and removal of the Chairman, Vice-Chairman, Secretary and Vice-Secretary of the Board of Directors.

f) Examining and organising, in such a way that it is easily understood, the succession of the Company's Chairman and chief executive and, where applicable, submitting proposals to the Board, so that the said succession takes place in an orderly and well-planned manner.

g) Communicating the proposals for the appointment and removal of the senior executives proposed by the chief executive to the Board.

h) Proposing to the Board of Directors, for approval by the General Meeting, the Remuneration Policy for Board Members as such, and that of the Board Members who carry out executive functions.

i) Proposing the following to the Board for its approval:

    i) The Annual Report on the Remuneration of Board Members, which the Board will submit to the General Meeting, for consultation purposes.

    ii) The individual remuneration of Executive Directors and the other terms and conditions of their contracts.

    iii) The Policy on the Remuneration of General Managers or those that carry out senior management functions, reporting directly to the Board of Directors, the executive Committee or the Chief Executive Officer, as well as the basic terms and conditions of their contracts.

j) Ensuring compliance with the remuneration policy established by the Company.

k) Ensuring that selection processes are not implicitly biased in such a way that the selection of female Board Members is prevented.

l) Ensuring that conflicts of interest do not undermine the independence of any external advice provided to the Committee.

m) Verifying the information about the remuneration of Board Members and members of Senior Management contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

n) Annually verifying compliance with the Policy on the Selection of Directors, and setting out its findings in the Annual Report on Corporate Governance.

o) Drafting for the Board of Directors an Annual Report describing the activities of the Appointments and Remuneration Committee, on which the evaluation by the Board of Directors will be based. The Report will be published in the Company's website sufficiently well in advance of the Ordinary General Meeting.

p) Any other competence or duty conferred by the Law, the Bylaws or the Board's Regulations.

The Appointments and Remuneration Committee will meet whenever convened by its Chairman or when two of its members request a meeting, and when the Board or its Chairman asks for a report to be issued or for proposals to be adopted and, in any event, whenever this is required for the correct fulfilment of its functions.

In particular, the Appointments and Remuneration Committee will consult the Chairman and the Company's Chief Executive about matters related to Executive Directors and senior managers.

Any member of the management team or Company personnel who is required to do so will have to attend the Committee's sessions to collaborate and provide any available information.

2.- COMPOSITION

At 30 September 2019, the Committee was composed as follows:

Position	Members	Date of appointment	Nature
Chairman	Mr. Gregorio Marañón y Bertrán de Lis	09.06.2014	Independent
Members	Mr. John Downing	09.06.2014	Proprietary
	Mr. Jaime Carvajal Hoyos	25.09.2018	Independent
	Mr. Alain Minc	24.04.2018	Independent
(Non-Member Secretary)	Mr. Rafael de Juan López	09.06.2014	------

During the financial year, there have been no changes to the composition of the Committee.

3.- ACTIVITIES

During fiscal year 2018-2019, the Company's Appointments and Remuneration Committee held seven sessions:

1st SESSION – 30 OCTOBER 2018

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos, Mr. John Downing and Mr. Alain Minc (Members) and Mr. Rafael de Juan López (Secretary, Non-Member).

Also present was the CEO of the Company, Mr. Luis Egido Gálvez.

The Appointments and Remuneration Committee discussed the following matters:

- Proposal to the Board of Annual Report on the Remuneration of the Company's Directors 2018-2019

The Board Secretary informed the Committee of the following:

Article 541 of the Law of Capital Companies lays down that:

"1. The boards of directors of listed companies have to prepare, and publish annually, reports on the remuneration of their directors, including the remuneration which they receive or should receive in their capacity as such, and, if applicable, for their performance of executive functions.

2. The annual report on directors' remuneration has to include complete, clear and understandable information about the policy on remuneration during the previous fiscal year, and also details of the remuneration earned under each heading by each director in the said year.

3. The annual report on the directors' remuneration will be disseminated by the company as a relevant fact, simultaneously with the annual report on corporate governance.

4. The annual report on the directors' remuneration will be put to a consultative vote as a separate point in the agenda at the ordinary general shareholders' meeting."

The Board Secretary explained to the Committee the basic content of the Annual Report on Directors' Remuneration for fiscal year 2018-2019, which had been prepared by the Company Secretariat, in collaboration with the Group's Corporate Human Resources Directorate.

The CNMV (*Comisión Nacional del Mercado de Valores*: National Securities Market Commission), in its Circular 4/2013 of 12 June, amended by Circular 7/2015, of 22 December, established the model, as regards to the format, contents and structure, of the said report, which is applicable to this fiscal year, as the Circular 2/2018, that establishes a new model, is only applicable to the fiscal years closed from 31 December 2018.

The report is composed of four main sections:

A. The Company's policy on remuneration for the current year.

B. Section repealed (by CNMV Circular letter 7/2015, of December 22nd)

C. An overview of the way in which the policy on remuneration was applied during the previous fiscal year.

D. Details of the remuneration earned by each director.

In accordance with the provisions of the Rules of the Company's Board, Consolidated Text of January 26, 2016, it falls to the Appointments and Remunerations Committee to propose to the Board of Directors "the Annual Report on the Directors' Remuneration, which the Board will submit to the General Shareholders' Meeting, on a consultative basis". (Article 18.2 i) i)).

The Appointments and Remunerations Committee unanimously agreed:

- To report favourably on the Annual Report on the Remuneration of the Company's Directors in 2018-2019 and to propose its approval by the Board of Directors, who will, in turn, submit it to the next General Shareholders' Meeting for a consultative vote, and as a separate point in their Agenda.

- Report on the Functions and Activities of the Appointments and Remuneration Committee during fiscal year 2018-2019

- The Committee analysed and unanimously agreed to approve the Report on the Functions and Activities of the Appointments and Remuneration Committee 2018-2019, which was presented to the Board, and was published in the corporate website, in due time, sufficiently in advance of the conclusion of the Ordinary General Shareholders' Meeting of the Company; all in accordance with the provisions of Article 18.2 of the Regulations of the Board of Directors.

- The Committee agreed a calendar of meetings in 2019 and the main business of each of them.

2nd SESSION – 26 NOVEMBER 2018

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos, Mr. John Downing and Mr. Alain Minc (Members) and Mr. Rafael de Juan López (Secretary, Non-Member).

Also present were the CEO of the Company, Mr. Luis Egido Gálvez, and the Corporate Director of Finances, Mr. Manuel Suárez Noriega.

The Appointments and Remuneration Committee conducted the following activities:

- System of Variable Remuneration. 2017-2018: Evaluation of the Degree of Achievement of Logista Group's Business Objectives in 2017-2018. Setting of the Logista Group's Business Objectives for Fiscal Year 2018-2019

The Corporate Director of Finances, Mr. Suárez, reported to the Committee on the degree of achievement of the Group's Business objectives and Total Return to the Shareholder (TRS), during fiscal year 2017-2018, fixed by the Board of Directors of 28 November 2017.

Taking into account the objectives set in Regulation 1/2011 of Variable Remuneration (the Group's EBIT and Working Capital), and the adjusted actual magnitudes of both objectives in fiscal year 2017-2018, the Corporate Director of Finances stated that the degree of achievement of the Group's Business objectives had been 100 per cent (for Adjusted EBIT) and 102 per cent (for Working Capital).

The Appointments and Remuneration Committee unanimously acknowledged the information and agreed that this percentage of achievement should be applied to determine the variable remuneration for the 2017-2018 financial period.

The Director of Corporate Finances also explained to the Committee the Group's Business Objectives for fiscal year 2018-2019, which were based on the Group's Budget that had been approved by the Board of Directors on 25 September 2018. He also explained the table for measuring their achievement that was unanimously acknowledged by the Committee, and proposed to the Board for its approval.

- Individual Remuneration of Executive Directors

At this point, the meeting was joined by Mr. Manuel Montecelos (Willis Towers Watson), to inform about the study they had made, at the request of the Committee's Chairman, Mr. Marañón, on the remuneration of executive directors in today's marketplace.

The study included an analysis of the various components and amounts, which made up the total remuneration of the Company's own Executive Directors (Chief Executive Officer and Board Secretary) in fiscal year 2017-2018.

It included a comparison with similar positions and functions in other very well-known companies in the Spanish marketplace, all of them listed companies which had been included in the study on the basis of various criteria, and in particular because their size, number of direct and indirect employees, and profitability were comparable to those of the Logista Group.

The general conclusions were that the total remuneration of the Chief Executive Officer in 2017-2018 was below the median in the marketplace used for comparison, and that the Board Secretary's remuneration was between the median in the marketplace and 75% of that figure.

The Board Secretary informed the Committee that the functions of the Appointments and Remuneration Committee included submitting to the Board of Directors for their approval "*the individual remuneration of the Executive Directors and other terms and conditions of their contracts*" (Article 18.2 f) iii) of the Board's Regulations, Consolidated Text of 26 January 2016).

Not present were the Chief Executive Officer, Mr. Luis Egido, and the Secretary Director, Mr. Rafael de Juan, when the Committee discussed their respective remunerations.

<u>Short-term Variable Remuneration of the Executive Directors (Bonus) 2017-2018</u>

With reference to the above, the Committee assessed:

i) the degree of achievement of the Group's Business Objectives (EBIT and Working Capital), with regard to those estimated in the Group's Budget.

ii) The Total Returns to the Shareholder

iii) The contribution and personal added value of each of the Executive Directors in obtaining the Group's overall results.

The maximum Bonus to be accrued during the last fiscal year is established at 150% of the Fixed Annual Remuneration, for the Chief Executive Officer and 100% for the Secretary Director.

Accordingly, the Appointments and Remuneration Committee unanimously agreed to propose to the Board of Directors the establishment of the 2017-2018 short-term Variable Remuneration (Bonus) for Executive Directors, with a degree of fulfilment of objectives of 102% for both the Chief Executive Officer and the Secretary Director.

<u>Fixed Remuneration for Executive Directors for 2019</u>

For 2019, the Committee assessed the personal contribution and value added by each Executive Director to the Group, as well as the market study made by Willis Towers Watson.

Accordingly, the Appointments and Remunerations Committee unanimously agreed to propose to the Board of Directors, for the 2019 fiscal year, the Fixed Remunerations for the CEO and for the Board Secretary Director (with an increase for both of CPI plus one percentage point, total of 3.2%).

<u>The Executive Directors' Short-Term Variable Remuneration (Bonus) 2018-2019</u>

The Committee discussed this subject, and finally unanimously proposed to the Board of Directors:

i) That the Short-Term Variable Remuneration (Bonus) in 2018-2019 should have a maximum limit of 150% of the Fixed Remuneration in the case of the Chief Executive Officer, and 100% of the Fixed Remuneration in the case of the Board Secretary Director.

ii) The Personal and Business Objectives to be Achieved, on which Short-Term Variable Remuneration depends.

iii) To maintain the Weighting of the Objectives set by the Board of Directors on 28 November 2017.

iv) That the initial evaluation of the said Objectives should be carried out by the Appointments and Remuneration Committee, taking account of the metrics laid down in the regulations governing Variable Remuneration in the Company (Policy 1/2011, of April 28, Annexe III), for the results of the Logista Group with regard to the Business Objectives, as well as the personal contribution and value added by each Executive Director in the achievement of the overall results of the Logista Group, with regard to their Personal Objectives.

<u>3rd SESSION – 29 JANUARY 2019</u>

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos, Mr. John Downing and Mr. Alain Minc (Members) and Mr. Rafael de Juan López (Secretary, Non-Member).

Also present were the CEO of the Company, Mr. Luis Egido Gálvez, the Corporate Director of Finances, Mr. Manuel Suárez Noriega, and the HR Corporate Director, Mr. Juan José Guajardo-Fajardo.

The Appointments and Remuneration Committee considered the following matters:

- Proposal to the Board of Directors of the appointment, by co-option, of a proprietary Director to fill the vacancy arising as a result of the resignation of another Director of the same category, and of the Report in support of that proposal.

The Committee's Secretary, Mr. De Juan, reported the following:

On 4th December, 2018, he had received a copy of the communication sent to the Board's Chairman by the proprietary Director Mr. Richard Charles Hill, stating that he would be resigning from his position as a Director of the Company with effect from 31st December, 2018, because he had been appointed by Imperial Brands PLC as CEO of a business which involved executive responsibilities that would not allow him to perform his duties as a Director adequately.

Mr. Hill had been a proprietary Director, representing IB – the Company's majority indirect shareholder − on the Board of Directors.

In a communication from IB's Board Secretary, addressed to the Chairman of the Company's Board, IB had proposed Mr. John Michael Jones to fill the resulting vacancy.

In accordance with the provisions of Article 529 decies of the Law of Capital Companies, of Article 33º of the Bylaws, and of Article 22 of the Rules of the Board of Directors, "the members of the Board of Directors of a listed company will be appointed by the General Shareholders' Meeting, or, when a vacancy is foreseen, by the Board itself, by co-option, without the need for the director appointed by the Board to be a shareholder of the Company."

The Appointments and Remuneration Committee is responsible for "evaluating the skills, knowledge and experience required in the Board" (Article 529 quindecies 3 a) of the Law of Capital Companies, Article 43 bis a) of the Bylaws, Article 18.2 a) of the Board's Rules and Article 5.1 a) of the Policy on the Selection of Directors of 19th December, 2017).

The Appointments and Remuneration Committee is also responsible for "presenting to the Board proposals for the appointment of non-independent Directors" (Article 529 quindecies 3 d), Article 43 bis d) of the Bylaws, Articles 18.2 d) and 22.3 of the Board's Rules and Article 5.1 c) of the Policy on the Selection of Directors of 19th December, 2017).

Mr. Jones began working at Imperial Brands in 1998, in the Treasury Department, and was appointed Director of Treasury in 2001. During that period, he acquired extensive financial experience and played a decisive part in the financing and risk management of the Imperial Group, and in particular, in the process of transformation following the acquisition of Reemtsma (2002), Altadis (2008) and US Brands (2015). He is currently in charge of cash management, insurance, and managing the financial risk in the Group's pensions.

Mr. Jones began his professional career in the Auditing Department of KPMG (1992-1996), and later worked as a Management Assistant in the Treasury Department of Hickson International PLC (1996-1998). He holds a degree in Mathematics from the University of York, and is a member of the associations ACA and FCT.

The Appointments and Remuneration Committee debated the matter, and concluded that Mr. Jones:

i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest) for appointment as a director;

ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and

iii) fulfils the legal and statutory requirements for inclusion in the category of proprietary Director, as he represents, on the Board, the Company's controlling shareholder, Imperial Brands PLC.

Consequently, the Appointments and Remuneration Committee unanimously resolved:

i) To report in favour of the appointment by the Board of Directors, by co-option, of Mr. John Michael Jones as a proprietary director, to fill the vacancy arising as a result of the resignation of the proprietary director Mr. Richard Charles Hill, for the statutory period of four years, subject to ratification by the next General Meeting of the Company's shareholders.

ii) To propose to the Board of Directors the Report justifying the appointment of Mr. John Michael Jones as a proprietary director, with the content shown in Appendix to the minutes of the meeting.

- Proposals of Reports from the Board of Directors to the General Shareholders' Meeting on the ratification of Directors appointed by co-option

- **Ratification of the independent Director Mr. Alain Minc.**

On 24th April, 2018, the Company's Board of Directors had appointed, by co-option, Mr. Alain Minc as an independent director for the statutory period of four years, subject to ratification at the next session of the Company's General Meeting.

As required by Article 529 decies of the Law of Capital Companies, this appointment had been preceded by the justificatory report of the Board of Directors, in which it evaluated positively the competence, experience and merits of the proposed candidate, and by the proposal of appointment and favourable report from the Appointments and Remuneration Committee, both of 24th April, 2018.

The Appointments and Remuneration Committee, having noted that the criteria and circumstances which had prompted the appointment of Mr. Minc as an independent Director had not been modified, and that he had been performing correctly in the role, unanimously reported in favour of a proposal from the Board of Directors, to the General Meeting, that the appointment of Mr. Alain Minc as an independent director should be ratified, and that the draft justificatory report, with the content shown in Appendix to the minutes of the meeting, should be presented to the Board of Directors.

- **Ratification of the independent Director Mr. Jaime Carvajal Hoyos.**

On 25th September, 2018, the Company's Board of Directors had appointed, by co-option, Mr. Jaime Carvajal Hoyos as an independent director for the statutory period of four years, subject to ratification at the next session of the Company's General Meeting.

As required by Article 529 decies of the Law of Capital Companies, this appointment had been preceded by the justificatory report of the Board of Directors of 25th September, 2018, in which it evaluated positively the competence, experience and merits of the proposed candidate, and by the proposal and favourable reports from the Appointments and Remuneration Committee, of 26th June and 25th September, 2018.

The Appointments and Remuneration Committee, having noted that the criteria and circumstances which had prompted the appointment of Mr. Carvajal as an independent Director had not been modified, and that he had been performing correctly in the role, unanimously reported in favour of a proposal from the Board of Directors, to the General Meeting, that the appointment of Mr. Jaime Carvajal Hoyos as an independent director should be ratified, and that the draft justificatory report, with the content shown in Appendix to the minutes of the meeting, should be presented to the Board of Directors.

- **Ratification of the proprietary Director Mr. Amal Pramanik.**

On 24th April, 2018, the Company's Board of Directors had appointed, by co-option, and at the proposal of the majority shareholder Imperial Brands PLC – "IB" -, Mr. Amal Pramanik as a proprietary director for the statutory period of four years, subject to ratification at the next session of the Company's General Meeting.

As required by Article 529 decies of the Law of Capital Companies, this appointment had been preceded by the justificatory report of the Board of Directors, in which it evaluated positively the competence, experience and merits of the candidate proposed by IB, and by a favourable report from the Appointments and Remuneration Committee, both of 24th April, 2018.

The Appointments and Remuneration Committee, having noted that the criteria and circumstances which had prompted the appointment of Mr. Pramanik as a Director had not been modified, and that he had been performing correctly in the role, unanimously reported in favour of a proposal from the Board of Directors, to the General Meeting, that the appointment of Mr. Amal Pramanik as proprietary director should be ratified, and that the draft justificatory report, with the content shown in Appendix to the minutes of the meeting, should be presented to the Board of Directors.

- **<u>Ratification of the proprietary Director Mr. John Michael Jones</u>**

The Appointments and Remuneration Committee, in its meeting of today, 29th January, 2019, reported favourably to the Board of Directors on the proposal of the majority shareholder, Imperial Brands PLC ("IB"), to appoint by co-option Mr. John Michael Jones as a proprietary Director for the statutory period of four years, subject to ratification at the next session of the Company's General Meeting, to fill the vacancy resulting from the resignation of the proprietary Director Mr. Richard Charles Hill.

Subject, therefore, to the Board's acceptance of the said appointment, the Appointments and Remuneration Committee unanimously reported in favour of a proposal from the Board of Directors to the General Meeting of the ratification of the appointment of Mr. John Michael Jones as a proprietary Director, and presented to the Board of Directors a draft justificatory report, the content of which appears in Appendix to the minutes of the meeting.

<u>- Report on the re-election of the proprietary Director Mr. Richard Guy Hathaway, and proposal to the Board of Directors of the Report to the General Shareholders' Meeting in support of that re-election.</u>

The Committee's Secretary reported that on 24th March, 2015, Mr. Richard Guy Hathaway had been appointed as a Director, by co-option, by the Board of Directors for a period of four years, so his term of office would end on 24th March, 2019. The appointment had been ratified by the General Shareholders' Meeting on 16th March, 2016.

It falls to the Appointments and Remuneration Committee *"*to evaluate the skills, knowledge and experience that are necessary in the Board" (Article 529 quindecies 3 a) of the Law of Capital Companies, Article 43 bis a) of the Bylaws, Article 18.2 a) of the Board's Rules and Article 5.1 a) of the Policy on the Selection of Directors of 19th December, 2017).

It also falls to the Appointments and Remuneration Committee *"*to inform the Board of the General Meeting's proposals for the re-election of non-independent directors" (Article 529 quindecies 3 d) of the Capital Companies Act, Article 43 bis d) of the Bylaws, Article 18.2 d) of the Board's Rules and Article 5.1 c) of the Policy on the Selection of Directors of 19th December, 2017).

The Appointments and Remuneration Committee debated the matter, and concluded that the said Director:

i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of the office, and absence of conflicts of interest);

ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors;

iii) has performed as a Director of the Company with appropriate dedication, efficiency and quality of work; and

iv) continues to fulfil the legal and statutory requirements for inclusion in the category of proprietary director, in as far as he represents, on the Board, the Company's controlling shareholder, Imperial Brands PLC .

Consequently, the Appointments and Remuneration Committee unanimously resolved:

i) To report in favour of proposing, to the Board of Directors and to the General Meeting, the re-election of Mr. Richard Guy Hathaway as a proprietary Director, for the statutory period of four years.

ii) To propose to the Board of Directors the presentation to the General Shareholders' Meeting of the report justifying the re-election of the said proprietary Director, the content of which appears in Appendix to the minutes of the meeting.

- Settlement of the Second Consolidation Period (2015-2018) of the 2014 General Long-Term Incentive Plan

The Appointments and Remuneration Committee unanimously reported in favour of the settlement proposal, which was submitted to the Board for its approval.

Executive Directors and members of the Senior Management are subject to the obligations laid down in Articles 7 Bis 2 (Conservation of Consolidated Shares) and 7 Bis 3 (Return of the Net Number of Consolidated Shares) of the Plan's Rules.

- Settlement of the Second Consolidation Period (2015-2018) of the 2014 Special Long-Term Incentive Plan

The Appointments and Remuneration Committee unanimously reported in favour of the settlement proposal, which was submitted to the Board for its approval.

Executive Directors and members of the Senior Management are subject to the obligations laid down in Articles 7 Bis 2 (Conservation of Consolidated Shares) and 7 Bis 3 (Return of the Net Number of Consolidated Shares) of the Plan's Rules.

- The 2017 General and Special Plans for Performance Shares of the Logista Group. Second Consolidation Period (2018-2021).

The Corporate Human Resources Director, Mr. Juan José Guajardo-Fajardo, informed the Committee of the following:

i) Background

On 21st March, 2017, the General Shareholders' Meeting of the Compañía de Distribución Integral Logista Holdings S.A. ("the Company") approved the application of a system of medium- and long-term deferred variable remuneration, embodied in the General Long-Term Incentive Plan (the "2017 General Plan") and the Special Long-Term Incentive Plan (the "2017 Special Plan"), which gives the right to consolidate a certain incentive, which will be settled through the award of free shares in the Company (or, when appropriate, of their equivalent value in cash or a combination of shares and cash).

The General Meeting delegated to the Board of Directors the broadest powers for the implementation, development and interpretation of the 2017 General and Special Plans, and the Board used those powers when it approved both sets of Regulations in its meeting of 28th November, 2017.

Both Plans have a validity of five years, and are divided into three Consolidation Periods of three years each (beginning on 1st October of 2017, 2018 and 2019 respectively, and ending on 30th September of 2020, 2021 and 2022 respectively).

In accordance with current legislation, and at the proposal of the Board of Directors, the said General Meeting agreed to grant, both to the Chief Executive Officer (Mr. Luis Egido Gálvez) and to the Board Secretary (Mr. Rafael de Juan López), a Recognized Initial Incentive in Shares of the maximum amount allowed by the Regulations of both Plans (General and Special, 2017) for Executive Directors.

The general criteria for inclusion in both Plans are those established in the Regulations of the respective Plans, which stipulate the following maxima:

- o General Plan: 100% of the bonus earned in the previous fiscal year.
- o Special Plan: 75% of Fixed Salary for Executive Directors and 50% of Fixed Salary for the other beneficiaries.

ii) Consolidation Objectives and Consolidation Percentages for the Second Consolidation Period (1st October, 2018, to 30th September, 2021).

- Consolidation Objectives

  It was considered appropriate for the Appointments and Remuneration Committee to propose to the Board the maintenance, for the Second Consolidation Period 2018-2021, of the same Share Consolidation Objectives as those set in the Rules of both Plans, namely:

- Consolidation Percentages: TSR and CSR criteria

  It was considered appropriate for the Appointments and Remuneration Committee to propose to the Board the maintenance, for the 2017-2020 Consolidation Period, of the same Consolidation Percentages for the Number of Conditioned Shares Recognized to Beneficiaries as those shown in corresponding Appendixes to the Rules of both Plans.

Mr. Suárez left the meeting at this point.

iii) Proposal of Beneficiaries and of Shares to be recognized as theirs for the Second Consolidation Period (2018-2021) of the 2017 General and Special Share Plans

Mr. Guajardo-Fajardo reported the following:

The Beneficiaries proposed for the 2018-2021 Consolidation Period, for both Plans, were the following:

- GENERAL PLAN: 60 Beneficiaries
- SPECIAL PLAN: 9 Beneficiaries

Number of Recognized Conditioned Shares

The total number of Recognized Shares for both Plans (therefore, maximum that can be obtained by Beneficiaries), for this Second Consolidation Period, is 202,934 shares (149,751 General Plan and 53,183 Special Plan) (total of 0.16% of the share capital).

Finally, the Appointments and Remuneration Committee unanimously approved the above proposal, and reported in favour of the adoption by the Board of Directors of the appropriate resolutions for the Second Consolidation Period (from 1st October, 2018, to 30th September, 2021), for both the 2017 General Plan and the 2017 Special Plan.

- Remuneration Framework 2018-2019. Personnel Variable Remuneration ("LVC")

Mr. Guajardo-Fajardo reported that the degree of achievement of objectives by the Senior Management (members of the Management Committee, excluding the Executive Directors) was 91.7%, against 81.30% in fiscal year 2017.

With regard to the process of remunerating by Fixed Salary in 2019 of LVC employees, it had been established by analysing the each employee's level of skill and their positioning within the salary range laid down for each 'family' of jobs:

- The salary ranges had been defined, in each country, and for each family of jobs, by taking account of the market's valuation of each position, and also considering market information about remuneration.
- The level of skill and the positioning within the salary range determine a proposal for salary review whose main purposes are to bring the low salaries closer to the median of the range and to restrain the increases in those positions in which the remuneration is higher than the median.

Mr. Guajardo-Fajardo then left the meeting.

4th SESSION- 26 MARCH 2019

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos and Mr. Alain Minc (Members), and Mr. Rafael de Juan López (Secretary, Non-Member). Mr. John Downing delegated Mr. Marañón to represent him.

Also attending was the CEO of the Company, Mr. Luis Egido Gálvez.

The Appointments and Remuneration Committee examined the following subjects:

- Report/Proposal of Appointment of the Chairman of the Audit and Control Committee

The Committee's Secretary, Mr. De Juan, reported the following:

Article 529.2 quaterdecies of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2nd July, modified by Law 31/2014 of 3rd December, Article 43º of the Bylaws, Articles 15.3 and 17.1 of the Rules of the Board of Directors of 26th January, 2016 and Article 4 of the Rules of the Audit and Control Committee, lay down that the Chairman of the Audit Committee will be appointed by the members of that Committee, from among the independent directors who form part of it, must be replaced every four years, and may be re-elected after one year has passed since that person stood down from the Chairmanship.

The Chairperson of the Audit and Control Committee, Mrs. Cristina Garmendia Mendizábal, was appointed to that position by a resolution of the Audit and Control Committee of 29th January, 2015, to begin the effective exercise of her role on the Audit Committee on 27th April, 2015, so her term of office as Chairperson ends in April, 2019.

Furthermore, Article 17.1 of the Rules of the Board of Directors and Article 3.2 of the Rules of the Audit and Control Committee lay down that the Committee's Chairperson must have the knowledge and experience of accounting, auditing and risk management, and also of other fields which, together, could be fitting for the Audit and Control Committee's performance of its functions, such as those of finance, internal control and information technology, without necessarily having to be an expert in those fields.

In accordance with Article 18.2 a) of the Rules of the Board of Directors, it falls to the Appointments and Remuneration Committee "to evaluate the capabilities, knowledge and experience of the committee members."

The Chairman of the Committee and of the Board, Mr. Marañón, then took the floor to highlight the enormous contribution made by Mrs. Cristina Garmendia to the work of the Audit Committee, as its Chairperson for the past four years; a period in which various legal regulations and recommendations of the CNMV (*Comisión Nacional del Mercado de Valores*: National Securities Market Commission) had been made concerning the capabilities and functioning of the audit committees of listed companies, so it is absolutely right to recognize, publicly, the effort, dedication and competence deployed and demonstrated by Cristina Garmendia as the Committee's Chairperson, and to record in the minutes the Company's satisfaction with her excellent performance of her duties.

The other members of the Appointments and Remuneration Committee concurred in this recognition.

The Appointments and Remuneration Committee then noted that the Director who combined the appropriate knowledge and experience to be appointed Chairman of the Audit Committee was Mr. Alain Minc because, to his indispensable status of independent Director and member of the Audit and Control Committee, are added his experience as Chairman of the Audit Committee of another important listed entity and his proven knowledge of accounting, finance and risk management, by virtue of his academic and professional training.

Consequently, the Appointments and Remuneration Committee, with the abstention of Mr. Minc, proposed to the Audit and Control Committee that it appoint as its Chairman for a period of four years, in replacement of Mrs. Cristina Garmendia, the independent director Mr. Alain Minc, since he has the appropriate knowledge and experience for that position.

- Resignation of the President-General Manager ("PDG") of Logista France

Mr. Egido informed the Committee that at the beginning of March the *Président-Directeur Général* (PDG) of Logista France and of its subsidiary companies SAF and Supergroup had tendered his resignation, for personal reasons.

The Committee agreed that the search, through a specialised company, for a substitute starts immediately, and temporarily appointed Logista SAU as *Président-Directeur Général* of Logista France SAS and its subsidiaries, represented by its CEO, Mr. Luis Egido Gálvez.

5th SESSION- 25 JUNE 2019

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos, Mr. John Downing and Mr. Alain Minc (Members), and Mr. Rafael de Juan López (Secretary, Non-Member).

Also attending was the CEO of the Company, Mr. Luis Egido Gálvez.

The Appointments and Remuneration Committee examined the following subjects:

- Report/Proposal to the Board of Directors about the engagement of an external Consultant who would advise the Board about its self-evaluation of its functioning and that of its Committees

The Committee's Secretary, Mr. De Juan, reported the following:

The annual self-evaluation of the functioning of the Board of Directors and of its Committees is one of the Recommendations of the new Code of Good Governance ("CGG"), of the Bylaws and of the Board's Rules of 26th January, 2016, modified on 19th December, 2017.

Rule 18 of the CGG states: *"The Board will make regular evaluations of its performance and that of its members and Committees, aided by an independent external consultant (at least every three years)."*

The Board's latest self-evaluation, which was conducted with the help of the independent consultant KPMG, was done in fiscal year 2015-2016, so that assistance is now required again, for the current fiscal year of 2018-2019.

A quotation had been requested only from KPMG, for the following reasons:

- They know the Company well
- They have the best team in the marketplace, specialising in these matters.
- They have advised one out of every three IBEX companies.
- They manage the evaluation of investors and asset managers perfectly.

KPMG presented their quotation on 7th June.

KPMG's procedure for advising the Board involves the following phases:

- Evaluation questionnaire (validated and approved by the Company)
- Advising the Board Members
- Reporting the results
- Proposing a Plan of Action for Improvement

The Committee deliberated the subject, and finally unanimously resolved to report in favour of proposing to the Board of Directors the engagement of KPMG as the external consultants who would advise the Board on the self-evaluation of its functioning and that of its Committees.

6th SESSION- 23 JULY 2019

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos, Mr. John Downing and Mr. Alain Minc (Members), and Mr. Rafael de Juan López (Secretary, Non-Member).

Also attending were the CEO of the Company, Mr. Luis Egido Gálvez, and the HR Corporate Director, Mr. Juan José Guajardo-Fajardo.

The Appointments and Remuneration Committee examined the following subjects:

- Follow up on the Succession Plan for Top-Level Directors

The Committee received a report from the Corporate Director of HR, Mr. Guajardo-Fajardo, and the CEO, Mr. Egido, on the degree of progress of the Succession Plans for Top-Level Directors.

- Proposal to the Board of Directors that the profitability of the Company's share be determined, from this financial year, exclusively in comparison to the profitability of other similar companies and general indices.

At the request of Mr. Chairman, Mr. Egido presented the proposals to the Committee.

In essence, the proposals consist in measuring the Total Shareholder Return (TSR), which is used to calculate the Bonus of Executive Directors and the Share Consolidation in the 2014 Action

Plan (Third Consolidation Period) and the 2017 Plan, by comparing it to the Total Shareholder Return, not measured by itself (TSR), of other companies in the sector and with certain general indices (CSR).

At this point the Chief Executive Officer, Mr. Egido, and the Board Secretary, Mr. De Juan, left the meeting.

After the Committee's deliberation and agreement, both Executive Directors returned.

Mr. Chairman reported that the Appointments and Remuneration Committee had unanimously approved the aforementioned proposals, which were contained in the documentation previously sent to all its Members, but had slightly modified the composition of the proposed 'Reference Group' by removing one tobacco company and adding a new company that was active in a sector that coincided with the Logista Group, and was going to propose that the Board of Directors approve this, and also the amendments to the Rules of both Plans, which resulted from the agreement.

To that effect, the Committee's Secretary stated that the minutes of the Committee Meeting would record the justification and purpose of the amendment to the Rules of the Plans, the responsibility for amending those Rules, and the proposal for their formal amendment, which was included in the documents previously sent. All the Members considered that such a record would be appropriate.

1) Justification and Purpose

The change in the price of the Company's share has been identified – definitively, it would seem – with the changes in the share prices of tobacco manufacturers, which have been strongly affected by the fall in volumes and by the prohibitions on the consumption and sale of tobacco.

Although Logista does not operate in the manufacturing market, and its basic strategy – which is widely known − is to extend the activity of distribution to products other than tobacco, the markets persist in regarding Logista as a company that is directly and fundamentally related to tobacco.

As a result, the price of the Logista share is now very far from the target price estimated by analysts, and this has happened in a fiscal year that is expected to be a record in terms of the Group's results.

2) Formal power to approve the proposed amendments

The Board of Directors has this power, both in the case of the Variable Remuneration of the Executive Directors, and in that of the amendment to the Rules of the Share Plans.

In particular, the General Shareholders' Meeting of 4th June, 2014 – in connection with the 2014 General and Special Plans – and the General Shareholders' Meeting of 21st March, 2017 – in connection with the 2017 General and Special Plans – expressly empowered the Board of Directors to adapt the content of the Plans, in the manner that they consider necessary or appropriate at any time, to maintain the purpose of the same (Section 9 iv) of the Rules of 19th November, 2014, and Section 11 iv) of the Rules of 28th November, 2017).

The Board of Directors is also formally empowered, at the proposal of the Appointments and Remuneration Committee, to modify the Plans and the Rules which govern them "*at any time when it considers it necessary or desirable, both for the Company and for the Beneficiary, to be able to comply with or benefit from any legal, fiscal or other regulation, provided that such modifications do not affect the basic purposes of the Plans.*" (Sections 11.1 and 14.2 respectively of the Rules of 2014 and 2017).

The Board of Directors will notify the Beneficiary of any modification to the Plans within ten days of the date of the modification.

3) The proposals for approval by the Board of Directors

1) The Short-Term Variable Remuneration of the Executive Directors in 2018-2019

- To maintain the Achievement Objectives for fiscal year 2018-2019 that were set by the Board of Directors on 26th November, 2018 (Business Objectives and Personal Objectives), and that the Total Return to the Shareholder (TSR) is compared with the Total Return to the Shareholder of other comparable companies and with certain general indices (CSR) which comprise the Reference Group, as defined in the modified Appendix 1 of the Rules of the General Long-Term Incentive Plan of 28th November, 2017.
  The weighting in the Bonus for achievement of CSR will be 25%, and its method of determination and the metrics will be those already stated in the Rules of the above mentionned Plan.

2) The 2014 and 2017 Share Plans

A) The setting, as Objectives for the Consolidation of Shares in the 2014 Plans (Third Consolidation Period, 1st October, 2016 – 30th September, 2019), and for the Consolidation Periods of the 2017 Plans, of the following:

A1. Criterion of comparing the Company's Profitability with the profitability of other companies and general indices comprising the Reference Group (CSR).

The Reference Group will be composed of the following companies and general indices:

1.- Companies operating in the manufacture of tobacco:

- Philip Morris International Inc.
- British American Tobacco PLC
- Japan Tobacco International, S.A.
- Imperial Brands PLC

2.- Companies engaged, entirely or partly, in activities similar to those of the Company:

- CTT
- STEF
- Deutsche Post AG
- Celesio (McKesson Europe AG)

3.- General indices:

- IBEX Medium Cap.
- IBEX Top dividendo TR

The profitability of the Company, of the companies and of the general indices included in the Reference Group will be the result of adding to the appreciation or depreciation in the Company's share price, or to that in the share prices of the companies or, if appropriate, that in the general indices included in the Reference Group, and which occurred in each Consolidation Period, the dividends distributed during that same Period by the Company or by the companies, except, in the case of the general indices, when these already include both factors (appreciation/depreciation and dividends).

The CSR will be calculated as already stated in the Rules of both Plans.

A2. Financial Criterion, relating to the Group's Operating Profit forecast for each Consolidation Period.

B) Stipulating that the Consolidation of Recognized Shares in the Third Consolidation Period of the 2014 Plans, and in the Consolidation Periods of the 2017 Plans, will be conditional upon the achievement of the aforementioned Consolidation Objectives, in the following proportion:

- Fifty per cent – in the case of the General Plans – and thirty-three per cent – in the case of the Special Plans – of the Number of Recognized Shares, will be consolidated entirely, partly or not at all, depending on the achievement of the Operating Profit forecast for each Consolidation Period.

- Fifty per cent – in the case of the General Plans - and sixty-seven per cent – in the case of the Special Plans - of the Number of Recognized Shares, will be consolidated entirely, partly or not at all, depending on the Criterion of Comparative Profitability (CSR).

Finally, the Committee unanimously made to the Board the proposals for a formal amendment to the Plans Rules, as a result of the previous proposals.

7th SESSION- 24 SEPTEMBER 2019

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Jaime Carvajal Hoyos, Mr. John Downing and Mr. Alain Minc (Members), and Mr. Rafael de Juan López (Secretary, Non-Member).

Also attending was the CEO of the Company, Mr. Luis Egido Gálvez.

The Appointments and Remuneration Committee examined the following subjects:

- Self-evaluation of the Board's functioning in fiscal year 2018-2019

The Committee, in accordance with the provisions of Article 529 nonies of the Capital Companies Law, the Bylaws, the Board's Rules of 26th January, 2016 (Art.19.7) and the Recommendations of the new Code of Good Governance, analysed the result of the self-evaluation (made with the advice of KPMG Asesores, S.L.) of the functioning of the Board and its Committees, and of the performance of their duties by the Chairman of the Board, the Chief Executive Officer and the Board Secretary in fiscal year 2018-2019, and unanimously decided to submit to the Board a Plan of Actions for improvement.

This Committee was attended by the Directors who are not part of it.

- Report, and proposal to the Board, concerning approval of the enlargement of the Company's Share Buy-Back Programme so that the shares may be used in the Company's 2017 General and Special Share Plans.

The Appointments and Remuneration Committee unanimously proposed to the Board the adoption of the following resolutions:

a) To expand the Programme for the Buy-Back of the Company's own shares so as to assign all or some of them, at the appropriate moment, for delivery to the Beneficiaries of the 2017

General and Special Share Plans who affirm their right to the delivery in accordance with the Rules of both Plans.

The Enlargement of the Share Buy-Back Programme will have the following characteristics:

(i) In implementation of the Programme, the Company may acquire up to 200,000 shares.

(ii) The maximum monetary amount assigned to the Expansion is 4,000,000 euros.

(iii) The shares will be purchased at market price, under the terms governing price and volume laid down by EU Regulation 596/2014 of the European Parliament and Council, of 16th April, 2014, relating to Market Abuse, EU Delegated Regulation 2016/1052, of the Commission, of March, 2016, and in particular, in accordance with the terms of operation, applicable restrictions and obligations in relation to transparency laid down by this latter Regulation, and in the Internal Rules of Conduct relating to the Company's Securities Markets, of 27th September, 2016.

(iv)The Buy-Back Programme will remain in force until 1st October, 2020, but will end on an earlier date if the Company has already acquired the indicated maximum number of shares, or if the agreed maximum monetary limit has been reached, or if any other circumstances make its termination advisable, in the opinion of the Board.

(v)The approval, interruption, termination or modification of the Buy-Back Programme, and the share-purchasing operations in implementation of the same, will be notified to the *Comisión Nacional del Mercado de Valores* (National Securities Market Commission) with the frequency laid down by the regulations.

b) To empower LOGISTA's Corporate Director of Finances, Mr. Manuel Suárez Noriega, to take the appropriate purchasing decisions in implementation of the Buy-Back Programme, in accordance with the provisions of the Internal Rules of Conduct relating to the Company's Securities Markets, of 27th September, 2016, and to designate the member of the market who will have to broker the purchasing operations.

The preceding report was unanimously approved by all the members of the Appointments and Remuneration Committee in the session held on 29 October 2019.

Leganés, on 29 October, 2019.

The Secretary of this Committee,

Rafael de Juan López