

**Audit Report on Consolidated Financial Statements
issued by an Independent Auditor**

**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND
SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report for the year ended
September 30, 2020**

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 31)

To the shareholders of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. (the Parent Company) and its Subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended ("2020").

In our opinion, the accompanying consolidated financial statements, give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at September 30, 2020 and of its consolidated financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition: Tobacco sales

Description At year-end 2020, the Group recognized, on the heading "Revenue" in the consolidated income statement, 10,062 million euros corresponding to sales of tobacco and related products, representing 95% of the total of sales of the Group. These sales correspond to the goods delivered net of discounts, excise duties on tobacco products and other sales-related taxes.

Although the recognition of these revenues is not complex, we have considered this area as a key audit matter since there is a risk associated with the timing of the recognition of this revenue, which depends of the specific conditions signed with the different manufacturers and customers.

Information on the Group's income recognition criteria, as well as a breakdown of sales, are disclosed in Notes 4.15 and 24, respectively, of the accompanying consolidated financial statements.

Our response Our audit procedures include, among others, the following:

- ▶ Understanding the processes established by Group Management related to tobacco sales, including assessment of the design and implementation and the effectiveness of relevant controls.
- ▶ Performing tests of details on a sample of sales.
- ▶ Performing of analytical procedures reviewing the annual evolution of tobacco sales and the reasonableness of sales volumes, as well as a correlation analysis between the related accounts.
- ▶ Carrying out cut-off procedures for a sample of revenue transactions at the end of the year to determine whether they were recognized in accrual terms in accordance with the terms and conditions established in the contracts with manufacturers and customers.
- ▶ Identification and analysis of significant manual journal entries in revenue accounts.
- ▶ Review disclosures included in the accompanying consolidated financial statements in accordance with the applicable financial reporting framework.

Impairment of non-financial assets

Description At year-end 2020, the Group recognized property, plant, and equipment under non-current assets in the amount of 359 million euros, intangible assets totalling 408 million euros, mainly related to distribution contracts with manufacturers, and goodwill amounting to 921 million euros.

The recoverable amount of the above assets is subject to the existence of potential impairment, which is determined based on complex estimates and assumptions made by Group Management using criteria, judgments, and hypotheses. We consider this to be a key audit matter due to the significant amounts and the inherent complexity of the estimation process to determine the recoverable amount of the assets.

The main assumptions on which the Group applies criteria, hypotheses and judgments are the following: estimated future margins, working capital evolution, discount rates and growth rates, as well as the economic and regulatory conditions that occur in the markets.

Information on the criteria applied by Group Management, as well as key assumptions used during the determination of impaired value of non-financial assets is disclosed in Notes 4.5 and 7, respectively, of the accompanying consolidated financial statements.

Our response Our audit procedures include, among others, the following:

- ▶ Understanding the processes established by Group Management to determine impairment of the value of non-financial assets, including assessment of the design and implementation of relevant controls.
- ▶ Reviewing the model used by Group Management with the assistance of our valuation specialists, encompassing its mathematical coherence, reasonableness of the projected cash flows, discount rates, and long-term growth rates, as well as the outcome of the sensitivity analyses carried out by Group Management. Throughout the performance of our work, we held interviews with the business heads and using renowned external sources and other available information to contrast data.
- ▶ Review disclosures included in the accompanying consolidated financial statements in accordance with the applicable financial reporting framework.

Legal proceedings

Description At year-end 2020, the Group is involved in certain legal proceedings, as detailed in Note 22 of accompanying consolidated financial statements.

Group Management makes estimates and applies certain judgments and assumptions on assessing the risk associated with these legal proceedings.

We have considered this area as a key audit matter due to the complexity of the judgments and assumptions applied, could have a significant impact on the consolidated balance sheet and on the consolidated income statement, considering the significance of the amounts associated with these procedures.

Disclosures for the recognition and valuation criteria, as well as the information related to these legal proceedings, are disclosed, respectively, in Notes 4.13 and 22 of the accompanying consolidated financial statements.

Our response Our audit procedures include, among others, the following:

- ▶ Understand the processes applied by Group Management to estimate provisions and contingencies, including assessment of the design and implementation of relevant controls.

- ▶ Obtain confirmation letters from the internal and external legal advisors of the Group.
- ▶ Involve our internal legal specialists to analyze the reasonableness of the conclusions reached by Group Management.
- ▶ Review disclosures included in the consolidated financial statements in accordance with the applicable financial reporting framework.

Other matters

On November 4, 2019 other auditors issued their audit report on the 2019 consolidated financial statements, in which they expressed an unmodified opinion.

Other information: consolidated management report

Other information refers exclusively to the 2020 consolidated management report, the preparation of which is the responsibility of the Parent Company's Directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a. A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.
- b. A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the non-financial information referred to in paragraph a) above is presented in the separate report, "Integrated Annual Report 2020", to which reference is included in the management report, that the Corporate Governance Report information, mentioned in said paragraph, is included in the consolidated management report, and that the remaining information contained therein is consistent with that provided in the 2020 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the Parent Company's Directors and the Audit and Control Committee for the consolidated financial statements

The Directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and consolidated results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Control Committee of the Parent Company is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Parent Company.

- ▶ Conclude on the appropriateness of the use, by the Directors of the Parent Company, of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Control Committee of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Control Committee of the Parent Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Control Committee of the Parent Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the Audit and Control Committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Audit and Control Committee of the Parent Company on October 28, 2020.

Term of engagement

The annual general shareholders' meeting held on March 24, 2020 appointed us as auditors for 3 years, commencing for the year ended September 30, 2020.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signed on the original version in Spanish)

María del Tránsito Rodríguez Alonso
(Registered in the Official Register of
Auditors under No. 20539)

October 28, 2020

**Compañía de
Distribución Integral
Logista Holdings, S.A.
and Subsidiaries**

Consolidated financial statements for
the year ended 30 September 2020
and Consolidated Management
Report.

*Translation from the original issued in
Spanish. In the event of discrepancy, the
Spanish-language version prevails.*

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2020 AND 2019

(Thousands of Euros)

ASSETS	Notes	30-09-2020	30-09-2019	EQUITY AND LIABILITIES	Notes	30-09-2020	30-09-2019
NON-CURRENT ASSETS:		1,740,092	1,643,821	EQUITY:		516,298	520,346
Property, plant and equipment	Note 6	358,863	213,492	Share capital	Note 13	26,550	26,550
Investment property	Note 4.2	14,390	15,343	Share premium	Note 14	867,808	867,808
Goodwill	Note 7	920,800	920,800	Reserves of the Parent	Note 14	42,806	35,431
Other intangible assets	Note 8	408,095	457,050	Reorganisation reserves	Note 14	(753,349)	(753,349)
Investments in associates		2,895	2,715	Reserves at consolidated companies	Note 15	215,566	216,482
Other non-current financial assets	Note 9	16,330	15,390	Translation differences		(101)	(48)
Deferred tax assets	Note 19	18,719	19,031	Reserve for first-time application of IFRSs	Note 14	19,950	19,950
				Consolidated profit for the period		157,184	164,626
				Interim dividend	Note 14	(51,569)	(48,938)
				Treasury shares	Note 14	(10,681)	(9,893)
				Equity attributable to shareholders of the Parent		514,164	518,619
				Minority interests	Note 16	2,134	1,727
CURRENT ASSETS:		6,106,830	5,439,728	NON-CURRENT LIABILITIES:		421,198	308,876
Inventories	Note 10	1,294,312	1,282,754	Other financial non-current liabilities	Note 20	128,184	3,305
Trade and other receivables	Note 11	1,900,529	1,913,694	Long-term provisions	Note 18	39,454	40,688
Tax receivables	Note 19	80,400	19,680	Deferred tax liabilities	Note 19	253,560	264,883
Other current financial assets	Note 9	2,664,078	2,050,521			6,909,444	6,254,345
Cash and cash equivalents	Note 12	162,741	160,650	CURRENT LIABILITIES:			
Other current assets		4,770	12,429	Other current financial liabilities	Note 20	77,386	37,551
				Trade and other payables	Note 21	1,145,033	1,274,059
				Tax payables	Note 19	5,598,599	4,853,395
				Short-term provisions	Note 18	13,498	11,694
				Other current liabilities		74,928	77,646
NON-CURRENT ASSETS HELD FOR SALE		18	18				
TOTAL ASSETS		7,846,940	7,083,567	TOTAL EQUITY AND LIABILITIES		7,846,940	7,083,567

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated balance sheet at 30 September 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of Euros)

	Notes	2020	2019
Revenue	Note 23.a	10,559,080	10,148,323
Procurements		(9,402,290)	(8,999,337)
GROSS PROFIT		1,156,790	1,148,986
Cost of logistics networks:		(806,938)	(798,511)
Staff costs	Note 23.b	(186,060)	(186,335)
Transport costs		(250,250)	(249,247)
Provincial sales office expenses		(78,082)	(78,259)
Depreciation and amortisation charge	Notes 4.2, 6 and 8	(117,337)	(87,368)
Other operating expenses	Note 23.c	(175,209)	(197,302)
Commercial expenses:		(66,226)	(70,358)
Staff costs	Note 23.b	(43,252)	(46,076)
Other operating expenses	Note 23.c	(22,974)	(24,282)
Research expenses		(2,602)	(2,693)
Head office expenses:		(87,953)	(79,105)
Staff costs	Note 23.b	(67,519)	(58,141)
Depreciation and amortisation charge	Notes 4.2, 6 and 8	(5,498)	(1,541)
Other operating expenses	Note 23.c	(14,936)	(19,423)
Share of results of companies		879	1,249
Net gain on disposal and impairment of non-current assets	Notes 4.2, 6 and 8	12,686	4,772
Other expenses		(198)	(14)
PROFIT FROM OPERATIONS		206,436	204,326
Finance income	Note 23.e	17,293	15,012
Finance costs	Note 23.f	(5,047)	(2,239)
PROFIT BEFORE TAX		218,682	217,099
Income tax	Note 19	(61,091)	(52,337)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		157,591	164,762
PROFIT FOR THE PERIOD		157,591	164,762
Attributable to:			
Shareholders of the Parent-		157,184	164,626
Minority interests	Note 16	407	136
BASIC EARNINGS PER SHARE	Note 5	1.19	1.24

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated income statements for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME **FOR THE YEARS ENDED 30 SEPTEMBER 2020 AND 2019**

(Thousands of Euros)

	Notes	2020	2019
PROFIT FOR THE YEAR		157,591	164,762
<i>Items that may be reclassified to income statement</i>			
Net actuarial gain (loss) recognised directly in equity	Note 18	-	(3,248)
<i>Items that will not be reclassified to income statement</i>			
Foreign exchange rate changes		(53)	(83)
TOTAL NET GAIN (LOSS) REGISTERED DIRECTLY IN EQUITY		(53)	(3,331)
TOTAL NET GAIN (LOSS) CONSOLIDATED REGISTERED DURING THE YEAR		157,538	161,431
Attributable to:			
Shareholders of the Parent		157,131	161,295
Minority interests		407	136
TOTAL ATTRIBUTIBLE		157,538	161,431

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31).
In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2020 AND 2019 (Miles de Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Translation Differences	Reserve for First-Time Application of IFRSs	Profit for the Year	Interim Dividend	Treasury Shares	Equity Attributable to Shareholders of the Parent	Minority Interests	Total Equity
BALANCE AT 30 SEPTEMBER 2018	26,550	867,808	25,594	(753,349)	221,314	35	19,950	156,706	(46,314)	(8,348)	509,946	1,606	511,552
Net profit attributable to the Parent	-	-	-	-	-	(83)	-	164,626	-	-	164,543	-	164,543
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	-	136	136
Actuarial losses	-	-	-	-	(3,248)	-	-	-	-	-	(3,248)	-	(3,248)
Income and expenses recognised in the period	-	-	-	-	(3,248)	(83)	-	164,626	-	-	161,295	136	161,431
Transactions with Shareholders:													
Distribution of profit-													
To reserves	-	-	10,164	-	(1,614)	-	-	(8,550)	-	-	-	-	-
To dividends (Note 14.e)	-	-	-	-	-	-	-	(148,156)	46,314	-	(101,842)	-	(101,842)
Dividends (Note 14.e)	-	-	-	-	-	-	-	-	(48,938)	-	(48,938)	-	(48,938)
On treasury shares operations (Note 14.b and 14.f)	-	-	(3,325)	-	-	-	-	-	-	(1,545)	(4,870)	-	(4,870)
Incentive Plan (Note 4.12)	-	-	2,998	-	-	-	-	-	-	-	2,998	-	2,998
Others	-	-	-	-	30	-	-	-	-	-	30	(15)	15
BALANCE AT 30 SEPTEMBER 2019	26,550	867,808	35,431	(753,349)	216,482	(48)	19,950	164,626	(48,938)	(9,893)	518,619	1,727	520,346
Net profit attributable to the Parent	-	-	-	-	-	(53)	-	157,184	-	-	157,131	-	157,131
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	-	407	407
Income and expenses recognised in the period	-	-	-	-	-	(53)	-	157,184	-	-	157,131	407	157,538
Transactions with Shareholders:													
Distribution of profit-													
To reserves	-	-	9,509	-	(916)	-	-	(8,593)	-	-	-	-	-
To dividends (Note 3)	-	-	-	-	-	-	-	(156,033)	48,938	-	(107,095)	-	(107,095)
Dividends (Note 14.e)	-	-	-	-	-	-	-	-	(51,569)	-	(51,569)	-	(51,569)
On treasury shares operations (Note 14.b and 14.f)	-	-	(4,533)	-	-	-	-	-	-	(788)	(5,321)	-	(5,321)
Incentive Plan (Note 4.12)	-	-	2,399	-	-	-	-	-	-	-	2,399	-	2,399
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT 30 SEPTEMBER 2020	26,550	867,808	42,806	(753,349)	215,566	(101)	19,950	157,184	(51,569)	(10,681)	514,164	2,134	516,298

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of Euros)

	Notes	2020	2019
OPERATING ACTIVITIES:		830,104	346,819
Consolidated profit before tax from continuing operations		218,682	217,099
Adjustments for-		122,960	94,079
Result of companies accounted for using the equity method		(879)	(1,249)
Depreciation and amortisation charge	Notes 6 and 8	124,687	89,152
Impairment		850	1,423
Change in provisions		20,282	19,249
Provisions recognised/ (reversed)	Notes 6 and 8	(12,486)	(4,772)
Proceeds from disposal of non-current assets		2,752	3,049
Other adjustments		(14,429)	(12,773)
Financial profit		2,183	
Net change in assets / liabilities-		488,462	35,641
(Increase)/Decrease in inventories		(14,335)	(97,258)
(Increase)/Decrease in trade and other receivables		17,443	(80,616)
Increase/(Decrease) in trade payables		(129,026)	249,758
Increase/(Decrease) in other current liabilities		726,166	(41,757)
Increase (Decrease) in other non-current liabilities		(3,505)	(2,845)
Income tax paid		(123,560)	(5,837)
Finance income and costs		15,279	14,196
		(640,485)	(190,281)
INVESTING ACTIVITIES:		(652,699)	(195,560)
Payment for investment-			
Property, plant and equipment	Note 6	(25,409)	(42,999)
Intangible assets	Note 8	(12,316)	(11,073)
Group companies and associates		(613,928)	(141,192)
Other current financial assets		(1,046)	(296)
Proceeds from financial divestments-		12,214	5,279
Property, plant and equipment	Note 6	11,214	500
Intangible assets		-	-
Investment properties		1,000	4,779
Other financial assets		-	-
Non current assets held for sale		-	-
		(187,528)	(149,403)
FINANCING ACTIVITIES:		(158,665)	(150,781)
Payment of dividends and remuneration of other equity instruments-			
Dividends	Note 14	(158,665)	(150,781)
Proceeds and payments of equity instruments-		(3,435)	(3,554)
Acquisition of treasury shares	Note 14	(3,435)	(3,554)
Proceeds and payments for financial liability instruments-		8,205	4,932
Repayment and amortization of current borrowings		8,205	4,932
Lease payments (IFRS 16)		(33,633)	
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		2,091	7,135
Cash and cash equivalents at beginning of year-		160,650	153,515
Net change in cash and cash equivalents during the year		2,091	7,135
Total cash and cash equivalents at end of year		162,741	160,650

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated cash flow statement for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries

Notes to the annual consolidated financial statements for the year ended 30 September 2020

1. General information on the Group

Compañía de Distribución Integral Logista Holdings, S.A., hereinafter "the Parent company", was incorporated as a sociedad anónima (Spanish public limited company) on 13 May 2014, with its sole shareholder being Altadis, S.A.U., a company belonging to the Imperial Brands PLC Group. On 4 June 2014, the Company effected a capital increase with all shares subscribed by Altadis, S.A.U. through non-monetary contribution of shares representing 100% of the share capital of Compañía de Distribución Integral Logista, S.A.U., until that time the parent company of the Logista Group, from then onwards, the Company became the Parent of the aforementioned Group.

The Company has registered office at Polígono Industrial Polvoranca, calle Trigo, no. 39, Leganés (Madrid), being the Parent of the Group, the operating company of which is Compañía de Distribución Integral Logista, S.A.U.

The offering of shares in the Parent Company came to an end on 14 July 2014, and its shares are currently listed for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The reporting period of most of the Group companies starts on 1 October of each year and ends on 30 September of the following year. The twelve-month period ended 30 September 2019 will hereinafter be referred to as "2019", the period ended 30 September 2020 as "2020", and so on.

The Group, a distributor and logistics operator, provides various distribution channels with a wide range of value-added products and services, including tobacco and related tobacco products, convenience goods, electronic documents and products (such as mobile phone and travel card top-ups), drugs, books, publications and lottery tickets. The Group provides these services through a complete infrastructure network which spans the whole value chain, from picking to POS delivery.

Compañía de Distribución Integral Logista Holdings, S.A. is the head of a group of domestic and foreign subsidiaries that engage in various business activities and which compose, together with Logista Holdings S.A., the Logista Group (hereinafter "the Group").

A detail of the investees included in the scope of consolidation comprising the Logista Group at 30 September 2020 and 2019 is provided in Appendices I and II, which includes, inter alia, the percentage and cost of the ownership interest held by the Parent and the line of business, company name and registered office of each investee.

In turn, Altadis, S.A.U., the majority shareholder of the Parent, belongs to the Imperial Brands PLC Group, which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Brands PLC Group for 2019 were formally prepared by its Directors at the Board of Directors meeting held on 5 November 2019.

2. Basis of presentation of the financial statements and basis of consolidation

2.1 Authorization for issue of the consolidated financial statements

These consolidated financial statements were formally prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Group, which consists of:

- a. The Spanish Commercial Code and all other Spanish corporate law.
- b. International Financial Reporting Standards (IFRS), as adopted by the European Union, in conformity with Regulation (EC) no, 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on Tax, Administrative, Labor and Social Security Measures.
- c. All other applicable Spanish accounting legislation.

The accompanying consolidated financial statements, which were obtained from the accounting records of the Company and of its subsidiaries, are presented in accordance with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for during the corresponding financial year. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 27 October 2020. The Directors of Compañía de Distribución Integral Logista Holdings, S.A. will submit these consolidated financial statements for approval by the Shareholders, and it is considered that they will be approved without any changes.

The consolidated financial statements for 2019 were formally approved by the General Shareholders' Meeting on 24 March 2020.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2020 are summarized in Note 4.

2.2 Standards and interpretations effective in the current period

In the year ended 30 September 2020 the following standards, amendments to standards and interpretations came into force:

New Standards, Amendments to Standards and Interpretations:	Content	Obligatory Application in Annual Reporting Periods Beginning on or After
IFRS 16 - Leases	New standard on leases that replaces IAS 17. The standard establishes just one accounting model for lessees will include all leases on the balance sheet (with some limited exceptions) as if they were financial leases (there will be amortization of the right of use and financial expenses for the amortized cost of the liability).	1 January, 2019
IFRIC 23, Uncertainty Over Income Tax Treatments (issued in June 2017)	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity.	1 January, 2019
Improvements to IFRSs, 2015-2017 cycle	Amendments to a series of standards.	1 January, 2019
Amendments to IAS 19, Plan Amendments, Curtailments and Settlements	Clarify how to calculate the current service cost and net interest for the remainder of the reporting period when there is an amendment, curtailment or settlement of a defined benefit plan.	1 January, 2019
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures	Clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January, 2019
Amendments to IFRS 9, Prepayment Features with Negative Compensation	These amendments will permit measurement at amortized cost of certain financial assets which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal and interest on the principal amount outstanding.	1 January, 2019

The application of the above Standards, interpretations and amendments has not had a significant effect on the consolidated financial statements as of September 30, 2020, except for IFRS 16 "Leases".

IFRS 16 - Leases

IFRS 16 Leases establishes that a lessee must recognize an asset according to the right of use, which is the right to use an underlying asset, and a lease liability, which reflects the obligation to make lease payments during its term. This standard introduces no significant changes regarding the lessor, who shall continue to classify contracts as financial leases or operating leases.

The Group acts as a lessee in a very large number of lease agreements on various assets although the significant ones are mainly warehouses and office buildings where the Group carries out its activities. Under current standards, a significant part of these contracts is classified as an operating lease, with the corresponding payments recorded being recorded on a linear basis over the term of the contract, generally.

The Group has chosen to apply this Standard using the retroactive approach with the cumulative effect on the initial application of the Standard, not re-expressing the comparative period figures and presenting the cumulative effect of the initial application of the Standard as of October 1, 2019, recognising the asset at the same value as the liability.

In relation to the practical solutions that the Standard allows at the date of first application, the Group has chosen not to apply this Standard to those leases whose term ends within 12 months from the date of first application or where the underlying asset has an individual value that is lower than EUR 5,000, and, in these cases, recognises the payments associated with the leases as an expense on a straight-line basis over the term of the lease in the Other operating expenses section of the consolidated income statement.

On the other hand, the Group has chosen not to separately record the components that are non-lease components from those that they are, for those asset classes in which the relative importance of non-lease components is not significant with respect to the total value of the lease.

Based on the foregoing, and taking into the consideration the practical solutions that have been adopted, the impact on Group's consolidated financial statements on the date of first application of IFRS 16 Leases, is as follows:

Consolidated Balance Sheet	Thousand euros
	01/10/2019
Non-current assets	170,641
Property, Plant and equipment	170,641
TOTAL ASSETS	170,641
Equity	-
Of the Parent Company	-
Minority Interests	-
Non-current liabilities	137,940
Other non-Current Financial liabilities	137,940
Current Liabilities	32,701
Other current Financial liabilities	32,701
TOTAL EQUITY AND LIABILITIES	170,641

The incremental effective interest rate used for the registration of lease liabilities has been based mainly on the Group's incremental rate of financing equivalent to the European Central Bank interest rate, plus a spread from 0.75% to 2% depending on the duration of each lease.

As of 1 October 2019, the reconciliation of total minimum future lease payments deriving from operating lease agreements contracts the financial lease liability, from the standpoint of the lessee, is as follows:

	Thousands of euros
	01/10/2019
Minimum Future Payments of Operating Leasing Contracts	139,316
Effect of the Update in Accordance with the Incremental Effective Interest Rate	(10,674)
Reasonably Certain Extensions of Contracts	41,999
Financial Liability for Leasing	170,641

In 2020 the impact on the application of IFRS 16 "Leases" comparing its impact with the effect that would have had if we continue applying IAS 17 is as follows:

	Thousands of euros
	October 2019 - September 2020
Depreciation and amortization	(33,256)
Other operating expenses	33,633
Operating profit	377
Financial expenses	(2,183)
Profit before tax	(1,806)

As of September 30, 2020, due to the application of IFRS 16 "Leases", a net financial debt has been recognized for the payment obligation deriving from rights of use contracts amounting to EUR 155,342 thousand (Note 20).

As a result of the entry into force of IFRS 16 "Leases" from 1 October 2019, the payments derived from operating lease contracts, which were previously considered cash flows from operating activities, are now recognised as cash flows from financing activities. In 2020, the amount recognized for this concept was EUR 33,633 thousand.

IFRIC 23 - Uncertainties about the treatment of income taxes

IFRS 23 "Uncertainties Over Income Tax Treatments" clarifies how the recognition and measurement requirements of IAS 12 Income Taxes should be applied when there is uncertainty over income tax treatments. In this case, a company will recognise and measure its current or deferred assets or liabilities applying the requirements of IAS 12 Income Taxes based on the tax gain or loss, tax base, unused tax losses, unused tax credits and tax rates as established by this standard.

Adoption of this interpretation did not have a significant impact on the consolidated financial statements for the year ended September 30, 2020.

In relation to the other standards indicated with effect from 1 October 2019, its application has not had a significant impact for the Group.

2.3 Standards and interpretations issued not in force

At the date of preparation of these consolidated financial statements, the following standards and interpretations with a potential impact for the Group have been published by the IASB and adopted by the European Union for their application in annual reporting periods beginning on or after the indicated date:

New Standards, Amendments to Standards and Interpretations:	Content	Obligatory Application in Annual Reporting Periods Beginning on or After
Amendment to IFRS 3, Business definition	Clarifications to the business definition	1 January 2020
Amendment to IAS 1 and IAS 8, definition of materiality	Modifications to align the definition with that contained in the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	These amendments provide certain exemptions in relation to the reform of the reference interest rate (IBOR).	1 January 2020
Revised version of IFRS Conceptual Framework	It establishes several fundamental concepts guiding the IASB in the development of standards and helps ensure that standards are consistent and that similar transactions are treated in the same way.	1 January 2020
Amendment to IFRS 16, Leases	Modifications related to impacts of Covid-19 pandemic	1 June 2020

The Group estimates that the regulations effective January 1, 2020 will not have a significant equity impact.

In addition, at the date of preparation of the consolidated financial statements the following standards and interpretations, with a potential impact to the Group, have been published by the IASB, which cannot be adopted in advance or which have not been adopted by the European Union:

New Standards, Amendments to Standards and Interpretations:	Content	Obligatory Application in Annual Reporting Periods Beginning on or After
Amendments to IFRS 10 and IAS 28, Sale of asset between an investor and its associates and Joint Ventures	Clarification in relation to the result from these operations, from a business or an asset perspective.	No date defined
IFRS 17, Insurance Contracts (issued in May 2017) (a)	IFRS 17 supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that insurance contracts have on the financial statements.	1 January, 2022

(a) Standards not yet adopted by the European Union

2.4 Information relating to 2019

As required by IAS 1, the information relating to 2019 contained in these notes to the consolidated financial statements is presented with the information relating to 2020 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2019.

2.5 Presentation currency

These consolidated financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Transactions in currencies other than euro are recognized in accordance with the policies described in Note 4.14.

2.6 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In preparing the consolidated financial statements for 2020, estimates were made by the Group's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement and impairment of goodwill and of certain intangible assets.
- The assumptions used in the actuarial calculations of the pension liabilities and other obligations to employees.
- The useful life of the property, plant and equipment and intangible assets.
- The valuation of long-term incentive plans.
- The calculation of the required provisions, including litigations and fiscal risks.
- The measurement and calculation of deferred tax assets and liabilities.

Although these estimates were made on the basis of the best information available at 2020 year end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. This would be done prospectively, recognizing the effects of the changes in accounting estimates in the relevant future financial statements. The risks and possible impacts on the estimates derived from Covid-19 are detailed in Note 17.1.

2.7 Basis of consolidation

2.7.1 Subsidiaries

Subsidiaries are defined as companies included in the scope of consolidation which the Parent manages directly or indirectly because it holds a majority of the voting rights in their representation and decision-making bodies or over which it has the capacity to exercise control.

The financial statements of the subsidiaries are fully consolidated. Accordingly, all material balances and transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The share of minority interests of the equity and profit of the Group is presented under "Minority Interests" in the consolidated balance sheet and under "Profit/Loss for the Year Attributable to Minority Interests" in the consolidated income statement, respectively.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or until the date of disposal, as appropriate.

2.7.2 Joint ventures and joint operations

"Joint ventures" are deemed to be ventures that are managed jointly by the Parent and third parties unrelated to the Group, where neither party can exercise greater control than the other. The financial statements of the joint ventures are proportionately consolidated.

In addition, a joint operation (unincorporated joint venture or "UTE") is a joint arrangement whereby the parties have rights to the corresponding assets, and liabilities, relating to the arrangement. Accordingly, the assigned assets and liabilities are presented by the Group in its consolidated balance sheet, in proportion to its ownership interest, classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognized in the consolidated income statement on the basis of the nature of the related items. In addition, the proportional part corresponding to the Group of the related items of the joint venture is included in the statement of changes in equity and the statement of cash flows.

Where necessary, adjustments are made to the financial statements of these companies to adapt the accounting policies used to those applied by the Group.

2.7.3 Associates

Associates are companies over which the Parent is in a position to exercise significant influence. In general, significant influence is presumed to exist when the Group's percentage of (direct or indirect) ownership exceeds 20% of the voting rights, if it does not exceed 50%.

In the consolidated financial statements, investments in associates are accounted for using the equity method, (equity accounting), at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate's capital.

Where necessary, adjustments are made to the financial statements of these companies to adapt the accounting policies used to those applied by the Group.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support, in which case the related provision would be recorded.

Since the activities of the associates are like the Group's habitual management and operations, the results of companies accounted for using the equity method are aggregated to profit or loss from operations.

2.7.4 Translation of foreign currency

The various items in the balance sheets and income statements of the foreign companies included in consolidation were translated to euros as follows:

- Assets and liabilities were translated to euros at the official year-end exchange rates.
- Share capital and reserves were translated to euros at the historical exchange rate.
- Income statement items were translated to euros at the average exchange rate for the year.

The exchange differences arising from the use of these criteria were included in equity under "Reserves at Consolidated Companies - Translation Differences". These translation differences will be recognized as income or expenses in the period in which the investment that gave rise to them is realized or disposed of in full or in part.

In 2020 and 2019 all the Logista Group companies presented their financial statements in euros, except for Compañía de Distribución Integral Logista Polska, Sp. z.o.o. and Logesta Polska Sp., z.o.o. (both located in Poland).

2.7.5 Changes in the scope of consolidation and in the ownership interests

In 2020, the only significant variation in the scope of consolidation was the constitution, in September 2020, of the Spanish company Logista Payments, S.L.U. which is consolidated by the global integration method as the Group has control over said company.

The most significant changes in the scope of consolidation in 2019 were as follows:

- On 14 March 2019 the subsidiary José Costa & Rodrigues, Lda. merged by absorption into MIDSID – Sociedade Portuguesa de Distribuição, S.A., which gave rise to the dissolution of the former and transfer of the equity of José Costa & Rodrigues, Lda. to MIDSID – Sociedade Portuguesa de Distribuição, S.A., the absorbing company.
- On 27 March 2019 the Extraordinary General Meeting of Logista Publicaciones approved the merger by absorption of the subsidiary Compañía de Integral Distribución de Publicaciones, S.L.U. (absorbing company) and Distribérica, S.A.U. (absorbed company), without liquidation and transmitting in block the equity from the absorbed to the absorbing company, which will be subrogated in all the rights and obligations. As a result, Distribérica, S.A.U. was declared dissolved and extinguished, without liquidation.

2.8 Materiality

In preparation these consolidated financial statements the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

3. Distribution of the profit of the Parent Company

The distribution of the profit for 2020, amounting to EUR 384,753 thousand, that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserves	228,312
To dividends	104,872
Interim dividend	51,569
	384,753

In accordance with current regulations, the Parent Company evaluated the liquidity status on the date of approval of the interim dividend. Based on this evaluation, on July 21, 2020, the Parent Company had EUR 29 million loaned to Compañía de Distribución Integral Logista, S.A.U. and additionally, the Parent Company had available EUR 115 million corresponding to the credit line granted by Compañía de Distribución Integral Logista, S.A.U.

4. Accounting principles and policies and measurement bases

The principal measurement bases and accounting principles and policies applied in preparing the consolidated financial statements for 2020 in accordance with the IFRSs in force at the date of the related financial statements are described below.

4.1 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less any accumulated depreciation.

The upkeep and maintenance costs of the various items of property, plant and equipment are recognized in the income statement as incurred. The amounts invested in improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

In-housework on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of direct and general manufacturing costs).

The consolidated companies depreciate their property, plant and equipment using the straight-line method, applying annual depreciation rates determined based on the years of estimated useful life of the related assets. The depreciation rates applied are as follows:

	Annual Depreciation Rates (%)
Buildings	2 - 4
Plant and machinery	10 - 12
Other fixtures, tools and furniture	8 - 16
Other items of property, plant and equipment	12 - 16

Land is considered to have an indefinite useful life and, therefore, is not depreciated.

4.2 Investment property

Investment property relates to investments in land and buildings held to earn rentals, Investment property is stated at the lower of cost, less any accumulated depreciation, and market value. Depreciation is recognized using the same methods as those used for items of the same category classified under "Property, Plant and Equipment".

In 2020, the investment property registered in the consolidated balance's amortization amounted to EUR 277 thousand (2019: EUR 317 thousand).

In turn, in 2020 a warehouse in Dos Hermanas (Seville) was sold for a net book value of EUR 678 thousand, which has generated a positive impact of EUR 322 thousand in the consolidated income statement under "Net gain on disposal and impairment of non-current assets".

Additionally, in 2019 the Group sold a warehouse in Sintra (Portugal) for a net book value of 2,384 thousand euros, which generated an income of 2,472 thousand euros recorded under the heading "Net result of the disposal and impairment of non-current assets" from the consolidated income statement for the previous year.

The Group periodically determines the market value of its investment properties by reference to the prices of comparable transactions, in-house studies, external appraisals, etc.

4.3 Goodwill

In the company acquisitions, the excess of the cost of the business combination over the interest acquired in the acquisition-date net fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill.

Goodwill is only recognized when it has been acquired for consideration.

Goodwill arising from the acquisition of an associate is recognized as an increase in the value of the investment.

Goodwill is not amortized. Accordingly, at the date of each consolidated balance sheet the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell. If there is any impairment, the goodwill is written down and the impairment loss is recognized. An impairment loss recognized for goodwill must not be reversed in a subsequent period.

To perform the aforementioned impairment test, the goodwill is allocated in full to one or more cash-generating units.

The recoverable amount of each cash-generating unit is the higher of value in use and the net selling price of the assets associated with the cash-generating unit. Value in use is calculated on the basis of the estimated future cash flows, discounted using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the business.

The Group has defined as cash-generating units, based on the actual management of the Group's operations, each of the relevant business operations carried out in the main geographical areas (see Note 24).

The Group uses the budgets and business plans, which generally cover a three-year period, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are built are based on each type of business and the experience with and knowledge of the performance of each of the markets in which the Group operates (see Note 7).

The estimated cash flows are extrapolated to the period not covered by the business plan using a zero-growth rate and an expense structure that is similar to that of the last year of the business plan.

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the different markets to calculate the present value of the estimated cash flows ranged from 6.5% to 8.4% in 2020 (2019: from 5.7% to 8.0%) (see Note 7).

4.4 Intangible assets

Intangible assets with finite useful lives are amortized using the straight-line method, applying annual amortization rates determined on the basis of the years of the estimated useful lives of the related assets.

Intangible assets comprise:

Concessions, rights and licenses

"Concessions, Rights and Licenses" includes mainly the amounts paid to acquire certain concessions and licenses. The assets included in this account are amortized on a straight-line basis over the term thereof.

Also, as a result of allocating the purchase price of Altadis Distribution France, S.A.S. to the identifiable assets and liabilities of that company in 2013, the Group recognized in its consolidated balance sheet the agreements entered into by that subsidiary with the main tobacco producers for the distribution of their products in France. The distribution agreements are depreciated on a straight-line basis over 15 years.

No legal, regulatory or other matters have arisen since the execution of the business combination that might significantly impact the renewal terms and conditions of the agreements.

Computer software

Computer software is recognized at acquisition cost, including the implementation costs billed by third parties, and is amortized on a straight-line basis over a period of three to five years. Computer software maintenance costs are expensed currently.

Research and development expenditure

Research and Development expenditure is only capitalized when it is specifically itemized by project, the related costs can be clearly identified and there are sound reasons to foresee the technical success and economic and commercial profitability of the related project. Assets thus generated are depreciated on a straight-line basis over their years of useful life (over a maximum period of five years).

4.5 Impairment losses on property, plant and equipment and intangible assets

The Group assesses each year the possible existence of permanent losses in value requiring it to reduce the carrying amounts of its property, plant and equipment and intangible assets, if their recoverable amounts are below their carrying amounts.

The recoverable amount is determined using the same methods as those employed in testing for goodwill impairment (see Note 4.3).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the related write-down is recognized through profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the new recoverable amount, which may not exceed the carrying amount that would have been determined had no impairment loss been recognized.

4.6 Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the beginning of a contract, the Group assesses whether it is, or contains, a lease, and analyzes whether several components are included to account for the lease separately from the other components that do not constitute a lease.

Leases in which the Group acts as lessee are recognised at the beginning of the contract by recognising in the consolidated balance sheet a right-of-use asset representing the right to use the leased asset and a liability for the present value of the obligation to make lease payments during the term of the lease.

To determine the lease term the Group considers the non-revocable period of the contract except for those contracts in which it has a unilateral option to extend or terminate early, in which case the extension or early termination period is used if there is reasonable certainty that such option will be exercised.

After the initial recognition, the Group values the right-of-use asset at cost less accumulated amortisation and any impairment losses, also adjusting for any change in the valuation of the associated liabilities for leases. The amortization of the rights of use is lineal during the lease term.

The initial value of the lease liability is calculated, on the date of commencement of the lease, as the value of future payments discounted, in general, at the Group's incremental rate of financing equivalent to the European Central Bank interest rate, plus a spread from 0.75% to 2% depending on the duration of each lease. These payments will include fixed or substantially fixed payments, less any lease incentive to be received by the Group, as well as variable payments that depend on an index or rate.

Subsequently, the lease liability is increased to reflect the accumulation of interest and is reduced by the lease payments made. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised as an expense and allocated to income over the lease term.

The lease liability must be reassessed when certain changes in payments occur such as changes in the lease term or changes in future payments. In these cases, generally, the amount of the reassessment of the lease liability must be recognised as an adjustment to the right-of-use asset.

The Group has chosen not to apply the aforementioned requirements to short-term leases and leases in which the underlying asset is of low value (less than EUR 5,000). For these cases, the amounts accrued are recognised as an expense on a straight-line basis over the term of the lease.

4.7 Non-current assets held for sale

Non-current assets are classified as held for sale if it is considered that their carrying amount will be recovered through a sale transaction. Assets are classified under this heading only when the sale is highly probable, and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The depreciation of non-current assets held for sale is discontinued when they are classified as such. At the date of each consolidated balance sheet the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

4.8 Financial instruments

4.8.1 Financial assets

Financial assets are recognized in the consolidated balance sheet on the date of acquisition at fair value and are classified as:

Trade and other receivables

Trade and other receivables are measured at amortized cost less any recognized impairment losses, which are estimated based on the solvency of the debtor and the age of the receivables.

Other current and non-current financial assets

"Other Current and Non-Current Financial Assets" include the following investments:

1. Current and non-current loans granted.
2. Guarantees.
3. Deposits and other financial assets.
4. Financial assets classified as "held for sale".

The loans granted are measured at their amortized cost, which is understood to be the initial value thereof increased by accrued interest and repayment premiums based on the effective interest rate and decreased by the principal and interest repayments, while also considering possible reductions due to impairment or uncollectible.

The changes in the amortized cost of the assets included under "Other Current and Non-Current Financial Assets" arising from accrued interest or premiums or from the recognition of impairment are recognized in the income statement.

Guarantees are measured at the amount paid which does not differ substantially from the fair value thereof.

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognized in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the net consolidated profit or loss for the year.

Cash and cash equivalents

Cash consists of cash and demand deposits at banks, Cash equivalents are short-term investments with a maturity of three months that are not subject to a significant risk of changes in value.

The Group derecognizes a financial asset when it matures, and collection is made or when the rights to the future cash flows have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

4.8.2 Financial liabilities

Bank borrowings

Bank loans are recognized at the amount received, net of arrangement costs and commissions. These loan arrangement costs and finance charges are recognized in the income statement using the accrual method and on a time proportion basis and are added to the carrying amount of the liability, to the extent that they are not settled, in the period in which they arise.

Trade payables

Trade payables are initially recognized at fair value and are subsequently measured at amortized cost.

The Group derecognizes financial liabilities when the obligations giving rise to them cease to exist.

4.9 Inventories

The Group companies measure the tobacco inventories at the lower of the price of the most recent invoice, which does not differ significantly from applying the FIFO formula (first-in, first-out), including in the case of tobacco products, in accordance with the legislation applicable in each country, the excise duties chargeable as soon as they are accrued, and net realizable value.

The other inventories are measured at the lower of cost of purchase and net realizable value. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The Group recognizes period provisions for the decline in value of inventories in order to adjust the value of those whose cost exceeds net realizable value. These valuation adjustments are recognized as an expense in the consolidated income statement.

4.10 Current/Non-current classification

In the consolidated balance sheet assets and liabilities due to be realized or settled or maturing within twelve months are classified as current items and those due to be realized or settled or maturing within more than twelve months as non-current items.

4.11 Termination benefits

Under current labor legislation and certain employment contracts, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

The accompanying consolidated balance sheet at 30 September 2020 and 30 September 2019 includes the provisions that the Parent's Directors consider necessary to cover the restructuring plans in progress at year-end (see Note 18).

4.12 Pension commitments and other commitments to personnel

Certain Group companies are obliged to supplement the social security retirement, disability or death benefits to employees who have fulfilled certain conditions. In general, the obligations relating to the current and former employees of these groups are defined contribution obligations and are externalized. The annual contributions made by the Group to meet these obligations are recognized under "Staff Costs" in the consolidated income statements and amounted to EUR 2,587 thousand and EUR 2,079 thousand in 2020 and 2019 respectively (see Note 23.b).

Under the collective agreements currently in force, Compañía de Distribución Integral Logista, S.A.U. is obliged to make a lump-sum payment of a specific amount to each employee on completion of 24 years of service. Also, this Company is obliged to make fixed monthly payments to a certain group of current employees and employees who retired prior to 1 January 2009 as compensation for the "free tobacco" benefit.

Logista France, S.A.S. has retirement obligations to its employees for which it has made provisions calculated on the basis of actuarial studies using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 0.9% as the main assumptions (see Note 18).

On 4 June 2014, the Company's Board of Directors approved the 2014 long-term incentive plan structure (general plan and special plan), vesting from 1 October 2014 to 30 September 2019, which is made up of three blocks of three years each, with plan settlements taking place on completion of each block.

Under these plans, certain employees of companies of the Group of which the Company is Parent have the right to receive a certain number of Company shares, on completion of the third year from the commencement of the each of the three blocks into which the plans are divided, and taking into account the degree of achievement of certain internal criteria, of a financial and operating nature, as well as the total return for the shareholders and comparative profitability with other companies. For each of the tranches, the estimated amount accrued annually is recorded in "Equity" in the consolidated balance sheet and its annual allocation is included in "Personnel Expenses" in the consolidated income statement.

On 29 January 2015 the Parent's Board of Directors approved the list of beneficiaries of the first block (2014-2017) and corporate management estimated cost of the plans. There were 47 beneficiaries included in the General Plan and 10 in the Special Plan. The related amounted to EUR 2,856 thousand.

On 26 January 2016, the Parent's Board of Directors approved the second tranche of the 2014 Long-Term Incentive Plan (the 2017 General Plan and Special Plan) for the 2015-2018 vesting period. The beneficiaries of the second tranche numbered 50 for the General Plan and 10 for the Special Plan. The total estimated cost of the second tranche is EUR 2,491 thousand.

On 24 January 2017, the Parent's Board of Directors approved the third tranche of the 2014 Long-Term Incentive Plan (the General Plan and the Special Plan) for the 2016-2019 vesting period. The beneficiaries of the third tranche numbered 56 for the General Plan and 9 for the Special Plan. The total estimated cost of the third tranche is EUR 2,623 thousand.

On 20 December 2016 the Parent's Board of Directors approved new long-term incentive plans for the 2017-2022 period, which will be divided into three three-year tranches, the first of which begins on 1 October 2017.

On 23 January 2018, the Parent's Board of Directors approved the first tranche's (2017-2020) beneficiaries, being 58 the beneficiaries included in the General Plan and 9 the ones considered in the Special Plan. The total estimated cost for the first tranche amounts to EUR 2,933 thousand.

On 29 January 2019, the Parent's Board of Directors approved the second tranche's (2018-2021) beneficiaries, being 60 the beneficiaries included in the General Plan and 9 the ones considered in the Special Plan. The total estimated cost for the first tranche amounts to EUR 3,240 thousand.

On 28 January 2020, the Parent's Board of Directors approved the third tranche's (2019-2022) beneficiaries, being 62 the beneficiaries included in the General Plan and 9 the ones considered in the Special Plan. The total estimated cost for the third tranche amounts to EUR 3,023 thousand.

On 28 January 2020, the Parent's Board of Directors approved the 2020-2025 long-term incentive plan structure (general plan and special plan), vesting from 1 October 2020 to 30 September 2025, which is made up of three blocks of three years each, with plan settlements taking place on completion of each block.

In order to cater for the equity-settled 2014 long-term incentive plan and the 2017 incentive plan, and by virtue of the authorization granted by the Board of Directors, the Group acquired 914,261 treasury shares for EUR 18,556 thousand (EUR 3,456 thousand in 2020, EUR 3,554 thousand in 2019, EUR 3,366 thousand in 2018 and EUR 3,161 thousand in 2017 and EUR 4,359 thousand in 2016 and EUR 670 thousand in 2015).

On 23 January 2018, the Parent's Board of Directors approved the settlement of the First Vesting Period (2014-2017) of the General Plan and of the 2014 Special Plan. The settlement gave rise to the delivery of a total of 137,022 shares amounting to EUR 2,566 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding. The Parent also delivered 1,454 shares amounting to EUR 28 thousand to a beneficiary of the plan. In 2017 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries.

On 28 November 2017, the Parent's Board of Directors extended to 1 October 2018 the Parent's Extended Share Repurchase Programme (up to 560,476 shares, i.e. 0.42% of the share capital), to include them in the second and third tranches of the 2014 long-term incentive plan.

On 25 September 2018 the Parent's Board of Directors extended to 1 October 2019 the Company's Extended Share Repurchase Programme (up to 641,372 shares, 0.48% of the share capital), to include them in the third tranches of the 2014 long-term incentive plan and the first tranche of the 2017 long-term incentive plan.

On 29 January 2019, the Parent's Board of Directors approved the settlement of the Second Vesting Period (2015-2018) of the General Plan and of the 2014 Special Plan. The settlement gave rise to the delivery of a total of 98,783 shares amounting to EUR 2,010 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding.

On 24 September 2019 the Parent's Board of Directors extended to 1 October 2020 the Company's Extended Share Repurchase Programme (up to 681,013 shares, 0.51% of the share capital), to include them in the third tranches of the 2014 long-term incentive plan and the first and second tranches of the 2017 long-term incentive plan.

On 29 October 2019, the Parent's Board of Directors approved the settlement of the third Vesting Period (2016-2019) of the General Plan and Special Plan of the 2014. The settlement gave rise to the delivery for no consideration of a total of 70,969 net shares amounting to EUR 1,420 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding.

In addition, in the financial year 2020, the Company has made the delivery for no consideration of a total of 59,571 shares to three beneficiaries of the General Plan and the Special Plan 2017 for a total amount of EUR 1,122 thousand. The shares were delivered net of the related tax withholding.

Lastly, on 29 September 2020 the Parent's Board of Directors extended to 1 October 2021 the Company's Extended Share Repurchase Programme (up to 722,273 shares, 0.5% of the share capital), to include them in the 2020 long-term incentive plan.

4.13 Provisions and contingent liabilities

The Group recognizes provisions for the estimated amounts required to cover the liability arising from litigation in progress, indemnity payments or obligations and collateral and other guarantees provided which are highly likely to involve a payment obligation (legal or constructive), provided that the amount can be estimated reliably.

Provisions are quantified based on the best information available on the situation and evolution of the events giving rise to them and are fully or partially reversed when such obligations cease to exist or are reduced, respectively.

Also, the adjustments arising from discounting these provisions are recognized as a finance cost on an accrual basis.

Contingent liabilities represent potential obligations to third parties and existing obligations that are not recognized, given that it is not likely that an outflow of cash will be required to satisfy that obligation or, where applicable, the amount cannot be reasonably estimated. Contingent liabilities are not recognized in the consolidated statement of financial position unless they have been acquired in return for payment as part of a business combination.

4.14 Foreign currency transactions

The consolidated financial statements of Logista Group are presented in euros.

Transactions in currencies other than the euro are recognized at their equivalent euro value by applying the exchange rates prevailing at the transaction date. Any gains or losses resulting from the exchange differences arising on the settlement of balances deriving from transactions in currencies other than the euro are recognized in the consolidated income statement as they arise.

Balances receivable and payable in currencies other than the euro at year-end are measured in euros at the exchange rates prevailing on that date. Any gains or losses arising on such measurement are recognized in the consolidated income statement for the year.

4.15 Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Specifically, revenue represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT, excise duty on tobacco products and other sales taxes.

As a result of the regulations of the main countries in which the Group operates, the Group makes payments to the relevant tax authorities in respect of excise duties on the tobacco products it sells, which are also charged to customers.

In the particular case of the publishing sector, the customers are entitled to return the products they fail to sell and in turn, the Group may exercise this right with respect to its suppliers. At each reporting date, a provision is recognized based on the historical experience of the sales returns for the purpose of adjusting the margins obtained in relation to products that it is forecast will ultimately be returned (see Note 18).

In purchase and sale transactions on which the Group receives commission, regardless of the legal form of such transactions, only commission income is recognized, distribution and sales commissions are recognized in revenue. The Group recognizes income and expenses on transactions involving products held on a commission basis (mainly stamps, certain tobacco and publishing business products) at the date of the sale.

Interest income from financial assets is recognized using the effective interest method and dividend income is recognized when the shareholder's right to receive payment is established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognized as income in the income statement.

4.16 Income tax

The current income tax expense is calculated on the basis of the accounting profit before tax, increased or reduced, as appropriate, by the permanent differences from taxable profit, net of tax relief and tax credits, the rates used to calculate the income tax expense are those in force at the consolidated balance sheet date.

Deferred tax assets and liabilities are recognized using the balance sheet method, recognizing the differences between the carrying amount of the assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax assets and liabilities are calculated at the tax rates expected at the date on which the asset is realised or the liability is settled. Deferred tax assets and liabilities are recognised in full with a charge to the consolidated income statement, except when they relate to line items taken directly to equity accounts, in which case the deferred tax assets and liabilities are also recognised with a charge or credit to the related equity accounts.

Deferred tax assets and tax loss carryforwards are recognised when it is considered probable that the Group will be able to utilise them in the future, regardless of when they are recovered. Deferred tax assets and liabilities are not adjusted and are classified as non-current assets or liabilities in the consolidated balance sheet.

The Group recognises the deferred tax arising from the deductibility of the amortisation, for tax purposes, of certain items of goodwill generated on the acquisition of companies (see Note 19).

The deferred tax asset recognised is reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax asset is reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

"Income Tax" represents the sum of the current tax expense and the result of recognising deferred tax assets and liabilities (see Note 19).

The Parent files consolidated income tax returns in Spain and is the ultimate parent of consolidated tax group no. 548/17.

4.17 Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows, prepared in accordance with the indirect method, with the meanings specified:

1. Cash flows: inflow and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in equity and borrowings.

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares.

Earnings per share are calculated as follows:

	Thousands of Euros	
	2020	2019
Net profit for the year (thousands of euros)	157,184	164,626
Weighted average number of shares issued (thousands of shares) (*)	132,228	132,269
Earnings per share (euros)	1.19	1.24

(*) On 30 September 2020, the Parent Company holds 522,273 own shares.

At 30 September 2020, taking into consideration treasury shares, which are related to the long-term incentive plans, the calculation of the diluted earnings per share would give a result of EUR 1.19 per share (EUR 1.24 at 30 September 2019).

6. Property, plant and equipment

6.1 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2019 and 2018 were as follows:

2020

	Thousands of Euros					
	Balance at 30/09/19	IFRS 16 First application (Note 2.2)	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	Balance at 30/09/20
Cost:						
Land and buildings	224,019	155,828	12,796	(12,964)	1,075	380,754
Plant and machinery	222,421	5,263	10,178	(9,329)	7,346	235,879
Other fixtures, tools and furniture	159,006	9,550	2,334	(3,252)	6,004	173,642
Other items of property, plant and equipment	34,436	-	83	(7,374)	369	27,514
Property, plant and equipment in the course of construction	19,610	-	14,269	-	(15,618)	18,261
	659,492	170,641	39,660	(32,919)	(824)	836,050
Accumulated depreciation:						
Buildings	(119,480)	-	(32,278)	9,836	5	(141,917)
Plant and machinery	(162,855)	-	(16,026)	4,074	10	(174,797)
Other fixtures, tools and furniture	(126,813)	-	(11,343)	3,135	6	(135,015)
Other items of property, plant and equipment	(27,955)	-	(1,090)	7,098	43	(21,904)
	(437,103)	-	(60,737)	24,143	64	(473,633)
Impairment losses	(8,897)	-	-	5,343	-	(3,554)
	213,492	170,641	(21,077)	(3,433)	(760)	358,863

2019

	Thousands of Euros				
	Balance at 30/09/18	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	Balance at 30/09/19
Cost:					
Land and buildings	223,348	105	(261)	827	224,019
Plant and machinery	196,478	10,603	(7,815)	23,155	222,421
Other fixtures, tools and furniture	150,280	5,893	(6,876)	9,709	159,006
Other items of property, plant and equipment	36,366	209	(3,646)	1,507	34,436
Property, plant and equipment in the course of construction	32,900	24,115	-	(37,405)	19,610
	639,372	40,925	(18,598)	(2,207)	659,492
Accumulated depreciation:					
Buildings	(115,197)	(4,423)	180	(40)	(119,480)
Plant and machinery	(152,646)	(13,208)	2,842	157	(162,855)
Other fixtures, tools and furniture	(122,633)	(6,473)	6,661	(4,368)	(126,813)
Other items of property, plant and equipment	(26,628)	(1,639)	2,675	(2,363)	(27,955)
	(417,104)	(25,743)	12,358	(6,614)	(437,103)
Impairment losses	(18,737)	(960)	3,932	6,868	(8,897)
	203,531	14,222	(2,308)	(1,953)	213,492

Additions

In 2020, the main additions are related to the impact of the initial application of IFRS 16. The application of this new standard from 1 October 2019 led, during 2020, to the capitalization of rights of use associated with lease contracts amounting to EUR 186,792 thousand (see note 6.2).

In 2019 the Group recognised additions in relation to the construction of a new logistics platform in Coslada (Madrid), recognised under "Property, Plant and Equipment in the Course of Construction" in the accompanying consolidated balance sheet and to the development of computer systems infrastructure and to the acquisition of new semitrailers and vending machines

The other most notable additions in 2020 and 2019 are mainly related to projects currently underway in relation to safety systems at the warehouses and the development of information systems.

Disposals

In 2020, two properties have been sold in France for a total sale price of EUR 10,843 thousand, generating a gain of EUR 7,732 thousand, which has been recognised in the consolidated income statement of 2020, under the heading "Net gain on disposal and impairment of non-current assets".

In 2019 the Group derecognized items no longer in use by the Group, many of which were fully depreciated.

Transfers

In 2020 and 2019 items of plant, machinery and other fixtures were mainly transferred within this line item from "Property, Plant and Equipment in the Course of Construction". Additionally, point of sale terminals have been transferred from "Inventories", as they have been leased by third parties.

Lastly, transfers have been made to "Other Intangible Assets" during the fiscal year when information system-related projects have been completed and come into service.

6.2 Rights of use

As of September 30, 2020, the detail of the assets of rights of use, included in "Property, Plant and Equipment" and their movement during the year 2020 are as follows:

	Thousands of Euros				
	Balance at 30/09/19	IFRS 16 First application	Additions or Charge for the Year	Disposals or Reductions	Balance at 30/09/20
Cost:					
Land and buildings	-	155,828	11,826	-	167,654
Plant and machinery	-	5,263	3,293	-	8,556
Other fixtures, tools and furniture	-	9,550	1,032	-	10,582
	-	170,641	16,151	-	186,792
Accumulated depreciation:					
Land and buildings	-	-	(27,905)	-	(27,905)
Plant and machinery	-	-	(2,077)	-	(2,077)
Other fixtures, tools and furniture	-	-	(3,274)	-	(3,274)
	-	-	(33,256)	-	(33,256)
	-	170,641	(17,105)	-	153,536

As we have previously mentioned, the Group acts as lessee in a very high number of lease agreements over various assets, although the significant ones correspond, mainly, to warehouses, and office buildings where the Group carries out its activities.

As of September 30, 2020, the heading "Property, Plant and Equipment" of the consolidated balance sheet includes EUR 153,536 thousand corresponding to the net book value of assets related to lease contracts.

Likewise, as of September 30, 2020, the headings "Other non-current financial liabilities" and "Other current financial liabilities" of the consolidated balance sheet include EUR 123,643 thousand and EUR 31,699 thousand, respectively, corresponding to financial liabilities for rights of use of lease contracts. (see Note 20).

6.3 Other disclosures

Fully depreciated items of property, plant and equipment in use at 30 September 2020 amounted to EUR 311,031 thousand (EUR 317,762 thousand at 30 September 2019).

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 30 September 2020 and 2019, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR 151,801 thousand and EUR 77,575 thousand, respectively. The increase from previous year is mainly related to the first the application of IFRS 16 Leases.

7. Goodwill

Breakdown and significant changes

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	30-09-2020	30-09-2019
Italy, tobacco and related products	662,922	662,922
France, tobacco and related products	237,106	237,106
Iberia, transport	18,269	18,269
Iberia, other business: Pharma	486	486
Iberia, tobacco and related products	2,017	2,017
	920,800	920,800

Italy, tobacco and related products

The goodwill associated with Logista Italia, S.p.A. arose when Etinera, S.p.A., a leading tobacco distributor in Italy, was acquired in 2004 from BAT Italia, S.p.A., an Italian subsidiary of British American Tobacco, Lda. Subsequently, Etinera, S.p.A.'s company name was changed to Logista Italia, S.p.A. The information relating to the aforementioned acquisition is included in the Group's consolidated financial statements for 2004.

France, tobacco and related products

The goodwill associated with Logista France, S.A.S. arose on the acquisition by Compañía de Distribución Integral Logista, S.A.U. of all the shares representing the share capital of Altadis Distribution France, S.A.S. (actually Logista France, S.A.S) from Seita, S.A.S., which belongs to Grupo Imperial Brands Limited PLC. The information on this acquisition is included in the Group's consolidated financial statements for 2014 and 2013.

Iberia, transport

The goodwill associated with Dronas 2002, S.L.U, arose when this company merged in 2002 with the Bungal Group, an integrated and express parcel and pharmaceutical logistics service provider, and in 2003 with the Alameda Group, a distributor of pharmaceutical supplies and food products. The information relating to the aforementioned mergers is included in the Group's consolidated financial statements for 2002 and 2003.

Iberia, tobacco and related products

The goodwill associated with José Costa & Rodrigues, Lda. arose from the acquisition, on 13 February 2017, by MIDSID –Sociedade Portuguesa de Distribuição, S.A. of all the shares representing the share capital of the acquired company. In 2017 the Group provisionally recognised EUR 6,575 thousand as goodwill, the full amount of which was allocated to the vending channel of José Costa & Rodrigues, Lda. in 2018 under "Other Intangible Assets" in the accompanying consolidated balance sheet as at 30 September 2018.

Goodwill impairment analysis

The most relevant assumptions used in testing for impairment were as follows:

Discount and residual growth rates

	2020		2019	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Italy, tobacco and related products	8.38%	0.00%	8.00%	0.00%
France, tobacco and related products	6.54%	0.00%	5.70%	0.00%
Iberia, transport	6.59%	0.00%	6.40%	0.00%
Iberia, other business: Pharma	6.78%	0.00%	6.40%	0.00%
Iberia, tobacco and related products	7.14%	0.00%	8.00%	0.00%

The parameters considered in defining the foregoing discount rates were as follows:

- Risk-free bonds: 10-year bonds in the benchmark market of the CGU.
- Market risk premium: year-on-year average risk Premium in each country in which the Group is presented.
- Unleveraged Beta: industry average, on a case-by-case basis.
- Debt/equity ratio: industry average.

Future changes in sales, procurements and working capital

The principal assumption considered in the business plans of the main cash-generating units to calculate the value in use of each unit consisted of the performance of sales and procurements, the percentage change in which over the three years of the business plan was estimated as follows:

	Average Performance 2021-2023	
	Sales	Sales
Italy, tobacco and related products	5.6%	6.1%
France, tobacco and related products	(0.1%)	(0.1%)

In Italy, sales will perform positively as a result of the projected trend in tobacco prices and sales in order complementary business.

In France, the indicated trend arises in an expected environment of moderate variation in tobacco volumes and prices after the price and tax increases promoted by the French Government in recent years and already completed.

Based on the methods used and the estimates, projections and valuations available to the Parent's directors, no impairment losses were recognised in relation to these assets in 2020 and 2019.

With regard to the sensitivity analysis of the impairment tests on goodwill, the Group performed an analysis of sensitivity of the impairment test result to changes due to increases of 100 basis points in the discount rate and negative changes of 100 basis points in the residual growth rate, along with more restrictive commercial hypothesis. This sensitivity analysis performed separately for each of the aforementioned assumptions did not disclose any impairment losses.

8. Other intangible assets

The changes in "Other Intangible Assets" in 2020 and 2019 were as follows:

2020

	Thousands of Euros				
	Balance at 30/09/2019	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30/09/2020
Cost:					
I+D expenses	2,223	-	-	-	2,223
Computer software	201,134	342	(175)	13,698	214,999
Concessions, rights and licenses	784,111	-	(2)	-	784,109
Advances and intangible assets in progress	9,764	11,974	(1)	(11,090)	10,647
	997,232	12,316	(178)	2,608	1,011,978
Accumulated amortization:					
I+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(173,064)	(11,709)	173	18	(184,582)
Concessions, rights and licenses	(364,303)	(52,185)	2	-	(416,486)
	(539,559)	(63,894)	175	18	(603,260)
Impairment losses	(623)	-	-	-	(623)
	457,050	(51,578)	(3)	2,626	408,095

2019

	Thousands of Euros				
	Balance at 30/09/2018	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30/09/2019
Cost:					
I+D expenses	2,223	-	-	-	2,223
Computer software	187,434	359	(3,351)	16,692	201,134
Concessions, rights and licenses	784,164	-	(53)	-	784,111
Advances and intangible assets in progress	11,678	10,714	-	(12,628)	9,764
	985,499	11,073	(3,404)	4,064	997,232
Accumulated amortization:					
I+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(163,225)	(10,985)	3,345	(2,199)	(173,064)
Concessions, rights and licenses	(312,249)	(52,107)	53	-	(364,303)
	(477,666)	(63,092)	3,398	(2,199)	(539,559)
Impairment losses	(2,623)	-	-	2,000	(623)
	505,210	(52,019)	(6)	3,865	457,050

Additions

The additions to "Other intangible assets" in 2020 and 2019 relate mainly to functional development projects for the Logista Group's existing applications to improve or increase the services provided to its customers and the implementation of new management systems (SAP) in certain business segments.

Transfers

The transfers to "Computer Software" in 2020 and 2019 relate to the reclassification of various items that have been put into operation from the account "Advances and intangible assets in progress" attending to their nature.

Impairment

In 2020 and 2019 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

Other information

On 30 September 2020 and 2019, the intangible assets in use that were completely depreciated amounted to EUR 150,222 thousand and EUR 140,106 thousand, respectively.

9. Financial assets

The detail of "Other Non-Current Financial Assets" and "Current Financial Assets" in the accompanying consolidated balance sheets at 30 September 2020 and 2019 is as follows:

2020

Financial Assets: Nature/Category	Thousands of Euros				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 26)	Short-Term Deposits and Guarantees	Available-for- Sale Financial Assets	Total
Non-current:					
Equity instruments	-	-	-	725	725
Financial debts (Note 18)	10,246	-	-	-	10,246
Other financial assets	-	-	5,359	-	5,359
	10,246	-	5,359	725	16,330
Current:					
Financial debts	30,134	2,636,154	-	-	2,666,288
Impairment of financial debts	-	(2,273)	-	-	(2,273)
Other financial assets	-	-	63	-	63
	30,134	2,633,881	63	-	2,664,078
	40,380	2,633,881	5,422	725	2,680,408

2019

Financial Assets: Nature/Category	Thousands of Euros				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 26)	Short-Term Deposits and Guarantees	Available-for- Sale Financial Assets	Total
Non-current:					
Equity instruments	-	-	-	708	708
Financial debts (Note 18)	10,037	-	-	-	10,037
Other financial assets	162	-	4,483	-	4,645
	10,199	-	4,483	708	15,390
Current:					
Financial debts	29,565	2,022,227	-	-	2,051,792
Impairment of financial debts	-	(1,423)	-	-	(1,423)
Other financial assets	-	-	152	-	152
	29,565	2,020,804	152	-	2,050,521
	39,764	2,020,804	4,635	708	2,065,911

Loans granted to third parties

The venturers of "UTE Compañía de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas" granted a loan to this joint venture, assuming an equal portion, which at 30 September 2020 totaled EUR 117,616 thousand (EUR 118.016 thousand in 2019). Compañía de Distribución Integral Logista, S.A.U. has recognised an amount of EUR 29,404 thousand in this connection at 30 September 2020 (at 30 September 2019: EUR 29,504 thousand), and this amount is recognised under "Other Current Financial Assets" and "Other Current Financial Liabilities" in the accompanying consolidated balance sheet as at that date, for the balances receivable from and payable to the aforementioned joint venture that correspond to the other venturer (see Note 20).

This loan agreement has been subject to successive renewals and modifications, the last of which is in force until 31 December 2020, with a maximum limit of EUR 122 million, 50% of which from each venturer. The loan is interest free.

The main figures of the joint venture at 30 September 2020 were as follows:

	Thousands of Euros			
	Assets	Liabilities	Equity	Loss for the Year
"UTE Compañía de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas"	29	119,955	(119,926)	(92)

Credits granted to related parties

As of 12 June 2014, Imperial Tobacco Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A.U., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a mutual agreement for a five-year credit line (automatically renewable for one year, unless either of the parties sends a notice opposing such renewal at least one year prior to maturity), with a maximum draw down limit of EUR 2,000 million. As of 1 December 2015, the maximum draw down limit was increased to EUR 2,600 million. The purpose of this agreement is to govern the terms and conditions under which Logista will lend, on a daily basis, its cash surpluses to Imperial Tobacco Enterprise Finance Limited for the purpose of optimizing its cash flow, and the loans from Imperial Tobacco Enterprise Finance Limited to Compañía de Distribución Integral Logista, S.A.U. in order for the latter to be able to meet its cash needs arising from its operations. In accordance with this agreement, Compañía de Distribución Integral Logista, S.A.U. will lend, on a daily basis, its cash surpluses to Imperial Tobacco Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations.

Imperial Tobacco Enterprise Finance Limited changed its corporate name on February 29, 2016 to Imperial Brands Enterprise Finance Limited.

On 21 March 2018, Imperial Brands Enterprise Finance Limited transferred the rights and obligations under the aforementioned credit line agreement to Imperial Brands Finance PLC., and the maturity was extended to 12 June 2024 (automatically renewable for additional one-year periods, unless notified otherwise by any of the parties at least one year before maturity) with a maximum drawdown limit of 2,600 million euros. On September 1, 2020, an addendum to the credit line agreement was signed in which the maximum draw down limit was extended to 4,800 million euros until October 31, 2020, a period during which Imperial Brands is bound to repay the amounts loaned in excess of EUR 2,600 million if it loses investment grade based on the S&P or Moody's ratings. Additionally, the addendum stipulates that Imperial Brands PLC, as the head of the Group, guarantees Logista the fulfillment of all the obligations of the contract until the expiration of the same. As of 30 September 2020, the outstanding balance amounts to EUR 2,636 million (30 September 2019: EUR 2,022 million).

The interest accrued on this credit line at 30 September 2020 amounted to EUR 16,495 thousand (30 September 2019: EUR 14,489 thousand) (see Note 26).

The daily balance of this internal current account has an equivalent cost to the interest at the European Central Bank interest rate, plus a spread of 0.75% for the credit provisions, and earn at the same reference rate, plus a spread of 0.75% for the surplus loans. Interest is calculated daily, based on 360 days, and is capitalized every quarter.

Under this agreement the Parent has undertaken to refrain from obtaining financing from third parties and from encumbering in any way its assets unless the transaction is approved by a qualified majority of the Board of Directors.

10. Inventories

The detail of the Group's inventories at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Tobacco	1,138,177	1,100,854
Published materials	8,929	12,083
Other merchandise	157,932	181,119
Write-downs	(10,726)	(11,302)
	1,294,312	1,282,754

The balance of tobacco inventories includes the excise duty chargeable to the tobacco items for the tobacco stock in the Group's warehouses at 30 September 2020, for a total amount of EUR 489,534 thousand (2019: EUR 429,263 thousand).

The write-down in year 2020 and 2019 relates mainly to tobacco inventories that were defective or that cannot be sold at year end, The changes in the write-downs relating to "Inventories" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
Accumulated write-down at 30 September 2018	8,256
Period write-downs	5,727
Reversals	(3,846)
Amounts derecognised	1,165
Accumulated write-down at 30 September 2019	11,302
Period write-downs	7,594
Reversals	(4,795)
Amounts derecognised	(3,375)
Accumulated write-down at 30 September 2020	10,726

At 30 September 2020 and 2019, the Group had arranged insurance policies to cover the value of its inventories.

11. Trade and other receivables

The detail of "Trade and Other Receivables" in the accompanying consolidated balance sheets at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Trade receivables for sales and services	1,826,577	1,742,897
Related companies (Note 26)	31,381	21,601
Sundry accounts receivable	95,360	201,792
Employee receivables	486	650
Less- Allowances for doubtful debts	(53,275)	(53,246)
	1,900,529	1,913,694

The changes in the "Allowances for Doubtful Debts" in 2020 and 2019 are as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2018	53,225
Period write-downs	2,590
Reversals	(2,064)
Reclasifications	(462)
Amounts derecognised	(43)
Allowance for doubtful debts at 30 September 2019	53,246
Period write-downs	3,110
Reversals	(2,895)
Reclasifications	(137)
Amounts derecognised	(49)
Allowance for doubtful debts at 30 September 2020	53,275

The additions to and reversals from the allowance for doubtful debts in 2020 and 2019 are recognised under "Cost of Logistics Networks - Other Operating Expenses" in the accompanying consolidated income statement.

At 30 September 2020 and 2019, the total amounts of balances provided are older than 90 days.

Trade receivables for sales and services

"Trade Receivables for Sales and Services" includes mainly the balances receivable from the sales of tobacco products, postage and other stamps relating basically to the final delivery of each year, which may be settled during the first days of the following year, including the excise duties and VAT associated with tobacco product sales which do not form part of revenue (see Note 4.15).

The credit period taken on sales of goods and services by territory ranges from 10 to 30 days.

None of the clients supposes more than 5% of the trade receivable balances, so there is no clients' concentration risk.

The detail of the past-due receivables for which no allowance had been recognised at 30 September 2020 and 2019 is as follows:

Tranche	Thousands of Euros	
	2020	2019
0-30 days	33,250	65,807
30-90 days	8,212	11,621
90-180 days	3,533	6,103
180-360 days	2,299	2,102
More than 360 days	4,893	5,915

The Group recognizes an allowance for doubtful debts based on seniority of the debt, unless there are additional guarantees of payment.

Sundry accounts receivable

"Sundry Accounts Receivable" caption includes mainly the balances receivable from manufacturers for the tax established in France described in Note 22.

12. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheets at 30 September 2020 and 2019 includes mainly the Group's cash deposited in current accounts at banks.

The average interest rate obtained by the Group on its cash and cash equivalent balances has been 0.00% in 2020.

13. Equity

At the end of 2020 and 2019 the Parent's share capital amounted to EUR 26,550 thousand and was represented by 132,750,000 fully subscribed and paid shares of EUR 0.2 par value each, all of the same class.

As indicated in Note 1, the Parent was incorporated on 13 May 2014, with a share capital of EUR 60 thousand, divided into 300,000 shares of EUR 0.20 par value each, all of which are of the same class and fully subscribed and paid in cash by its sole shareholder, Altadis, S.A.U.

On 4 June 2014, the sole shareholder approved the share capital increase through a non-monetary contribution of EUR 26,490 thousand, through the issue of 132,450,000 new shares of EUR 0.20 par value each, together with a total share premium of EUR 942,148 thousand. The shares issued were of the same class as the outstanding shares and were fully subscribed and paid by Altadis, S.A.U. through the contribution to the Company of 44,250,000 registered shares representing all of the share capital of Compañía de Distribución Integral Logista, S.A.U (Logista Group Partner Company until that moment). For these purposes, it should be noted that the aforementioned non-monetary contribution was subject to the required assessment by an independent expert appointed by the Mercantile Registry, pursuant to the Spanish Capital Companies Law consolidated text and the Mercantile Registry Regulations.

The offering of shares in the Parent Company came to an end on 14 July 2014, and its shares are currently listed for trading in the Continuous Market on Madrid, Barcelona, Valencia and Bilbao Exchanges.

On 31 July 2018, Altadis, S.A.U. sold 13,265,000 shares, representing 9,99% of the Parent's share capital.

The only shareholder with an ownership interest of 10% or more in the Parent's share capital at 30 September 2020 and 2019 is Altadis, S.A.U. with an ownership interest of 50,01%.

At 30 September 2020 and 2019, all shares of the Parent have the same voting and dividend rights.

Capital Management

The main objectives of the Group's capital management are to ensure financial stability in the short and long term and the adequate funding of investments, keeping debt levels, all aimed at that the Group maintains its financial strength and soundness of their ratios so that it supports their business and maximizes the value for its shareholders.

At 30 September 2020, the Group had a net cash position amounting to EUR 2,749,433 thousand (30 September 2019: EUR 2,173,620 thousand), the detail being as follows:

	Thousands of Euros	
	2020	2019
Other current financial liabilities (Note 20)	(77,386)	(37,551)
Gross debt	(77,386)	(37,551)
Other Current financial assets (Note 9)	2,664,078	2,050,521
Cash and cash equivalents	162,741	160,650
Financial assets and cash	2,826,819	2,211,171
Total net financial position	2,749,433	2,173,620

14. Reserves

a) Share premium

The Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

b) Reserves of the Parent

Legal reserve

Under the Spanish Capital Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital, The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount, Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

On 30 September 2020 the Parent's legal reserve has reached the legally required minimum.

Other reserves

The capital increase expenses incurred by the Parent in 2014 in the transaction described in the "Share Capital" section, which were charged to reserves, amounted to EUR 176 thousand, net of the related tax effect. This line item also includes the annual charges for 2020 and 2019 relating to the Share Plan tranches, amounting to EUR 2,399 thousand and EUR 2,998 thousand, respectively (see Note 4.12).

Additionally, in 2020 this line item includes an amount used of EUR 4,533 thousand to settle the Third Vesting Period (2016-2019) of the 2014 General Share Plan and Special Share Plan (see note 4.12). In 2019 this line item included an amount of EUR 3,325 thousand to settle the Second Vesting Period (2015-2018) of the 2014 General Share Plan and Special Share Plan.

c) Reorganization reserve

This line item includes the net effect which arose in the Parent's reserves as a result of the corporate reorganization that took place during the year 2014, as described in Note 1, in conformity with the regulatory financial reporting framework applicable to the Group.

d) Reserve for first application of IFRS

As a result of the transition to International Financial Reporting Standards (IFRSs), the Group revalued a plot of land assigned to its operations by EUR 28,500 thousand, based on the appraisal of an independent valuer, considering the fair value of this plot of land to be the deemed cost thereof in the transition to IFRSs, The impact of this revaluation on reserves amounted to EUR 19,950 thousand.

e) Dividends

On March 24, 2020, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2019, which included an interim dividend out of the profit for that year, which had previously been approved by the Board of Directors and paid, amounting to EUR 48,938 thousand together with a final dividend of 107,096 thousand euros, paid on March 27, 2020.

f) Treasury shares

To cater of the long-term share-based incentive scheme, the Group owned 522,273 treasury shares amounting to EUR 10,681 thousand.

15. Reserves at consolidated companies

The detail of "Reserves of Group Companies and Associates" in the consolidated balance sheets at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Reserves in fully consolidated companies	216,036	217,501
Reserves in companies consolidated by the equity method	(470)	(1,019)
	215,566	216,482

The reserves at consolidated companies include the retained earnings not appropriated at the beginning of the period relating to the consolidated companies and taking into account the consolidation adjustments.

16. Minority interests

The detail, by company, of "Minority interests" and "Profit/loss attributed to minority interests" in the consolidated balance sheets is as follows:

Entity	Thousands of Euros			
	2020		2019	
	Minority Interests	Income Attributable To Minority Shareholders	Minority Interests	Income Attributable To Minority Shareholders
Distribuidora Valenciana de Ediciones, S.A.	333	91	242	44
Terzia, S,p,A.	1,512	482	1,030	96
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	24	(17)	41	(2)
Distribuidora de Publicaciones del Sur, S.L.	106	(149)	255	(2)
Other entities	159	-	159	-
	2,134	407	1,727	136

17. Financial Risk Exposure

The management of the financial risks to which the Logista Group is exposed in the course of its business constitutes one of the basic pillars of its activities aimed at preserving the value of the Group's assets at all the business units and in all the countries in which it operates (mainly Spain, Italy, France, Portugal and Poland) and, as a result, the value of its shareholder's investments. The risk management system is structured and defined to achieve the strategic and operating objectives.

The Group's activities are exposed to various financial risks: market risk (including exchange risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's financial risk management is centralized in the Corporate Finance Division. This Division has the required mechanisms in place to control, based on the Group's financial position and structure and on the economic variables of the environment, the exposure to interest and exchange rate fluctuations and to the credit and liquidity risks, establishing the related credit limits and setting the policy for the doubtful debts allowance.

Credit risk

The Company's main financial assets are cash, loans to Group companies and trade and other receivables. In general, the Group holds its cash and cash equivalents at banks with high credit ratings. Also, the Group is exposed to the credit risk or counter-party risk of the group Imperial Brands, PLC, as a result of the cash transfer agreements entered into therewith.

The Group controls the risks of doubtful debts and default by setting credit limits and establishing demanding conditions with respect to collection periods; this commercial risk is distributed among a large number of customers with short collection periods and historically very low rates of non-payment and, therefore, the credit risk vis-à-vis non-Group third parties is not significant, due to the parties solvency.

The Group considers that at 30 September 2020 the level of credit risk is not significant, given the solvency of the counterparts.

Interest rate risk

In relation to its cash and cash equivalents and bank borrowings, the Group is exposed to interest rate fluctuations which might affect its profit and cash flows.

In accordance with the disclosure requirements of IFRS 7, the Group performed a sensitivity analysis in relation to the possible interest rate fluctuations which might occur in the markets in which it operates. Based on these requirements, the Group considers that each interest rate drop of 10 basis points would give rise to a decrease in the Group's finance income of EUR 2.3 million (2019: EUR 1.9 million)

Foreign currency risk

The level of exposure of equity and the income statement to the effects of future changes in the foreign currency exchange rates in force is not significant because the volume of the Group's transactions in currencies other than the euro is not material (see Note 25).

The Group does not have significant investments in foreign entities which operate in currencies other than the euro and it does not carry out significant transactions in countries whose currency is not the euro.

Liquidity risk

The Group has to meet payments arising from its activities, including significant amounts relating to excise duties and VAT.

Also, at 30 September 2020, the Group had a working capital deficiency amounting to EUR 802,614 thousand (September 2019: EUR 814,617 thousand). However, as a result of the difference between the average collection and payment, the Group generates sufficient liquidity to meet these payments.

In any event, the Group, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its consolidated balance sheet, together with the cash-pooling facilities with companies in the Group to which it belongs (see Note 9).

17.1 Exposure to risk. Covid-19 situation

Identified risks

The current environment situation is marked by the uncertainty generated by the coronavirus pandemic. The measures adopted to combat it have caused a significant setback in the world economy, with special incidence in Spain and Italy and it is difficult to assess or predict what the impact will be in the medium term, which will depend on the rate at which the recovery of the economy.

Actions taken to mitigate risks

This risk is mitigated, since Logista is dedicated to the supply and distribution of products to sales networks that provide essential services, tobacconists, pharmacies, service stations, kiosks, and, therefore, is obliged to maintain its activities, guaranteeing the supply and supply of said products to retail establishments, so these consolidated annual accounts are presented under the going concern principle.

The impacts on the business included, among others, and not to the same extent in all of the Group's businesses: a reduction of activity and revenues as well as increases in costs (overtime, special bonuses in some countries, disinfection, cleaning, medical supplies, etc.). However, the decrease in some costs which resulted from the confinement and the restrictions on movement, and from the general saving measures adopted by the Group (in travelling, conventions, consultations, etc., mitigated the negative impact on the year's results.

Impacts to date and potential future impacts

From an economic point of view, COVID-19 presents great uncertainties, the consequences in the medium and long term being difficult to quantify and conditioned, in any case, on the duration of the containment measures imposed by the different governments, as well as to the subsequent economic recovery, nationally and internationally.

The Group has adapted its operations, as well as its strategic and business plan to the current situation derived from the coronavirus crisis, putting in place corrective, contingency and various kinds of measures, in relation to business continuity, which has allowed it to continue its operations, as well as various protection measures for its workers and collaborators. In updating its impairment tests on cash-generating units, the Group has not observed specific relevant indications of impairment derived from Covid-19, nor has it experienced a deterioration in its customers' collection periods.

The Group has estimated that the negative impact of the pandemic on profit before tax, as of September 30, 2020, has been 14 million euros.

18. Provisions

The detail of the balance of short and long-term provisions in the accompanying consolidated balance sheets at 30 September 2020 and 2019 and of the main changes therein in the periods is as follows:

2020

	Thousands of Euros					Balance at 30/09/2020
	Balance at 30/09/2019	Additions	Reversions	Provisions Used	Transfers	
Excise duty and other assessments	10,593	3,322	-	(2,055)	(2,316)	9,544
Obligations to employees	21,527	1,910	(1,054)	(1,232)	(350)	20,801
Provision for contingencies and charges	5,868	1,218	(18)	(659)	-	6,409
Other	2,700	535	(529)	(6)	-	2,700
Non-current provisions	40,688	6,985	(1,601)	(3,952)	(2,666)	39,454
Provision for restructuring costs	7,098	8,789	(1,562)	(5,328)	-	8,997
Customer Refunds	1,851	25	(682)	-	-	1,194
Other	2,745	1,408	(328)	(868)	350	3,307
Current provisions	11,694	10,222	(2,572)	(6,196)	350	13,498

2019

	Miles de Euros					Balance at 30/09/2019
	Balance at 30/09/2018	Additions	Reversions	Provisions Used	Transfers	
Excise duty and other assessments	10,859	3,299	(3,224)	(341)	-	10,593
Obligations to employees	19,493	4,729	(1,340)	(1,178)	(177)	21,527
Provision for contingencies and charges	5,908	1,972	(973)	(830)	(209)	5,868
Other	2,671	77	(7)	-	(41)	2,700
Non-current provisions	38,931	10,077	(5,544)	(2,349)	(427)	40,688
Provision for restructuring costs	4,821	8,196	(2,168)	(3,751)	-	7,098
Customer Refunds	2,162	3	(314)	-	-	1,851
Other	4,600	740	(1,308)	(1,424)	137	2,745
Current provisions	11,583	8,939	(3,790)	(5,175)	137	11,694

Provision for excise duty on tobacco products and for other assessments

Compañía de Distribución Integral Logista, S.A.U. has recognised provisions for assessments as a result of audits by the Spanish customs authorities of the returns for excise tax on tobacco products for 2009 to 2010. The Company signed the assessments on a contested basis and filed appeals against them, however, it has recognised provisions for the possible deficiency and interest in this connection in order to cater for the possibility of unfavorable decisions being handed down on the appeals amounting to EUR 2,424 thousand, this year the Supreme Court confirmed the amount of the assessments, settling the principal of them for EUR 1,992 thousand, so the provision that remains is maintained to cover the suspensive late payment interest

In previous years, tax assessments were issued to Compañía de Distribución Integral Logista, S.A.U. in relation foreign trade activity settlements for years 2012-2018 amounting to EUR 14,260 thousand, which have been appealed. Of this amount, EUR 3,605 thousand have been guaranteed and the remaining amount has been paid to avoid the possible accrual of late payment interest Per the assessment made and corroborated by its external advisers, the existing arguments to defend the Company's actions in this regard are sound and should prevail in the courts, for which reason an outflow of financial resources is not considered probable and, consequently, the Group has not recognised a provision for the first tax assessment and has recognised the payment of the other years as an asset in the accompanying consolidated balance sheet as at 30 September 2020 (See Note 9). It is important to take into account that, by virtue of the agreements entered into by the Company, any impact arising from a possible increase in the tariff on the goods sold by the Company may be passed on to the supplier of the goods. The aforementioned claims are currently in the National Court for an amount of EUR 10,004 thousand and the rest in the Economic Administrative Court, or in the inspection itself pending resolution, estimating that they will be concluded within a period longer than one year, which is why they are recorded in non-current assets.

In 2020, provisions have been recognized amounting to EUR 3,058 thousand, as a provision for inspection in progress for corporate tax and EUR 70 thousand have been reclassified, relating to a withholding certificate from the same inspection signed in disagreement.

At 30 September 2020, Logista Italia, S.p.A. has recognized a provision amounting to EUR 5,033 thousand (2019: EUR 4.523 thousand) as a result of the Italian tax authorities' open inspection.

Additionally, there are recognized provisions to cover existing risks related to other assessments.

Provisions for employee benefit obligations

This account includes mainly the present value of the obligations assumed by Compañía de Distribución Integral Logista, S.A.U. in terms of long-service bonuses and the "free tobacco" benefit and the provisions recognised by the Group companies to meet retirement obligations.

This provision was calculated on the basis of actuarial studies performed by independent experts using as their main assumptions PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 0.9% as the main assumptions. In 2019, the Group charged EUR 3,248 thousand to reserves corresponding to changes in the actuarial assumptions used to calculate the present value of the total obligation assumed by the Group.

In 2017, a provision of EUR 6,860 thousand was recognised as a result of a decision handed down by the Employment Tribunal of the National Appellate Court, which ordered that Compañía de Distribución Integral Logista, S.A.U. recognise the right of those employees formerly employed by Altadis, S.A.U. who had retired after 2005 to receive, once they had retired, the equivalent monetary value of the gift tobacco they would receive at present as active personnel. The Company appealed against this decision at the Supreme Court. On 25 September 2019, the Supreme Court has dismissed the appeal, ordering Compañía de Distribución Integral Logista, S.A.U. to pay the aforementioned amount, without any additional risk to be recognised.

Provision for restructuring costs

This account includes mainly the estimate of the payments to be made in relation to the restructuring plans that are being implemented at the Group. In 2020 and 2019, provisions were recognised amounting to EUR 8,789 thousand and EUR 8,196 thousand, respectively, and indemnity payments were made amounting to EUR 5,328 thousand and EUR 3,751 thousand, respectively, with a charge to the provisions that were recognised for that purpose.

These provisions were reclassified to current liabilities on the basis of the directors' estimates as to the dates on which these proceedings will come to an end.

Provisions for customer refunds

The customers of publishing sector are entitled to the refund of those products which are finally not sold, and the Group may in turn exercise this entitlement to a refund vis-à-vis its suppliers. At each year-end, the Group recognises a provision based on past experience of the refunds on sales with a view to correcting the margins obtained in the course of the book and publications sales activity.

Provisions for contingencies and charges

"Provision for Contingencies and Charges" includes mainly several lawsuits in process in which the Group is involved with third parties, as well as other third-party liability.

19. Tax matters

Consolidated Tax Group

In 2020 some of the Group companies are taxed under a consolidated tax return with the Parent Company (see Note 4.16). The companies included together with the Parent Company in the consolidated tax return Group, for Corporation Tax purposes, are the following: Compañía de Distribución Integral Logista, SAU, Publicaciones y Libros, SAU, Distribuidora de las Rías, SAU, Logista-Dis , SAU, La Mancha 2000, SAU, Dronas, 2002, SLU, Logista Pharma Canarias, SAU, Distribuidora de Publicaciones Siglo XXI Guadalajara, SL, Logista Pharma, SAU, Cyberpoint, SLU, Distribuidora del Noroeste, SL, ., Compañía de Distribución Integral de Publicaciones Logista, SLU, Distribuidora del Este, SAU, SA Distribuidora de Ediciones, Logesta Gestión de Transporte, S.A.U., and Be to Be Pharma, S.L.U.

In addition, Logista France, S.A.S., Société Allumetière Française, S.A.S., Supergroup, S.A.S. file consolidated income tax returns in France as part of the group headed by Logista France, S.A.S.

Logista Italia, S.p.A. and Terzia, S.p.A. file consolidated income tax returns in Italy as part of the group headed by Logista Italia, S.p.A.

Additionally, Compañía de Distribución Integral Logista, S.A.U. - Sucursal em Portugal, Midsid – Sociedade portuguesa de Distribuicao, S.A. and Logista Transportes, Transitarios e Pharma, Lda, are taxed under a tax consolidation regime for Corporate Income Tax purposes in Portugal, being the head of said group Compañía de Distribución Integral Logista, S.A.U.- Sucursal in Portugal.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

Years open for review by the tax authorities

Compañía de Distribución Integral Logista, S.A.U. has open for review by the tax authorities the years 2017, 2018, 2019 and until September 2020 for excise taxes, and fiscal year 2019 and until September 2020 for foreign trade taxes.

The Parent Company and Compañía de Distribución Integral Logista, S.A.U. have currently under review by the tax authorities years 2013, 2014, 2015 and 2016 for income taxes, years 2014, 2015 and 2016 for withholding taxes and, additionally, for Compañía de Distribución Integral Logista, S.A.U. years 2013, 2014, 2015, 2016 and 2017 for value added taxes.

Logista Italia, S.p.A. has currently under review by the tax authorities years 2014 and 2015 for income taxes.

Logista France, S.A.S. and Société Allumetière Française, S.A.S. has currently under review by the tax authorities years 2017, 2018 and 2019 or income taxes, value added taxes and other local taxes.

In general, the other consolidated companies have the last four years open for review by the tax authorities for the main taxes applicable to them, pursuant to the specific legislation of each country, and the last ten years for excise taxes in Italy.

The Company's Directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities that might arise would not have a material effect on the accompanying financial statements.

Tax receivables and payables

The detail of the tax receivables at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Deferred tax assets:		
Provision for restructuring costs	1,698	557
Goodwill	1,787	1,815
Impairment losses and other	3,452	4,003
Provision for third-party liability	9,986	10,467
Other deferred tax assets	1,796	2,189
	18,719	19,031
Tax receivables (current):		
VAT refundable	2,933	5,088
Income tax refundable	74,540	14,359
Other	2,927	233
	80,400	19,680

The deferred tax assets relate mainly to provisions recognised for restructuring plans, termination benefits and obligations to employees that will become tax deductible in the coming years. Also, Law 16/2012, of 27 December, established for 2013 and 2014 a ceiling on the deductibility of the depreciation and amortization charge. Specifically, it was possible to deduct up to 70% of the depreciation and amortization charge, and the portion of the charge that was not deductible started to be deducted in 2017.

The detail of the tax payables at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Deferred tax liabilities:		
Assets contributed by Logista	374	535
Revaluation of land owned by the Parent (Note 14-d)	7,125	7,125
Goodwill	108,859	102,125
Business Combination	130,666	148,646
Other	6,536	6,452
	253,560	264,883
Tax payables (current):		
Excise duty on tobacco products	4,600,495	3,798,298
VAT payable	820,895	755,593
Customs duty settlements	3,450	3,333
Income tax, net of prepayments	8,214	2,997
Personal income tax withholdings	6,859	6,847
Social security taxes payable	18,275	17,253
Tax retention to tobaccoists (France)	2,931	34,660
Other	137,480	234,414
	5,598,599	4,853,395

Short-term balances include mainly the "Excise Duty on Tobacco Products" accrued by Compañía de Distribución Integral Logista, S.A.U., Logistra France, S.A.S. and by Logista Italia, S.p.A. and pending payment to the tax authorities.

The deferred tax liabilities arising from business combinations relate mainly to the tax effect of the recognition of the agreements with the tobacco manufacturers of the subsidiary Logista France, S.A.S., within the context of the acquisition of this subsidiary in 2013 (see Notes 4.4 and 8).

The heading "Other" of current tax payables includes other accounts payable to the French Public Authorities. As of September 30, 2019, it included an account payable with the French tax authorities for an amount of EUR 71 million, related to the social contribution accrued in year 2019 and up to September 30, 2019. On December 28, 2019, French Public Administration canceled this social contribution with effects from January 1, 2019, increasing the special taxes on tobacco (see Note 22).

Until 2011, each year Compañía de Distribución Integral Logista, S.A.U decreased its taxable profit by one twentieth of the implicit goodwill included in the acquisition price of its subsidiary in Italy. These reductions are considered to be temporary differences. On 30 March 2012, Royal Decree-Law 12/2012 came into force, introducing various tax and administrative measures aimed at reducing the public deficit. These measures include limiting the tax deductibility of such goodwill to 1% per year. Since 2017, the maximum tax credit is 5% per year.

Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the aggregate taxable profit and of the accounting profit before tax to the income tax expense resulting from the application of the standard tax rate in force in Spain for the years ended 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Accounting profit before tax	218,682	217,099
Permanent differences	9,854	(18,235)
Tax loss carryforwards compensation	(176)	(245)
Tax charge at 25%	57,090	49,655
Effect of different tax rates and changes thereto	6,294	6,197
Corporation tax adjustments	-	(4,460)
CVAE France	2,635	2,841
Reductions	(4,928)	(1,896)
Total income tax expense recognised in consolidated profit or loss	61,091	52,337

The Group is affected by the different income tax rates to which the Group companies' activities are subject:

- Spain: the current income tax rate is 25%.
- France: the current standard tax is 34.43%.
- Italy: the income tax rate is 24% and there is a supplementary business tax which can represent an additional 4.6%.
- Portugal: the income tax rate is 22.5%, and there is a supplementary business tax which can represent up to 4.5%, additionally, there is an obligation to make pre-payments even if an entity is reporting a loss.
- Poland: the income tax rate is 19%.

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2020	2019
Current tax:		
Continuing operations	71,801	65,717
Deferred tax:		
Continuing operations	(10,710)	(13,886)
Tax adjustment and others	-	502
Total tax expense	61,091	52,337

Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2020 and 2019 are as follows:

2020

	Thousands of Euros			
	Balance at 30/09/2019	Change in Profit or Loss	Others	Balance at 30/09/2020
Deferred tax assets:				
Provision for restructuring costs	557	1,141	-	1,698
Goodwill	1,815	(28)	-	1,787
Impairment losses and other	4,003	(551)	-	3,452
Provision for third-party liability	10,467	(426)	(55)	9,986
Other deferred tax assets	2,189	(393)	-	1,796
	19,031	(257)	(55)	18,719
Deferred tax liabilities:				
Assets contributed by Logista	(535)	161	-	(374)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(102,125)	(6,734)	-	(108,859)
Business combination	(148,646)	17,980	-	(130,666)
Other	(6,452)	(354)	270	(6,536)
	(264,883)	11,053	270	(253,560)

2019

	Thousands of Euros			
	Balance at 30/09/2018	Change in Profit or Loss	Others	Balance at 30/09/2019
Deferred tax assets:				
Provision for restructuring costs	1,167	(543)	(67)	557
Goodwill	1,842	(27)	-	1,815
Impairment losses and other	1,750	2,261	(8)	4,003
Provision for third-party liability	10,734	162	(429)	10,467
Other deferred tax assets	3,136	(949)	2	2,189
	18,629	904	(502)	19,031
Deferred tax liabilities:				
Assets contributed by Logista	(562)	27	-	(535)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(95,378)	(6,747)	-	(102,125)
Business combination	(166,627)	17,981	-	(148,646)
Other	(9,981)	3,529	-	(6,452)
	(279,673)	14,790	-	(264,883)

The deferred tax liability caption includes mainly the deferrals associated with the business combinations and goodwill recorded by the Group. During fiscal year 2020 there have been variations to the corporate income tax for the year together with the effect of changes in the tax rate in various legislations.

Tax credit and tax loss carryforwards

At 30 September 2020, the Group had tax credits not yet used by the tax group amounting to EUR 226 thousand (30 September 2019: EUR 1,870 thousand), which had been earned as part of the previous tax group. These tax credits are recognised under "Other Current Financial Assets".

The not capitalised tax loss carryforwards at the end of 2020 were basically as follows:

- Spain: the tax loss carryforwards amount to EUR 5,985 thousand and were incurred mainly by S.A.U. Distribuidora de Ediciones and Distribuidora Valenciana de Ediciones, S.A. There is no time limit for their offset.

- Portugal: the tax losses not yet offset amount to EUR 10 thousand and were incurred by Logesta Lusa Lda., being its limit for their offset the period 2026-2028.

20. Other current and non-current financial liabilities

The detail of other current and non-current financial liabilities at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Long term financial debt – IFRS 16 (Note 6.2)	123,643	-
Other non-current financial liabilities	4,541	3,305
Other non-current financial liabilities	128,184	3,305
Short term financial debt – IFRS 16 (Note 6.2)	31,699	-
Credit "UTE Compañía de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas (Note 9)	29,404	29,504
Other current financial liabilities with related parties (Note 26)	16,283	8,047
Other current financial liabilities	77,386	37,551

Credit facility "UTE Compañía de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas

This line item includes mainly the balance at Compañía de Distribución Integral Logista, S.A.U relating to the credit facility granted by it to "UTE Cía de distribución Integral Logista, S.A.U. y IGR Spain Lottery, S.L.U.", which amounted to EUR 29,404 thousand at 30 September 2020 (30 September 2019: EUR 29,504 thousand). This amount represents the balance payable by the Group to "Compañía de Distribución Integral Logista, S.A.U and GTECH Global Lottery S.L.U., Unión Temporal de Empresas" as a result of the account payable to the other venturer of the UTE assumed by the Group (see Note 9).

21. Trade and other payables

The detail of "Trade and Other Payables" in the accompanying consolidated balance sheet at 30 September 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Accounts payable for purchases and services	958,188	1,020,391
Notes payable	25,784	26,025
Payable to related companies (Note 26)	160,994	227,229
Advances received on orders	67	414
	1,145,033	1,274,059

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2020 and 2019 was approximately 37 days.

22. Guarantee commitments to third parties and other information

Guarantees committed to third parties

At 30 September 2020, the Group has been provided with bank guarantees totaling EUR 185,034 thousand (30 September 2019: EUR 157,284 thousand) which, in general, secure the fulfilment of certain obligations assumed by the consolidated companies in the performance of their business activities.

Also, the Group has provided guarantees for its ordinary trading operations; in this regard, the Parent's directors consider that any liabilities not foreseen at 30 September 2020 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2020, the Group had taken out insurance policies to cover possible contingencies including property damage, business interruption and certain liability insurances. The Directors believe that the cover insured is appropriate for the assets and risks of the Group.

Other Information

On 20 June 2017, the Spanish National Markets and Competition Commission (CNMC) resolved to commence enforcement proceedings against several companies, including Compañía de Distribución Integral Logista, S.A.U., for possible anti-competitive behaviour in the Spanish cigarette manufacturing, distribution and retail sale market.

On 12 April 2019, the Board of the CNMC issued its Decision of 10 April 2019 in relation to the enforcement proceedings concerning an alleged exchange by certain tobacco manufacturers of information relating to the sale of cigarettes from 2008 to 2017. Logista provided the aforementioned information in compliance with the principles of neutrality and non-discrimination.

The CNMC considers expressly in the aforementioned decision that the aim of the conduct in question was not to restrict competition and, therefore, it could not be classified as constituting a cartel. However, the CNMC imposed a penalty of EUR 20.9 million on Logista because it considered that such conduct was restrictive due to its, albeit potential, effects on the cigarette manufacturing and sale market. The CNMC did not substantiate or evidence that Logista's sales information had given rise to the alleged restriction of competition between the manufacturers attributed to it.

Logista evidenced that the aforementioned information, which is free, was made available to all manufacturers that distributed their products through Logista, with the lawful purpose of such manufacturers being able to verify Logista's strict compliance with the principle of neutrality when performing its activities as a wholesale distributor in the tobacco market.

Therefore, the Parent's directors, supported by its legal advisors, believe that the Decision, which is not final, is unlawful; at the date of authorisation for issue of these financial statements an appeal for judicial review had been lodged at the Spanish National Appellate Court against the Decision, which is not expected to impact the Group's equity position.

Also, in 2017 France established a tax of 5.6% levied on tobacco suppliers' sales. This tax was initially paid by Logista France, S.A.S. to the French authorities and subsequently rebilled to the tobacco manufacturers, certain of which refused to make the related payment; the amount receivable in connection with the tax for 2017 and 2018 totals EUR 118 million. Logista France, S.A.S. decided to withhold the equivalent amount of the invoices received from those manufacturers. In this context, the Group received claims for EUR 39 million and EUR 3 million, respectively, from two tobacco manufacturers. The EUR 3 million claim was extended to EUR 26 million on 11 December 2019, without any hearing or resolution.

On 15 October 2019, the Paris Commercial Court issued the decision on the claim lodged by one of the tobacco manufacturers, in which it ruled that Logista France, S.A.S. had to pay the invoices received from the manufacturer for EUR 39 million, corresponding to the tax for 2017 and 2018. Logista and its legal advisors consider that the decision is an erroneous interpretation of the principles and agreements between Logista and the manufacturer and, furthermore, consider that the aforementioned Court did not

take into consideration the arguments put forward by Logista in relation to the agreement and the nature of the tax, and Group is therefore evaluating the legal actions to lodge.

On December 28, 2019, the French Public Administration canceled this rate with effect from January 1, 2019, increasing the special taxes on tobacco.

On the basis of the information available, the negotiations and communications that have taken place with the manufacturers and also the assessment of its legal advisers, the Group's directors consider that this matter will not have any impact on the Group's equity position.

23. Income and expenses

a) Income

The detail of "Revenue" in the consolidated income statements for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Iberia	3,175,665	3,157,395
Italy	3,167,001	2,961,607
France	4,255,778	4,069,467
Corporate	9,447	9,149
Adjustment due to inter-segment sales	(48,811)	(49,295)
	10,559,080	10,148,323

b) Staff costs

The detail of the Group's "Staff Costs" in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Wages and salaries	(199,472)	(200,049)
Termination benefits	(17,194)	(10,303)
Employer social security costs	(63,381)	(64,638)
Other employee benefit costs (Note 4.12)	(2,587)	(2,079)
Other social costs	(15,676)	(14,858)
	(298,310) (*)	(291,927) (*)

(*) "Research Expenditure" includes EUR 1,479 thousand and EUR 1,375 thousand of staff costs in 2020 and 2019, respectively.

The average number of employees at the Group, by professional category, in 2020 and 2019, as well as the number of employees as of 30 September 2020 and 30 September 2019 was as follows:

2020

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/20			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management team	19	4	-	-	19	3	-	-
Technicians and administration	1,590	1,234	143	159	1,612	1,280	170	172
Warehouse staff	1,581	553	336	220	1,568	534	384	214
	3,190	1,791	479	379	3,199	1,817	554	386
Total	4,981		858		5,016		940	

2019

Category	Número de Personas							
	Average Headcount				Headcount at 30/09/19			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management team	20	2	-	-	20	2	-	-
Technicians and administration	1,583	1,270	188	171	1,595	1,260	182	188
Warehouse staff	1,566	550	363	205	1,560	548	426	199
	3,169	1,822	551	376	3,175	1,810	608	387
Total	4,991		927		4,985		995	

The average number of disabled employees with a handicap higher than 33% at the Group in 2020 and 2019 was as follows:

Category	Average Number of Employees	
	2020	2019
Management team	-	-
Line personnel and clerical staff	21	15
Warehouse staff	37	48
	58	63

Remuneration of senior executives

The senior executive functions are discharged by members of the Management Committee, which consists of 9 members at 30 September 2020 (11 members in 2019).

The remuneration accrued in 2020 by the members of the Management Committee of the Group amounted to EUR 5,417 thousand (2019: EUR 4,583 thousand). The aforementioned amounts include the amounts vested in the members of the Management Committee in 2020 and 2019 under the incentive plan described in Note 4.12.

The period contributions to the savings schemes for members of the Management Committee for 2020 and 2019 amounted to EUR 285 thousand and EUR 250 thousand, respectively.

c) Other operating expenses

The detail of "Other Operating Expenses" in the consolidated income statements is as follows:

Cost of logistics networks

	Thousands of Euros	
	2020	2019
Leases	(4,670)	(32,346)
Security and cleaning	(18,565)	(16,318)
Utilities	(18,236)	(17,854)
Other operating expenses	(133,738)	(130,784)
	(175,209)	(197,302)

Commercial expenses

	Thousands of Euros	
	2020	2019
Leases	(1,129)	(2,450)
Security and cleaning	(11)	(30)
Utilities	(1,146)	(1,481)
Other operating expenses	(20,689)	(20,321)
	(22,794)	(24,282)

Head Office costs

	Thousands of Euros	
	2020	2019
Leases	(1,156)	(4,378)
Security and cleaning	(833)	(581)
Utilities	(633)	(367)
Other operating expenses	(12,314)	(14,097)
	(14,936)	(19,423)

"Other Operating Expenses" mainly includes expenses related to Independent professional services and to various services registered in the consolidated statements for 2020 and 2019.

d) Future rental payment commitments

The Group has the following future rental payment commitments, classified by year of maturity, without considering future contingent rent revisions:

	Thousands of Euros	
	2020	2019
Within one year	(36,531)	(32,838)
Between one and five years	(87,474)	(80,720)
More than five years	(28,709)	(25,758)
	(152,714)	(139,316)

e) Finance income

The detail of "Finance Income" in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2020	2019
Interest income (Note 26)	16,495	14,489
Other finance income with related parties (Note 26)	624	-
Other finance income	174	523
	17,293	15,012

f) Finance expenses

The detail of "Financial expenses" in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2020	2019
Accrual for late payment interests and financial update of provisions	(202)	(414)
Other financial costs	(4,845)	(1,825)
	(5,047)	(2,239)

g) Auditor's remuneration

The following table details the fees related to audit services and other services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, SL, in 2020 and by the joint auditors in 2019, Deloitte, SL and PricewaterhouseCoopers Auditores, SL, or by companies linked to them by control, common ownership or management, as well as the fees for services invoiced by the auditors of individual financial statements of the companies included in the consolidation and by the entities linked to them by control, common ownership or management.

	Thousands of Euros				
	Services Rendered by the Main Auditor			Services Rendered by Other Auditors	
	2020	2019		2020	2019
	EY	Deloitte	PWC		
Audit services	763	843	491	221	11
Reporting package to Imperial Brands, Plc.	95	-	304	-	-
Other attest services	60	35	53	-	86
Total audit and related services	918	878	848	221	97
Transfer pricing counselling services	-	173	-	53	-
Other services	29	4	19	-	-
Total other services	29	177	19	53	-
Total professional services	947	1.055	867	274	97

In fiscal year 2020, from September 30, 2020 until the date of preparation of the consolidated financial statements, the fees invoiced for non-audit services, provided by the group auditor, Ernst & Young, S.L., amounted to EUR 31.5 thousand.

In 2019, from September 30, 2019 to the date of preparation of the consolidated annual accounts for 2019, the fees invoiced for non-audit services, provided by PricewaterhouseCoopers Auditores, SL, amounted to EUR 12.4 thousand and by Deloitte, SL amounted to EUR 10.3 thousand.

24. Segment reporting

Basis of segmentation

Segment reporting is structured by geographical segment. The Group's business activities are located mainly in Iberia (Spain and Portugal), France and Italy. In the "Corporate and Others" line Poland is included.

Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by Logista Group management. The figure of highest instance of operational decision making to define the operating segments is the CEO of the Parent Company.

The segment's ordinary revenue relates to the ordinary income directly allocable to the segment plus the relevant proportion of the Group general revenue that can be allocated thereto using reasonable allocation bases. Each segment's ordinary revenue does not include interest or dividend income or gains arising from sale of investments.

The expenses of each segment are determined as the directly allocable expenses arising from its operating activities plus the relevant proportion of the expenses which may be allocated to the segment using reasonable allocation bases. The expenses allocated do not include interest or losses arising from the disposal of investments; similarly, they do not include the income tax expense or the head office's general administrative expenses that are not related to the segments' operating activities and, therefore, that cannot be allocated using reasonable allocation bases.

The assets and liabilities of the segments are those that are directly related to their operations plus those that can be directly attributed to them on the basis of the aforementioned allocation system and include the proportional part of joint ventures. Segment liabilities do not include income tax liabilities.

Primary segment reporting

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Others		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:										
External sales-	3,175,665	3,157,395	3,167,001	2,961,607	4,255,778	4,069,467	9,447	9,149	10,607,891	10,197,618
Tobacco and related products	2,774,278	2,753,909	3,167,001	2,961,607	4,111,231	3,891,663	9,447	9,149	10,061,957	9,616,328
Transport	385,384	385,656	-	-	-	-	-	-	385,384	385,656
Other businesses	162,802	152,213	-	-	153,733	187,217	-	-	316,535	339,430
Other adjustments	(146,799)	(134,383)	-	-	(9,186)	(9,413)	-	-	(155,985)	(143,796)
Inter-segment sales									(48,811)	(49,295)
Total revenue	3,175,665	3,157,395	3,167,001	2,961,607	4,255,778	4,069,467	9,477	9,149	10,559,080	10,148,323
Procurements:										
External procurements	(2,590,236)	(2,575,818)	(2,862,841)	(2,675,488)	(3,991,804)	(3,791,745)	-	-	(9,444,881)	(9,043,051)
Inter-segment procurements									42,591	43,714
Total procurements	(2,590,236)	(2,575,818)	(2,862,841)	(2,675,488)	(3,991,804)	(3,791,745)	-	-	(9,402,290)	(8,999,337)
Gross profit:										
External gross profit-	585,429	581,577	304,159	286,119	263,974	277,722	9,447	9,149	1,163,009	1,154,567
Tobacco and related products	286,346	278,357	304,159	286,119	230,058	233,176	9,447	9,149	830,010	806,801
Transport	271,675	269,974	-	-	-	-	-	-	271,675	269,974
Other businesses	86,467	86,404	-	-	40,615	51,736	-	-	127,082	138,140
Other and adjustments	(59,059)	(53,158)	-	-	(6,699)	(7,190)	-	-	(65,758)	(60,348)
Inter-segment gross profit									(6,219)	(5,581)
Total gross profit	585,429	581,577	304,159	286,119	263,974	277,722	9,447	9,149	1,156,790	1,148,986
Profit (Loss):										
Segment result	109,570	122,973	90,349	79,155	16,996	14,604	(11,358)	(13,655)	205,557	203,077
Share of results of associates	-	-	-	-	-	-	-	-	879	1,249
Profit (Loss) from operations	109,570	122,973	90,349	79,155	16,996	14,604	(11,358)	(13,655)	206,436	204,326

Inter-segment sales are made at prevailing market prices. Also, the transfer prices are adequately supported and, therefore, the Group's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

The detail of the other disclosures related to the Group's business segments is as follows:

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Others		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Other disclosures:										
Additions to non-current assets	109,580	31,574	68,146	6,449	43,570	13,653	2,002	322	223,928	51,998
Depreciation and amortisation charge	(40,554)	(23,792)	(16,027)	(6,290)	(67,796)	(59,006)	(596)	(64)	(124,973)	(89,152)
Balance sheet:										
Assets-										
Property, plant and equipment, investment properties and non-currents assets held for sale	232,804	158,192	75,147	22,702	63,869	47,757	1,451	202	373,271	228,853
Other non-current assets	76,302	76,693	674,623	674,411	614,044	662,164	1,870	1,718	1,366,839	1,414,986
Inventories	474,517	473,652	357,254	368,082	462,542	441,020	-	-	1,294,312	1,282,754
Trade receivables	537,279	560,516	386,989	355,732	975,167	996,568	1,094	878	1,900,529	1,913,694
Other current assets									2,911,989	2,243,280
Total consolidated assets									7,846,940	7,083,567
Liabilities-										
Non-current liabilities	164,989	113,103	82,673	40,704	172,214	155,069	1,321	-	421,198	308,876
Current liabilities	1,410,437	1,522,017	3,456,132	1,739,164	2,041,222	2,991,961	1,654	1,203	6,909,444	6,254,345
Equity									516,298	520,346
Total consolidated liabilities									7,846,940	7,083,567

25. Foreign currency transactions

The Logista Group's foreign currency transactions in 2020 and 2019, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2020	2019
Sales	14,370	16,090
Purchases	10,283	12,099
Services received	5,571	2,494

26. Balances and transactions with related parties

The balances at 30 September 2020 and 2019 with related companies were as follows:

2020

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	2,602	33,561	-
Altadis Canarias, S.A.	-	1,270	6,965	-
Imperial Brands Finance PLC	2,633,874	-	-	-
Imperial Tobacco International Limited	-	399	13,258	-
Seita, S.A.S.	-	8,294	42,579	-
Imperial Tobacco Italia, Srl	-	308	41,325	-
Tabacalera, S.L. Central Overheads	-	410	3,961	-
MyBlu Spain, S.L.	-	15,215	16,552	-
Logista Libros, S.L.	7	717	119	16,283
Otros	-	2,166	2,674	-
	2,633,881	31,381	160,994	16,283

2019

	Thousands of Euros			
	Receivables		Receivables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	1,453	47,906	-
Altadis Canarias, S.A.	-	1,981	22,507	-
Imperial Brands Finance PLC	2,020,792	-	-	-
Imperial Tobacco International Limited	-	777	22,788	-
Seita, S.A.S.	-	12,652	49,647	-
Imperial Tobacco Italia, Srl	-	1,630	53,007	-
Tabacalera, S.L. Central Overheads	-	1,149	3,498	-
MyBlu Spain, S.L.	-	737	27,828	-
Logista Libros, S.L.	12	683	48	8,047
Otros	-	539	-	-
	2,020,804	21,601	227,229	8,047

The accounts payable and accounts receivable stem from balances payable and receivable, respectively, related to commercial transactions, mainly purchases of tobacco and related products, between Logista Group companies and Imperial Brands PLC Group companies.

The "Credit Facilities" with Imperial Brands Finance PLC relate to cash among Logista Group and the Imperial Brands PLC Group (see Note 9).

The transactions with related companies in 2020 and 2019 were as follows:

2020

	Thousands of Euros			
	Operating Income	Finance Results (Note 23-e)	Purchases	Other Operating Expenses
Altadis, S.A.U.	11,799	-	316,785	-
Altadis Canarias, S.A.	11,657	-	36,644	-
Tabacalera S.L. Central Overheads	7,452	-	46	-
Imperial Tobacco Italy, s.r.l.	3,293	-	82,753	-
Imperial Tobacco Polska, S.A.	3,450	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	424	-	-	-
Imperial Brands Finance PLC	-	16,495	-	-
Imperial Tobacco International Limited	1,461	-	36,944	-
Imperial Tobacco Portugal SPPLC	3,713	-	-	-
Macotab, S.A.S.	-	-	-	404
SEITA, S.A.	-	-	243,706	2
Fontem Ventures BV	171	-	5,875	-
MyBlu Spain, S.L.	12,841	-	6,746	-
Otros	3,677	624	185	-
	59,938	17,119	729,684	406

2019

	Thousands of Euros			
	Operating Income	Finance Results (Note 23-e)	Purchases	Other Operating Expenses
Altadis, S.A.U.	8,817	-	346,966	-
Altadis Canarias, S.A.	10,996	-	49,210	-
Tabacalera S.L. Central Overheads	8,414	-	191	-
Imperial Tobacco Italy, s.r.l.	3,606	-	121,446	-
Imperial Tobacco Polska, S.A.	3,055	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	377	-	-	-
Imperial Brands Finance PLC	-	14,489	-	-
Imperial Tobacco International Limited	1,986	-	39,480	-
Imperial Tobacco Portugal SPPLC	1,030	-	-	-
Macotab, S.A.S.	-	-	-	394
SEITA, S.A.	25,232	-	274,342	-
Fontem International GmbH	713	-	1,374	-
MyBlu Spain, S.L.	2,784	-	55,575	-
Otros	4,758	-	21	-
	71,768	14,489	888,605	394

Operating income and other operating expenses relate to services provided by Group companies for the handling, logistics and storage of goods. In addition, statistical and market information services are occasionally provided.

The purchases are included as a result of acquiring tobacco and related products, as well as convenience products related to tobacco. Specifically, the transactions with Altadis, S.A.U., Imperial Tobacco Italy, S.r.l.,

Imperial Tobacco International, Ltd, Altadis Canarias, S.A. and Seita, S.A.S. relate to purchases of tobacco and related products from these companies to then be subsequently sold in the markets where the Group operates.

27. Remuneration of directors

Remuneration of the Parent's directors

In 2020 the remuneration accrued by the members of the Board of Directors as a result of their membership thereof or of any of its executive committees in all connections, including the remuneration accrued by the members of the Board who in turn are executives, amounted to EUR 7,205 thousand (2019: EUR 4,477 thousand).

Additionally, the indemnity payments in 2020 amounted to EUR 2,336 thousand.

The contributions to savings schemes for the executive directors for 2020 and 2019 amounted to EUR 385 thousand and EUR 359 thousand, respectively.

The life insurance premium corresponding to the Board of Directors amounted to EUR 6 thousand in 2020 (2019: EUR 15 thousand).

The Group has long-term incentive plans for executive directors which characteristics are detailed in Note 4.12.

Also, in 2020 and 2019 the Parent did not perform with the members of the Board of Directors any transactions not relating to its ordinary business operations or any transactions not carried out under customary conditions.

In 2020 the directors' third-party liability insurance amounted to EUR 66 thousand in 2020 and (2019: EUR 45 thousand).

At 30 September 2020 The Board's composition is 7 male directors and 5 female directors.

Information regarding situations of conflict of interest involving the directors

Pursuant to Article 229 of the Spanish Capital Companies Law consolidated text, the directors have not reported any situation of direct or indirect conflict of interest that either they or persons related to them might have with the interests of the Group.

28. Disclosures on the payment periods to suppliers, Additional Provision Three "Disclosure obligation" provided for in Law 15/2010, of 5 July

Set forth below are the disclosures -the detail of payments made to suppliers- required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	Days	
	2020	2019
Average period of payment suppliers	37	35
Ratio of transactions settled	38	36
Ratio of transactions not yet settled	30	32

	Thousand Euros	
	2020	2019
Total payments made	10,379,478	9,972,322
Total payments outstanding	984,040	962,332

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

29. Environmental matters

In-force environmental legislation does not significantly affect the activities carried on by the Group and, therefore, it does not have any environmental liability, expenses, income, grants, assets, provisions or contingencies that might be material with respect to the Group's equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

30. Events after the reporting period

No significant events have occurred subsequent since the end of the year ended 30 September 2019 with a significant impact on the consolidated financial statements.

31. Explanation added for translation to English

These Consolidated Financial Statements are presented on the basis of IFRSs, as adopted by the European Union. Consequently, certain accounting practices applied by the Group that conform to IFRSs may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevail.

Appendix I

Subsidiaries and jointly controlled entities of the Logista Group

The following companies were fully consolidated because they are companies in which the Logista Group holds a majority of the voting power or were accounted for using the equity method:

2020

Company	Audit Firm	Location	%of Ownership By the Parent Company		Thousands of Euros			
			Direct	Indirect	Data on the Companies			
					Assets	Liabilities	Equity	Profit / Loss
Compañía de Distribución Integral Logista, S.A.U. (a)	EY	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	5,118,249	4,719,014	399,235	266,224
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	EY	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	42,043	39,387	2,656	(1,953)
Publicaciones y Libros, S.A.U. (a)	EY	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	3,136	3,669	(533)	(740)
Distribuidora del Noroeste, S.L. (a)	EY	Gandarón, 34 Interior- Vigo	-	100	2,689	1,386	1,303	(28)
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	Non audited	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	646	521	125	(83)
Distribuidora de Publicaciones del Sur, S.L. (a)	EY	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	3,016	2,829	187	(298)
Promotora Vascongada de Distribuciones, S.A. (a)	Non audited	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	1,183	1,060	123	(10)
Distribuidora de las Rías, S.A.U (a)	Non audited	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña	-	100	983	977	6	(116)
Distribuidora Valenciana de Ediciones, S.A. (a)	EY	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia	-	50	3,266	2,600	666	172
Cyberpoint, S.L.U. (e)	Non audited	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	46	12	34	(41)
Distribuidora del Este, S.A.U. (a)	EY	Calle Félix Rodríguez de la Fuente, 11 Parque empresarial de Elche, Elche	-	100	2,109	1,568	541	12
S.A.U. Distribuidora de Ediciones (a)	EY	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	7,108	4,961	2,147	(69)
La Mancha 2000, S.A.U. (a)	EY	Avda. de la Vegailla, 12-A. Cabanillas del Campo	-	100	2,496	694	1,802	142
Midsid - Sociedade Portuguesa de Distribuição, S.A. (a)	EY	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	64,351	57,387	6,964	1,916
Logista-Dis, S.A.U. (b)	EY	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	70,183	67,673	2,510	4,214
Logesta Gestión de Transporte, S.A.U. (d)	EY	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	30,945	29,279	1,666	4,146
Logesta Italia, s.r.l.(d)	EY	Via Valadier. 37 Roma (Italia)	-	100	10,271	8,868	1,853	1,733
Logesta Lusa Lda (d)	Non audited	Expansao del 60rea ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	53	-	53	(5)
Logesta Polska Sp. z.o.o. (a)	EY	Al.Jerozolimskie, 96, Warszawa (Polonia)	-	100	2,160	1,840	320	59
Logesta Deutschland GmbH (a)	Non audited	Unsöldstrabe,2 , 20538, München (Alemania)	-	100	373	12	361	(26)
Logesta France, s.a.r.l.(d)	EY	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	3,634	939	2,695	360
Dronas 2002, S.L.U. (c)	EY	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca	-	100	114,992	85,945	29,047	19,077
Logista Pharma Gran Canaria, S.A.U. (c)	EY	Urbanización El Cebadal. C/ Entrerriós, 3. Las Palmas de Gran Canaria	-	100	5,066	919	4,147	1,150
Logista Pharma, S.A.U. (f)	EY	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	49,655	38,378	11,277	5,895
Be to be pharma, S.L.U. (f)	Non audited	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	394	271	123	40
Logista Italia, S.p.A. (a)	EY	Vía Valadier, 37. Roma (Italia)	-	100	3,530,579	3,437,675	92,904	74,695
Terzia, S.p.A. (b)	EY	Vía Valadier, 37. Roma (Italia)	-	68	45,810	43,389	2,421	1,509
Logista Transportes, Transitarios e Pharma, Lda. (d)	EY	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	18,141	12,945	5,196	1,897
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	EY	Al. Jerozolimskie 96. Warszawa. Polonia	-	100	3,664	1,691	1,973	511
Logista France, S.A.S. (a)	PwC	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	2,232,913	2,096,676	136,237	57,215
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	61,431	45,017	16,414	(10,771)
Supergroup, S.A.S. (b)	EY	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	37,386	50,982	(13,596)	(14,017)
Logista Payments, S.L.U. (g)	Non audited	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	-	200	-	200	-

(a) All these companies engage in the distribution and dissemination of publications or the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal.

(b) These companies engage in the purchase and sale of consumer products.

(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.

(d) These companies' object is the performance of transport activities.

(e) This company is specialised in software development for the management of points of sale for publications.

(f) Companies specialising in the distribution of products from pharmacies and related.

(g) Company created in 2020 with the corporate purpose of sending money.

2019

Company	Audit Firm	Location	%of Ownership By the Parent Company		Thousands of Euros			
			Direct	Indirect	Data on the Companies			
					Assets	Liabilities	Equity	Profit / Loss
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	4,479,194	3,958,337	520,857	330,974
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	53,917	49,307	4,610	1,174
Publicaciones y Libros, S.A.U. (a)	Deloitte	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	3,243	3,035	208	(1,098)
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo	-	100	2,899	1,536	1,363	33
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	Non audited	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	1,030	821	209	(9)
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	5,300	4,816	484	(4)
Promotora Vascongada de Distribuciones, S.A. (a)	Non audited	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	1,662	1,530	132	17
Distribuidora de las Rías, S.A.U (a)	Non audited	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña	-	100	1,157	1,020	137	15
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia	-	50	4,048	3,563	495	89
Cyberpoint, S.L.U. (e)	Non audited	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	11	6	5	(20)
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Félix Rodríguez de la Fuente, 11 Parque empresarial de Elche, Elche	-	100	3,173	2,436	737	208
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	6,860	4,645	2,215	(89)
La Mancha 2000, S.A.U. (a)	BDO	Avda. de la Veguilla, 12-A. Cabanillas del Campo	-	100	2,463	697	1,766	119
Midsid - Sociedade Portuguesa de Distribuição, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	75,078	64,849	10,229	3,101
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	57,194	54,996	2,198	2,716
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	34,618	33,268	1,350	4,729
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via Valadier. 37 Roma (Italia)	-	100	11,314	9,277	2,037	1,917
Logesta Lusa Lda (d)	Non audited	Expansao del 60rea ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	59	-	59	(3)
Logesta Polska Sp. z.o.o. (a)	Non audited	Al.Jerozolimskie, 96, Warszawa (Polonia)	-	100	2,725	2,165	560	301
Logesta Deutschland Gmbh (a)	Non audited	Unsöldstrabe,2 , 20538, München (Alemania)	-	100	394	7	387	(5)
Logesta France, s.a.r.l.(d)	Non audited	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	3,122	786	2,336	226
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca	-	100	117,362	89,854	27,508	19,771
Logista Pharma Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerriós, 3. Las Palmas de Gran Canaria	-	100	4,972	857	4,115	1,118
Logista Pharma, S.A.U. (f)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	46,644	31,959	14,685	5,423
Be to be pharma, S.L.U. (f)	Non audited	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	486	316	170	87
Logista Italia, S.p.A. (a)	Pwc	Vía Valadier, 37. Roma (Italia)	-	100	1,835,180	1,736,299	98,881	64,090
Terzia, S.p.A. (b)	Pwc	Vía Valadier, 37. Roma (Italia)	-	68	43,742	42,829	912	299
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	13,601	10,391	3,210	1,282
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Deloitte	Al. Jerozolimskie 96. Warszawa. Polonia	-	100	3,106	1,207	1,899	370
Logista France, S.A.S. (a)	Deloitte/Pwc	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	3,198,432	3,015,219	183,213	65,117
Société Allumetièrre Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	63,284	28,098	35,186	(591)
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	53,341	52,919	422	(407)

- (a) All these companies engage in the distribution and dissemination of publications or the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal.
- (b) These companies engage in the purchase and sale of consumer products.
- (c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.
- (d) These companies' object is the performance of transport activities.
- (e) This company is specialised in software development for the management of points of sale for publications.
- (f) Companies specialising in the distribution of products from pharmacies and related.

Appendix II

Logista Group Associates

The companies detailed below were accounted for using the equity method:

2020

Company	Audit Firm	Location	Activity	% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
				Direct	Indirect		Data on the Companies			
							Assets	Liabilities	Equity	Profit / Loss
Logista Libros, S.L. (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications	-	50	-	58,427	50,667	7,760	1,759

(*) Held indirectly through Compañía de Distribución Integral Logista, S.A.U.

2019

Company	Audit Firm	Location	Activity	% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
				Direct	Indirect		Data on the Companies			
							Company	Firm	Audit Location	Activity
Logista Libros, S.L. (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications	-	50	-	42,972	35,571	7,401	2,498

(*) Held indirectly through Compañía de Distribución Integral Logista, S.A.U.

Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries

Consolidated Management Report for
financial year ended on September 30th 2020

COMPANY'S DESCRIPTION

Logista is southern Europe's largest distributor to local retailers.

It serves around 250,000 points of sale in Europe, France, Italy and Portugal, efficiently facilitating manufacturers access to convenience products, electronic top-ups, tobacco, pharmaceuticals, books, publications and lottery markets, among others, in a transparent way and with full operational control.

Logista has developed a unique business model that combines specialist distribution and integrated logistics with exclusive value-added services and powerful Business Intelligence tools. This gives it flexibility in meeting its clients' needs and enables it to comply with the regulatory requirements and standards of each sector.

Logista's quality proposal is based on its capacity to combine wholesale distribution and logistics with other value-added services for our clients, in line with their product strategies. This allows them to focus on their main business operations while maintaining visibility on their route to market.

With full transparency and traceability, Logista acts as single supplier for all the services making up the supply chain, offering advanced and specialist services for each sector and point-of-sale channel in which it operates.

It achieves this through its comprehensive infrastructure network combined with its transport and information systems, enabling it to manage the distribution of products from collection to point-of-sale delivery.

Logista also provides omnichannel marketing of products and services via its web platforms, point-of-sale terminals, cash & carry service points, call centres and sales force.

Through its network, Logista manages the distribution of a wide range of consumer products to different local retailers (convenience stores, confectionery and tobacconists, pharmacies, kiosks, bookshops, etc.) in Spain, France, Italy and Portugal. It regularly serves around 250,000 points of sale used by some 45 million consumers every day. Logista also provides distribution to wholesalers in Poland.

Organisation and structure

Logista's organisational structure is headed by the Chief Executive Officer and supported by a Management Committee.

Due to the passing of his predecessor in October 2019, the Board of Directors appointed new Chief Executive Officer Íñigo Meirás in December 2019. Our new CEO has reconfigured the group's Management Committee, simplifying its structure and reducing the number of its constituent members.

This new composition of the Management Committee has allowed us to strengthen our strategic focus with new corporate leadership that will have an impact on the group's strategic development.

The composition of the Management Committee is:

- three managing directors heading up each geographical area, to whom the heads of the business areas from each area report
- five corporate directors

The management of the accounting report is carried out following this primary segmentation by geography, with a secondary report, regarding Income and Economic Sales, by business lines.

Logista has three business lines: Tobacco and Related Products, Transport and Other.

- Tobacco and Related Products

Distribution of tobacco products and other convenience products, including tobacco and non-tobacco related products, to the tobacconist channel in Spain, France and Italy, and to points of sale to distribute tobacco, in the case of Portugal. In Spain and Italy, this also includes the distribution of convenience products to other proximity channels.

- Transport

Management of full load, long-distance transport throughout Europe, temperature-controlled capillary transport in Spain and Portugal, and express courier services for parcels and documents in Spain and Portugal.

Through this business area, Logista provides transport services to its other businesses and to third parties.

- Other businesses

Pharmaceutical products and publication distribution and logistics services in Iberia, as well as wholesale distribution of convenience products to different tobacco and convenience retailers in France.

The Group is composed of the **Compañía de Distribución Integral Logista Holdings, S.A.** whose head office is in Leganés, Madrid, and its direct and indirect subsidiaries. Details are as follows:

Compañía de Distribución Integral Logista S.A.U. (100%)

- Grupo Dronas (100%)
 - Logista Pharma Canarias (100%)
 - Logista Pharma (100%)
 - * Be to Be Pharma (100%)
- Logista-Dis (100%)
- Logista Libros (50%)
- La Mancha (100%)
- Logesta (100%)
 - Logesta Italia (100%)
 - Logesta Francia (50%)
 - Logesta Deutschland (100%)
 - Logesta Lusa (51%)
 - Logesta Polska (51%)
- Logista Publicaciones (100%)
 - Distribuidora del Este (100%)
 - Distribuidora valenciana de ediciones (50%)
 - Cyberpoint (100%)
 - Distribuidora de publicaciones del sur (50%)
 - Distribuidora de Aragón (5%)
 - Promotora vascongada de publicaciones (100%)
 - Distribuidora Las Rías (100%)
 - Distribuidora de Ediciones Sade (100%)
 - Distribuidora del Noroeste (51%)
 - Publicaciones y Libros (100%)
 - Distribución de Publicaciones Siglo XXI Guadalajara (80%)
- Distribuidora del Noroeste (49%)
- Logista France Holding (100%)
 - Logista Promotion et Transport (100%)
 - * Logesta Francia (50%)
- Logista France (100%)
 - Société Allumetière Française (100%)

- *Supergroup (100%)
- Logista Italia (100%)
 - Terzia (68%)
- Midsid (100%)
- Logista Transportes e Transitos (100%)
 - Logesta Lusa (49%)
- Logesta Polska (49%)
- Logista Polska (100%)
- UTE Logista - GTech (50%)
- Logista Payments (100%)

Markets of operation

Logista is southern Europe's largest distributor to local retailers.

We are the preferred distribution partner for manufacturers, providing them with their route to consumers through simple and rapid access to proximity channels. We offer all the services they need to reach hundreds of thousands of independent points of sale, from the most basic outlets to those with greater value-add.

As a hospital distributor and logistics operator, Logista is constantly developing dedicated services for each sector, and works closely with clients to tailor its offering to their current needs and to anticipate their future needs.

As a transport services operator, Logista pursues a strategy of differentiation by specialising in high-value products in long-distance transport; temperature-controlled parcel transport, and by offering the very highest standard of courier service to business clients (B2B).

Strategic priorities

1. To strengthen our consolidated businesses.
2. To bring sustainable future growth, expanding our business base.
3. To offer excellence in our services and increase profitability through continued improvements in operational efficiency.
4. To protect our financial soundness, in order to maintain our shareholder remuneration policy.

The maturity profile of some of the sectors served by Logista, usually accompanied by diminishing activity levels, means that it is essential to develop services that are complementary to national distribution. These services help our clients to identify and develop new growth areas and help Logista to maintain a stable level of revenue in the most consolidated businesses.

Looking to the future, close collaboration with our clients in these sectors and conduct based on continually seeking mutual benefit will be the mainstays that enable us to continue our success, just as they have in recent years.

Long-term growth is based on developing new verticals such as distribution for the pharmaceutical industry, the distribution of convenience products to the channels we serve, and on driving certain high growth areas such as e-commerce transport.

Geographic expansion into new countries where we export our business model is another core component of our future plans that will lessen and offset the macroeconomic risks that may affect each of the countries in which we operate, in addition to bringing future growth.

Operating in a way that is environmentally efficient and sustainable, and preserving and developing internal know-how, is a fundamental part of maintaining sound financial profitability and creating long-term value for all our stakeholders.

This means that it is not only important that we broaden our revenue base, but that we do so at the right cost levels that enable all those involved to be remunerated fairly, and to offer prices that reflect the level

of service offered. By conducting ourselves in this way, we create a virtuous circle of value creation for all of society.

1. EVOLUTION OF LOGISTA (GROUP) DURING FISCAL YEAR 2020 AND GROUP SITUATION

The highlights of the results were as follows:

- The continuance of Logista's main activities during the whole of the fiscal year, in spite of the measures taken by governments to combat COVID-19.
- Growth in its activity, in a challenging environment, resulting in increases in Revenues and in Economic Sales¹.
- Solidity in the Operating Profit, which was higher than that of the 2019 fiscal year.
- The positive performance of the Adjusted Operating Profit¹, which was slightly lower because the results of the previous year had included a positive impact from variations in the valuation of tobacco inventories, whereas in this period the impact was negative. If these impacts are disregarded, the Adjusted Operating Profit¹ is slightly more than that of last year, even when the negative impact of COVID-19 this year is included.
- The dividend proposal, consisting in the distribution of the same dividends' amount than that of last year

Financial overview

Data in Million Euros	1 Oct. 2019 – 30 Sept. 2020	1 Oct. 2018 – 30 Sept. 2019	% Change
Revenues	10,559.1	10,148.3	+4.0%
Economic Sales ¹	1,156.8	1,149.0	+0.7%
Adjusted Operating Profit ¹	256.9	261.9	(1.9)%
Margin over Economic Sales ¹	22.2%	22.8%	(60) b.p.
Profit from Operations	206.4	204.3	+1.0%
Net Profit	157.2	164.6	(4.5)%

The macroeconomic environment in the main countries in which the Company operates, during the first five months of the current fiscal year was, in general, similar to that observed at the end of the previous fiscal year. However, the events triggered by the international spread of the pandemic originated by COVID-19 since March have profoundly altered the social and economic context in those countries, and this has had a certain impact on the development of Logista's activity.

Estimated impact of COVID-19 on business performance and results

Since the month of February, the quick spread of the virus has been obliging the governments of all the countries in which the Company operates to adopt various measures to try to control the propagation of the pandemic. Notable among these measures have been the closure of the great majority of commercial establishments, restrictions on movements, different degrees of confinement of the population in their homes and even, in some cases, the temporary halt of production in those industries operating in sectors not considered as essential by each of the governments.

¹ See the appendix "Alternative Performance Measurements"

Almost all the points of sale and products distributed by Logista were included on the list of goods and activities classified as essential by the governments adopting the most drastic measures. So despite the general impact that the economy may have suffered, the Company has continued rendering service to its customers without any incident that could be classified as major, except in the exceptional case of an activity that was not considered as essential, and that was halted almost completely.

In April, governments began to soften the lockdown measures, and activity began to recover normality progressively, so the effect of some of the factors that affected the Group's results in March was lower in May and June after peaking in April.

The impacts on the business included, among others, and not to the same extent in all of the Group's businesses: a reduction of activity and revenues as well as increases in costs (overtime, special bonuses in some countries, disinfection, cleaning, medical supplies, etc.). However, the decrease in some costs which resulted from the confinement and the restrictions on movement, and from the general saving measures adopted by the Group (in travelling, conventions, consultations, etc., mitigated the negative impact on the year's results. There were also some positive impacts, such as the increase in the activity of Courier Services, because of the development of distribution through e-commerce and the better performance of the tobacco volumes distributed in France, resulting from the restrictions on movement, particularly cross-border movements.

The estimated net impact on Operating Profit, of all the factors mentioned, was -14 million euros.

The progress of the business and the main figures from the P&L account for the fiscal year

The Group's **Revenues** grew by 4.0% compared with those of last year, recording increases in the three geographical areas.

Most of the activities obtained higher revenues than in the previous fiscal year, with the exceptions of long-distance transport, parcels and the distribution of periodicals in Spain and of convenience products in France.

Although there was a fall of 2.0% in the total volumes of cigarettes, RYO and other products distributed in the year, the total revenues from tobacco distribution increased because of the tax and consequent RSP increases in France and Italy, which more than offset the decrease in revenues in Spain.

Economic Sales¹ showed a slight increase, of 0.7%, reaching 1,156.8 million euros, due to the increased activity in Italy and, to a lesser extent, in Iberia, which mitigated the decrease experienced in France. fthe

Total operating costs¹ grew by 1.4%.

The special circumstances under which activity was performed after March also resulted in some cost increases, because of, among other reasons, the security measures adopted to protect the health of employees and partners, the high level of absenteeism in the first days of the pandemic, the re-introduction of border controls inside the Schengen area, the national restrictions on movement, etc. Some of those increases had a temporary effect, whereas in other cases the new or higher cost was maintained until the close of the fiscal year.

By contrast, certain costs decreased drastically as a result of the confinement and the teleworking. In addition, the Group adopted measures aimed at containing overheads and, as far as possible, at improving efficiency in processes which enabled increases in non-manageable costs to be reduced.

The overall cost savings obtained since March not only compensated for the extra costs deriving from COVID, they also mitigated the impact on results of the fall in sales suffered in the period.

¹ See the appendix "Alternative Performance Measurements"

The **Adjusted Operating Profit**¹ reached 256.9 million euros, decreasing by 1.9% compared with the previous fiscal year. The Adjusted Operating Profit margin over the Economic Sales¹ was of 22.2%, compared with the 22.8% obtained in the 2019 fiscal year.

Part of the fall in the Adjusted Operating Profit was due to the fact that during the 2020 fiscal year a negative impact on results was recorded, due to the changes in the valuation of inventories because of the movements in taxes and prices of tobacco products (about -2 million euros), contrasting with the positive impact of more than €4.5 million recorded in fiscal year 2019. The change in the Adjusted Operating Profit¹ would be slightly positive if these impacts were disregarded in both periods.

Logista estimates that the impact of the COVID-19 crisis on the results of the fiscal year was negative – approximately -14 million euros.

If both the impact of the variations in the valuation of inventories in both periods and the estimated impact of COVID-19 in the current fiscal year are disregarded, the Adjusted EBIT¹ grew by about 6%.

The restructuring costs¹ remained similar to those of the previous year, reaching 11.6 million euros (11.4 million euros in 2019).

During the current fiscal year, capital gains from the sale of assets were higher than those in the 2019 fiscal year (8.0 million euros and 2.6 million euros respectively), as a result of the sale of two buildings in France (in Vitrolles and Saint-Raphael). In addition, a positive result (4.7 million euros) was recorded for the reversal of the provision corresponding to the value of an asset in Spain (Alcalá de Guadaira), which was sold at the beginning of fiscal year 2021. In fiscal year 2019 the positive result of the impairment test of one of the businesses in Spain was recorded (2.2 million euros).

The **Operating Profit** increased by 1.0% compared with that in fiscal year 2019, and reached 206.4 million euros. If the impacts of variations in the valuation of inventories in both periods and the impact of COVID-19 in this period are disregarded, the Operating Profit grew by almost 13%.

The **Financial Results** were 4.1% less than in the previous fiscal year, and reached 12.2 million euros, because of the application, for the first time in this fiscal year, of IFRS 16.

The effective tax rate rose to 27.9% from the 24.1% recorded in the previous fiscal year, due to the end of the application of certain tax deductions.

As a result of all of the foregoing, the **Net Profit** decreased by 4.5% to 157.2 million euros.

Despite this environment, the company intends to propose to the General Shareholders' meeting a dividend for fiscal year 2020 of the same amount as the dividend distributed for fiscal year 2019 (156 million euros).

¹ See the appendix "Alternative Performance Measurements"

Revenues Evolution (By Segment and Activity)

Data in Million Euros	1 Oct. 2019 – 30 Sept. 2020	1 Oct. 2018 – 30 Sept. 2019	% Change
Iberia	3,175.7	3,157.4	0.6%
Tobacco and Related Products	2,774.3	2,753.9	0.7%
Transport	385.4	385.7	(0.1)%
Other Businesses	162.8	152.2	7.0%
Adjustments	(146.8)	(134.4)	(9.2)%
France	4,255.8	4,069.5	4.6%
Tobacco and Related Products	4,111.2	3,891.7	5.6%
Other Businesses	153.7	187.2	(17.9)%
Adjustments	(9.2)	(9.4)	2.4%
Italy	3,167.0	2,961.6	6.9%
Tobacco and Related Products	3,167.0	2,961.6	6.9%
Corporate and Others	(39.4)	(40.1)	1.9%
Total Revenues	10,559.1	10,148.3	4.0%

Economic Sales¹ Evolution (By Segment and Activity)

Data in Million Euros	1 Oct. 2019 – 30 Sept. 2020	1 Oct. 2018 – 30 Sept. 2019	% Change
Iberia	585.4	581.6	0.7%
Tobacco and Related Products	286.3	278.4	2.9%
Transport	271.7	270.0	0.6%
Other Businesses	86.5	86.4	0.1%
Adjustments	(59.1)	(53.2)	(11.1)%
France	264.0	277.7	(5.0)%
Tobacco and Related Products	230.1	233.2	(1.3)%
Other Businesses	40.6	51.7	(21.5)%
Adjustments	(6.7)	(7.2)	6.8%
Italy	304.2	286.1	6.3%
Tobacco and Related Products	304.2	286.1	6.3%
Corporate and Others	3.2	3.6	(9.5)%
Total Economic Sales¹	1,156.8	1,149.0	0.7%

Adjusted EBIT¹ Evolution (By Segment)

Data in Million Euros	1 Oct. 2019 – 30 Sept. 2020	1 Oct. 2018 – 30 Sept. 2019	% Change
Iberia	119.7	120.2	(0.4)%
France	61.9	74.3	(16.7)%
Italy	90.7	81.0	11.9%
Corporate and Others	(15.4)	(13.6)	(13.1)%
Total Adjusted EBIT¹	256.9	261.9	(1.9)%

Adjusted Operating Profit¹ (or, indistinctly, Adjusted EBIT¹) is the principal indicator used by the Group's Management to analyse and measure the performance of the business. Basically, this indicator is calculated by deducting from the Operating Profit all those expenses that are not directly linked to the revenues obtained by the Group in each period, which facilitates the analysis of the changes in the Group's operating expenses¹ and typical margins. The following table shows the reconciliation between Adjusted Operating Profit¹ and Operating Profit for fiscal years 2020 and 2019:

Data in Million Euros	1 Oct. 2019 – 30 Sept. 2020	1 Oct. 2018 – 30 Sept. 2019
Adjusted Operating Profit¹	256.9	261.9
(-) Restructuring Costs ¹	(11.6)	(11.4)
(-) Amortization of Assets Logista France	(52.2)	(52.2)
(+/-) Result of Disposal and Impairment	12.5	4.8
(+/-) Result by Equity Method and Others	0.9	1.2
Operating Profit	206.4	204.3

1.1 Business review

1. Iberia: Spain and Portugal

Iberia's revenues amounted to 3,175.7 million euros compared with 3,157.4 million euros in fiscal year 2019, an increase of 0.6%. Iberia's Economic Sales¹ amounted to 585.4 million euros, 0.7% more than the 581.6 million euros recorded in the previous fiscal year.

Revenues in **Tobacco and Related Products** increased by 0.7% as a result of the growth in this sector in both Spain and Portugal.

Volumes of cigarettes and RYO and others distributed in Iberia recorded a negative performance compared with the increase experienced in the previous fiscal year, decreasing by 3.8% compared with fiscal year 2019.

The increase in market share in Portugal materialised in a slight increase of cigarette volumes distributed in that country. In Spain, however, the distributed volumes of cigarettes plus RYO and others were 4.1% less than in the previous fiscal year. In general, the retail selling prices of these products in the current and the previous fiscal years remained stable in the Spanish market.

The impact of COVID-19 on the tobacco volumes distributed in Spain was negative, and inter-annual falls of more than 25% were recorded in April and May. The main reasons, among others, that may have caused these falls were:

¹ See appendix "Alternative Performance Measures"

- The temporary closure of intra-community borders and the restrictions on movement, which had a very adverse effect on tourism and cross-border sales.
- The tobacconists' stock management, given the situation and the associated uncertainties.
- The closure of the HORECA channel and the idleness of vending machines during a large part of the fiscal year, including a period after the end of the national confinement (due to the restrictions on nightlife).

The impact of COVID-19 on the tobacco volumes distributed in Portugal was less significant, and a migration of sales from vending machines to over-the-counter sales was experienced while the closure of the HORECA points continued.

The Economic Sales¹ from tobacco distribution in Iberia were slightly more than those recorded in 2019. .

During the first five months of the fiscal year (a pre-COVID period), the distribution of convenience products performed very positively after the incorporation of new agreements reached in the preceding year (for example with CEPSA) and the increase in clients/points of sale.

The impact of COVID-19 on the sales of convenience products was adverse at first, slowing down the growth rate recorded pre-COVID. However, from the month of May, this impact became positive and growth rates similar to those obtained previously were recorded again. From the month of April, new customers began to arrive from the service-station channels, and during the fiscal year intense commercial activity was maintained in order to reach and finalise new distribution agreements for convenience products in other channels.

The increase in the Economic Sales¹ in convenience product distribution in the fiscal year was a double-digit increase compared with the figure in fiscal year 2019.

The Economic Sales¹ in Tobacco and Related Products increased by 2.9% compared with the previous fiscal year.

Revenues in **Transport** fell by 0.1%. However, performances in terms of Economic Sales¹ differed among the different activities, remaining almost stable in Long Distance, negative in Industrial Parcels, and positive in Courier Services, where a middle-single-digit increase was achieved compared with the performance in the previous fiscal year. Overall, the Economic Sales¹ figure in Transport increased in the period by 0.6%, reaching 271.7 million euros.

Within the Transport business, the impact of COVID-19 was more negative in the case of Parcels and Long Distance because of the general decrease in activity. However, in the case of Courier Services, it was negative in the first moments of the crisis but became positive from the month of June, boosted by the growth of e-commerce. The activity of Courier Services was the only one of the three transport activities whose Economic Sales¹ were higher than in the previous fiscal year.

Revenues in **Other Businesses** (which include the distribution of Pharma and of Periodicals) increased by 7.0%, reaching 162.8 million euros, and Economic Sales¹ increased by 0.1%, to 86.5 million euros.

The revenues of the Pharma business grew in the fiscal year, although at a slightly slower pace than before March. That growth was achieved through the expansion of pre-existing activity and the incorporation of new agreements. However, at the end of the previous fiscal year, the invoicing of certain services to customers on a tariff basis (the same amount in Revenues as in Economic Sales¹) was discontinued, which negatively affected the interannual comparison at the Economic Sales¹ level. The costs associated with that service had been largely direct, with a small margin, so the ending of the service had no adverse effect on the results of the business.

Since March, COVID has had an adverse effect on the activity of Pharma, with falls in sales in distribution to chemist's shops reflecting the market trend, and with fewer services rendered in distribution to hospitals due to the exceptional situation that they were experiencing.

During this period, the commercial activity of Pharma with pharmaceutical laboratories remained very active, translating into agreements with 25 new customers and the extension of agreements with some of the existing customers.

Distribution of periodicals in Spain showed decreases both in Revenues and in Economic Sales¹. Added to the negative trend in the sector, in this period, was the drastic fall in activity in the newsstands following the confinement measures. However, these falls were significantly mitigated by the incorporation of the distribution of a renowned Spanish communication group in new regions which have been combined with the renewal of the previous distribution zones.

Total operating expenses¹ in the Iberia segment increased by 0.9%.

The solid performance of this activity almost completely compensated for the impact of COVID-19 on results. Thus, the **Adjusted Operating Profit**¹ was 119.7 million euros, 0.4% less than that recorded for the previous fiscal year.

Logista estimates that the impact of the COVID-19 crisis on the results of the period was negative, approximately -11 million euros. Without that impact, the Adjusted Operating Profit¹ would have been about 9% more than in fiscal year 2019.

During the period, restructuring costs¹ amounted to 10.7 million euros, compared with the 2.2 million euros recorded in fiscal year 2019, and there were lower capital gains from the sale of assets (0.5 million euros compared with 2.7 million euros). Moreover, in the previous fiscal year, a positive result was recorded for the impairment test of one of the businesses in Spain (2.2 million euros).

Almost all the Equity method results in Iberia came from the book distribution business in Spain. This business has been hit the hardest by the situation resulting from the COVID-19 crisis, as the points of sale to which Logista distributes were obliged to close during the period of confinement. Only the home delivery of the books sold by one of our clients could be maintained, via internet. After the re-opening of the points of sale, the activity recovered progressively, although the Economic Sales¹ decreased by more than 10% in the fiscal year.

The **Operating Profit** reached 110.4 million euros compared with the 124.2 million euros recorded in 2019, a decrease of 11.1%.

2. **France**

Revenues in France increased by 4.6% to 4,255.8 million euros, while Economic Sales¹ decreased by 5.0%, to 264.0 million euros.

Revenues from **Tobacco and Related Products** increased by 5.6% to 4,111.2 million euros, due to the increase in tobacco prices and despite the decline experienced by the distributed volumes of cigarettes, RYO tobacco and others, compared with the previous fiscal year (-3.1%).

The changes in the distributed volumes of tobacco were uneven over the course of the fiscal year, a sharper rate of fall being recorded in the first half-year and a much slower rate in the second half-year, some months of which even showed positive data. This was basically due to the positive impact of the closure of intra-community borders on sales inside the French territory, and to the fact that fewer tourists went abroad during the summer season.

The current RSP, which in the case of the top-selling brand has already reached the target €10 per packet set by the Government for 2020, includes the general increase made by all manufacturers to pass on to the RSP the two increases foreseen in the tax schedule announced by the Government for this fiscal year (1 November 2019 and 1 March 2020), amounting to 1 euro per packet in total. It also includes the increase of 20 centimes which corresponds to the conversion of the tax on tobacco distributors' turnover into a higher excise tax which entered into force on 1 March 2020 and which, in this case, was not generally passed on by all manufacturers to the RSP.

¹ See the appendix "Alternative Performance Measurements"

The net effect of the price and tax increases in this fiscal year was a negative impact on the results of this fiscal year of about -3 million euros, contrasting with the positive impact of between 2 and 3 million euros recorded in fiscal year 2019. This difference negatively affected the interannual comparison of Economic Sales¹ and Operating Profit (adjusted¹ and reported).

As mentioned above, the Economic Sales¹ from tobacco distribution in France were positively affected by COVID-19, as the volumes distributed (cigarettes + RYO) during the confinement and border closure period hardly decreased at all, and the rate of interannual fall also slowed considerably in the fourth quarter of the fiscal year, compared with the 8.4% fall that was recorded at the close of the first half-year.

The performance of the Economic Sales¹ of convenience products and electronic transactions was slightly positive until the month of March. COVID-19 affected very negatively the distribution of convenience products to tobacconists during the confinement. However, the activity progressively recovered when the measures were relaxed, and finally, the Economic Sales¹ of convenience products and electronic transactions in the fiscal year showed a slight increase.

Thus, the Economic Sales¹ of Tobacco and Related Products decreased by 1.3% compared with the previous fiscal year, to 230.1 million euros.

The **Other Businesses** activity (the wholesale distribution of convenience products in non-tobacconist channels) experienced decreases, compared with the same period of the previous fiscal year, in Revenues, of 17.9%, and in Economic Sales¹, of 21.5%, (to 153.7 million euros and 40.6 million euros respectively).

This was the business which suffered the biggest impact from COVID-19, recording sharp falls in activity from March because of the almost total closure of points of sale in April and until mid-May. After that, the progressive opening of points of sale allowed a certain recovery of activity, although in the whole of the fiscal year it was still far less than in 2019.

Total operating costs¹ in France decreased by 0.6%. The impact of the fall in Economic Sales¹ in some of the businesses because of COVID-19, translated into an **Adjusted Operating Profit**¹ of 61.9 million euros, which was 16.7% less than that of the previous fiscal year. That fall was of less than 10% if the impact of variations in the valuation of inventories due to tax and price movements is disregarded in both fiscal years.

Logista estimates that the adverse impact of the COVID-19 crisis on results in France in the period could be valued at approximately -3 million euros.

In fiscal year 2019, restructuring costs¹ of 7.4 million euros were recorded, whereas in the current fiscal year they were almost inexistent, and this, when added to the capital gain of 8.4 million euros obtained from the sale of assets (Vitrolles and Saint-Raphaël) during this fiscal year, took the **Operating Profit** to 17.0 million euros (14.6 million euros in the previous fiscal year). The main adjustment in the segment is the amortization of the assets generated by the acquisition of the business of France, which amounted to 52.2 million euros in both periods.

3. **Italy**

Revenues in Italy increased by 6.9% to 3,167.0 million euros, thanks to the increase in the sale of convenience products, as well as higher prices of tobacco products than in fiscal year 2019.

The distributed volumes of cigarettes plus RYO and others were almost the same as those distributed in the previous fiscal year.

During the current fiscal year, the Italian Government increased taxes on tobacco products, and most of the manufacturers raised the RSP by between 0.10 and 0.20 euros. The net impact of both movements on

¹ See the appendix "Alternative Performance Measurements"

the results was positive, at about €1 million. However, the tax and price movements during the previous fiscal year had a net positive impact of slightly more than 2 million euros.

From the beginning of the second quarter of fiscal year 2020, the Italian Government modified the regulation of accessories for RYO, imposing a new excise tax on cigarette papers and filters, and making it compulsory to sell these products through the tobacconist channel.

Activity in Italy until the month of March was very positive, even taking into consideration that it was the first country to suffer the effects of COVID-19 and that it was the one which adopted the earliest and most drastic isolation measures which included, in some cases, the almost total halt of economic activity.

Not only the distribution of tobacco, but also the pre-COVID revenues from services to manufacturers, as well as those from the distribution of convenience products were higher than those obtained in the first months of the previous year. Thus, in contrast to what happened in other countries, the Economic Sales¹ in Italy suffered a smaller impact in March and continued to record increases.

The distribution of convenience products did not suffer any negative impact from COVID-19. The total sales of convenience products during the months of April and May continued growing at double-digit rates, although at a lower pace in some specific categories such as food, which were affected by the closure of points of sale and the reduction of impulse purchases. The re-opening of HORECA points of sale from mid-May again fuelled growth in these categories, so the overall impact of COVID-19 was positive on the distribution of convenience products in Italy, which in the whole year increased by more than 15%.

All of this enabled the Economic Sales¹ of Italy to increase by 6.3% in fiscal year 2020, reaching 304.2 million euros.

Total operating costs¹ in Italy rose by 4.1% compared with the previous fiscal year, which translated into an increase of 11.9% in the **Adjusted Operating Profit¹**, to 90.7 million euros. The increase in Adjusted Operating Profit¹ was of more than 13% if the impact of changes in the valuation of inventories due to tax and price movements is disregarded in both fiscal years.

Logista estimates that the impact of the COVID-19 crisis on the results of Italy in the period was almost nil.

This year, the restructuring costs¹ linked to the gradual improvement in efficiency in operations were lower than in the previous fiscal year (0.3 million euros v.1.8 million euros in 2019), so the **Operating Profit** reached 90.3 million euros, 14.1% more than that obtained in the previous fiscal year.

4. **Corporate and Others**

This segment includes corporate expenses and the results of activities in Poland.

The **Adjusted Operating Profit¹** was -15.4 million euros, compared with the -13.6 million euros recorded in fiscal year 2019.

1.2 **Financial Result evolution**

The Group has a reciprocal credit facility agreement with its majority shareholder (Imperial Brands Plc.) by which it lends its daily cash excess or receives the necessary cash to meet its payment obligations. The remuneration of the balances is set at the base rate of the European Central Bank, plus a 0.75% margin. The base rate of the European Central Bank stood at 0.0% during both fiscal years. This agreement was revised at the beginning of September 2020, in order to increase the maximum in the credit facility and set it temporarily at 4,800 million euros.

The average cash position during the fiscal year was 2,285 million euros, compared with 1,904 million euros in the previous fiscal year. The increase in the average cash position compared with fiscal year 2019 was mainly due to temporary changes made by the French and Italian Governments in the calendars for

¹ See the appendix “Alternative Performance Measurements”

the payment of excise duty, due to the COVID-19 crisis. In view of the temporary nature of these changes, the average cash position is expected to be reduced from the first quarter of the 2021 fiscal year, when the calendar is again adjusted to show the payment periods laid down by the regulations of those countries.

The financial results in the fiscal year, at 12.2 million euros, were 4.1% lower than those recorded in the previous fiscal year, due to the increase in financial expenses resulting from the application, in this fiscal year for the first time, of IFRS 16.

1.3 Net Income evolution

The restructuring costs¹ recorded in the fiscal year remained almost stable compared with those of the previous fiscal year (11.6 million euros compared with 11.4 million euros).

During the current fiscal year, capital gains were recorded because of the sale of assets in France (Vitrolles and Saint-Raphaël) for 8.0 million euros. This compared with the 2.6 million euros obtained in fiscal year 2019. In addition, a positive result of 4.7 million euros was recorded for the reversal of the provision corresponding to the value of an asset in Spain (Alcalá de Guadaira), which was sold at the beginning of the 2021 fiscal year, while in the 2019 fiscal year the positive result of the impairment test of one of the businesses in Spain was recorded (2.2 million euros).

The effective consolidated tax rate recorded in the period was 27.9%, compared with 24.1% in the previous fiscal year, and it took the Net Profit to 157.2 million euros (-4.5%).

The basic Earnings per Share were 1.19 euros compared with 1.24 euros in fiscal year 2019, with no change in the number of shares representing the share capital.

As at 30th September 2020, the Company possessed 522,273 treasury shares.

1.4 Cash Flow

The seasonality of the Group's business results in a negative cash flow during the first and second quarters of the fiscal year, which is recovered during the second half, usually reaching its peak towards the end of the fiscal year.

The Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) increased by 9.9% compared with the last year, due to the performance of the activity and the positive effect (33.6 million euros) of the first-time application of IFRS 16, which had no effect on the EBIT. Excluding this impact, the EBITDA decreased by 9%, which was slightly less than the decrease recorded in the Adjusted Operating Profit¹

The increased interest charged in the period and the lower investments and the normalised taxes in the fiscal year easily offset the fall in operating profits and the increased payments for restructuring and normalised taxes. In this way, the cash generation was 6.5% more than that recorded in the previous fiscal year.

The significant variation in working capital was mainly due to temporary changes in the payment calendars for excise duty made by the French and Italian governments and linked to the COVID-19 crisis. This variation mitigated the effect of the cut-off date for final payment/collection of corporate income taxes and translated into a free cash flow generation that was higher than that of the previous fiscal year.

¹ See the appendix "Alternative Performance Measurements"

1.5 Research and Development activities

Logista invested 5.0 million euros in R & D & i during the fiscal year 2020. These investments correspond to evolutionary projects in the supply chain solution, scalable and secure application infrastructure, and security and transport.

1.6 Treasury Shares

At September 30, 2020, Logista held in its balance sheet 522,273 own-shares, representing the 0.39% of the share capital. Own shares were acquired in execution of the Share Buyback Program.

1.7 Average Payment Period to Suppliers

The average payment period for commercial purchase during fiscal year 2020 has been 37 days

1.8 Dividend policy

The Board of Directors intends to propose to the General Shareholders' Meeting the distribution of a supplementary dividend for the 2020 fiscal year, of 105 million euros (0.79 euros per share), to be paid in the first quarter of the 2021 calendar year.

The Board of Directors also approved, on 21st July 2020, the distribution of an interim dividend in cash, corresponding to fiscal year 2020, and amounting to 0.39 euros per share (52 million euros), to be paid on 28th August 2020.

The total dividend for fiscal year 2020 will therefore be of the same amount as the dividend distributed from the 2019 fiscal year and will be of approximately 156 million euros (1.18 euros per share). This dividend will represent a pay-out of 99.7% of the Net Profit for the fiscal year.

1.9 Outlook

In view of the solid performance of our businesses since the beginning of the COVID-19 crisis, one would expect the Adjusted Operating Profit¹ in fiscal year 2021 to be more than that obtained in fiscal year 2020, and to record a middle-single-digit increase.

However, the numerous uncertainties about the impact that the COVID-19 could have on the economies of the countries in which Logista operates, and about the consequent measures that could be adopted, could have an adverse impact on the Group's activities, so these estimates will be reviewed at the end of each quarter.

2. SHARE PRICE EVOLUTION

Logista share price amounted €14.6 at the end of fiscal year 2020 (September 30, 2020), so, Logista's market capitalization reached 1,938.2 million € at closing of fiscal year 2020.

During the fiscal year 2020, 41,772,377 shares were negotiated, reaching a rotation of the 31.5% of the total share capital. The daily average volume negotiated was 163,173 shares.

	1 Oct. 2019 – 30 Sept. 2020	1 Oct. 2018– 30 Sept. 2019
Market capitalization at the end of the period (€mill)	1,938.2	2,373.6
Revaluation (%)	-18.3%	-19.2%
Closing price (€)	14.6	17.9
Maximum price (€)	21.3	22.8
Minimum price (€)	12.9	17.7
Total negotiated volume (shares)	41,772.377	41,954.961
Average daily volume (shares)	163,173	164.529
Rotation (% of share capital)	31.5%	31.6%

3. NON-FINANCIAL INFORMATION STATEMENT

The Non-Financial Information Statement, referred to in articles 262 of the Capital Companies Act and 49 of the Commercial Code, is presented in a separate report called 2020 Integrated Annual Report, consolidated of Compañía de Distribución Integral Logista Holdings, S.A. and its Subsidiaries corresponding to fiscal year 2020, in which it is expressly indicated that the information contained in said document is a part of Logista's consolidated Management Report.

That document has been verified by an independent verification service provider and is subject to the same approval, deposit and publication criteria as Logista's consolidated Management Report.

4. RISK EXPOSURE

The system of corporate Risk Management of Logista and its subsidiary companies is included in the Group's General Policy on Risk Management, updated on 21st July, 2020, and intended to introduce an integrated system of risk management designed as a tool to help Logista's Board of Directors and Management to optimise results, thereby increasing their capacity to create and maintain value.

This Policy specifies the obligatory actions that have to be taken to control and manage external and internal risks of whatever kind that could at any time affect the achievement of Logista's objectives. It also assigns responsibilities, defines the categories of risks and the appetite for risk, sets out measures by which to manage it and to monitor the system regularly so that it also enables resources to be allocated efficiently, ensures the reliability of financial and non-financial information, sets the standards in relation to transparency and good corporate governance and enlarges the range of available opportunities.

The categories or types of risk defined in this Policy, and which could affect the Group, include risks from the surroundings, business and financial risks, those connected with compliance with regulations, operational and technological risks, and risks to reputation. Included in the financial risks are fiscal risks deriving from Logista's operations.

Logista's General Policy on Internal Control, of 25th April 2017, sets out the general framework for the control and management of the external and internal risks of whatever kind which, according to the Map of Risks in effect at any time, could affect the achievement of the Company's objectives.

The main non-financial risks and uncertainties faced by the Group, by category, are the following:

- Risks from the surroundings: now significant because of the current crisis caused by the Covid19 pandemic and the general worsening of economic prospects, which could affect the development of the Group's businesses, making them subject to new regulations and structural changes affecting the purchasing power of their customers and their habits and/or patterns of consumption. Another result of the economic crisis and the increase in unemployment is an increased risk of illicit trading and the smuggling of tobacco, which could affect the volumes distributed.

- Business risks: principally those connected with the liberalisation of those tobacco markets in which the State has a monopoly on the retail sale of tobacco products, with the consequent impact on results if the measures already envisaged by the Group are not implemented, but also those resulting from the introduction of new, anti-smoking policies which lead to a reduction in tobacco consumption, the Group being unable to compensate for this decline with the growth of other businesses.
- Operational and technological risks: the main risks are related to cyber security, as the Group is exposed to hazards and vulnerability because of its habitual use of information technology and systems to perform its various activities, to the theft of tobacco from premises and during its transport, and to risks related to large-scale events when the contingency plans made by the Group are not sufficient. Included in this category is the risk of failing to fill critical positions in the Company due to a lack of suitable successors.
- Risks connected with compliance with regulations: as Logista's Businesses are subject to compliance with numerous general and sectoral laws and regulations, of different scope, the Group is exposed, on the one hand, to the possibility of occasional non-compliance and its corresponding penalty or legal action, and on the other hand, to higher costs for the monitoring of compliance. In addition, those which could arise in the ordinary course of business when Logista is involved in lawsuits of any kind, whether as plaintiff or defendant, with outcomes which are, *a priori*, uncertain.

Moreover, from the financial perspective, the Group's main financial assets are balances of cash and cash equivalents, trade debtors and other accounts receivable, and the Group's financial investments, which represent its maximum exposure to financial risk. The principal financial risks which the Group has to face can therefore be summarised as:

- One of the basic objectives of the Group's Financial Management is to maintain the value of the Group's assets in all the business units and countries in which it operates by analysing and preventing risks and optimising the management of the main incidents, taking out external insurance cover when this is considered appropriate. Moreover, there is a risk of impairment of the fair value of the assets, connected with the high recorded amounts of goodwill, as the Group has a large number of assets and investments for which impairment tests have to be performed in accordance with the International Accounting Standards.
- With regard to the credit risk, the Group generally has its liquid and other equivalent assets deposited in entities with high credit ratings. The Group considers that as at 30th September, the level of exposure of its financial assets to credit risk was not significant. Moreover, the Group has a credit or counterparty risk exposure with Imperial Brands, by virtue of the signed agreements to transfer liquidity.
- The Group controls the risks of insolvency and default by fixing credit limits and strict time limits for collections; this commercial risk is shared among a large number of customers with short collection periods, the majority of the Group's customers being retailers. Thus, the credit risk exposure to third parties outside the Group is not very high, and whenever appropriate is covered by insurance policies to reduce the impact of any unpaid bills. However, historically, the rates of default in all the geographical areas in which the Group operates are very low.
- With regard to the risk to liquidity, the Group maintains sufficient cash and its equivalents to make the necessary payments in its normal activities. In case of need, the Group has credit lines available, through the treasury management contract with Imperial Brands.
- Concerning exposure to the interest-rate risk, given the Group's low level of financial indebtedness, the Management considers that any increase in interest rates would not have a significant impact on the attached consolidated annual accounts.
- Furthermore, the extent of exposure of the net equity and the profit & loss account to the effects of future changes in interest rates is not important, since the volume of the Group's transactions in currencies other than the euro is not significant.

- Just as in any other wholesale business, the payment cycles for products bought from tobacco manufacturers and the collection cycles of the points of sale do not coincide. In addition, the Logista Group's payment of its taxes to the fiscal authorities is made in a cycle that is different from those of the manufacturers and the points of sale. In cases when the government of any country in which the Group operates experiences a need for liquidity, or when there is a change in the cycles for the payment of taxes, or when there is a substantial increase in taxes such as VAT or excise duties, there would be an adverse effect on the business, because there would be a worsening of the prospects for the Group's financial situation, operating profit and cash management. In this connection, the businesses that are the most exposed to the credit risk of their customers are strengthening their debt-collection circuits by shortening the periods, by reducing and more closely monitoring the assigned credit limits, thus favouring the obtention of bank guarantees.

Among the main objectives of the Group's fiscal strategy, defined in its fiscal Policy, are the following:

- To minimize the fiscal risks associated with the operations and with the strategic decisions of each company so that the taxation is adapted to, and commensurate with, the operation of the Group's Businesses, material and human resources, and business risks.
- To define the fiscal risks, to determine the aims and activities of Internal Control, and to set up a system of reporting on fiscal compliance and the maintenance of documentation, incorporated into the Group's general framework of Internal Control.

In this regard, Logista, to fulfil its fiscal obligations, complies strictly with the applicable tax regulations, monitoring and supervising fulfilment of those fiscal obligations in a centralised manner in the Group, and relying on the collaboration of tax consultants and reputable law firms as a support in the presentation of tax returns and their subsequent settlement, in special transactions and, when necessary, in a legal defence of the Group's position.

From the fiscal point of view, the risks to which the Group is exposed are therefore the following:

- The principal activity of selling tobacco is subject to specific tax regulations which are complex because of the different geographical areas in which the Group operates. In this connection there are several disputes about fiscal matters which are awaiting a decision, and which require Logista to make value judgements in order to estimate the degree of probability of these liabilities materialising, this risk being provisioned in accordance with the opinion of the legal experts and the feasibility of passing the liabilities on to third parties.
- Under the current legislation, taxes cannot be considered as definitively settled until the declarations submitted have been inspected by the fiscal authorities or until the four-year limitation period has elapsed. At present, some of the Group's specific taxes from certain fiscal years are still subject to inspection.

With regard to the materialisation of the risks to which the Company has been exposed:

- Typical operational risks in the normal course of business, and in particular, thefts of tobacco from premises and during transport: no impact on the Group's results because the merchandise is insured.
- Liability for settlement in contentious fiscal proceedings when the ruling was against the Group: no significant impact on the Group's results because such cases are provisioned, as are other lawsuits of a non-fiscal nature.

In both cases the control systems in place enabled both the impact of the materialised risk and the probability of its occurring to be reduced. In general, Logista's systems of internal control and risk management have resulted in low levels of exposure to various risks, some of which had no adverse effect at all on the Group.

During the year, some key positions in the Company became vacant, but the succession plans that had been made and the measures to ensure a correct succession in those positions were applied satisfactorily.

Associated risks and expected effects on the business strategy and activities resulting from the decision of the United Kingdom to leave the European Union.

Logista belongs to the Imperial Brands group, whose registered office is in the United Kingdom. For this reason, the risk, and possible impact, resulting from the departure of the United Kingdom from the European Union have been assessed. As the Company has no significant investments, either direct or indirect, in foreign entities which operate in currencies other than the euro, and does not carry on important activities in countries whose currency is not the euro, any slowing down in the British economy and/or volatility in the exchange rate would not have a strong impact on the Group's activities.

The share capital injected by the shareholder Imperial Brands, and the line of credit maintained with the majority shareholder, are in euro currency, and the Company does not maintain any kind of financing from its shareholder, either in euros or in pounds sterling, and is not affected by oscillations in interest rates or in the exchange rate.

Once the United Kingdom has left the European Union, however, there will be some uncertainty until an assessment can be made of the impact on European directives on taxation and on the application of Community freedoms, which will depend on what is negotiated between the two parties.

Risk from the pandemic due to COVID-19

During this fiscal year the risk of a pandemic materialised due to the worldwide propagation of COVID-19, which produced a scenario of economic and political uncertainty and a worsening of the macroeconomic prospects in the countries in which the Group has a presence, which in turn affects the development of the Group's businesses, although this effect will be partially mitigated because of the nature of the businesses and activities and of the services provided by the Group, on which the current crisis is having less effect than in other sectors.

The Group has adapted its operations and its strategic and business plans to the situation now resulting from the coronavirus crisis and has implemented corrective and contingency measures of various kinds which have enabled the operation of the business to continue. In addition, various measures have been taken to protect the Group's employees and collaborating partners.

As at 30/09/2020, the economic/financial impact of COVID amounted to -14 million euros.

5. USE OF DERIVATIVE FINANCIAL INSTRUMENTS

No Group company uses derivative financial instruments.

6. SIGNIFICANT EVENTS FOR THE GROUP AFTER THE REPORTING PERIOD

No significant events took place after the reporting period that could affect a significant impact on the accompanying consolidated financial statements.

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

- **Economic Sales:** equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.

Management believes that gross profit is a meaningful measure of the fee revenue we generate from performing our distribution services and provides a useful comparative measure to investors to assess our financial performance on an on-going basis.

	Million €	
	1 Oct. 2019 – 30 Sep. 2020	1 Oct. 2018 – 30 Sep. 2019
Revenue	10,559.1	10,148.3
Procurements	(9,402.3)	(8,999.3)
Gross Profit	1,156.8	1,149.0

- **Adjusted Operating Profit (Adjusted EBIT):** This item is calculated, fundamentally, discounting from the Operating Profit those costs that are not directly related to the revenue obtained by the Group in each period, facilitating the performance of Group's the operating costs and margins.

The Adjusted Operating Profit (Adjusted EBIT) is the main indicator used by the Group's Management to analyse and measure the progress of the business.

	Million €	
	1 Oct. 2019 – 30 Sep. 2020	1 Oct. 2018 – 30 Sep. 2019
Adjusted Operating Profit	256.9	261.9
(-) Restructuring Costs	(11.6)	(11.4)
(-) Amortization of Assets Logista France	(52.2)	(52.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	12.5	4.8
(+/-) Share of Results of Companies and Others	0.9	1.2
Profit from Operations	206.4	204.3

- **Adjusted Operating Profit margin over Economic Sales:** calculated as Adjusted Operating Profit divided by Economic Sales (or indistinctly, Gross Profit).

This ratio is the main indicator used by the Group's Managements to analysis and measure the performance of the profitability obtained by the Group's typical activity in a period.

	Million €		
	1 Oct. 2019 – 30 Sep. 2020	1 Oct. 2018 – 30 Sep. 2019	%
Economic Sales	1,156.8	1,149.0	0.7%
Adjusted Operating Profit	256.9	261.9	(1.9)%
Margin over Economic Sales	22.2%	22.8%	(60) b.p.

- **Operating costs:** this term is composed by the costs of logistics networks, commercial expenses, research expenses and head offices expenses that are directly related to the revenue obtained by the Group in each period. It is the main figure used by the Group's Management to analyse and measure the performance of the costs structure. It does not include restructuring costs and amortization of assets derived from the

Logista France acquisition, due to are not directly related to the revenues obtained by the Group in each period.

Reconciliation with Consolidated Financial Statements:

<i>Million €</i>	1 Oct. 2019 – 30 Sep. 2020	1 Oct. 2018 – 30 Sep. 2019
Cost of logistics network	806.9	798.5
Commercial expenses	66.2	70.4
Research expenses	2.6	2.7
Head office expenses	88.0	79.1
(-) Restructuring costs	(11.6)	(11.4)
(-) Amortization of Assets Logista France	(52.2)	(52.2)
Operating Costs or Expenses in management accounts	899.9	887.1

- **Non-recurring expenses:** refers those expenses that, although they might occur in more than one period, do not have a continuity in time (as opposed to operating expenses) and affect only the accounts in a specific moment.

This magnitude helps the Group's Management to analyse and measure the performance of the Group's activity in each period.

- **Recurring operating expenses:** this term refers to those expenses occurred continuously and allow sustain the Group's activity. They are estimated from the total operating costs less the non-recurring costs defined in the previous point.

This magnitude helps the Group's Management to analyse and measure the performance of efficiency in the activities carried out by the Group.

- **Restructuring costs:** are the costs incurred by the Group to increase the operating, administrative or commercial efficiency in our company, including the costs related to the reorganization, dismissals and closes or transfers of warehouses or other facilities.
- **Non-recurring results:** refers to the results of the year that do not have a continuity during the year and affect the accounts in a specific moment. It is included in the Operating Profit.

ANNEX I TEMPLATE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

NOTICE: This document is a translation of a duly approved Spanish-language document, and is provided only for information purposes. In the event of any discrepancy between the text of this translation and the original Spanish-language document, the text of the original Spanish-language document shall prevail.

FISCAL YEAR-END DATE: 30/09/2020

C.I.F.: A87008579

COMPANY NAME:

Compañía De Distribución Integral Logista Holdings, S.A.

REGISTERED OFFICE:

Calle Trigo 39 -Polígono Industrial Polvoranca- 28914 Leganés (Madrid)

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A CAPITAL STRUCTURE

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

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

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

Yes No

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

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Imperial Brands PLC	0	50.01	0	0	50.01
CAPITAL RESEARCH AND MANAGEMENT COMPANY	0	5.01	0	0	5.01
CAPITAL INCOME BUILDER, INC	5.04	0	0	0	5.04

Breakdown of the indirect holding

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Imperial Brands PLC	Altadis S.A.U.	50.01	0	50.01

State the most significant shareholder structure changes during the year:

Name (person or company) of the shareholder	Transaction Date	Transaction Description
BLACKROCK INC.	4-10-2019	Crosses down the 3% threshold
CAPITAL RESEARCH AND MANAGEMENT COMPANY	21-11-2019	Crosses up the 5% threshold
SANTANDER ASSET MANAGEMENT SA, SGIIC	13-02-2020	Crosses down the 3% threshold
ALLIANZ GLOBAL INVESTORS GMBH	22-04-2020	Crosses down the 5% threshold

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

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Iñigo Meirás	0.00 ⁽¹⁾	0.00	0.00	0.00	0.00	0	0
Gregorio Marañón	0	0.02	0	0	0.02	0	0

Comments: Mr. Iñigo Meirás, CEO of the Company, has 0.0099% of direct voting rights in the Company, represented by 13,174 shares.

Total percentage of voting rights held by the Board of Directors	0.02
--	-------------

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
D. Gregorio Marañón	Cigarral de Inversiones, S.L.	0.02	0	0.02	0

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

Not applicable

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

<u>Related parties names or corporate names</u>
Imperial Brands PLC
Compañía de Distribución Integral Logista Holdings, S.A.

Kind of relationship: Contractual

Brief description:

"ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12th, 2014.

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

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

<u>Related parties names or corporate names</u>
Imperial Brands Finance PLC
Compañía de Distribución Integral Logista, S.A.U.

Kind of relationship: Contractual

Brief description:

"INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12th, 2014, amended on December 1st, 2015, and extended on March 21st 2018.

Agreement on a reciprocal credit facility, in force until June 12, 2024 (with a yearly tacit renewal), with a maximum disposal limit of two thousand six hundred million euros, temporarily extended only for once, from 1 September 2020 to 31 October 2020, to four thousand and eight hundred million euros, considering the expected treasury status, pursuant to the contractual amendment agreed on 1 September.

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

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

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

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

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Mr. John Matthew Downing	Imperial Brands PLC	Imperial Brands PLC	Imperial Brands Group's Company Secretary
Mr. Richard Guy Hathaway	Imperial Brands PLC	Imperial Brands PLC	Director of Finance Strategic Initiatives
Mr. John Michael Jones	Imperial Brands PLC	Imperial Brands PLC	Director of Treasury
Ms. Marie Ann D'Wit	Imperial Brands PLC	Imperial Brands PLC	Deputy Chief Financial Officer
Ms. Lisa Anne Gelpy	Imperial Brands PLC	Imperial Brands PLC	Group Reward Director

Remarks
<p>The significant shareholder Imperial Brands PLC, who holds its participation through Altadis, SAU, in line with the provisions of the Framework Agreement dated 12 June 2014, is represented at the Company's Board by five proprietary Directors.</p> <p>None of the Company Directors is a Director at Imperial Brands PLC.</p>

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

Yes No

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

Yes No

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

Yes No

Name of individual or company
IMPERIAL BRANDS PLC

Remarks
INDIRECT PARTICIPATION OF 50.008%, THROUGH ALTADIS, S.A.U.

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

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
522.273		0,39

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

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

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

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

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

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

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

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

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

accordance with and in implementation of Long-Term Incentive Plans consisting of the delivery of Company shares or of options on Company shares.”

A.11 Estimated floating capital:

	%
Estimated floating capital	44.53

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

Yes No

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

Yes No

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

Yes No

B GENERAL SHAREHOLDERS' MEETING

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

Yes No

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

Yes No

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

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

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

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
21/03/2018	60.12	24.53	0.00	0.00	84.65
Of which, free float:	0.12	24.53	0.00	0.00	24.65
26/03/2019	50.21	33.87	0.00	0.00	84.08
Of which, free float:	0.20	33.87	0.00	0.00	34.07
24/03/2020	0,06	30,90	0,00	50,68	81,64
Of which, free float:	0,06	30,90	0,00	0,67	31,63

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

Yes No

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

Yes No

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

Yes No

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

The address of the company's website is www.grupologista.com.

The most relevant information on the Company's corporate governance and other information on the General Meetings is available in the section "Shareholders and Investors" / "Corporate Governance" / "Annual Corporate Governance Reports", and through the same section, "General Meeting 2020" or "Previous General Meetings".

C COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

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

Maximum number of directors	15
Minimum number of directors	10
Number of directors set by the general meeting	12

C.1.2 Please complete the following table on directors:

Name of Director	Natural Person representative	Director Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr. Gregorio Marañón	---	Independent	Chairman	13/05/2014	24/03/2020	General Shareholders' meeting
Mr. Íñigo Meirás	---	Executive	CEO	19/12/2019	24/03/2020	General Shareholders' meeting
Mrs. María Echenique	---	Executive	Secretary Director	24/03/2020	24/03/2020	General Shareholders' meeting
Ms. Cristina Garmendia	---	Independent	Director	04/06/2014	21/03/2018	General Shareholders' meeting
Mr. Luis Isasi		Independent	Director	29/9/2020 ⁽¹⁾	29/09/2020	Co-option
Mr. Alain Minc	---	Independent	Director	24/04/2018	26/03/2019	General Shareholders' meeting
Ms. Pilar Platero	---	Independent	Director	26/11/2019	24/03/2020	General Shareholders' meeting
Mr. John Matthew Downing	---	Proprietary	Director	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Richard Guy Hathaway	---	Proprietary	Director	24/03/2015	26/03/2019	General Shareholders' meeting
Mr. John Michael Jones	---	Proprietary	Director	29/01/2019	26/03/2019	General Shareholders' meeting
Ms. Marie Ann D'Wit	---	Proprietary	Director	24/03/2020	24/03/2020	General Shareholders' meeting
Ms. Lisa Anne Gelpey	---	Proprietary	Director	24/03/2020	24/03/2020	General Shareholders' meeting

Total number of directors	12
---------------------------	----

(1) See "Other information of interest"

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

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Luis Egido	Executive	21/03/2018	27/10/2019	None	YES
Rafael de Juan	Executive	21/03/2018	19/12/2019	None	YES
Amal Pramanik	Proprietary	26/03/2019	10/02/2020	None	YES
Jaime Carvajal	Independent	26/03/2019	02/09/2020	Appointments and Remuneration Committee	YES

Resignation Causes: Mr. Egido and Mr. Carvajal passed away respectively in October 2019 and September 2020. Mr. de Juan was dismissed as Executive Director in the context of the renovation of the Company after the death of former CEO, Mr. Egido. Proprietary Director Mr. Pramanik resigned because of his exit of the Group of the significant shareholder Imperial Brand.

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

EXECUTIVE DIRECTORS

NAME OR COMPANY NAME OF DIRECTOR:

Mr. ÍÑIGO MEIRÁS

POST IN ORGANISATIONAL CHART OF THE COMPANY:

CHIEF EXECUTIVE OFFICER

PROFILE:

Íñigo Meirás is a Law Graduate from Madrid's Complutense University and obtained an MBA from the Instituto de Empresa (IE).

He started his professional career in Ferrovial in 1992, and after holding different positions, in 2009, he was appointed General Manager and CEO, position he held until September 2019. Prior to joining Ferrovial, he worked at Holcim Ltd. and Grupo Carrefour.

NAME OR COMPANY NAME OF DIRECTOR:

MS. MARIA ECHENIQUE

POST IN ORGANISATIONAL CHART OF THE COMPANY:

SECRETARY DIRECTOR

PROFILE:

Ms. María Echenique holds a Law Degree from the Universidad Complutense de Madrid, and a Diploma in English Law by the University of Kent at Canterbury. She is a civil servant (Cuerpo Superior de Administradores Civiles del Estado), on leave.

From 2010 she has held different positions in NATURGY ENERGY GROUP, S.A.'s Legal Services where, additionally, she was appointed Deputy Secretary of the Board of Directors. Before, Mrs.

Echenique performed different duties in the Spanish Public Administration, such as technical advisor in the Economy Ministry and advisor in the Science & Technology Ministry.

She also performs functions of Head of the Company's legal services, as General Counsel of the Company.

Total number of executive directors	2
Percentage of Board	16.67%

PROPRIETARY DIRECTORS

NAME OF DIRECTOR:

Mr. JOHN MATTHEW DOWNING

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:

IMPERIAL BRANDS PLC

PROFILE:

Mr. John Matthew Downing joined the Imperial Brands (former Imperial Tobacco) legal department in 2005 and currently serves as Group Company Secretary of Imperial Brands PLC.

Prior to joining Imperial, he worked in the corporate department of Linklaters in both London and SE Asia (from 1998 to 2005). Mr. Downing received a Bachelor of Arts (Honors) in History from the University of Cambridge in 1993, after which he completed a conversion course in Law, passing with Distinction in 1995.

NAME OF DIRECTOR:

Mr. RICHARD GUY HATHAWAY

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:

IMPERIAL BRANDS PLC

PROFILE:

Mr. Richard Guy Hathaway serves as Director of Finance Strategic Initiatives at Imperial Brands, and was previously responsible for leading the Risk Management function.

Prior to joining Imperial Brands, he has developed part of his professional career in KPMG, where he held various different positions in the UK and Europe and was a partner, initially in the audit practice (2000-2007) and then the Transaction Services division (2007-2012). He also worked for ADS Anker. Mr. Hathaway received a Bachelor of Mathematics (Honors) (1988) from Oxford University in 1988, and is Fellow of the Institute of Chartered Accountants in England & Wales.

NAME OF DIRECTOR:

Mr. JOHN MICHAEL JONES

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:

IMPERIAL BRANDS PLC

PROFILE:

Mr. John Michael Jones joined Imperial Brands in 1998 in the Treasury Department and has been Director of Treasury since 2001. He is currently responsible for treasury, insurance and the financial risk management of pensions for the group.

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

NAME OF DIRECTOR:

Ms. MARIE ANN D'WIT

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:

IMPERIAL BRANDS PLC

PROFILE:

Ms. Marie Ann D'Wit joined Imperial Brands in 2017 and serves as Deputy Chief Financial Officer of Imperial Brands PLC.

Prior to joining Imperial, Ms. D'Wit held senior finance positions at Ferguson Plc, Dixons Carphone Plc, and Cadbury Schweppes Plc in both London and New York and started her career in banking & capital markets with JPMorgan Cazenove and PwC. Ms. D'Wit received a Bachelor Science (Honours) in Molecular Physics & Chemistry and is a member of the Institute of Chartered Accountants of England and Wales.

Ms. D'Wit sits on the Supervisory Board of Reemstma Cigarettenfabriken GmbH.

NAME OF DIRECTOR:

Ms. LISA ANNE GELPEY

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:

IMPERIAL BRANDS PLC

PROFILE:

Ms. Lisa Anne Gelpy has a BA (Hons) degree in Accountancy and is qualified as an Associate Tax Technician (ATT). She joined Imperial Brands as Group Reward Director in January 2019, responsible for Executive Remuneration and other compensations and benefits. She also sits on the Supervisory Board of Reemstma Cigarettenfabriken GmbH.

Prior to joining Imperial, she was a Director at PwC for four years providing HR consulting services to clients, and she had a number of roles at Shell over 12 years. She also served as HR and tax

consultancy at Arthur Andersen (now Deloitte), Towers Perrin (now Willis Towers Watson) and KPMG, and had several in-house HR roles at Morgan Stanley and MCI WorldCom (now Verizon).

Total number of proprietary directors	5
Percentage of the Board	41,67%

INDEPENDENT DIRECTORS

NAME OF DIRECTOR:

Mr. GREGORIO MARAÑÓN

PROFILE:

Mr. Gregorio Marañón is the Chairman of Compañía de Distribución Integral Logista Holdings S.A. He also serves as Chairman of Universal Music Spain and of Air City Madrid Sur, and he is member of the Board of Patrimonio Nacional. He is Chairman of the Board and the Executive Committee of the Teatro Real opera house and has a wide experience in the financial and business spheres. He was awarded the Grand Cross of Alfonso X el Sabio; the Gold Medal for Merit in Fine Arts; and the Gold Medal of Castilla-La Mancha Region and of the Community of Madrid. He was appointed Commandeur de la Légion d'Honneur Française and Commendatore della Ordine de la Stella della Republica Italiana.

Mr. Marañón received his Bachelor of Laws from Complutense University of Madrid (1964), and completed an Advanced Management Program at the IESE Business School (1979). He is Doctorate Honoris Causa by the University of Castilla-La Mancha.

NAME OF DIRECTOR:

Ms. CRISTINA GARMENDIA

PROFILE:

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

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

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

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

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

NAME OF DIRECTOR:

Mr. LUIS ISASI

PROFILE:

Mr. Isasi holds a degree in Business Administration from the University of Sevilla and has a MBA from Columbia University in 1982.

He began his career in Abengoa, and after occupying different executive positions in JP Morgan and in First National Bank of Chicago, he joined Morgan Stanley as the General Manager of the Investment Bank Division for Europe and, since 1997, Country Head and Chairman of Morgan Stanley in Spain, he leaved this position in March 2020. He has also been a Board member of Madrileña Red de Gas, S.A. and of Sociedad Rectora Bolsa de Madrid, S.A.

He is today the Non-Executive Chairman of the Board of Santander Spain and External Board Member of Banco Santander, S.A., as well as Member of its Executive Committee and Remuneration Committee.

NAME OF DIRECTOR:

Mr. ALAIN MINC

PROFILE:

Mr. Alain Minc is a graduate of the Ecole des Mines de Paris and of ENA. After serving as Inspecteur des Finances, he joined Compagnie de Saint-Gobain in 1979, as Chief Financial Officer. In 1986, Mr. Minc became Vice-Chairman of CIR International (Compagnie Industrielle Riunite International) and General Manager of Cerus (Compagnies Européennes Réunies) which were the non-Italian affiliates of Benedetti Group. He has been Board member of numerous companies and the Chairman of the Supervisory Board of Le Monde, the leading French newspaper (19/12/94 to 11/02/2008). Today he is Chairman of AM Conseil and Sanef. He is Commandeur de la Légion d'Honneur (France); Commander of the British Empire; Grand Cross of the Order of Civil Merit (Spain). Alain Minc wrote more than 30 books on different subjects (economics, history, social and politics, among others).

NAME OF DIRECTOR:

Ms. PILAR PLATERO

PROFILE:

Ms. Pilar Platero holds a Law Degree from the Complutense University of Madrid. State Comptroller and Auditor, Tax Inspector and Audit and Accounting Technician of the Ministry of Finance. Member of the Accounts Auditors Official Register.

She held various management positions at the Spanish Government General Comptroller Office, as State Auditor and Delegated Comptroller at the national museums *Museo del Prado* and *Centro de Arte Reina Sofía*, as well as in the cabinets of the Minister of Finance and the State Secretary for Budgets and Expenditures. She has been Undersecretary of the Ministry of Finance and Public Administrations, and President of the Spanish state-owned industrial holding company (SEPI).

In the private sector, she was partner of *Equipo Económico*, an economic strategy consultancy, and also an advisor for the Inter-American Development Bank (IDB).

Number of independent directors	5 ⁽²⁾
Percentage of the Board	41,67%

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

NO

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

	Number of female directors				% of directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive	1	0	0	0	50%	0.00%	0.00%	0.00%
Proprietary	2	0	0	0	40%	0.00%	0.00%	0.00%
Independent	2	1	1	1	40%	10.00%	10.00%	10.00%
Other external	0	0	0	0	0	0.00%	0.00%	0.00%
Total	5	1	1	1	41,67%	10.00%	10.00%	10.00%

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

Yes

No

Partial policies

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

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

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

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

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

In this field, the Company plays an important role in relation with the independent Directors selection. When appointing independent Directors, the Appointments and Remuneration Committee proposes the most convenient candidate, with the best knowledge and experience, bearing in mind all diversity issues and in particular, those related to gender diversity. Moreover, this policy applies equally to the Proprietary Directors appointment, without prejudice of the Shareholders proportional representation right as per the applicable legislation.

In the last financial year, there has been a major renewal of the members of the Board, in which the issue of gender diversity has been particularly considered. The Board proposed the extension of the number of Directors to 12, and considering its firm commitment to gender diversity, submitted to the General Shareholders' Meeting the proposal for the appointment of three new female Directors and the ratification and appointment of one female Director that it had appointed by co-optation. As a result, five female Directors currently sit on the Board of Directors, representing 42% of the total Board members.

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

Explanation of means
See Section C.1.5 above

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

Explanation of means
Not applicable

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

The Company has fully met this objective and has even achieved in advance the new 40% objective set out in the amendment of the recommendations for Good Governance approved by the CNMV in June 2020, which raised this target to 40% in 2022. As indicated in the paragraph C.1.5 above the female presence in the Board is 42% including one Executive Director.

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

Name of shareholder	Reason
N/A	

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

Yes

No

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

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

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

Name (person or company) of the director	Company name of the entity of the Group	Position	¿Does he/she have executive functions?
Mr. Íñigo Meirás	Compañía de Distribución Integral Logista, S.A.U.	Chairman	YES
Mr. Íñigo Meirás	Logista Italia, S.p.A.	Chairman	YES
Mrs. María Echenique	Compañía de Distribución Integral Logista, S.A.U.	General Counsel	YES

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

Name (person or company) of the director	Name of listed company	Position
Ms. Cristina Garmendia	Mediaset España Comunicación, S.A.	Director
Ms. Cristina Garmendia	CaixaBank, S.A.	Director
Mr. Luis Isasi	Banco de Santander S.A.	Director

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

Yes

No

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

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

Board remuneration in financial year (thousand euros)	9,541
Amount of vested pension interests for current members (thousand euros)	273
Amount of vested pension interests for former members (thousand euros)	112

Remarks

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

Name	Position
Mr. Pascal Ageron	General Manager - France
Mrs. María Pilar Colàs Castellote	General Manager – Italy
Mr. Carlos García-Mendoza Klaiber	Strategy Corporate Director
Mr. Juan José Guajardo-Fajardo Villada	Human Resources Corporate Director
Mr. Antonio Mansilla Laguía	Resources Corporate Director
Mr. Francisco Pastrana Pérez	General Manager - Iberia and Poland
Mr. Manuel Suárez Noriega	Chief Financial Officer
Ms. Laura Templado Martín	Internal Audit Corporate Director

Total senior management remuneration (thousand euros)	3,566
--	--------------

C.1.15 State whether the Board rules were amended during the year:

Yes

No

In line with the new wording of Recommendation 22 of the Good Governance Code of Listed Companies, the wording of Article 26 of the Board of Directors' Regulations has been amended so that the Board has the duty to immediately analyse issues relating to Directors who may affect the Company's credit and reputation, without waiting for certain legal proceedings. Moreover, the articles 10 and 11 of the Board Regulations were amended in order to establish that the Chairman has to be appointed among the Independent Directors, adjusting also the Chairman substitution mechanism.

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

Directors' Selection

LOGISTA has a Policy on Selection of Board Members, approved by the Board of Directors of December 19, 2017, based on the principles of non-discrimination and equal treatment, gender diversity, experience, knowledge, transparency and compliance with the good governance recommendations. In this same vein, the Appointments and Remuneration Committee of June 2020 approved an Action Plan in order to implement the Recommendations of the Technical Guide of the CNMV in relation to Appointments and Remuneration Committees, and subsequently, the Board of Directors of September 2020 approved a skill matrix for the Board, to be considered in the future selection processes.

The Board of Directors and the Appointments and Remuneration Committee, within the scope of their competencies, shall endeavour to ensure that the candidates fulfil the principles established in the Policy on Selection of Board Members, and shall be particularly rigorous in choosing the persons to cover the posts of Independent Directors. Such principles should also be required to those individuals representing legal entities Directors.

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

Directors' Appointments

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

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

The proposal of appointment, re-election or removal of any non-independent Director must be preceded by a report of the Appointments and Remuneration Committee, as well as of a justifying report of the Board of Directors, which evaluates the competence, experience and merits of the proposed candidate.

Re-election of Directors

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

Term of office

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

Removal of Directors

In accordance with the provisions of Article 26 of the Board of Directors' Regulations, (which wording has been adapted to the new good governance recommendations), Directors shall leave their position when the term for which they were appointed ends and when so decided at the General Shareholders' Meeting, or when the Board of Directors requests it, in the use of the attributes accorded both to the General Shareholders' Meeting and to the Board by Law or by the By-Laws.

Directors must place their position at the disposal of the Board of Directors and if the Board deems appropriate, formally resign as a Director.

The Board of Directors may only propose the removal of independent Directors before the expiry of their statutory term of office, when they find due cause, based on a previous report from the Appointments and Remuneration Committee.

To these effects, due cause will be presumed when Directors take up new positions or responsibilities that prevent them from allocating sufficient time to the performance of a Board member' duties, or cause them to be in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent. Such removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate transactions alter the Company's capital structure.

Debates and Voting

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

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

In line with what was detected in previous reviews, a new impetus has been given to the process of optimizing the information made available to the Board as well as to the earlier provision of it. A new IT platform has been implemented that facilitates access and availability of information for all Directors at any time, and ensures its confidentiality.

As a result of the 2020 self-assessment the Board of Directors has approved an Action Plan in the following terms:

1. To provide more time for debate: moving the Appointment and Remuneration Committee the day before of the Board of Directors meeting

2. To reinforce the face-to-face contact between the Board members and the Management of the Company, inviting such Managers in the Board of Directors meetings to facilitate such interaction
3. To reinforce the professional training of the Board members with the approval of an induction plan
4. Approve the Chairman and CEO Succession Plan.

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

The self-assessment in relation to fiscal year 2019-2020, was referred the following:

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

In accordance with recommendation 36 of the CNMV Code of Good Governance, and since external advice had been provided in the previous financial year for this process, no external advice has been hired in the 2019-2020 self-assessment, although the accumulated experience of previous external assessments has been valued in the current process.

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

Not applicable

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

In accordance with article 26 of the Board Regulations, Directors shall cease in their position when the term of office they were appointed for has expired, and when decided by the General Shareholders Meeting, or when requested by the Board of Directors, in accordance with paragraph 2 below, in use of the powers conferred by law or by by-laws:

“2. Directors must place their post at the disposal of the Board of Directors and formally resign as a Director, if the Board of Directors considers it appropriate based on the following counts:

- a) When they are removed from the executive positions to which their appointment as Directors was associated;
- b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by law;
- c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;
- d) When their presence on the Board could jeopardise the interests of LOGISTA or cause serious damage to LOGISTA's good name. In particular, Directors should inform the Board of any criminal charges brought against them and the progress of any subsequent trial;
- e) When, after analysis by the Board itself, the Board determines that there are situations affecting the Director, whether or not relating to his performance in the Company, which damage the Company's credit and reputation.

For this purpose, the Director shall immediately inform the Board of any situation affecting him/her which could damage such credit and reputation and, in particular, of any criminal cases in which they appear as prosecuted, as well as, where appropriate, of their procedural vicissitudes. The Board of Directors should open an investigation as soon as possible and, in light of the particular circumstances, decide, following a report of the Appointments and Remuneration Committee, whether or not to take any measures, such as opening an internal investigation, requesting the resignation of the Director or proposing his/her dismissal.

The Board should give a reasoned account of all such determinations in the Annual Corporate Governance Report, unless there are special circumstances to justify it, which must be recorded in the minutes. This is detrimental to the information that the Company is to disseminate, if appropriate, at the time of the adoption of the corresponding measures.

- f) When a Director representing a significant shareholder notifies GRUPO LOGISTA, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers all its shareholding in GRUPO LOGISTA. Additionally, if such shareholders reduce their stake, thereby losing some of their entitlement to appoint Directors, the latter's number should be reduced accordingly. “

It also be noted that the paragraph e) above was amended to incorporate the news CNMV good governance recommendations.

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

Yes

No

If so, please describe any differences.

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

- a) any increase or reduction in the share capital of the Company in accordance with article 7 of these By-laws, or the issuance by the Company of any bonds or securities pursuant to Title III of these By-laws.
- b) the approval of an annual plan in relation to the capital expenditure, investments and other funding commitments to be carried out by the Company in the following year (the "Annual Capex Plan");
- c) the acquisition of all or part of any business of any third party whether by way of the purchase (whether direct or indirect) of shares, assets or other like interests of any third party (including by way of merger or business combination) by the Company or any member of its Group;
- d) the disposal of all or part of any business to any third party whether by way of the disposal (whether direct or indirect) of shares, assets or other like interests (including by way of merger or business combination) by the Company or any member of its Group;
- e) any decision of the Company to enter into any partnership or joint venture or any other arrangement to share or distribute profits or assets;
- f) any decision of the Company to incur or agree to incur, whether directly or indirectly, any capital expenditure, investment or other funding commitment in respect of any matter in excess of €1,000,000 in aggregate save to the extent that such capital expenditure, investment or other funding commitment (including the amount of such capital expenditure, investment or other funding commitment) is set out in the Annual Capex Plan for that period that has been approved in accordance with section (b) above;
- g) any decision of the Company to amend the terms of its borrowing or indebtedness in the nature of borrowing or grant guarantees, or to create or incur borrowing or indebtedness in the nature of new borrowing
- h) the creation of any mortgage, pledge, lien, charge, assignment of any of such securities, hypothecation or other security interest in relation to the Company, other than a security interest created by operation of law as a result of the ordinary course of business of the Company; and
- i) any decision to delegate any powers of the Board of Directors to a Managing Director, or to delegate any powers of the Board to any Committee of the Board.

For the purposes of counting the majority of members of the Board of Directors for the adoption of the abovementioned resolutions, the members of the Board that may be under

a conflict of interest and that shall abstain from voting, shall be discounted from the total number of members of the Board on which shall be calculated said majority.

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

Yes No

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

Yes No

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

Yes No

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

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

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

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

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

Number of Board meetings	10
Number of Board meetings without the chairman	0

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

Number of meetings	N/A
--------------------	-----

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

Number of meetings held by the Audit Committee	6
Number of Meetings held by the Appointments and Remuneration Committee	9

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

Number of meetings when all directors attended	10
% of attendance over total votes during the year	90%
Number of meetings in situ or representations made with specific instructions of all directors	9
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	90%

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

Yes No

Identify, where appropriate, the person(s) who have/have certified the company's individual and consolidated annual accounts for formulation by the board

Mr. Manuel Suárez Noriega, Chief Financial Officer

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

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

For this purpose, the following measures have been set out:

1. Prior analysis of economic and financial information, including the analysis of the main assumptions and magnitudes, changes in the consolidation perimeter, and evaluation of the potential impacts arising from changes in the Accounting Standards.
2. Supervision of the annual planning of the audit of accounts, as well as the Internal Control System of Financial Information and the Statement of non-financial information.
3. Quarterly attendance of external auditors, in joint action, which allows managing in advance possible aspects that could have a significant financial impact on the Group's assets, results or reputation.
4. Annual attendance of external auditors to detail the results of their Audit work.

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

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

Yes No

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

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

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

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

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

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

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

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

The Audit and Control Committee annually approves a Report on the Independence of the Auditor of Accounts, containing all relevant information on the services engaged and the Committees' analysis of independence, in particular that relating to the total amount of fees received, in accordance with Article 46.2 of the Board of Directors Regulations.

In this sense, the "Policy on Investments, Divestments and other actions of the Logista Group", provides that any request for additional services from any corporate or business unit, must be authorized by the Corporate Directorate of Finance. Once authorized, the Corporate Directorate of Finance submits it to the Committee for analysis and for its

inclusion on the agenda of the relevant meeting. To this end, the corresponding documentation is prepared, detailing the proposed service, its need, economic amount, its characteristics and conditions, the justification that it is not a prohibited service and an extract of the reference legislation to facilitate an assessment by the members of the Committee. Once included in the Agenda, the said documentation is forwarded before the meeting to all members of the Committee for further analysis.

The Corporate Director of Finance attends the meeting of the Committee, whose members may ask additional questions on the specific proposal. After the corresponding explanations, the Committee evaluates such proposal, requesting additional information or clarification from any employee of the Company or from the auditors themselves, and approves it, if it deems appropriate. The proposal is recorded in the minutes of the meeting, as well as any additional guidelines that the Committee may have given in relation to the proposal.

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

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

Yes

No

Outgoing Auditor	Incoming Auditor
Deloitte, S.L. PricewaterhouseCoopers Auditores S.L.	Ernst & Young, S.L.

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes

No

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

Yes

No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	60	29	89
Amount invoiced for non-audit services/Amount for audit work (in %)	85%	3%	9%

COMMENTS:

The amount of non-audit work is 85% in the Company, since the Company, being a Holding entity with no commercial activity, supports the verification services of the Consolidated Group supports the verification services of the Consolidated Group, such as the limited review of the Interim Condensed Consolidated Financial Statements for the period ended 31 March 2019 of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries, prepared according to IAS34 "Interim Financial Information", the auditing of the Internal Control System of the Financial Information, and the verification services of the Statement of non-financial Information of the Company.

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

Yes

No

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

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	14%	5%

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

Yes

No

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

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

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

In the event that, for reasons of urgency, the Chairman may wish to present decisions or

resolutions for Board approval that were not on the meeting agenda, their inclusion will require the express prior consent, duly minuted, of the majority of Directors present.

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

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

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

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

Yes

No

See Section C.1.19

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

Yes

No

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

The Company has not reached any agreement on those terms described.

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

Number of beneficiaries: 9

Type of beneficiaries: CEO, Secretary Director and certain senior managers

Description of the resolution:

i. CEO

- Compensation equivalent to one annuity of fixed plus short-term variable remuneration in the following cases:
 - Termination of the contract at the will of the CEO for serious breach of the contract by the Company, or if it ceases to be the sole CEO of the Company, or if there is a change of control in Logista's shareholding.
 - Termination of the contract at the Company's will without justifying cause
- Post-contractual non-compete clause: Duration of twelve months. Compensation equivalent to one annuity of fixed plus short-term variable remuneration .

ii. Secretary Director

- Compensation equivalent to one annuity of fixed plus short-term variable remuneration in the following cases:
 - Termination of the contract at the will of the Secretary Director for serious breach of the contract by the Company, loss of her condition of Secretary to the Board or General Secretary-Head of Legal Department, the Company, or if there is a change of control in Logista's shareholding.
 - Termination of the contract for voluntary and unilateral decision of the Company, implying the cessation in all her positions, without justifying cause.

iii. Senior Managers

- Compensation in the event of termination of the relationship for unfair dismissal or by the will of the worker on the rightful cause (9 contracts). The compensation to be paid, as the case may be, shall be (i) a minimum of one year and a half or two years of fixed and variable remuneration, unless the legal compensation is higher, or (ii) a certain amount, or (iii) the recognition of seniority accrued within the Group.
- In the event of a change in the shareholding involving a change of control of the Company (2 contracts), the compensation shall be, as the case may be, of (i) an amount equivalent to a minimum of two years of fixed and variable remuneration, unless the legal compensation for unfair dismissal is higher, or (ii) a certain amount.
- Post-contractual non-compete clause (9 contracts): Compensation, as the case may be, shall be of between eighteen and twenty-four months of gross annual salary plus variable remuneration.

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

- | | |
|--|-----|
| Does the Board of Directors authorize these clauses? | YES |
| Does the General Shareholders' Meeting authorize these clauses? | NO |
| Are these clauses notified to the General Shareholders' Meeting? | NO |

In accordance with the applicable law, these contracts are communicated to the relevant competent bodies. The Directors' Remuneration Policy contains the general framework for these clauses for Executive Directors. The Board of Directors approves the contracts of the Executive Directors and the main contractual conditions applicable to top Management of the Company.

C.2 Committees of the Board of Directors

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

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Mr. Alain Minc	Chairman	Independent
Ms. Cristina Garmendia	Member	Independent
Mr. Gregorio Marañón	Member	Independent
Ms. Pilar Platero	Member	Independent
Mr. Richard Guy Hathaway	Member	Proprietary

% of proprietary directors	20%
% of independent directors	80%
% of external directors	00%

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

The Audit and Control Committee has the following competencies:

- a) Inform the General Meeting of Shareholders on the matters raised by the shareholders relating to the matters under its competence.
- b) Refer to the Board of Directors the proposals for selection, appointment, re-election and replacement of the outside auditor, as well as the conditions of the engagement thereof
- c) Supervising Internal Audit services and activities and, in particular, the Annual Audit Plan.
- d) Supervising the effectiveness of the Internal Control Systems of the Company, as well as of the Risks Management Systems, including tax Risks.
- e) Establish and supervise a procedure that allows employees from the Company Group to confidentially report irregularities.
- f) Establish appropriate relationships with external auditors or audit firms to gather information on those matters that may put their independence at risk.
- g) On an annual basis, prior to the audit report, issue a report on the independence of the auditors.
- h) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- i) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

- j) Ensure that the external auditor has a yearly meeting with the Board plenary to inform it of the work undertaken and developments in the Company's Risk and accounting positions.
- k) Inform the Board of Directors of the Company's Annual Financial Statements, as well as the regulated financial information.
- l) Monitor compliance with legal requirements and proper application of generally accepted accounting principles, and report on proposals for modification of accounting criteria and principles suggested by Management, and on and off balance sheet risks.
- m) Supervise the preparation, integrity and fair presentation of the regulated financial information.
- n) Report to the Board of Directors transactions in special-purpose entities, or in entities domiciled in territories treated as tax havens, and any conflicts of interest
- o) Examining and previously reporting on the Corporate Governance Annual Report, on the compliance with the Internal Code of Conduct on Securities Market and with the Board Regulations and, in general, with the Company's governance rules, as well as putting forward proposals for its improvement.
- p) Supervise compliance with the Corporate Social Responsibility policy of the Company.
- q) Drafting an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee.
- r) Any other reporting and proposal functions it is tasked with by the Board of Directors.
- s) Any other competence or function under the law, the By-Laws, the Regulations of the Board, or the Rules of the Committee.

The Audit and Control Committee shall meet as periodically as determined, whenever called by its Chairman or requested by two of its members, and in any event at least four times per year. During this financial year, the number of meetings has been exceeded, as reported in section C.1.25.

The information to be discussed in the sessions is made available to Directors well in advance for their study and analysis. Company staff are regularly invited to allow Committee's members to ask questions and request the necessary explanations for decision-making, although such staff do not participate in discussions or decision-making, thus avoiding bias in the exercise of the functions of Committee members.

Main activities of the Audit and Control Committee during financial year 2019-2020:

- Planning of the Committee activities for next financial year
- Information and Supervision of the Periodic Financial Information that the Company submits to the National Stock Market Commission ("CNMV") and to the markets.
- Information and submission to the Board of Directors of the Individual and Consolidated Annual Accounts of the Fiscal Year, as well as of the Interim Condensed Consolidated Financial Statements at 31 March 2019.
- Supervision of the Degree of Compliance with the Model for the Prevention of Risks from Crime. Proposal for the Model update and supervision of whistleblowing channel.

- Quarterly and annual monitoring of the Internal Audit Plan and the activities of Internal Audit for 2019-2020, and approval of 2020-2021 Plan.
- Update of the Risk Map of the Group.
- Monitoring of the Internal Control activities of the Group, including the System of Internal Control over Financial Reporting (ICFR).
- Annual Evaluation of the Internal Audit Unit and of the Business and Individual Objectives for the Short-Term Variable Remuneration of the Corporate Director of Internal Audit.
- Evaluation, selection and proposal of appointment of external Auditors.
- Supervision of Accounts Audit fees 2019-2020, and planning of the accounts audit for the financial year.
- Authorization for the provision by auditors of the Company or of companies of the Group, of services other than accounts auditing.
- Supervision of the Integrated Report 2019-2020.
- Report-Proposal to the Board of Directors of the Annual Report on Corporate Governance for the fiscal year 2019-2020.
- Report on the Auditor independence.
- Self-assessment of its functions and composition during the fiscal year.
- Analysis of the new CNMV recommendations of good governance, and proposal of adaptation measures, as well as an update of the Internal Regulation for Conduct in the Securities Market.

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

Name of directors with experience	MR. RICHARD GUY HATHAWAY MR. ALAIN MINC MS. PILAR PLATERO
Date of appointment of the chairperson	26/03/2019

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Mr. Gregorio Marañón	Chairman	Independent
Mr. Alain Minc	Member	Independent
Mr. Luis Isasi	Member	Independent
Mr. John Matthew Downing	Member	Proprietary

% of proprietary directors	25%
% of independent directors	75%
% of external directors	0%

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

The Appointments and Remuneration Committee has the following competencies:

- a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.
- b) Establishing a goal for under-represented sex on the Board of Directors, and developing guidance on how to achieve that goal.
- c) Propose the appointment, ratification, reappointment and removal of Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the CEO, and the permanent delegation of the Board relevant faculties.
- d) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.
- e) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.
- f) Reporting appointments and removals of Senior Managers, previously proposed by the first executive to the Board of Directors.
- g) Proposing the following to the Board of Directors for its approval:
 - i) Compensation policies for Directors and Senior Management.
 - ii) The Annual Report on Remuneration of Directors
 - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.
 - iv) The basic conditions in the contracts of Senior Managers.
- h) Ensuring compliance with the Company's remuneration policies.
- i) Ensuring that selection processes are not implicitly biased in such a way that selecting female Directors is prevented.
- j) Verifying compliance with the Directors' selection policy.
- k) Any other competence or duty conferred by the Law, the By-Laws or Board Regulations.

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

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

The information to be discussed in the sessions is made available to Directors well in advance for their study and analysis. Company staff are regularly invited to allow Committee's members to ask questions and request the necessary explanations for

decision-making, although such staff do not participate in discussions or decision-making, thus avoiding bias in the exercise of the functions of Committee members.

Main activities during financial year 2019-2020:

- Submission to the Board of the Annual Report on Directors' Remuneration 2019-2020.
- Evaluation of the degree of achievement of the Group's Business Objectives 2019-2020 (Bonus) and Proposal of Setting of the Group's Business Objectives 2019-2020.
- Evaluation of the Short-Term Variable Remuneration of the Executive Directors.
- Setting of the Fixed Remuneration of Executive Directors for 2020.
- Reports on proposals for Directors' appointments and cessation, including those for the appointment of the new CEO and the new Secretary Director.
- Reports on the cessation and appointment of Senior Managers.
- Proposal to the Board regarding the settlement of the Long Term Remuneration Plans.
- Preparation of a new long term remuneration plan.
- Analysis of the CNMV Technical Guide on Appointments and Remuneration Committees and development of an Action Plan.
- Proposal of the Succession Plan for the Chairman and the CEO.
- Self-assessment of its composition and functions, and proposal of Board self-assessment report and the proposal of improvement actions.

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

	Number of female directors							
	Year 2020		Year 2019		Year 2018		Year 2017	
	Number	%	Number	%	Number	%	Number	%
Audit and Control Committee	2	40%	1	25.00%	1	25.00%	1	25.00%
Appointments and Remuneration Committee	0	0	0	0.00%	0	0.00%	0	0.00%

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

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

The Audit and Control Committee is also governed by its own Regulations, which has been modified during the year to adapt it to the Recommendations of the Good Governance Code for listed Companies of the CNMV (June 2020) in relation with the monitoring of non-financial information and reinforce the whistleblower channel.

Also, during this year, the Rules of the Board of Directors were amended as follows: (i) the article 26 e) has been adapted to the new recommendations of the good governance code for listed companies of the CNMV regarding the cessation due to reputational reasons and (ii) articles 10 and 11 have been modified the Chairman needs to be designated among the Independent Members and regulate his/her substitution mechanism.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

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

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

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

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

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

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

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

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

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

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Purchase of finished or not finished goods	316,785
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Services performance	8,533
Imperial Brands Finance Plc	Compañía de Distribución Integral Logista, S.A.U.	Contractual	Collected interests	16,495

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

N/A

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

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

N/A

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

Name of the related party	Description of the transaction	Amount (thousand euros)
SEITA	Purchase of finished or not finished goods	243,706

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

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

intervening in the agreements or decisions relating to the transaction to which the conflict of interests refers.

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

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

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

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

Yes

No

E RISK MANAGEMENT AND CONTROL SYSTEMS

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

The Corporate Risk Management System of the Company and its subsidiaries (hereafter, "the Group" or "Logista") is set forth in the Risks Management General Policy updated on July 21st 2020.

The Company's General Risk Management Policy, applicable to each of the businesses and countries as well as to the corporate areas, aims to implement an integrated risk management system, in order to provide a tool to Logista's Board of Directors and Management to optimize results, in order to improve their capacities to create, preserve and, ultimately, achieve value.

This Policy establishes the action commitments for the control and management of external and internal risks, of any nature, that may affect Logista at any time in order to achieve its objectives, specifically:

- **To implement an integrated risk management system** and provide a comprehensive and joint vision of them, **which allows identifying and managing risk throughout Logista**, thus improving the ability of Management to manage Risks efficiently and support decision-making.
- **To allocate responsibilities to participants**, defining the roles and responsibilities of the different bodies involved in Risk Management System.
- **Consider, in a general, a predefined typology of risks:** to generally define the categories or types of risk, financial and non-financial that may affect the group, classified in environmental, business, and financial, compliance, operational and technological and reputational. Among the Risks of a financial nature, the tax Risks derived from Logista's operations are include.
- **To determine the risk profile or Risk Appetite.**
- **To establish measures foreseen to Risk Management.**
- **Periodically supervise the risk management model:** evaluating the adequacy of risks classification considering the environment and Logista reality, as well as the correct operation of the Risk Management Model.
- **To allow an efficient allocation of resources.**
- **To ensure reliability of Financial and non-financial Information**
- **To define guidelines for transparency and Good Corporate Govern**
- **To increase the range of opportunities available**

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

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

documentary records, integrated with the Group's General Framework of Internal Control.

On the other hand, the Group's Internal Control General Policy of April 25th, 2017, establishes a general action framework for controlling and management of internal and external Risks of any nature, which may affect Logista, in accordance with the Risk Map in place at all times in the achievement of its objectives.

The Risk Management methodology used is developed according to the following scheme, as described in its Risk Management Procedure: establishment of objectives and context, identification of potential Risks, analysis of Risks, evaluation of Risks (impact, probability of occurrence and speed), risk treatment (assume, mitigate, transfer, eliminate and pursue), control and continuous review of the Risk Management process, information and communication.

Additionally, it considers the different risk tolerances when rating each gross risk quantitatively and qualitatively based on certain impact assessment criteria that allow determining its position within the general risk appetite scheme.

The criteria used to determine the impact are: regulatory, economic-financial, legal and compliance, health and safety, impact on processes, reputational and strategic.

Once the risks have been evaluated, based on these criteria, together with the assessments of the probability of occurrence of the Risks, the determination of their speed based on the estimation of their occurrence and the assessment of the risk tolerance, the risks are transferred and incorporated into the tools used in the Risk Management System (Risk Register and Risk Maps), in order to inform and correctly monitor them by the corresponding bodies.

On the other hand, Logista counts with criminal risk prevention models, in which risk events according to the activities carried out by Logista, are identified and evaluated, as well as the controls for their prevention, mitigation and detection, including those responsible for its execution and its independent verification. Tax offences are included among the list of crimes that have been considered in the model for their prevention.

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

The Company's Risk Management Procedure also establishes the following roles and responsibilities:

The Board of Directors

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

Likewise, it corresponds to determine the level of risk to be assumed by the organization, ensure that the Audit and Control Committee has the necessary powers to carry out its task, and supervise the operation of the Audit and Control Committee.

The Audit and Control Committee

Among others, the Audit and Control Committee shall have the following competencies in relation to the supervision of the management and control of Risks, according to its Regulation:

- i. Supervising the effectiveness of the Company's Risk systems, reviewing the appointment and replacement of the managers, and also, when appropriate, submitting recommendations or proposals to the Board of Directors, and the corresponding period for their following-up. Supervising the Risk control and management unit.
- ii. Reevaluate, at least annually, the list of the most significant financial and non-financial risks and assess their tolerance level, proposing their adjustment to the Board, if applicable.
- iii. Hold, at least annually, a meeting with managers of business units in which they explain business trends and associated risks.

The Internal Control Committee

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

The Internal Control Committee is designated as the risk and control management function, having among its basic functions, to promote and coordinate the work for annually updating the Group's Risk Map and propose approval to the competent bodies.

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

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

The Corporate Internal Audit Directorate

The Corporate Internal Audit Directorate has the responsibility of:

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

Process Owner:

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

Internal Control Coordinators:

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

Control Owner:

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

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

Environment Risks:

- The current situation is marked by the coronavirus pandemic, with a general deterioration in the macroeconomic prospects, especially in employment, consumption and economic growth, reaching to a situation of generalized economic recession, which could affect the evolution of the Group's businesses.
- Derived from the economic crisis and in the face of an increase in unemployment rates, there is a risk that illicit trade and tobacco smuggling will increase significantly, which could negatively affect the volumes of tobacco distributed
- The evolution of the different activities in the geographical areas in which the Group operates may be affected by an alteration in the political, social and/or in the macroeconomic conditions worldwide and in particular by the conditions existing in Spain, France, Italy, Portugal and Poland, and the Group may be subject to new regulations, as well as structural changes that could affect the purchasing power of customers and changes in consumption habits and patterns.

Business Risks:

- Liberalization in the main markets where the Group operates as tobacco products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.
- Risk that due to the application of new anti-smoking policies by the governments in which the Group is present or at a general level by the EU, changes in consumption habits, as well as a significant increase in taxes or prices, will cause an acceleration in the rate reduction in tobacco consumption and an increase in illicit trade, being the

Group unable to compensate this decline with growth in the activity of other businesses such as convenience or pharma.

Operational and Technological Risks:

- Damages to systems as a result of deliberate attacks by third parties, as the Group is exposed to threats and vulnerabilities due to the regular use of information technologies and systems in the development of its activities, which may jeopardize the protection of the information and the continuity of the systems, including compromising the privacy and integrity of the information, or suffering data theft or fraud.
- Theft of tobacco in facilities and during transport associated to increases in insurance premiums.
- In the event of great magnitude, there is a risk of stoppage of operations, or that the continuity plans envisaged to manage disaster scenarios in the required times and conditions, do not allow to ensure the levels of services, nor the availability of the information systems.
- Lack of appropriate successors in critical positions can have an impact on the achievement of strategic objectives, affecting the normal course of operations, the transfer of know-how and in the decision-making process.

Regulatory Compliance Risks:

- Logista's Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- In the ordinary course of its activities, the Company could be involved in litigation, either as a claimant or a defendant, derived from a potential interpretation of laws, regulations or contracts, as well as the result of legal actions that could be carried out, the results of which are, by nature, uncertain.

Financial Risks/ Tax Risks:

- Like any other wholesale business, payment cycles for products purchased from tobacco manufacturers and point-of-sale collection cycles do not match. Along with this, the Logista Group's payment of its tax obligations to the tax authorities is made in a different cycle from that of manufacturers and points of sale. In case of liquidity needs of the governments of the countries in which the group operates, any potential change in the tax payment cycles, as well as a potential significant increase in taxes, (for example: VAT and special taxes), would derive in a negative effect for the business, since it would cause a worsening of the prospects of the financial situation, the operating result, and the cash management of the Group.
- The main activity of tobacco sales is subject to specific tax regulations, which in turn are complex due to the different geographical segments in which the Group operates. In this sense, there are different tax disputes pending of resolution that require value judgments by Logista in order to estimate the probability that these liabilities will materialize, for which the risk is provisioned based on the opinion of legal experts and the possibility of passing them on to third parties. Currently, the Group has certain years subject to inspection on certain taxes.

- One of the fundamental objectives of the Group is to preserve the value of the Group's assets, by analysing and preventing risks and optimizing the management of major claims. However, there is a risk of impairment in the fair value of assets, in relation to the high Registered Goodwill, given that the Group has a significant amount of assets and investments, with a considerable impact on the income statement..
- Derived from the usual operations of business with its clients, Logista is exposed to commercial credit risk.

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

To ensure Logista's activities are aligned with the level of risk that Logista considers appropriate in the development of its activities and with its business model, inherent in its strategy and corporate culture, and therefore, through an effective and active management, allows risks to be kept within tolerance thresholds. In general lines, it is the following:

Logista presents a higher risk profile in the face of technological Risks that could materialize, since, within the framework of Logista's strategy, it is a key element to provide logistics services with high added value and, therefore, with a high level of technological advance.

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

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

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

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

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

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

During this fiscal year, the risk of a pandemic has materialized due to the spread of COVID-19 worldwide, which has led to the entry into a scenario of economic and political uncertainty, with a worsening of the macroeconomic prospects in the countries in which the Group is present, which affects the evolution of the Group's businesses, although partially mitigated given the nature of the businesses and activities and services provided by the Group in which the current crisis is having a lesser impact compared to other sectors.

The financial impact as at 30/09/2020 derived from COVID amounted to 14 million euros of EBIT.

Likewise, during the year, key positions in the company became vacant and the established succession plans and the measures envisaged to guarantee a correct succession of said positions have been successfully applied.

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

The methodology to elaborate the Risk Map forces the evaluators to assess the Risks before and after considering the mitigating controls and action plans established for each case. The Risk Management Procedure states which action has to be done (Eliminate, Mitigate, Transfer, Pursue or Assume), and also an action plan will be defined.

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

Environment Risks

- The Group has adapted its operations, as well as its strategic and business plan to the current situation derived from the coronavirus crisis, implementing corrective, contingency and diverse measures, which has allowed it to continue its operations, as well as various protection measures for its workers and collaborators.
- In relation to tobacco trade, more stringent product traceability protocols have been implemented, as required by European Directive 2014/40/EU, which established stricter rules, among others, labelling, ingredients, traceability and border sales, which can affect the volume of snuff sold. Logista collaborates with the State Security Forces and Corps in the fight against illicit trade.
- Logista permanently monitors the evolution of the different activities, as well as its regulatory, social and political environment, adapting its strategy and objectives to the different conditions that arise in the countries in which it operates.

Business Risks

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

Operational and Technological Risks

- Logista has developed and updated a Cybersecurity Plan, which includes specific action measures.
- With regard to thefts, highest security standards have been implemented, and Insurance Policies have been contracted, which reduce risks to tolerable levels.
- The application and updating of the succession plans prepared by the Group allows Logista to reduce this risk.

Regulatory Compliance Risks

- Logista permanently monitors the regulatory and legislative processes that could affect its activities, in order to anticipate possible changes sufficiently in advance for their proper management. Likewise, it has specific rules and procedures that regulate the framework of action of its activities, as well as the existence of models for the Prevention of criminal risks, all under the principle of "zero tolerance" with fraud and corruption.
- Logista defends itself judicially, as well as monitors its litigation, counting, where appropriate, with the support of external expert advisors.

Financial/Tax Risks

- Changes in the group's payment cycles may force it to look for external sources of financing: The most exposed Businesses to the credit risk of their clients, are strengthening the management of the recovery circuits of debt to shorten the collection terms, as well as more closely monitoring the assigned credit limits, promoting the obtaining of bank guarantees.
- The Company promotes strict compliance with the applicable tax regulations, monitoring and supervising compliance with tax obligations centrally in the Group, with the collaboration of tax advisers and law firms of recognized prestige as support in the presentation of tax returns and the subsequent liquidations, as well as in the case of special operations and, when appropriate, in their legal defence.
- The finance department carries out an analysis of the accidental risks that may affect to Logista, both in its assets and in the performance of its activity and establishes the contracting of external insurance coverage that it deems appropriate. In relation to the Goodwill, the Group performs impairment tests.
- Logista controls the risks of insolvency by setting credit limits and establishing strict conditions regarding collection terms; commercial risk is distributed among a large number of clients with short collection periods, being the main number of clients, tobacco shops, so that exposure to credit risk to third parties outside the Group is not

very significant, and it counts, when necessary, with Insurance Policies to mitigate the impact of possible non-payments.

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

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

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

F.1 Control environment

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

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

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

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

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

a) In relation to the control of financial reporting:

- Reporting at the General Shareholders' Meeting on the questions raised by shareholders about subjects within its area of responsibility, and in particular, about the result of the audit, and explaining how it contributed to the completeness of the financial information and to the role which the Committee performed during this process.
- Supervising the process of drawing up the required financial information and its completeness and submission, and making recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking compliance with regulations, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles. , and, in particular, knowing, understanding and supervising the effectiveness of, the system for the Internal Control of Financial Reporting (ICFR).
- Supervising compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting on the proposals for

modification of accounting principles and criteria suggested by Management, and of the Risks on and off the balance sheet.

- Ensuring that the Board of Directors arranges to submit the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in the unlikely event of there being qualifications, that both the Chairperson of the Audit and Control Committee and the auditors clearly explain to the shareholders the nature and extent of those limitations or qualifications.
- Reporting to the Board of Directors on the Company's Annual Accounts and on the financial information, which the Company has to publish regularly, and which has to be sent to the bodies that regulate or supervise the markets.

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

- Supervising the effectiveness of the Company's internal control systems, and in particular, those for financial reporting and the Company's Risks systems, reviewing the appointment and replacement of its managers, and discussing with the accounts auditors or auditing companies the weaknesses of the internal control system, detected during the audit, all of this without compromising its independence. To that end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding period for follow-up activities.
- Supervising the services and activities of the Internal Audit unit and, in particular, assuring the independence of the unit handling the Internal Audit function, which will report functionally to the Committee's Chairperson and will ensure the effectiveness of the reporting and internal control systems; proposing the selection, appointment, re-election and cessation of the head of the Internal Audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main Risks to which the Company is exposed; receiving regular reports on its activities; and verifying that the senior managers are acting on the findings and recommendations of its reports.
- The head of the unit handling the Internal Audit function will present an annual work programme to the Committee, inform it of any incidents arising during its implementation and submit a report on its activities at the end of each year.
- Setting up and supervising a procedure which allows employees of the Company's group, and other persons related to the Company, such as Board members, shareholders, suppliers, contractors and subcontractors, confidentially and, where applicable, anonymously, to report irregularities of potential importance, especially financial and accounting irregularities, within the Company or its Group, receiving regular information about its functioning, and being able to propose appropriate actions to improve it and to reduce the risk of irregularities in the future.

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

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

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

In addition, the Corporate Internal Audit Directorate has, among others, the following functions, competencies and responsibilities, defined in the Internal Audit Policy, of 30th April 2019:

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

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

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

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

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

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

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

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

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

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

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

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

Code of conduct

The Logista Group adopted the Code of Conduct issued by its Controlling Shareholder, Imperial Brands PLC, which has been approved by its Board of Directors. There is, in addition, a Code of Conduct which applies specifically to the Logista Group companies in Italy (the 'Código Etico'), approved by the Board of Directors of Logista Italia, S.P.A., within the framework of Legislative Decree 231/01, which governs the regulation of compliance in the matter of criminal Risks, and which describes in detail all the processes of the Logista Group Italian companies, including the preparation of financial information, which are in turn analysed by the governing and control bodies legally required in Italy.

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

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

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

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

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

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

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

General Principles of Conduct of suppliers of the suppliers of Logista Group.

The Board of Directors of the Logista Group, in its session of April 30th, 2019 approved the issuance of the General Principles of Conduct of the suppliers of the Grupo Logista, available on the corporate website, in which they are exposed as commitments, of binding

effectiveness for the Logistic Group and of necessary assumption by the Suppliers that contract with the Group.

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

Responsible bodies

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

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

- Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, the Regulations and the Logista Group's governance rules, as well as putting forward proposals for its improvement.
- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

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

The Logista Group has a Policy and Procedure on Complaints of Malpractice ("Whistleblowing"), which was approved by the Board of Directors on 26th April, 2016, modified at 27th November, 2019.

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

One of the bodies competent to receive complaints and to investigate cases of malpractice is the Audit and Control Committee, when if, in the conduct, deeds, acts, omissions or non-compliance which constitute(s) the Malpractice, the participation or direct or indirect involvement of any Member of the Board, including its Secretary, or of a Company Director,

or of the General Manager of a Business, is deduced, immediate report will be given by the Secretary of the Whistleblowing committee or Internal Control Unit, to the President of the Audit and Control Committee, or if implicated, to any member of the Board of that Committee.

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

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

The identity of the 'whistleblower' will not be disclosed to anyone other than the Bodies Competent to receive and investigate a complaint of Malpractice, in any of the stages of the Investigation Procedure, nor will the said identity be revealed to third parties or to the people being investigated. At the time of receiving a complaint, it is encoded, so that the nominative relationship of the complainant-denounced disappears. Likewise, the minutes of the Complaints Channel Committee, as well as, where appropriate, the documentation provided, are anonymized, once the conservation periods established in the General Data Protection Regulation ("GDPR") have elapsed.

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

The Board of Directors, at its meeting on 29 September 2020, entrusted the management of the Complaints Channel to a Compliance Committee, in direct dependence of the Audit and Control Committee.

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

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

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

In this way, training courses are given annually to those of the staff who are involved in the preparation and reviewing of financial information. Specifically, external training has been given on the following subjects: training on integrated internal audits, COSO ERM certification, cybersecurity awareness, Covid-19 crisis and the role of internal audit, presentation of the 3 lines of defense model, sampling techniques, Excel tools (formulation, macros, pivot tables) and others such as OneDrive and Sharepoint.

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

F.2 Assessment of financial information risks

Report on at least the following:

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

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

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

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

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

Also, the "Risk Management Policy" and the "Risk Management Procedure" describe Risks Management as an interactive and continuous process, incorporated into strategy and planning process. The Policy and the Procedure together define the basic principles and methods to be followed in Logista for the control and management of risks of any nature, which may affect Logista at any time to achieve its objectives.

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

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

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

There is also, in the documentation of the Internal Control System associated with each of the relevant processes with an impact on financial information, an inventory of specific Risks of financial information, classified by categories, including error and fraud categories, both external and internal.

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

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

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

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

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

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

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

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

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

- **Environment Risks:** including those events regarding economic, social and political matters. As well, due to the regulated nature of the tobacco market, main business of

the Group, the Risks regarding any modification to the tobacco regulations fall into this category.

- **Business Risks:** enclosing in this category any Risk regarding the behaviour of the different agents present in the Businesses of the Group, such the relationship with the tobacco manufacturers, or the entrance of new competitors.
- **Operational and Technological Risks:** those related to the regular Company's operations, such as process inefficiency, technology problems, non-compliance with quality or environment standards, or those resulting from errors in the execution of the activities.
- **Regulatory Compliance Risks:** resulting from non-compliance with existing regulations affecting the Company, including the internal policies and procedures, as well as those regarding the legal regulations that subject Logista, the penal Risks and the compliance with the both the legal regulations and the internal policies regarding the Internal Control of Financial Reporting.
- **Financial/Fiscal Risks:** considering those Risks regarding the Company's exposure to price and other market variables fluctuations, such as the exchange rate, interest rate, oil price, etc. Furthermore, credit Risks resulting from contractual liabilities, as well as fiscal Risks from the Company's activities lie into this category.
- **Reputational Risks:** including those events that could negatively affect the Group or the Company image and, therefore, its value, resulting from a behaviour under the stakeholders expectative, including those related to corruption

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

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

- **The governing body within the company that supervises the process.**

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

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

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

The mentioned Control and Risk Management Unit, according to the Risk Management General Policy dated on July 21st, 2020, is represented by the Logista Group Internal Control Committee, which has the functions stated in the preceding section E.2.

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

F.3 Control activities

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

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

Procedures for review and authorization of financial information:

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

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

Directors, the latter being the body which finally approves it and agrees to its publication and dissemination to the markets, as explained in section F.1.1.

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

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

Descriptive documentation of activity flows and controls:

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

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

The ICFR Documentation has been developed both for the material corporate processes (General Accounting, Consolidation, Fiscal Management, Treasury, Human Resources and

Purchases of Non-inventory assets, mainly), as well as for those relevant Business / Country operational processes for the IFCR, such as purchases, sales, stock and logistics services.

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

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

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

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

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

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

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

The regulations ,available to all the employees through the Logista Group intranet and relating to the Internal Control of the Information Systems, is mainly formulated by the following Internal Rules:

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

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

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

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

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

- **CONTINUITY AND REDUNDANCY IN INFORMATION SECURITY**, which describes the requirements to ensure the continuity of the Systems during any major event or disaster that may occur, including the continuity of Information Security in said Systems; the availability of the Technology Infrastructure in terms of redundancy, and the continuity of the functions of the different businesses of the Logista Group, including the Information Security managed by them.

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

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

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

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

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

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

F.4 Information and communication

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

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as**

well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

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

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

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

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

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

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

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

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

The consolidated financial statements are prepared centrally from the financial statements which are reported in the established format by each of the Logista Group

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

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

F.5 Supervision of system performance

Describe at least the following:

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

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

- Approval of the audit activities related to ICFR to be executed according to Annual Internal Audit Plan for 2019-2020, which includes the review of the key controls of the Corporate Treasury and Funding processes, as well as the operational processes of Stock Management of the Tobacco business in Spain, France and Italy; SCIIF controls of those other operational processes that are subject to audit will also be included in the Annual Internal Audit Plans. These annual activities have been considered sufficient based on the premises established for the supervision of the ICFR within the 2018-2020 Strategic Audit Plan.
- Quarterly monitoring of the results of the ICFR reviews performed by the Internal Audit Corporate Directorate, including the evaluation of the impact of the weaknesses detected in the financial information, as well as the progress on the action plan implementation resulted during the audit reports.
- Review of the information about the ICFR which is included in the Annual Report on Corporate Governance.
- Review of the report of the External Auditor's opinion on this subject.

The Logista Group has an Internal Auditing Corporate Department with functional dependence on

the Chairman of the Audit and Control Committee, composed by 8 employees, and a budget item for outsourcing Audit services in France.

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

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

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

- In an open dialogue with the Management and the Audit and Control Committee, the drawing-up of an Annual Plan for Internal Auditing based on an appropriate method of Risk management, and, if appropriate, on the needs expressed by the Businesses or Corporate Directorates. The work involved in the Annual Plan must be mainly orientated towards the Group's important Risks. The Plan must envisage work for special, *ad hoc* requirements during the year. The Annual Plan, and any updating of the Plan, will be sent to the Audit and Control Committee for its approval;
- The performance of the work described in the approved Auditing Plan, as well as any special work or project, requested by the Management, the Audit and Control Committee, or the Board of Directors;
- the preparation and despatch of regular (at least quarterly) summary reports to the Audit and Control Committee, on the results of the activity of Internal Auditing in fulfilment of the Annual Plan for Internal Auditing, or of other actions not included in the Plan, and on the monitoring by the Businesses and the Corporate Directorates or the Senior Management of the recommendations made;
- collaboration with the Businesses and/or Corporate Directorates in the definition of the plans of action to comply with their recommendations, and supervision of their correct starting-up and implementation;

According to its Internal Audit Plan, approved by the Audit and Control Committee, activities related to ICFR supervision have been carried out. More specifically, a Strategic Plan 2018-2020 has been prepared in which the rotation criteria of the CNMV Guide of June 2010 are adopted, which allows defining the scope of the ICFR evaluation by carrying out an evaluation that covers the entire of the ICFR in each fiscal year or throughout several fiscal years, in which case for each of them, rotation policies of areas of the financial statements or locations may be established for periods not exceeding two or three years, depending on various factors such as whether it has already been reviewed, process changes, etc. ...

Subject to review in the current fiscal year have been most of the tobacco stocks management processes in countries with significant impact on the financial statements, sales process for the integration of the Nacex business, as well as the corporate process of Treasury and Funding.

Likewise, during the year have been issued, the conclusions about the ICFR of tobacco purchase process in Italy and the corporate process of General Accounting and Consolidation , initiated in the previous year. As for the audits of an operational nature that have covered ICFR controls, in the year have been carried out the reviews in the convenience regional warehouses of Croissy and Bourgoin in France and the tobacco warehouse of Alcochete in Portugal.

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

During the current fiscal year, no internal control deficiencies have been detected with significant weaknesses on financial statements in those processes audited, although those adjustments or reclassifications not significant, resulting from the audits carried out has been reported to the Audit and Control Committee, if any.

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

The Audit and Control Committee meets at least quarterly with the aim of obtaining and analysing the necessary information in order to fulfil the responsibilities entrusted to it by the Board of Directors. There is an annual activities calendar in order to facilitate the proper planning of functions that the Audit and Control Committee is assigned, and execute the periodical activities, notwithstanding that during the year extraordinary subjects could come to light or the planned ones could be subject to changes. This calendar has been prepared on the basis of the provisions of the Capital Companies Law, the Good Governance recommendations of the Listed Companies of the CNMV and the Technical Guide on Audit Commissions of public interest entities and the Regulations of the Board of Directors. In this document, it is determined those sessions attended by the Corporate Internal Audit Director, the External Auditors, and fiscal experts or other experts when this is considered necessary.

In this regard:

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

about the state and evolution of these action plans until their proper implementation.

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

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

F.6 Other relevant information

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

F.7 External auditor's report

Report from:

F.5.3. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

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

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

G **EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

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

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

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

Complies Explanation

2. **That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**
 - a) **The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
 - b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies Complies Partially Explanation Not Applicable

With regard to the new wording of this recommendation, it should be noted that the Company informs in detail of the transactions related to its controlling shareholder and that any conflicts of interest that may arise are resolved under the current regulations, as well as the provisions of the Framework Agreement.

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**
 - a) **Changes that have occurred since the last General Shareholders' Meeting.**
 - b) **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies Complies partially Explanation

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

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

Complies Complies partially Explanation

With regard to the new wording of this recommendation, the Board of Directors approved an Action Plan which provides, among other measures, for the systematization of a General Policy on the communication of economic, financial, non-financial and corporate information.

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

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

Complies Complies partially Explanation

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

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

Complies Complies partially Explanation

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

Complies Explanation

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

Complies Complies partially Explanation

The Company also complies with the provisions set out in the new wording of this recommendation, although to date, no reservations have been included in the external audit report.

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

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

Complies Complies partially Explanation

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

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

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

Complies Complies partially Explanation

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

Complies Explanation

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

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

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

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

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

Complies Complies partially Explanation

The Company already complies in advance with the objective of 40% of female directors, generally set out in the new recommendations for good governance for year 2022 and is currently working to formalize the existing measures at high managers selection and development level.

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

Complies Complies partially Explanation

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

This criterion may be relaxed:

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

Complies Explanation

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

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

Complies Explanation

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

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

Complies Complies partially Explanation

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

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

Complies Explanation

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

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

Complies Complies partially Explanation

The Board of Directors has agreed on an amendment of the Board Regulations, to adapt its content to the new wording of this Recommendation (see section C.1.15).

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

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

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

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

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies partially Explanation

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

Complies Explanation Not Applicable

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

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

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Complies Partially Explanation Not Applicable

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

Complies Explanation

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

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

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

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

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

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

Complies Complies partially Explanation

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Complies Partially Explanation Not Applicable

In addition, the Company complies with the new requirements resulting from the new wording of this recommendation.

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

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

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

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Complies Partially Explanation Not Applicable

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

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies Complies partially Explanation

In addition, the Company complies with the requirements resulting from the new wording of this recommendation.

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

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

Complies Explanation Not Applicable

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

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

Complies Complies partially Explanation

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

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

managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies Complies partially Explanation

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

Complies Complies partially Explanation

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

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

Complies Complies Partially Explanation Not Applicable

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

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies Complies partially Explanation

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

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

Complies Complies partially Explanation

In relation with the new wording of this Recommendation, partial compliance is only due to the fact that communication of financial information policy is in process with all aspects related to non financial and corporate information.

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

Complies Complies partially Explanation

In addition, the Company complies with the main requirements resulting from the new wording of this recommendation.

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

Complies Explanation

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

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

Complies Complies partially Explanation

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

And, in particular, that variable remuneration components:

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

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

Complies Complies Partially Explanation Not Applicable

In addition, the Company complies with the requirements resulting from the new wording of this recommendation.

H

FURTHER INFORMATION OF INTEREST

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

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

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

(1) General Note referred to Section (C)

The Board of Directors analysed the new wording of the recommendations of Good Governance of the CNMV, confirming that the Company already complied with most of these recommendations, particularly, those referred to gender diversity. An Action Plan was launched to implement the new approach to sustainability and non-financial information, which is expected to be completed throughout the 2020-2021 financial year.

(2) Note related to Section C.1.2

Mr. Luis Isasi was appointed Director on September 29th 2020 and he accepted this appointment by letter of October 1st 2020.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at the meeting held on 27th October 2020.

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

Yes

No

Auditor's report on the "Information relating to
Internal Control over Financial Reporting
(ICFR-SCIIF in Spanish)" of Compañía de Distribución Integral
Logista Holdings, S.A. for the fiscal year ended on September 30th,
2020

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR-SCIIF IN SPANISH)" OF COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. FOR THE FISCAL YEAR ENDED ON SEPTEMBER 30TH, 2020

Translation of a report originally issued in Spanish. In the event of discrepancy the Spanish-language version prevails

To the Directors
of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

At the request of the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. (the Company), and in accordance with our engagement letter dated September 23, 2020, we have performed certain procedures on the accompanying "ICFR-related information" included in the Annual Corporate Governance Report of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30th, 2020, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Company's internal control system in relation to its annual financial information, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the internal control system of the Company was to establish the scope, nature, and timing of the audit procedures performed on the Company's financial statements. Therefore, our internal control assessment, performed for the audit of the aforementioned financial statements, was not sufficiently extensive to enable us to issue a specific opinion on the effectiveness of the internal control over the regulated annual financial information issued.

For the purpose of issuing this report, we exclusively applied the following specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit or a review on the internal control system, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's annual financial information for the fiscal year ended on September 30th, 2020, described in the accompanying ICFR.

Consequently, had we performed procedures additional to those shown in the abovementioned Guidelines, or carried out an audit or review on the internal control system of regulated annual financial information, other matters might have come to our attention which would have been reported to you.

Since this special engagement does not constitute an audit of the financial statements or a review in accordance with prevailing audit regulations in Spain, we do not express an opinion in the terms established therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is provided in the disclosure information included in the Management Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the Annual Corporate Governance Report model established by CNMV Circular 5/2013 of June 12, 2013, subsequently amended by CNMV Circular 7/2015 of December 22, 2015 and CNMV Circular 2/2018 of June 12 (hereinafter the CNMV Circulars).
2. Question personnel in charge of preparing the information described in the above section 1, to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions; (iii) gather information regarding whether the described control procedures are implemented and functioning within the Company.
3. Review the explanatory documentation supporting the information described in section 1 above, which should, mainly, include that information directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the internal audit function, senior executives and other internal/external specialists in their role supporting the Audit and Control Committee.
4. Compare the information contained in section 1 above with the Company's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board of Directors Meetings, Audit and Control Committee, and other Company commissions in order to evaluate the consistency between issues described in the minutes related to the ICFR and information discussed in section 1 above.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the issuance of the information discussed in section 1 above.

As a result of the procedures applied on the ICFR related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Spain's Corporate Enterprises Act, and CNMV Circulars on ICFR description in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

María del Tránsito Rodríguez Alonso

October 28, 2020

Integrated Annual Report_2020





Contents

<input type="checkbox"/>	LETTER FROM THE CHAIRMAN	4
<input type="checkbox"/>	LETTER FROM THE CEO	6
<input type="checkbox"/>	1. LOGISTA AT A GLANCE	8
<input type="checkbox"/>	2. BUSINESS MODEL	16
<input type="checkbox"/>	3. STRATEGY	20
<input type="checkbox"/>	4. CORPORATE GOVERNANCE	24
<input type="checkbox"/>	5. CREATING VALUE FOR SHAREHOLDERS AND INVESTORS	42
<input type="checkbox"/>	6. EMPLOYEE DEVELOPMENT	46
<input type="checkbox"/>	7. CUSTOMER SATISFACTION	58
<input type="checkbox"/>	8. COLLABORATION WITH SUPPLIERS	60
<input type="checkbox"/>	9. MINIMISING ENVIRONMENTAL IMPACT	62
<input type="checkbox"/>	10. IMPACT ON THE COMMUNITY	74
<input type="checkbox"/>	ABOUT THIS REPORT	76

This document is a translation of a duly approved Spanish-language document, and is provided only for information purposes. In the event of any discrepancy between the text of this translation and the original Spanish-language document, the text of the original Spanish-language document shall prevail.

Letter from the Chairman

Mr. Gregorio Marañón

Dear shareholders,

It is my pleasure to present to you Logista's first Integrated Annual Report, designed to offer clear, structured information on the Company's key business, environmental and social initiatives over the course of the 2020 financial year. The report also explains how Logista is managing the opportunities and risks ahead as we pursue our mission to create sustainable, long-term value.

Despite the adverse circumstances that dominated this financial year, as the COVID-19 pandemic spread across the globe, Logista has reported increases in Revenue, Economic Sales and Operating Profit. Once again, the Company has demonstrated its resilience when faced with a challenging environment, in one of the most difficult years in its history.

The 2020 financial year delivered strong results across all of Logista's business areas, and not only with respect to profit. Social responsibility and corporate governance issues have continued to play a prominent role in the Company's agenda, even in the difficult circumstances of the last twelve months.

For example, prominent international sustainability assessment firm CDP included Logista on its exclusive "A-List" for the fourth consecutive year, in recognition of its global leadership in the fight against climate change. Furthermore, Logista remains a member of the FTSE4Good index, which brings together companies that make a solid, demonstrable contribution to corporate governance, environmental protection and social welfare.

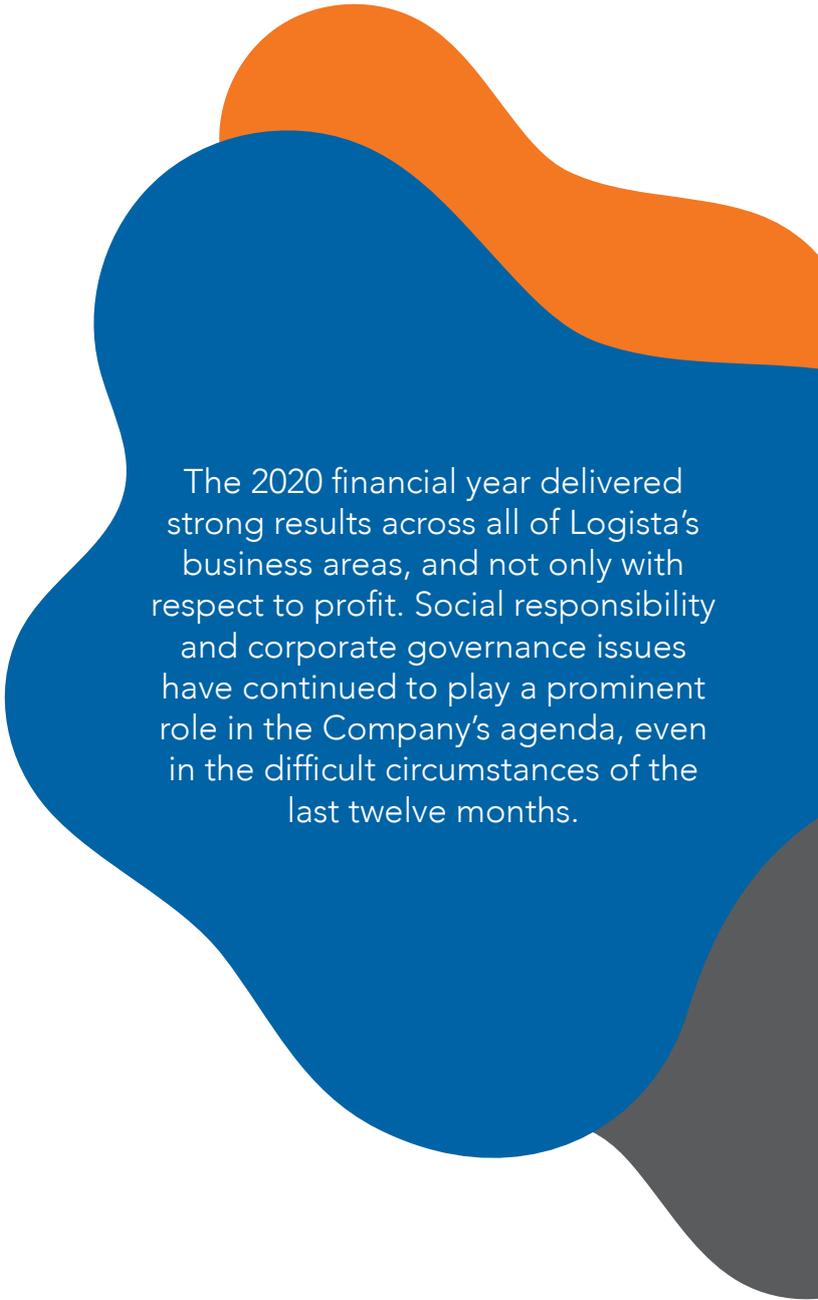


On the subject of corporate governance, Logista's Board of Directors has expanded its membership from ten to twelve, and has now significantly improved equality, with more seats now held by female Directors. Previously underrepresented, women now hold 42% of seats on the board, exceeding both our own objective and current good governance recommendations.

For a more in-depth account of this year's progress, I would encourage you to consult the Annual Corporate Governance Report and Annual Board Remuneration Report.

It would be remiss of me to sign off without thanking everyone at Logista for all the hard work, professionalism and dedication they bring to the company each and every day, and all of our clients and suppliers for their continued confidence and the mutually rewarding relationships that we share.

I must also thank you, our shareholders, for the trust you have placed in the Company and this team. We will continue wholeheartedly to consolidate Logista as southern Europe's leading distributor to local retailers.



The 2020 financial year delivered strong results across all of Logista's business areas, and not only with respect to profit. Social responsibility and corporate governance issues have continued to play a prominent role in the Company's agenda, even in the difficult circumstances of the last twelve months.

Letter from the CEO

Mr. Íñigo Meirás



Dear shareholders,

Despite the social and economic impacts of the COVID-19 crisis across all of its countries of operation, Logista is pleased to report a solid set of results for the 2020 financial year.

Until the pandemic arose, the Group's performance was in line with forecasts issued at the start of the financial year, which projected a similar rate of profit growth to that achieved in the preceding 12-month period.

Since the announcement of the pandemic in mid-March 2020, the spread of the virus drove governments to adopt various containment measures, including the compulsory closure of the vast majority of retail outlets and the introduction of travel restrictions and different degrees of population lockdown, with consumers largely confined to their homes. In some cases, industrial activity in sectors deemed non-essential by the government was temporarily halted.

Almost all points of sale serviced by Logista, and the products it distributes, were classified as essential goods and activities, meaning that despite the widespread impact on the economy as a whole, Logista was able to continue operating in these business areas throughout the lockdown period.

From April, as the infection rate slowed, governments began to lift lockdown restrictions, gradually allowing business activity to return to normal. However, on the date this report was issued, a full return to normality still seemed some way away, in light of recurrent local infection clusters.

Since the pandemic began, Logista has played a crucial role in ensuring that hundreds of thousands of local stores are supplied with essential products and services, making day-to-day life a little easier for consumers in these difficult circumstances.

Logista sought to help clients adapt to a new set of needs by expanding its range of services, demonstrating, once again, that its clients are at the very heart of its strategy.

For example, NACEX has ensured that its deliveries conform to optimum hygiene standards through a new contactless service and an expanded network of drop-off and collection points, Nacex.shop. Initiatives like this allow Logista to contribute to the sustainable growth of e-commerce, ensure a high-quality distribution service and avoid physical contact during delivery, protecting both clients and external partners.

Meanwhile, Logista Pharma was able to safeguard the regular supply of medicines through all pharmaceutical distribution channels by taking a proactive and effective approach to preventing risks specifically associated with COVID-19. It also introduced a number of new initiatives, including a new direct-to-patient delivery service for patients taking part in clinical trials – enabling laboratories to ensure the continuity of these trials even in the pandemic’s most challenging moments – and a hospital medicine delivery service especially designed for treating high-risk patients and those with chronic illnesses – reducing the risk of patient infection and hospital overwhelm.

At a time when online retail is soaring, Logista Libros responded to the needs of booksellers and publishers by launching its new “dropshipping” service. This service allows customers to order books through their preferred physical or online store for direct home delivery.

Logista has been able to remain firmly focused on client services thanks to its longstanding commitment to employee health and safety. To ensure our working environment remains as safe as possible, Logista devised a pandemic action plan to implement health and hygiene measures recommended by health authorities for on-site working. In parallel, it actively encouraged staff that could carry out their work remotely to do so.

Once the lockdown easing began, staff working from home gradually began a phased return to the workplace, depending on the situation on the ground. Employees were able to take advantage of the Company’s new initiatives to promote flexible working and work/life balance in the face of this new normality.

These unusual circumstances did not hold the Group back from achieving some undeniably positive results: €10,559 in Revenue, €1,157 in Economic Sales and €206 million in Operating Profit (surpassing last year’s performance by 4%, 0.7% and 1% respectively).

Income for most business areas was up on the previous financial year, except for long-distance transport, packaging and distribution of publications in Spain and convenience products in France.

Economic Sales came in slightly higher, thanks to growing activity in Italy (+6.3%) and, to a lesser extent, Spain and Portugal (+0.7%), helping offset a drop in activity in France (-5.0%).

Total operating costs grew modestly. The impact of COVID-19 has pushed up some costs, while causing others to fall, and the Company has also achieved a number of savings and efficiency gains in its operations.

Overall, despite the challenging climate, Logista has succeeded in broadly equalling the 2019 financial year’s Adjusted Operating Margin.

The best-performing market was Italy, where our Adjusted Operating Profit grew by 11.9% year-on-year, whereas this figure fell by 16.7% in France. Meanwhile, the result for Spain and Portugal remained essentially stable (-0.4%).

The Group as a whole reported an Adjusted Operating Profit of €257 million, down 1.9% year-on-year.

Higher taxes and the costs of our recent restructuring exercise were partially offset by a divestment of non-operating assets, taking the Group’s Net Profit to €157 million. This represents a fall of 4.5% compared to the previous financial year.

If you would like more detailed information on the Group’s financial performance, I would encourage you to consult the Consolidated Annual Accounts, which incorporate the Management Report of which this Integrated Report forms part.

I would like to take this opportunity to extend my particular thanks to all of the hardworking professionals on the Logista team for their fortitude during a tough time for the company, their dedication and their unwavering commitment to client service, the heart of our business model and a fundamental pillar of our strategy, and to the Board of Directors and senior management team for all their support.

I would also like to thank you, our shareholders, for your trust and support for the company’s management model.

We will continue working to pursue our corporate objective of creating sustainable, long-term value, based on a business model unique in southern Europe.

1

Logista at a glance

Logista is southern Europe's largest distributor to local retailers.

It serves around 250,000 points of sale in Spain, France, Italy and Portugal, efficiently facilitating manufacturers access to convenience products, electronic top-ups, tobacco, pharmaceuticals, books, publications and lottery markets, among others, in a transparent way and with full operational control.

5
countries

Distribution to
~250,000
points of sale

> 650
central and regional
platforms and service
points



ISO 9001

GDP (Good Distribution Practices) and GMP (Good Manufacturing Practices) certified

OEA
(Authorised Economic Operator)

FTSE4Good

Included in
CDP's A List for the
fourth consecutive year

ISO140064



People



45 million
daily consumers in the
channels we distribute to

~15,000
partners

~5,900
direct employees

Results



Economic sales

€1,157
million

Adjusted EBIT

€257
million

Net Profit

€157
million

Stock Market



Capitalisation

€1,938
million at
30 September 2020

Dividends

€1.18
per share allocated to
the 2020 financial year

Target price

> €23
per share, according
to analysts' reports
average

Unique business model

Logista has developed a unique business model that combines specialist distribution and integrated logistics with exclusive value-added services and powerful Business Intelligence tools. This gives it flexibility in meeting its clients' needs and enables it to comply with the regulatory requirements and standards of each sector.

Logista's quality proposal is based on its capacity to combine wholesale distribution and logistics with other value-added services for our clients, in line with their product strategies. This allows them to focus on their main business operations while maintaining visibility on their route to market.

With full transparency and traceability, Logista acts as single supplier for all the services making up the supply chain, offering advanced and specialist services for each sector and point-of-sale channel in which it operates.

It achieves this through its comprehensive infrastructure network combined with its transport and information systems, enabling it to manage the distribution of products from collection to point-of-sale delivery.

Logista also provides omnichannel marketing of products and services via its web platforms, point-of-sale terminals, cash & carry service points, call centres and sales force.

Through its network, Logista manages the distribution of a wide range of consumer products to different local retailers (convenience stores, confectionery and tobacconists, pharmacies, kiosks, bookshops, etc.) in Spain, France, Italy and Portugal. It regularly serves around 250,000 points of sale used by some 45 million consumers every day. Logista also provides distribution to wholesalers in Poland.

General principles of conduct

As a group, Logista shares the values of respect, professionalism, initiative and commitment. These values are explicitly stated in its Code of Conduct and, together with other behavioural guidelines in the code, these underpin the unique business model that defines us.

We extend these values to our management of the supply chain, establishing business relationships with reputable, trustworthy suppliers with professional and ethical business practices.

Logista's General Principles of Conduct set out the minimum standards and basic rules of conduct that must govern the activities of suppliers in their dealings with Logista, towards their own employees and other third parties involved in carrying out their activities.

Differentiating aspects

Logista has developed a business model that is unique in the market, and which is transforming the model of distribution to specialist retail channels that sell a wide range of products and services. Our value proposition stands out from other wholesalers because:



We respect manufacturers' product strategies in each channel and provide specialist and transparent distribution of their products to retail channels through a single service provider, enabling them to focus on their core business, while at the same time achieving economies of scale.

1



We have highly specialised staff who are continually working to anticipate their clients' needs and offering them new services that meet those needs.

2



We provide a broad portfolio of products and services through a single point of contact and with omnichannel order-taking capacity for retail points of sale. By offering them specialist technological solutions (with Point-of-Sale Terminals developed in-house), we provide day-to-day simplicity and bring them opportunities to grow their business.

3



We have an operating model that combines volume consolidation at large logistics centres where operations can be automated, with the nationwide roll-out of service points providing a presence close to the point of sale. This way of working provides synergies and flexibility for rapid adaptation to changes in the level of activity.

4

Logista's business model stands out for its transparency, specialisation, flexibility and service quality, together with an overall approach to doing business that is based on respect and collaboration with all our stakeholders. This differentiation is reflected in high retention rates of our client portfolio, in many cases 100%, and in our solid margins and levels of return on capital employed.

Business areas

TOBACCO AND RELATED PRODUCTS



Distribution of tobacco products and other convenience products, including tobacco and non-tobacco related products, to the tobacconist channel in Spain, France and Italy, and to points of sale to distribute tobacco, in the case of Portugal. In Spain and Italy, this also includes the distribution of convenience products to other proximity channels.

TRANSPORT



Management of full load and long-distance transport throughout Europe, temperature-controlled capillary transport in Spain and Portugal, and express courier services for parcels and documents **in Spain and Portugal.**

Through this business area, Logista provides transport services to its other businesses and to third parties.

OTHER BUSINESSES



Pharmaceutical products and publication distribution and logistics services in Iberia, as well as wholesale **distribution of convenience products to different tobacco and convenience retailers** in France.

Market position

Logista is southern Europe's largest distributor to local retailers.

We are the preferred distribution partner for manufacturers, providing them with their route to consumers through simple and rapid access to proximity channels. We offer all the services they need to reach hundreds of thousands of independent points of sale, from the most basic outlets to those with greater value-add.

As a hospital distributor and logistics operator, Logista is constantly developing dedicated services for each sector, and works closely with clients to tailor its offering to their current needs and to anticipate their future needs.

As a transport services operator, Logista pursues a strategy of differentiation by specialising in high-value products in long-distance transport; temperature-controlled parcel transport, and by offering the very highest standard of courier service to business clients (B2B).



CONSOLIDATED INCOME STATEMENT HIGHLIGHTS



€ millions	Financial Year 2020	Financial Year 2019
Income	10,559	10,148
Economic sales	1,157	1,149
(-) Operating cost of logistics networks	(750)	(736)
(-) Commercial operating expenses	(66)	(69)
(-) Operating expenditure on research and central offices	(85)	(82)
Total operating costs	(900)	(887)
Adjusted EBIT	257	262
Margin %	22.2%	22.8%
(-) Restructuring costs	(12)	(11)
(-) Amort. Logista France assets	(52)	(52)
(+/-) Profit/(loss) on disposal and impairment	13	5
(+/-) Profit/(loss) from equity-accounted companies and other	1	1
Operating profit	206	204
(+) Financial income	17	15
(-) Financial expenses	(5)	(2)
Profit/(loss) before tax	219	217
(-) Corporate income tax	(61)	(52)
Effective tax rate	27.9%	24.1%
(+/-) Other income / (expenses)	0	0
(-) Non-controlling interests	(0)	(0)
Net profit	157	165

CONSOLIDATED BALANCE SHEET HIGHLIGHTS



€ millions	30 September 2020	30 September 2019
Property, plant and equipment and other fixed assets	373	229
Net long-term financial investments	19	18
Net goodwill	921	921
Other intangible assets	408	457
Deferred tax assets	19	19
Net inventory	1,294	1,283
Net receivables and other	1,986	1,946
Cash and cash equivalents	2,827	2,211
Total Assets	7,847	7,084
Shareholders' funds	514	519
Non-controlling interests	2	2
Non-current liabilities	168	44
Deferred tax liabilities	254	265
Short-term borrowings	77	38
Short-term provisions	14	12
Trade and other payables	6,819	6,205
Total Liabilities	7,847	7,084

Group structure

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

Compañía de Distribución Integral Logista S.A.U. (100%)

Grupo Dronas (100%)

- Logista Pharma Canarias (100%)
- Logista Pharma (100%)
 - > Be to Be Pharma (100%)

Logista-Dis (100%)

Logista Libros (50%)

La Mancha (100%)

Logesta (100%)

- Logesta Italy (100%)
- Logesta France (50%)
- Logesta Deutschland (100%)
- Logesta Lusa (51%)
- Logesta Polska (51%)

Logista Publicaciones (100%)

- Distribuidora del Este (100%)
- Distribuidora valenciana de ediciones (50%)
- Cyberpoint (100%)
- Distribuidora de publicaciones del sur (50%)
- Distribuidora de Aragón (5%)
- Promotora vascongada de publicaciones (100%)
- Distribuidora Las Rías (100%)
- Distribuidora de Ediciones Sade (100%)
- Distribuidora del Noroeste (51%)
- Publicaciones y Libros (100%)
- Distribución de Publicaciones Siglo XXI Guadalajara (80%)

Distribuidora del Noroeste (49%)

Logista France Holding (100%)

- Logista Promotion et Transport (100%)
 - > Logesta France (50%)

Logista France (100%)

- Société Allumetière Française (100%)
 - > Supergroup (50%)

Logista Italia (100%)

- Terzia (68%)

Midsid (100%)

Logista Transportes e Transitos (100%)

- Logesta Lusa (49%)

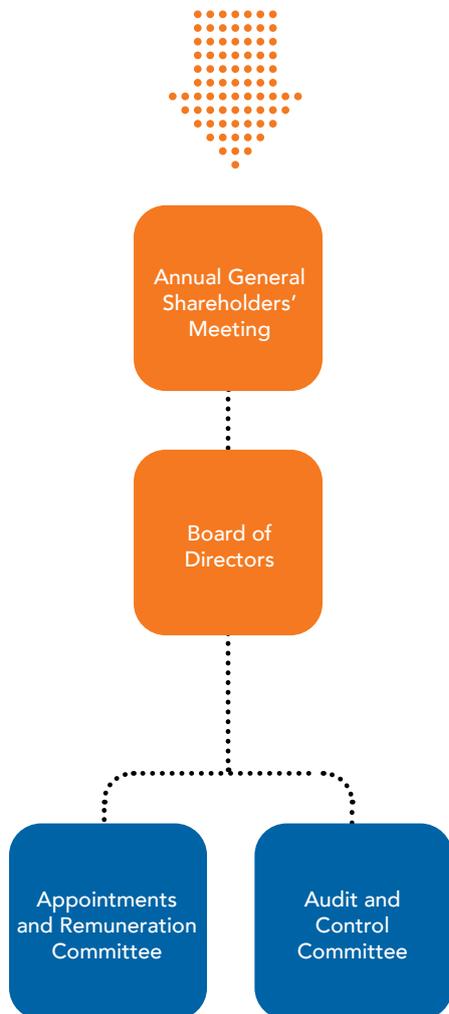
Logesta Polska (49%)

Logista Polska (100%)

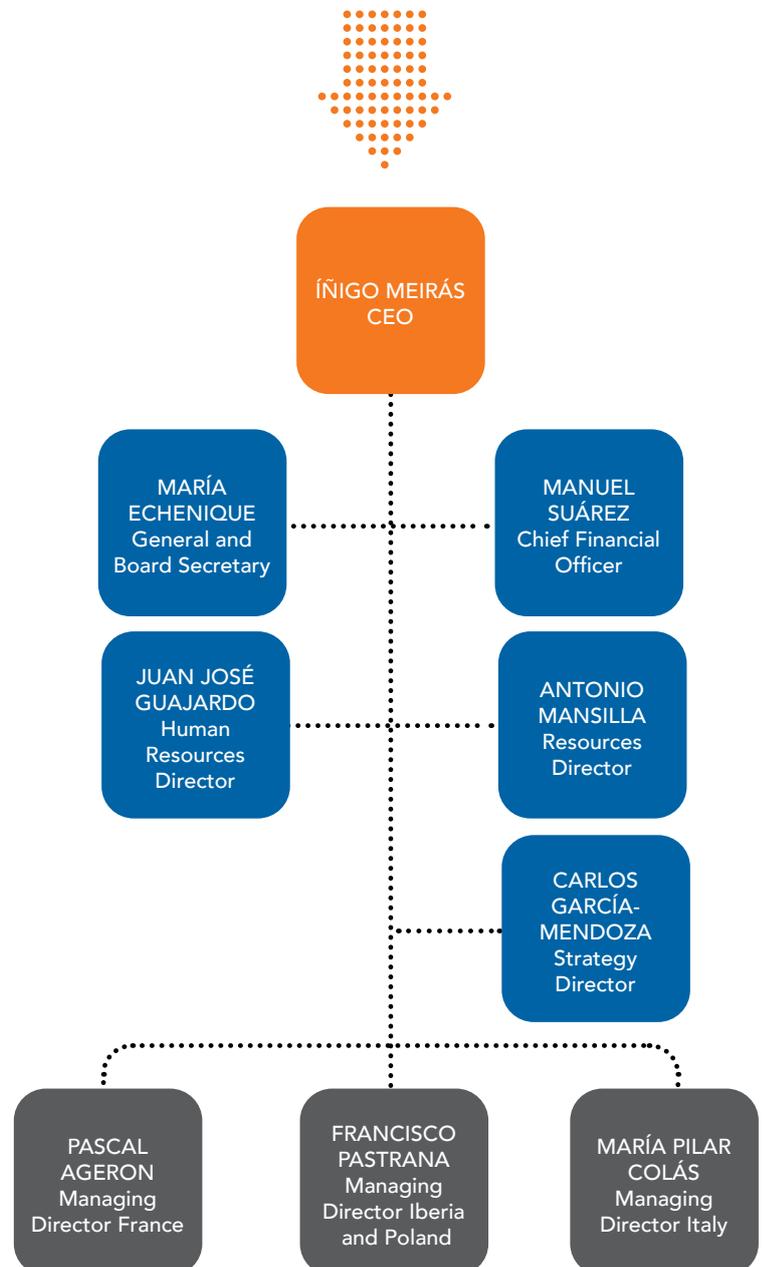
UTE Logista - GTech (50%)

Logista Payments (100%)

Governing bodies



Operational structure



Logista's organisational structure is headed by the Chief Executive Officer and supported by a Management Committee.

Due to the passing of his predecessor in October 2019, the Board of Directors appointed new Chief Executive Officer Íñigo Meirás in December 2019. Our new CEO has reconfigured the group's Management Committee, simplifying its structure and reducing the number of its constituent members (five corporate directors and three managing directors heading up each geographical area, to whom the heads of the business areas from each area report).

This new composition of the Management Committee has allowed us to strengthen our strategic focus with new corporate leadership that will have an impact on the group's strategic development.

During 2020, gender imbalance on the Board of Directors and on the Management Committee was addressed through increased representation of women.

2 Business model

INPUTS



FINANCIAL CAPITAL

Strong balance sheet, with no financial debt and significant capacity to generate operating funds. This enables the company to meet its business maintenance and growth investment needs.



HUMAN CAPITAL

As a provider of quality-focused services, having specialist human capital is key to adding value. Their capacities, skills, knowledge and development plans centre on ensuring their know-how is preserved, developed and passed on, to protect our differentiation over time.



PHYSICAL CAPITAL

Our facilities, whether owned, leased or sub-contracted, enable us to develop the logistics strand of our operations according to high quality standards.



INTELLECTUAL CAPITAL

We progress internally and constantly improve the technology we deploy in our services, helping to preserve our differentiation and competitive advantages.



NATURAL CAPITAL

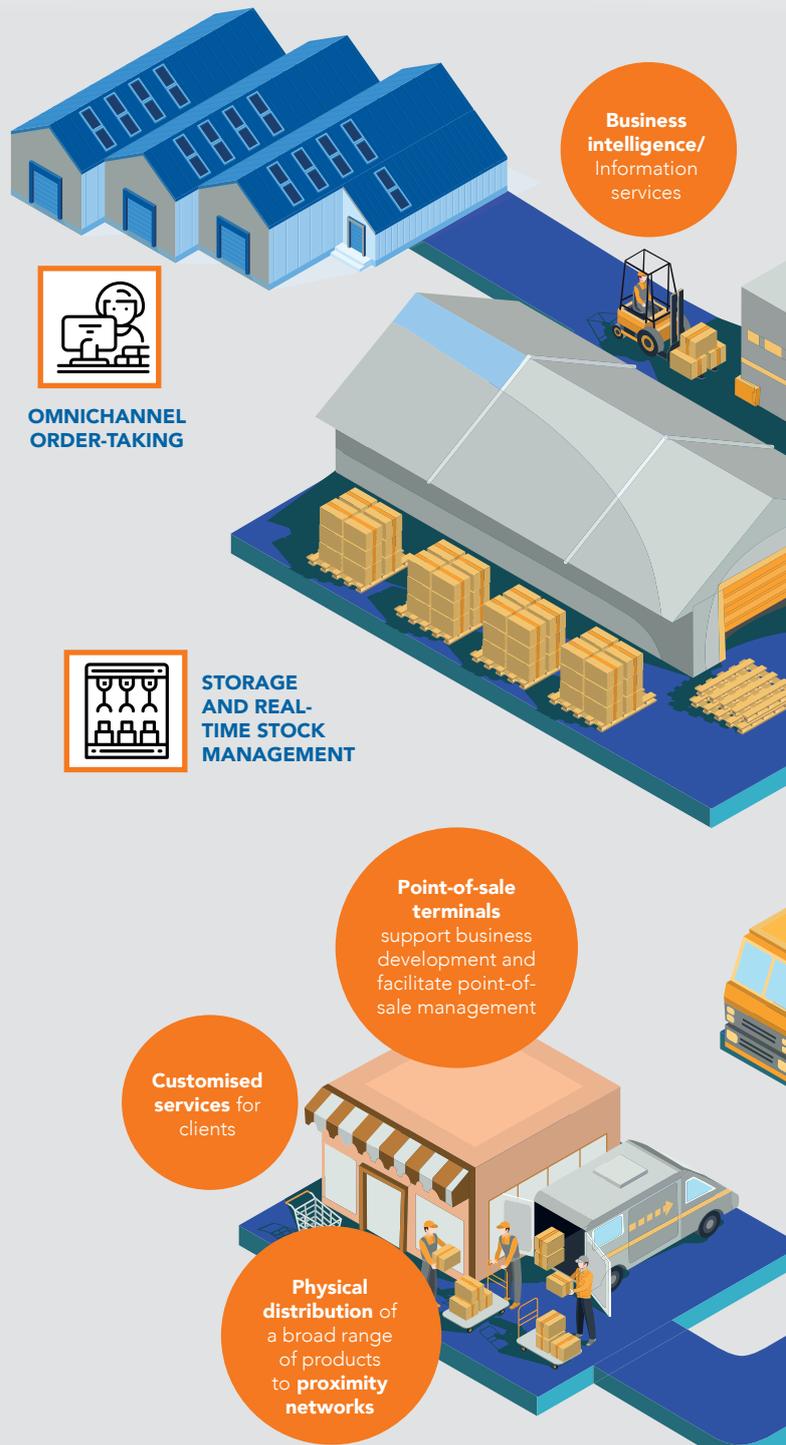
We use natural resources directly and indirectly in running our business in a way that is always focused on efficient usage that contributes to the sustainability of our natural environment in the long term.



SOCIAL CAPITAL AND RELATIONSHIPS

Relationships with all our stakeholders are based on mutual benefit and respect and are always focused on establishing relationships that are sustainable over time.

OUR BUSINESS



OUTPUTS



OUTCOMES



AUTOMATED ORDERS PREPARATION



INVOICING AND COLLECTION

Specialist transport

Distribution of digital products (electronic transactions) through our proprietary platform

Physical and thermal product traceability



TRANSPORT AND DISTRIBUTION



REDUCED ENVIRONMENTAL IMPACT

- Route optimisation
- Use of sustainable energy and vehicles
- Reuse of packaging
- Target to reduce emissions by 30% by 2030 compared with 2013.



COMMUNITY WEALTH CREATION

- Increased revenue and savings for manufacturers and retailers
- €123 million in tax payments
- Job creation: 15,000 partners
- Around €800 million in six years distributed as dividends
- Support for disadvantaged groups, mainly in our local area.



DEVELOPING TALENT

- Career development plans
- 37,905 hours of training
- Internal promotion



OPERATIONAL EXCELLENCE

- Customer satisfaction
- High contract renewal ratio
- Maintaining relationships in the long term

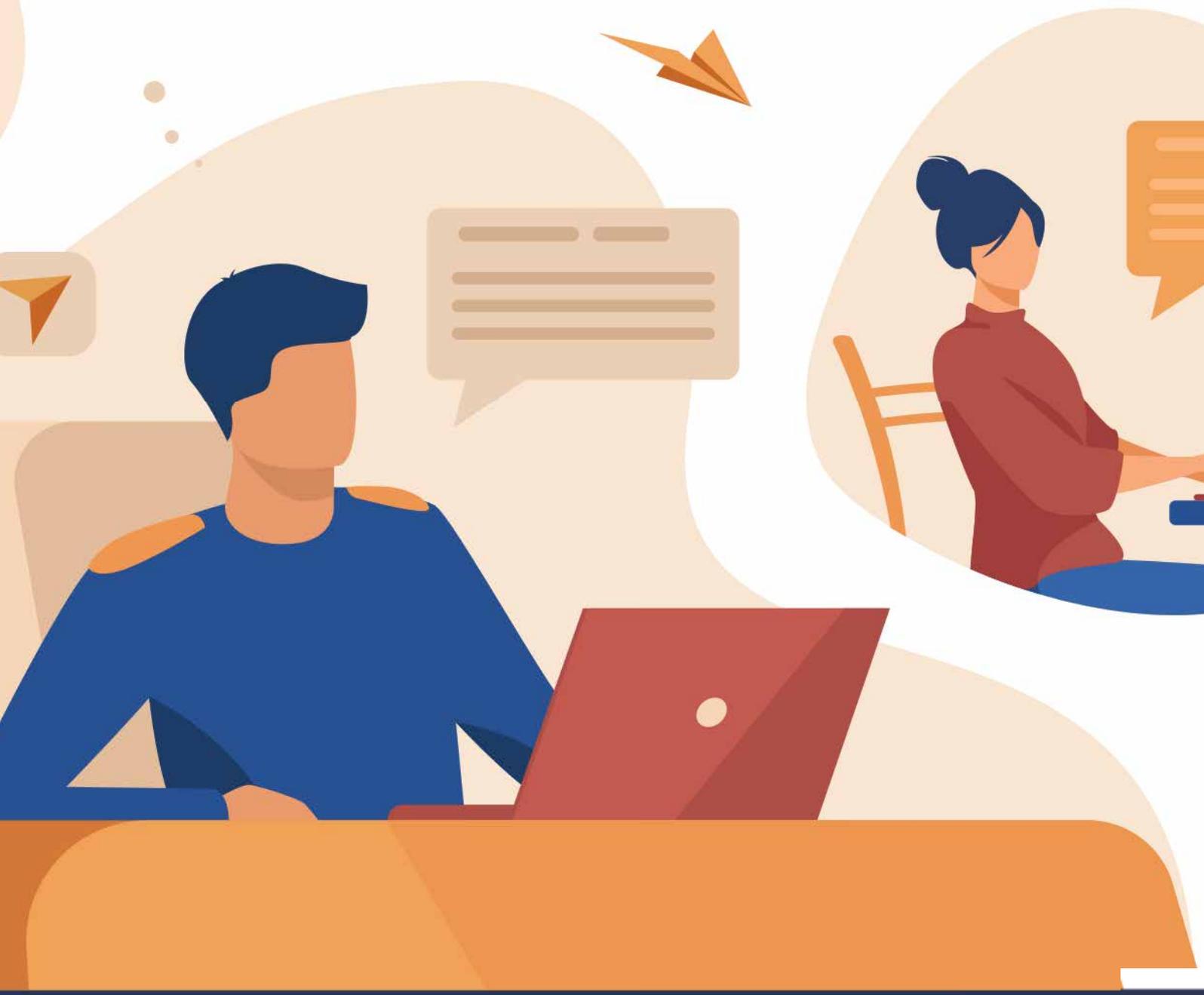
Communication channels

Logista encourages ongoing, open and transparent dialogue with all its stakeholders, including with society as a whole.

Logista therefore maintains two-way channels of communication and dialogue with all of them, to take their financial, environmental and social needs and expectations into account.

To ensure dialogue is open and ongoing, Logista has established specific communication channels tailored to the characteristics of each stakeholder, although it also has common communication channels for all of them, for example the Company's corporate website (www.logista.com) and the company reports it publishes each year.





3

Strategy



Macroeconomic context

Various business activities within the geographical range of Logista's operations may be affected by political, social and/or macroeconomic conditions, both at the global level and, in particular in Spain, France, Italy and Portugal and, to a much lesser extent, in Poland.

During the financial year, the macroeconomic context can be divided into two distinct periods: the period to February 2020 and the period from March to September 2020. During the first period, the situation in Spain and in Portugal was positive, with GDP growth, while the situation France and Italy was one of economic stagnation and a slight economic downturn.

However, from March onwards, the major health emergency due to COVID-19 and the measures adopted to combat it have led to a significant downturn in the global economy, particularly in Spain and Italy, and it is difficult to evaluate or predict what its impact will be in the medium term. This will depend on the pace of economic recovery.

Some of our businesses, such as transport lines, are more subject to changes in GDP than others, but Logista's business model has demonstrated significant resilience in previous economic crises. This has been reflected in similar levels of economic/financial performance and shareholder remuneration, limited impact on employment and technological advances focused on developing new value-added services for clients. Based on this past experience, we are confident that the impact of this macroeconomic context will not be too significant in the coming years.

Context



Regulatory context

Due to the regulatory context in the tobacco and pharmaceutical sectors, there are increasingly exhaustive checks on the distribution of those products, and companies therefore need to be able to comply with those requirements if they wish to continue operating in the future.

Logista not only complies with regulatory requirements, but it is capable of anticipating them and offering its clients new services that go beyond strict compliance with the rules. This helps to strengthen our relationships with them.



Cybersecurity

Logista is investing heavily in its cybersecurity because, through our digital transformation, we are accumulating significant volumes of electronic data from clients, employees and suppliers who need protection from increased cybernetic threats. Logista completed an exhaustive review of external security, is implementing the latest security technologies and is focused on staying alert to phishing and ransomware attacks.



Environmental standards

There is growing client demand for services that meet certain environmental standards, a demand which has risen amid the COVID-19 crisis due to greater societal awareness about these issues.

Logista's actions are guided by a Quality and Environment Master Plan, and a Quality, Environment and Energy Efficiency Policy that establish guidelines and good practices for optimising the use of resources and preventing pollution throughout its business processes. Pursuant to the ISO 14064 standard, Logista verifies its main structures and processes of every business in Spain, France, Italy, Portugal and Poland, using the methodology set out in the GHG Protocol.

In addition, Logista is incorporating environmental concerns into the development of its strategy and has committed to reducing direct and indirect emissions generated by its activity by 30% by 2030 compared with 2013 levels, with scientific backing for this target as an approved Science-Based Target.

Logista's efforts in this area have won recognition from several international bodies. CDP, for example, has included Logista in its prestigious "A List" as a global leader in the fight against climate change – the only European distribution company to have achieved this recognition in the last four years.

In addition, Logista is part of the FTSE4Good index, a list of companies that have demonstrated their soundness in environmental, social and corporate governance practices, and has signed up to the 'manifesto for a sustainable recovery' in Spain.

This year, KPIs linked to environmental management have been included in the targets for employees' long-term incentive plans, to reflect our commitment to continue progress in the integration of environmental sustainability in the day-to-day management of the business.



Consumption in proximity channels

The COVID-19 pandemic has changed consumer habits in the countries in which we operate, favouring purchases at smaller points of sale that are also closer to home. Logista's strategy is based on offering manufacturers simple, rapid access so that their products can be available in those establishments. The company's positioning will enable it to benefit from this opportunity in the coming years.



Next-Generation Products

New tobacco and related products are emerging, with many more choices available to consumers than just a few years ago. Logista offers manufacturers the fastest and most effective route to consumers in Spain, France, Italy and Portugal, thanks to its extensive presence in its national markets.



E-commerce consumption

The strong growth experienced by online sales during the lockdown months demonstrated the vital role of logistics in this area. Some manufacturers or vendors have seen deliveries of their products come to a standstill, and this has created dissatisfaction in consumers and damaged their image. This situation is leading manufacturers to seek logistics partners that can provide high levels of service, and they are considering their final choice of supplier not solely on the basis of low prices, but on a balance between price and service level.



Digitalisation

Digitalisation is driving change in how we do business, with several disruptive technologies introducing new digital products and services. Fully digitalised data and processes are increasing automation and making the smart supply chain and warehouse a reality, mainly supported by artificial intelligence. Decisions are based on the data available and enable future results to be simulated.

Logista has developed several notable projects in this area:

– **Digitalisation of the supply chain for the distribution of pharmaceutical products and tobacco products.**

By going far beyond strict compliance with traceability regulations in both sectors, Logista is applying the very latest scanning and image recognition technologies to capture all product movements digitally in warehouses and on cross-docking platforms and delivery vehicles. This enables monitoring of the entire supply chain.

– **Incorporation of artificial intelligence into the digital marketing and sales platform in the convenience products distribution businesses,**

in order to be able to clearly segment clients and products, to develop specific marketing initiatives tailored to the needs of each segment. Artificial intelligence technologies based on recognising search history and previous sales patterns are also helping marketing experts to identify market potential and simulate promotions and customer loyalty initiatives.

– **Introduction of a variety of innovative technologies such as Big Data analysis and artificial intelligence,**

enabling Logista's retail clients to digitalise their businesses and enhance their profitability.

– **Carrying out concept testing of state-of-the-art technologies,**

such as the use of drones in warehouses for inventory management, the use of augmented reality and transport sensors, etc.

Strategic priorities

1. To strengthen our consolidated businesses.
2. To bring sustainable future growth, expanding our business base.
3. To offer excellence in our services and increase profitability through continued improvements in operational efficiency.
4. To protect our financial soundness, in order to maintain our shareholder remuneration policy.

The maturity profile of some of the sectors served by Logista, usually accompanied by diminishing activity levels, means that it is essential to develop services that are complementary to national distribution. These services help our clients to identify and develop new growth areas and help Logista to maintain a stable level of revenue in the most consolidated businesses.

Looking to the future, close collaboration with our clients in these sectors and conduct based on continually seeking mutual benefit will be the mainstays that enable us to continue our success, just as they have in recent years.

Long-term growth is based on developing new verticals such as distribution for the pharmaceutical industry, the distribution of convenience products to the channels we serve, and on driving certain high growth areas such as e-commerce transport.

Geographic expansion into new countries where we export our business model is another core component of our future plans that will lessen and offset the macroeconomic risks that may affect each of the countries in which we operate, in addition to bringing future growth.

Operating in a way that is environmentally efficient and sustainable, and preserving and developing internal know-how, is a fundamental part of maintaining sound financial profitability and creating long-term value for all our stakeholders.

This means that it is not only important that we broaden our revenue base, but that we do so at the right cost levels that enable all those involved to be remunerated fairly, and to offer prices that reflect the level of service offered. By conducting ourselves in this way, we create a virtuous circle of value creation for all of society.

Greater importance of proximity shops and e-commerce.

Relevance of environmental policies.

Uncertainties associated with the economic recovery and the potential need to once again adopt drastic measures in the event of new waves of the pandemic.

Business outlook

MARKET TRENDS



LOGISTA RESPONSE

Increased significance of local stores in developed countries: buying local, flexible hours	Distribution networks that repeatedly access around 250,000 points of sale in the main proximity channels
Manufacturers require transparency in their route to consumers	Development of Business Intelligence capacities, dedicating between 35% and 50% of the Group's total investment in technology each year
Manufacturers' need for global management of pricing policies by channel; very difficult to guarantee in local stores	Retail offering based on pricing per service, rather than on the products' positioning, which avoids distortion and leaves it up to manufacturers to set the prices for their products
Requirement from society as a whole for a better overall use of resources in carrying out operations	As a one-stop shop for points of sale and for manufacturers, we offer the streamlining of service and the flexibility needed to translate that into resource savings for participants and for society as a whole
Development of beneficial relationships for all stakeholders	Business model that seeks to establish long-term relationships that create value through fair, non-discriminatory prices based on service level for suppliers and for clients; performance-based pay and professional development for employees; ongoing dialogue and collaboration with authorities and with shareholders
Greater attention paid to the effective management of the finished product distribution chain from origin to point of sale.	We anticipate regulatory requirements, and through our retail offering we can take direct responsibility for the entire distribution from our clients' factory door to the point of sale, with oversight at all times of the means used to carry out the distribution, while offering exhaustive knowledge of the specifications and specific needs of the products we distribute. Ongoing investment in the development of technological tools to ensure the integrated management and online oversight of operations. This enables us to differentiate our service and improve our competitive position
Reduced specialisation of local stores and a need to broaden the catalogue of products and services	Our business relationship with manufacturers active in different sectors results in a cross-sector service offer that supports the commercial development of points of sales and enriches their own retail offering in a simple and efficient way
Increased last-mile transport needs for e-commerce	Retail offering tailored to sectors that demand a high level of service in the delivery of their products 'Smart Lockers' and delivery and collection points to meet demand, while also controlling emissions from deliveries
Flexibility throughout the route to market, proximity of inventories to points of sale	Our business model for operations, which offers proximity to points of sale and brings flexibility and agility in adapting to products' location-specific needs
Reduced volumes in some product categories	We help manufacturers to adapt their offering and improve their products' route to market, facilitating the launch and distribution of new categories



Corporate governance

Key Actions of the Board of Directors in 2020

Logista Holdings' Board of Directors has been extremely active over the course of the year across its varied remit. A summary of its key actions is given below.

A. Reorganisation of the Board of Directors

At the start of the year, the Board of Directors of Logista Holdings found itself overtaken by the need to respond to the sudden death of the CEO, Luis Egido, on 27 October 2019. Following this unexpected event, a number of steps were taken to reorganise the Board with a view to ensuring that it should be made up of the finest talent and make decisive progress in gender diversity. These steps resulted in the following changes:

1. It was proposed to the Annual General Shareholders' Meeting that the number of Directors should be increased to 12, to allow for the appointment of more female Directors. As a result, the Board's composition has become more balanced, with five proprietary Directors, five independent Directors and two executive Directors. Of the 12 members, five are women (Marie D'Wit, María Echenique, Cristina Garmendia, Lisa Gelpy and Pilar Platero), including one executive Director (María Echenique, who was also appointed as Board Secretary). This means that the Company has met the new objective for gender diversity, established in the National Securities Market Commission (CNMV)'s new Good Governance Recommendations, two years early, with women holding 42% of Board seats. All of our new Directors

are professionals with outstanding reputations in their fields, and their appointment reflects the Company's firm commitment to gender diversity and advancing female talent.

2. Two new executive Directors were also appointed.

Following the death of Luis Egido, the process of selecting a new CEO began in accordance with the Guidelines on the Policy for Company Board Appointments. This process was successfully completed on 19 December with the appointment of **Íñigo Meirás** as CEO of the Company. The Board Secretary, **María Echenique**, was nominated by the Annual General Shareholders' Meeting in March 2020.

3. Following the sudden death of a member of the Board, Jaime Carvajal, a new selection process was launched, concluding with the appointment of Luis Isasi as an Independent Director on 29 September 2020.

B. Actions in relation to corporate governance and compliance

The Board has been particularly attentive to matters of corporate governance over the last year. A number of initiatives based on the recommendations of the CNMV's Technical Guide 1/2019 on Appointment and Remuneration Committees have been set in motion (succession plan for the Chairman and CEO and Board skills matrix). The Board has also taken steps to respond to the new recommendations set out in the CNMV's Unified Good Governance Code. The Group's compliance structure has been made more robust and a Compliance Officer appointed.

C. Encouraging strategic debate

The Board believes that engaging in strategic reflection is one of its most important roles. Accordingly, strategic reflection sessions were held in the year.

D. Approval of a new Risk Management Policy

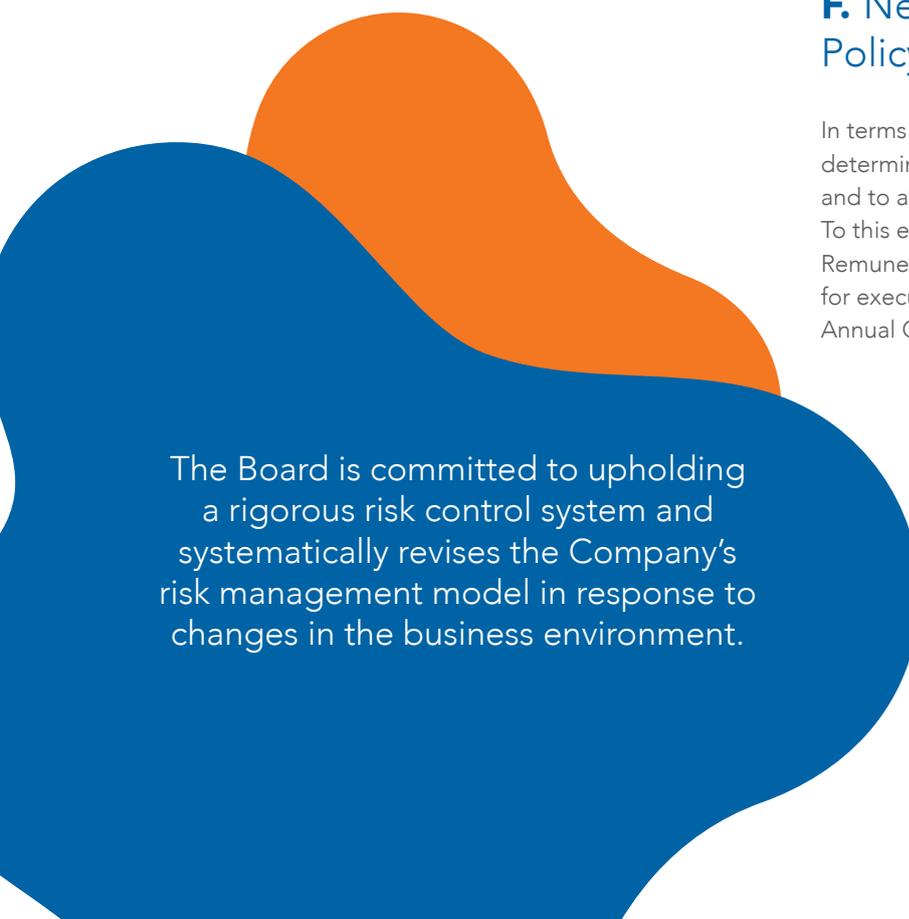
The Board is committed to upholding a rigorous risk control system and systematically revises the Company's risk management model in response to changes in the business environment. After examining the continued relevance of Logista's risk classification system, a new Risk Management Policy was approved. This new policy incorporates certain technical improvements, bringing the company's approach in line with new developments in this area.

E. Follow-up COVID-19

This year, which is marked by the consequences of the COVID-19 pandemic, a particular and sustained effort has been made by the Board of Directors to monitor the evolution of the pandemic, both from the point of view of the impact on the Group's businesses and aimed at protecting the health of our workers, in order to be able to take in advance the necessary measures to minimize both. This monitoring is still carried out, as of the date of this report.

F. New Directors' Remuneration Policy

In terms of remuneration, the Board of Directors is determined to attract outstanding talent to the Company and to align its remuneration policy with market trends. To this end, it approved a new, simplified Directors' Remuneration Policy that revises the contractual terms for executive Directors. This Policy was approved at the Annual General Shareholders' Meeting on 24 March 2020.



The Board is committed to upholding a rigorous risk control system and systematically revises the Company's risk management model in response to changes in the business environment.

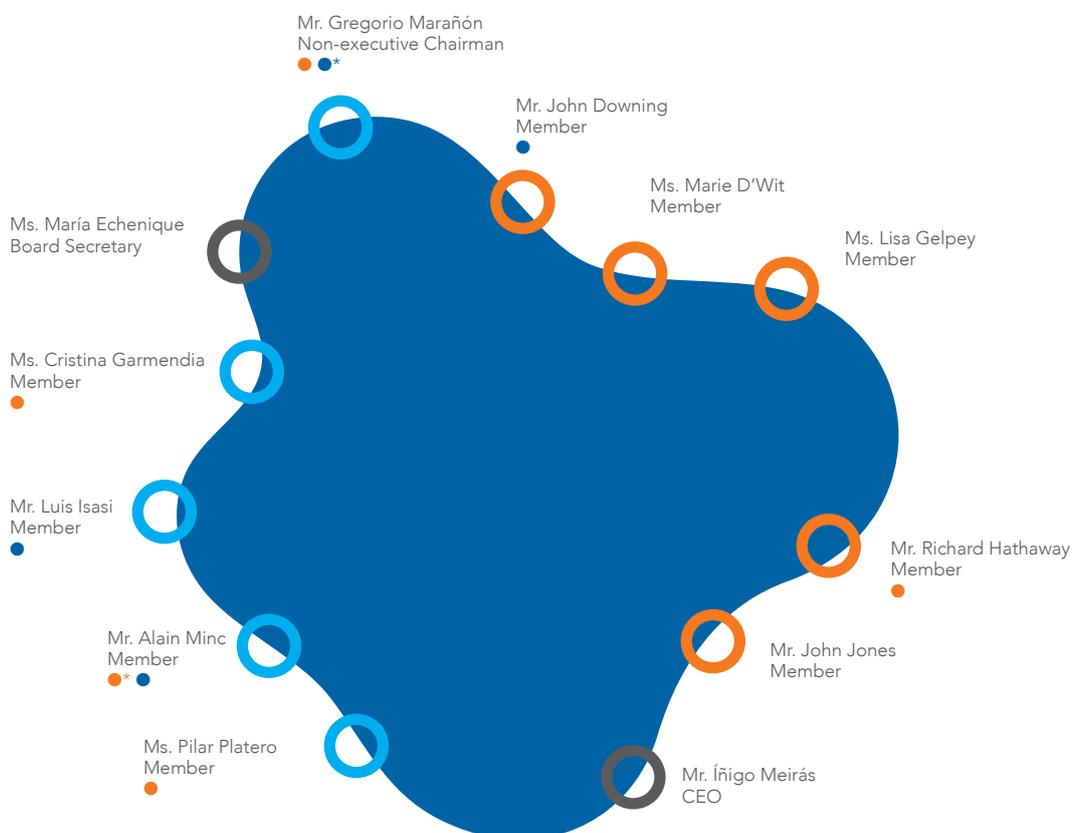
Functions and Composition of the Board of Directors

With the exception of matters reserved for the General Shareholders' Meeting, the Board of Directors is Logista's highest decision-making body. Its role is to represent the Company by carrying out all of the activities included in its corporate purpose, as set out in the Articles of Association.

It is the Board's policy to delegate the everyday management of Logista to the executive bodies and senior management team, focusing its own efforts on its overarching role in determining company strategy and overseeing the work of the senior management team. At the same time, the Board must duly attend to those matters which, pursuant to the law or to the Company's Articles of Association or Regulations, cannot be delegated to other bodies.

Logista's Board of Directors includes an Audit and Control Committee and an Appointments and Remuneration Committee, tasked with carrying out those functions required by law. The majority of these committees are made up by Independent Directors.

COMPOSITION OF THE BOARD OF DIRECTORS (AT 30 SEPTEMBER 2020)



Executive
 Independent
 Proprietary

Member of the Audit and Control Committee (ACC)
 Member of the Appointments and Remuneration Committee (ARC)
 * Chairman of the ACC
 * Chairman of the ARC

Evaluation of the Board of Directors

In accordance with the recommendations contained in the Good Governance Code for Listed Companies, the Board and its Committees are evaluated on an annual basis to assess the quality and efficacy of their performance. The Chairman of the Board, CEO and Board Secretary are also evaluated as part of this exercise. Every three years, this evaluation is reviewed by an external assessor.

In 2020, the results of the internal evaluation were highly satisfactory. Nonetheless, a number of areas for improvement were brought to light, including the length of sessions and improved communication with Senior Management. The Board of Directors has now produced an Action Plan to support progress in these areas.

Diversity in Board Appointments and Reappointments

In keeping with the Company's firm commitment to diversity, and thanks to the Appointments and Remuneration Committee's efforts to advance the issue, the Board is now formed of 12 members, five of whom are women. At over 40%, this exceeds the objective established by the Good Governance Code. The Board reflects a rich diversity of professional and academic backgrounds, with members versed in law, economics, human resources, mathematics, biology and more.

The Company's Board Selection Policy expressly states that the Appointments and Remuneration Committee must be satisfied that the selection process is free of any implicit biases that may lead to discrimination.

The process of selecting candidates for board positions is based on an evaluation carried out by the Appointments and Remuneration Committee, sometimes in collaboration with an external assessor. This evaluation is based on the principle of diversity in education, professional experience, sector-based knowledge, region of origin (in the case of international groups), etc., with due regard to the requirements established by law and good governance principles for board size and structure. Also taken into consideration are the specialist knowledge needed to fulfil the Board Committees' specific oversight functions (e.g. accounting, risk management, technology, etc.) and the Group's commitment to eliminating all forms of gender discrimination.

We would note that, over the course of this financial year, the Board has made progress in this area by approving a skills matrix as an analysis tool for confirming that all of the various competencies it values are sufficiently represented.

The Board is now formed of 12 members, five of whom are women. At over 40%, this exceeds the objective established by the Good Governance Code.

Board of Directors' Remuneration Model

When determining its Remuneration Policy, the Company has regard to both the relevant regulations (particularly those applicable to listed companies) and to the objectives set out in its Business Plan, which in turn conforms to the principles and recommendations of Good Corporate Governance, best market practices and the guidelines issued by institutional investors and proxy advisors.

Every year, the Company publishes information on Directors' remuneration in its Integrated Annual Report, Annual Accounts and Annual Report on Remuneration of Directors.

Directors receive a fixed monthly salary plus an attendance allowance paid at a flat rate to all Board members. Committee members receive an additional attendance allowance. Only executive Directors receive performance-related pay.

The current Remuneration Policy, which was drafted with external advice, was approved at the Annual General Shareholders' Meeting on 24 March 2020. The results of the vote were as follows:

Number of shares	Percentage of share capital in attendance
In favour: 100,991,278	93.1864%
Against: 2,230,656	2.0583%
Blank ballots: 0	0.0000%
Abstentions: 5,153,585	4.7553%

Agenda for the Annual General Shareholders' Meeting on 24 March 2020

- Approval of the Annual Accounts (Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Notes to the Accounts) and Management Report of Compañía de Distribución Integral Logista Holdings, S.A. and the consolidated Group, for the financial year ending 30 September 2019.
- Approval of the consolidated statement on non-financial information for the financial year ending 30 September 2019.
- Approval of the Board of Directors' management performance during the financial year ending 30 September 2019.
- Approval of the application of the result for the financial year ending 30 September 2019 of Compañía de Distribución Integral Logista Holdings, S.A.
- Nomination and election of Board members.
- Appointment of Financial Auditors.
- Approval of the Board Remuneration Policy 2020-2022.
- Scrutiny and approval of the Long-Term Incentive Plan 2020.
- Delegation of Powers to the Board of Directors
- Advisory vote on the Annual Report on Company Directors' Remuneration for the financial year ending 30 September 2019.



Tackling corruption and bribery

No reports were received in relation to crimes of bribery, corruption or money laundering

Logista has put in place a number of corporate policies and an internal control system aimed at preventing any conduct falling into the “criminal risks” category, whether on the part of managers, directors, employees or other persons subject to the Group’s supervision. Examples of such criminal conduct include corruption, bribery and money laundering.



For more information on the materiality matrix, see [About this report](#)

Both the Company and its stakeholders take issues relating to ethics and the fight against corruption extremely seriously. The Board of Directors is committed to fulfilling its social responsibilities by adopting all necessary measures to coordinate, oversee and monitor action in response to potential crimes or criminal risks, including those listed below.

- **All directors and employees must adhere to the company’s Code of Conduct**, which is available on the Group’s Intranet. Among other provisions, this document sets out the procedures to be followed when working with civil servants or government representatives, and prohibits the offering, giving or receiving of payments, gifts or preferential treatment contrary to the law, which may have an influence on the normal course of business, governance or professional relationships or secure an undue advantage for Logista.
- **The company’s Criminal Risk Prevention Handbook**, approved in 2015, outlines the correct approach to managing and preventing of criminal risk within the Group and the structure and function of the Control and Oversight Unit.

Group employees at all levels are informed of the importance of following the Criminal Risk Prevention Handbook, adopting the principles set out in the Code of Conduct and carrying out their professional tasks in an ethical and diligent manner.

In the event of a breach of the Company’s code of conduct, the relevant employee(s) will be subject to a disciplinary process and possible sanctions. Any incident involving the bribery of a public or private body or the failure to comply with the approved Collection and Payments Management Policy will be treated as grave misconduct.

All Logista employees have access to a Whistleblowing Channel, which can be used to report any criminal action, behaviour or use of information that breaches the Code of Conduct, the General Principles of Conduct or the Criminal Risk Prevention Model.

As was the case in the previous year, no reports were received during the 2020 financial year in relation to crimes of bribery, corruption or money laundering.

The Group’s control framework is reviewed at least once a year by the Internal Audit Department, the Board of Directors and the Audit and Control Committee.

Periodic checks are carried out on any process or activity that could potentially be affected by any of the criminal risks listed above, and the model is revised as necessary whenever the regulatory environment changes. Over the course of the 2020 financial year, the Group’s current Compliance Model was reviewed by the law firm Gómez-Acebo & Pombo, with the aim of analysing the design and structure of the CRPC’s approach (policies and procedures) and updating the Criminal Risk Map.

Contributions to foundations and non-profit organisations in the 2020 financial year came to €447,993 (€188,980 in 2019) the primary beneficiaries being those active in the areas of humanitarian response and social welfare and integration. These funds will be used to improve the quality of life of society’s most vulnerable groups. The majority of these contributions take the form of donations of consumer goods and transport services for the collection, distribution and delivery of food, personal hygiene products, etc., to parishes, social canteens and other frontline support providers.



Human Rights

From its very foundation, Logista has championed a holistic approach to corporate responsibility, based on a distinct set of ethical, business, social, environmental, economic and accountability values. The Group's Corporate Governance Policy sets out the company's core values, based on respect as a multicultural Company, commitment to long-term sustainable development, professionalism, integrity and transparency. In all aspects of its work, Logista strives to create, advance and foster a culture and philosophy based on integrity.

This Policy upholds the provisions of the International Labour Organisation (ILO)'s fundamental conventions vis-a-vis freedom of association and the right to collective bargaining, in addition to the OECD's Guidelines for multinational companies and the United Nations Global Compact.

In compliance with the fundamental ILO conventions on freedom of association and the right to collective bargaining, all Logista employees have signed updated contracts and are represented by works councils and union officials, whom they may freely approach at any time. Various independent unions are active in the Company, and employee representatives are periodically consulted through meetings. The Company ensures that employees are fully aware of their right to collective association, which is fundamental for compliance with ILO provisions.

With regard to preventing Human Rights violations, explicit measures are set out in Logista's Code of Conduct, General Principles of Conduct for suppliers and the employee Ethics Code. Dedicated reporting mechanisms, such as our Whistleblowing Channel, have also been made available. The Whistleblowing Channel is confidential and will act on any report from an employee or third party who supplies evidence of an act, behaviour or omission amounting to a Human Rights Violation. All reports received are investigated by the Control Unit, which reports three times a year on its inquiries and their outcomes, the current status of the situations investigated and the measures taken to resolve them. This channel complements the Company's due diligence processes by supporting the identification and resolution of adverse impacts on Human Rights, and particularly of potential cases of child labour.

Logista has implemented various due diligence measures in this area, although given the nature and geographical range of our activities and the robust regulatory framework in place, the Group does not tend to encounter risks associated with the prevention of forced or child labour.

During the 2020 financial year (as was the case in 2019), Logista did not receive any reports of incidents relating to respect for freedom of association and the right to collective bargaining, discrimination in recruitment or employment, forced or coerced labour or any other Human Rights violation or concern in any country in which it operated in this period.

Four communications were received through the complaints channel during the 2020 financial year. After having been studied by the complaints channel committee, 2 of them were inadmissible since the events reported strictly corresponded to an area of labor relations and in 2 of them, an investigation procedure was initiated for alleged malpractices, after which the appropriate measures were taken. The analysis of the aforementioned communications concluded that none was linked to the violation of Human Rights.

The Company's commitment to complying with the provisions of fundamental ILO conventions and the United Nations Global Compact is reflected in the following documents:

- **Code of Conduct:** The Code requires the Group's employees to promote and uphold Human Rights in such a way that they do not contribute, either directly or indirectly, to any kind of Human Rights violation.

Employees work to eradicate any Human Rights violations that may be observed in the labour market, particularly if these are in any way linked to our business activities or supply chain. The Code stipulates that:

- We all have a responsibility to foster a fair, respectful workplace, free of any form of harassment, discrimination or demeaning behaviour. We must ensure that none of our colleagues are subjected to unwanted acts or behaviour on the grounds of age, race, place of origin, gender, sexual orientation, disability, political opinion, religion, marital status or physical or mental health.

- We are all expected to uphold the Company's commitment to equality of opportunity and to ensuring that appointments are made on merit alone.
- We must all work to promote and defend Human Rights and ensure that we do not contribute, either directly or indirectly, to any form of Human Rights violation. We must work to eradicate any Human Rights violations observed in the labour market, particularly if these are in any way linked to our business activities or supply chain.
- We have a duty to work with our suppliers, licensees, agents and associates to foster and promote the application of the Company's principles on forced labour and the minimum working age.
- We must not commit or tolerate any form of discrimination against an employee based on the political, religious or legal situation in their country or region of origin. We must ensure that valid work permits are secured as necessary for any employee working outside his or her country of origin.
- We have a responsibility to protect our colleagues' rights to freedom of thought, conscience, religion, opinion and expression, as established in the "Discrimination and Harassment" section of this Code of Conduct.
- We must not tolerate any form of discrimination arising from an employee's right to participate freely in the culture of his or her community.
- It is prohibited to employ any person under the age of fifteen, or the minimum working age in the relevant local market, or the legal age for leaving compulsory education – whichever is highest.

- **General Recruitment Protocol, Internal Selection Guide and Employee Competence Guidelines:** These documents establish a set of general principles for line managers, to be applied in recruitment and candidate selection. They also provide clear guidance on the correct approach, tools and allocation of responsibilities for recruitment, selection, onboarding and performance evaluation, and guidelines for ensuring that posts in all Group Companies are filled by the most qualified candidate.

Logista also promotes gender equality in candidate selection. For example, it is standard practice across the Group that the shortlist of candidates for any post should include at least as many women as men.

- **General Principles of Conduct:** This document stipulates the minimum standards and requirements for everyday conduct that the Group's suppliers must observe at all times, both in their dealings with the Group and with respect to their own employees and any third parties involved in their operations.

All of the Group's suppliers must understand and accept these Behavioural Standards, which are contractually binding on all suppliers who enter into an agreement with a Group Company. The Group may terminate its contractual or business relationship with any supplier that fails to comply with the Behavioural Standards or, in the event of an accidental breach, to take the necessary measures to resolve the situation.



For more information on the General Principles of Conduct for suppliers, see [Collaboration with suppliers](#)

- **Group Procurement Guidelines:** This document establishes that all suppliers must be duly authorised and have demonstrable financial and technical capacity. Furthermore, all contractual relationships are governed by the Principles of Ethical and Professional Conduct (among others), which states that employees must behave ethically and professionally at all times.



For more information on the Group's Procurement Guidelines, see [Collaboration with suppliers](#)

Respect for Human Rights is a material concern for both the company and its main stakeholders, as reflected in the materiality matrix produced by Logista.



For more information on the materiality matrix, see [About this report](#)

Risk and Opportunity Management

An integrated risk management system to support the achievement of the company's objectives and to further advance its strategy

Logista's Corporate Risk Management system is outlined in its General Risk Management Policy and Procedures, approved by the Board of Directors on 29 September 2015. These documents were revised on 28 June 2020 in accordance with the 2017 COSO ERM Framework.

They set out the company's general protocols for controlling and managing all forms of external or internal risk to which Logista may be exposed, at any point in time, in the pursuit of its objectives:



The Policy's overarching objective is to support the Board of Directors and management teams in their efforts to optimise the Group's results and ultimately enhance its capacity to create, sustain and realise value.

It applies to every business area, department and country of operation (Spain, France, Italy, Portugal and Poland), thus providing a global overview of all risks that the Group may encounter.

In particular:



Identifying and managing risk across the Group.

Obtaining reasonable assurance that the Group's objectives can be met.

Participating in and supporting decision-making processes.

Determining risk profile and appetite.

Establishing a common language and methodology with respect to risks.

Facilitating efficient resource allocation.

Ensuring the reliability of financial and non-financial information.

Setting guidelines for transparency and Good Corporate Governance.

Assigning responsibilities to participants.

Expanding the range of available opportunities.

GOVERNING RISK MANAGEMENT

The corporate bodies responsible for devising and implementing the Risk Control and Management System are as follows:

The Board of Directors

In accordance with its regulations, the Board of Directors has a non-delegable duty to approve all of the Group's overarching policies and strategies, including the risk control and management policy (which extends to fiscal risks), and to oversee all internal information and control mechanisms, particularly those that handle financial information.

The Audit and Control Committee

The Audit and Control Committee's regulations establish its role in overseeing risk control and management, reviewing the efficacy of the Company's risk management systems and supervising the risk control and management unit.

Internal Control Committee

One of this Committee's essential roles is to lead and coordinate the annual update of the Group's risk map and submit it for approval to the relevant bodies.

Internal Audit Department

The Internal Audit Department is responsible for determining the Group's processes and criteria for Risk Management, producing and periodically updating its Risk Map and submitting regular reports to the Audit and Control Committee, which in turn conveys them to the Board. These reports are intended to highlight any emerging risks or new developments pertaining to identified risks and to provide information on the progress of approved action plans and the general performance of the Group's Risk Management System. They should also identify any materialised risks.

Process Officers

This includes all employees responsible for the design and development of the process and for identifying any risks or opportunities it may encounter. Their role is to identify Procedural Risks and the Internal Control Actions to be carried out in order to prevent or mitigate them. They are also required to track the progress of these actions and to provide support and information to the Internal Control Coordinators.

Internal Control Coordinators

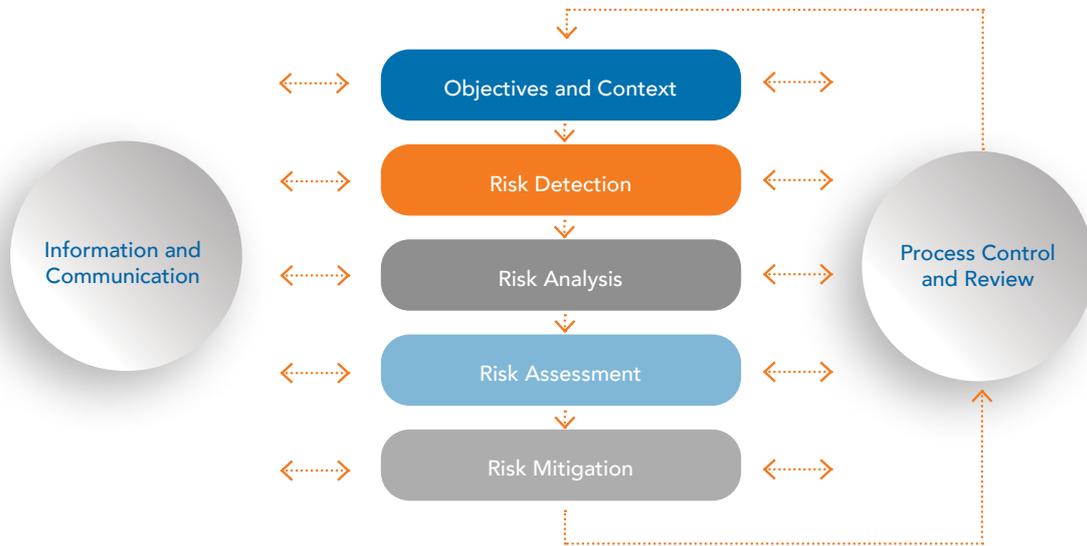
The Internal Control Coordinators are responsible for advancing the adoption, development and coordination of the Internal Control System. As a general rule, this role is allocated to financial managers in charge of business areas or departments.

Control Officers

Control Officers carry out the Control Activities defined in the Internal Control System, reporting to the Process Officer. Where applicable, they should suggest improvements and corrective action aimed at enhancing the design and efficacy of Control Activities. They are required to follow the relevant Risk Management guidelines at all times.

Process for identifying, evaluating and mitigating risks

Logista's risk management process is based on the following framework:



Objectives and Context

Logista determines its strategic objectives and operational scope, both internally and externally, with due regard to stakeholder interests. In turn, this perspective has an influence on its risk management approach. The Company also defines its risk appetite, i.e. the level of risk it is willing to accept in the course of its activities. Broadly speaking, risk appetite is categorised as follows:

LOW
risk
tolerance
profile



- Logista seeks to comply with all laws, regulations, standards and tax rules to which it is subject.

MODERATE
risk
tolerance
profile



- Towards risks that do not threaten the Group's capacity to:
 - achieve its strategic objectives while limiting uncertainty;
 - maintain the strongest possible shareholder guarantee;
 - protect its results and reputation;
 - defend the interests of its shareholders, clients and manufacturers.

HIGHER
risk
tolerance
profile



- Towards plausible technological risks, given that the Group's strategic objectives include providing logistics services with high added value and, therefore, involving advanced technological solutions.

These baselines for risk appetite are a tool for achieving the optimum balance between risk and opportunity.

Risk Detection

Risk detection refers to the identification of future events that could potentially pose a threat to the Group's objectives, whether through interviews or self-assessment questionnaires.

Risk Assessment

During this stage, the severity of each risk is assessed in order to prioritise those of greatest concern. The criteria used to explore potential impacts on the Group are: regulatory compliance, economic/financial, health and safety, operations, reputation and strategic context.

A parallel assessment looks at the mitigation measures adopted by the Group in response to the identified risks, to derive what is referred to as the "residual risk". This exercise also evaluates the speed with which the risk could potentially materialise, which determines its ranking in the overall risk appetite framework.

Risk Analysis

All risks must be recorded in such a way that they can be readily understood and, especially, used to facilitate decision-making. Each risk should be defined by reference to its causes and contributing factors, as well as the consequences for the Group were it to materialise.



Risk Mitigation

The Group's response to the risk is analysed and categorised according to the following response types:

- **Eliminate:** take all possible measures to negate the likelihood of the risk occurring and/or its impact, so that the risk effectively disappears or is eliminated.
- **Mitigate:** take any necessary action to lessen the potential consequences should the risk materialise.
- **Transfer:** assign the consequences associated with the risk, should it materialise, to a third party.
- **Accept:** take no action, absorbing the potential consequences should the risk materialise.
- **Pursue:** accept a greater degree of risk where offset by a potential performance gain. When choosing to pursue a risk, managers must understand the nature and scope of any changes required to achieve the desired performance gain without exceeding the acceptable limits of tolerance.

Action plans should then be put in place.

Information and Communication

All actors implicated in the Group's Risk Management Model are required to store and manage relevant information through tools such as the Risk Register and the Risk Map. Twice a year, the Audit and Control Committee carries out a review of material risks, response strategies and mitigation plans, including those relating to fiscal matters, before approving and distributing the Group's Updated Risk Map. In the two quarters when this full review does not take place, the Audit and Control

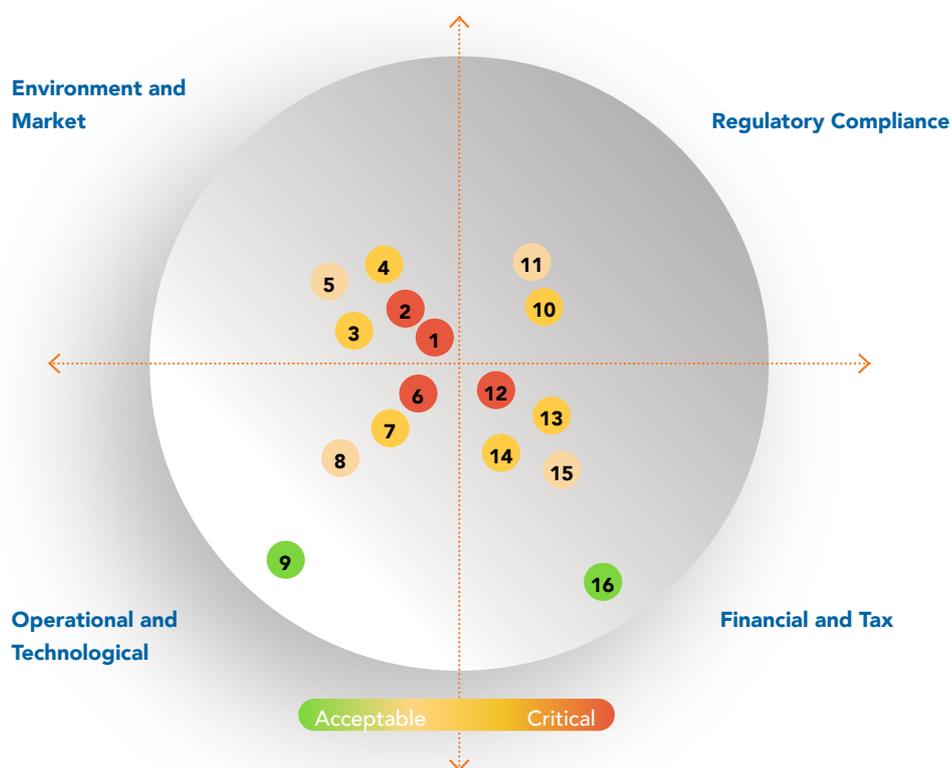
Committee is informed of the most significant developments in relation to material risks. This mechanism allows for the identification of new threats and for sufficient advance warning for effective Risk management. The Committee submits quarterly reports on its work in overseeing the Risk Control and Management System to the Board of Directors. In this way, the Group seeks to foster an appropriate setting and philosophy for risk management, through targeted communication with both the Audit and Control Committee and the Senior Management Team.

Oversight and Control of the Risk Management Process

The risk management process is continuously monitored and revised, with a particular focus on emerging risks, the ongoing development of known risks, obsolete risks and materialised risks.

Breakdown of material risks

The Corporate Risk Map (among other documents) identifies the following risks, which are categorised in accordance with the framework set out in the General Risk Management Policy:



Type of risk	Description	Risk level	Response planning
Environment and Market Risks			
1	COVID-19 pandemic and its impacts	Critical	In response to the circumstances created by the COVID-19 crisis, Logista has adapted its operational practices and revised its strategic and business plans. Corrective and contingency measures have been put in place and various steps taken to support business continuity. As a result, Logista has been able to continue operating while introducing a range of measures to protect its employees and partners. Further details on Logista's pandemic response measures can be found in the following sections: Creating Value for Shareholders and Investors (measures affecting shareholders and investors); Employee Development (plans implemented to protect employees) and Customer satisfaction (examples of new services developed in response to client needs during the pandemic).

Type of risk	Description	Risk level	Response planning
<p>2</p> <p>Macro-economic, political and social environment and changing consumer habits</p>	<p>Various business activities within the geographical range of Logista's operations may be affected by changes in political, social and/or macroeconomic conditions, both at the global level and, in particular, in Spain, France, Italy, Portugal or Poland. The Group may become subject to new regulations or be affected by structural changes that reduce clients' purchasing power. Similarly, changes in consumer habits and patterns may have an impact on its business performance.</p>	Critical	<p>Logista continuously monitors the progression of its various business activities and any developments in the regulatory, social and political environment, adapting its strategy and objectives to changing conditions in its countries of operation.</p>
<p>3</p> <p>Market liberalisation</p>	<p>Moves to promote further market liberalisation in countries where Logista acts as an authorised distributor for tobacco products in the context of a state retail monopoly could have an impact on the Group's results if it fails to take certain measures, which have already been identified.</p>	Serious	<p>The consequences of market liberalisation in the Group's main target markets, where it acts as an authorised distributor for tobacco products in the context of a state retail monopoly, may adversely affect its profits. However, such effects would be mitigated by the Group's capacity to distribute tobacco through an extensive network of outlets and its pursuit of a diversification strategy.</p>
<p>4</p> <p>Accelerated decline in the tobacco market</p>	<p>In light of new anti-smoking policies adopted by national governments in target markets or at EU level, changes in consumer habits and significant hikes in taxes or retail prices, there is a risk that the tobacco market will shrink at a faster rate, while trade in counterfeit products will increase. The Group may not be in a position to compensate this loss through growth in other business areas, such as convenience products or pharmaceuticals.</p>	Serious	<p>Diversification plan, as established in Logista's strategic plan.</p>
<p>5</p> <p>The illicit tobacco trade</p>	<p>As a result of the economic crisis and a rise in unemployment, there is a risk that illicit trade in tobacco and counterfeit tobacco products will become significantly more prevalent. This could have an adverse effect on the volume of tobacco products distributed by Logista.</p>	Relevant	<p>Product traceability is now subject to more rigorous protocols, as required by Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014. This directive establishes stricter standards in relation to labelling, ingredients, traceability and cross-border sales, among other aspects, which could have a bearing on the volume of tobacco sold. All EU member states in which the Group operates have already transposed the Directive into their national legislation.</p> <p>Logista cooperates with national law enforcement and security forces to tackle illicit trade.</p>
<p>Operational and Technological Risks</p>			
<p>6</p> <p>Cybersecurity</p>	<p>Deliberate third-party attacks can undermine the operations of corporations and industries. The Group is exposed to various threats and vulnerabilities due to its highly digitalised systems and daily use of technology and information systems across its various business activities. This presents a risk to information security and to system continuity, and may lead to privacy breaches, information loss or the theft or fraudulent use of data.</p>	Critical	<p>The company has developed a Cybersecurity Plan, which should be regularly updated. This document sets out specific measures to counter these risks, such as external and internal intrusion testing, preventative digital monitoring and checks on the level of service delivered by providers contracted to manage and administer the Group's IT infrastructure.</p>
<p>7</p> <p>Risk of theft</p>	<p>Theft of tobacco from the Company's facilities or during transport may result in higher insurance premiums</p>	Serious	<p>Adopting the most rigorous security standards possible and taking out Insurance Policies reduce both the likelihood of theft and the impact on tolerable risk levels.</p>

Type of risk	Description	Risk level	Response planning
8 Availability of information systems and business continuity	There is a risk that a shock event could paralyse the company's operations, or that the business continuity plans designed to ensure a timely and appropriate disaster response fail to make provisions for the continued availability of Information Systems and the level of service they routinely provide.	Relevant	Contingency plans should be in place and periodically tested to assess their effectiveness. The Group should continuously monitor the levels of service delivered by providers contracted to manage and administer its IT infrastructure.
9 Environmental standards	There is growing client demand for services that meet certain environmental standards. In this respect, Logista has developed a Quality and Environment Master Plan and a Quality, Environment and Energy Efficiency Policy that establish guidelines and good practices for optimising the use of resources and preventing pollution throughout its business processes. Pursuant to the ISO 14064 standard, the Group calculates its carbon footprint using the methodology set out in the GHG Protocol.	Acceptable	Logista's efforts in this area have won recognition from several international bodies. CDP, for example, has included Logista in its prestigious "A List" as a global leader in the fight against climate change – the only European distribution company to have achieved this recognition in the last four years.
Regulatory Compliance Risks			
10 Regulatory risk	The Group's business activities are subject to compliance with numerous laws and regulations, both general and sectoral. These may apply at the European, national, regional and local levels in any country of operation. This exposes the Group to risks arising from potential breaches, associated sanctions or legal claims and increased costs of verifying and controlling regulatory compliance.	Serious	Logista continuously monitors the regulatory and legislative environment for changes that may affect its activities, aiming to anticipate such changes as early as possible to allow for effective management. The Group has also produced an assortment of specific standards and procedures to govern its framework for action, in addition to criminal risk prevention models for each Group Company. These measures reflect a "zero-tolerance" approach to fraud and corruption. The Corporate Legal Advice Department coordinates a review of the Group's most significant contracts to ensure strict legal compliance.
11 Legal Action	In the normal course of its business, Logista may become involved in legal disputes, either as the claimant or as the defendant. These may arise from differences in the interpretation of laws, regulations or contracts or from the bringing of legal actions, the outcomes of which are uncertain by nature.	Relevant	Establishment of specific standards and procedures to govern the Group's framework for action, in addition to criminal risk prevention models for each Group Company. Legal defence and procedures for managing and monitoring legal actions, with external expert advice as appropriate.

Type of risk	Description	Risk level	Response planning
Financial and Tax Risks			
<p>12</p> <p>Changes to the Group's payment cycles or to fiscal policy</p>	<p>Like any other wholesale business, Logista's purchasing and revenue cycles are staggered. This means that outgoings to tobacco manufacturers and incomings from retail outlets may not always be in balance. Moreover, Logista's tax obligations must be settled according to a different cycle again.</p> <p>Changes to the tax payment cycle or significant tax rises (in VAT or excise duties, for example) could have a negative impact on the business by weakening the financial outlook, thus affecting the Group's operating profit and cash management.</p>	Critical	<p>Changes to the Group's payment cycles could force it to seek external financing in order to meet its obligations.</p> <p>The Group is in the process of developing more robust mechanisms for debt collection, with a view to shortening collection periods in markets most vulnerable to an economic slowdown and business areas most exposed to client credit risk. In addition, it is lowering the credit limits extended, monitoring credit lines more closely and seeking bank guarantees.</p>
<p>13</p> <p>Annual accounts subject to audits and inspections</p>	<p>The Group's primary activity is the distribution of tobacco, and as such it is subject to a specific fiscal model that can be complex due to its extensive geographical presence. In this respect, the Group has various tax disputes pending resolution requiring value judgements as to the probability of being obliged to settle certain liabilities. Logista has made provisions for these risks based on expert legal advice and the potential for transferring them to third parties.</p> <p>In accordance with current legislation, tax assessments are not considered definitive until the filed returns have been inspected by the tax authorities or the four-year inspection period has lapsed. Currently, the Group's returns from a number of financial years are subject to inspection with respect to certain taxes.</p>	Serious	<p>In discharging its fiscal obligations, the Company advocates strict compliance with all applicable tax requirements. It adopts a centralised approach to monitoring and verification, ensuring that all fiscal obligations across the Group are met. To this end, it draws on support from highly reputable tax advisors and law firms when preparing its tax reports and settling taxes owed. Such advice is also sought in the event of any special transactions and when mounting a legal defence of the Group's position, should this be necessary.</p>
<p>14</p> <p>Fair value impairment losses on assets, investments, goodwill and asset provisions</p>	<p>One of the Finance Department's basic objectives is to preserve the value of the Group's assets in every business unit and country of operation. It does this by analysing and preventing risks and optimising the management of the main claims. Nevertheless, there is a risk that the fair value of assets may deteriorate, particularly with respect to the carrying value of goodwill, which is high. This is because the Group has a significant volume of assets and investments that have a substantial impact on its income statement.</p>	Serious	<p>The Finance Department analyses potential accidental risks to which Logista may be exposed, both in its asset holdings and in the course of its business activities. Accordingly, it ensures that external insurance policies are in place as appropriate and commissions real estate asset valuations. With respect to the high carrying value of goodwill, the Group carries out impairment testing in accordance with International Accounting Standards.</p>
<p>15</p> <p>Insolvency and default risk</p>	<p>When dealing with clients in the ordinary course of its operations, Logista is exposed to commercial credit risk.</p>	Relevant	<p>The Group seeks to minimise insolvency and default risk by setting credit limits and imposing strict conditions with respect to collection periods. As the Group's main clients are licenced tobacconists, this commercial risk is spread over a large number of clients with fairly short collection periods. Consequently, the Group's exposure to third-party credit risk is not particularly significant. Where deemed necessary, Insurance Policies are in place to mitigate the impact of defaults on payments, although, historically, default rates in geographical regions where the Group operates have been consistently very low.</p>

Type of risk	Description	Risk level	Response planning
<p>16</p> <p>Credit, liquidity and exchange rate risk</p>	<p>It is the Group's general practice to use only institutions with a high credit rating when depositing cash reserves and equivalent liquid assets. Furthermore, the Group's exposure to credit and counterparty risk is shared with Imperial Brands through cash transfer agreements.</p> <p>With regard to liquidity risk, the Group has sufficient reserves of cash and equivalent assets to cover payments arising in the normal course of its business activities.</p> <p>As far as interest rate risk is concerned, in light of the Group's low levels of financial debt, the Parent Company's Senior Management Team does not consider that a sudden rise in interest rates would result in a significant impact on the accompanying consolidated annual accounts.</p> <p>Meanwhile, the exposure of the Group's equity and income statement to future changes in prevailing interest rates is relatively slight, since so few of its transactions are carried out in currencies other than the Euro.</p>	Acceptable	If necessary, the Group has a number of credit lines available to it.

Opportunities of risk management

Logista's risk management system supports a comprehensive analysis of the Group's business environment (its relationships and other factors with a bearing on current or future strategy or on company objectives). In turn, this has allowed the following opportunities to be identified:



Development of other business areas- The shrinking tobacco market

Logista's growth strategy depends, among other factors, on its ability to expand its core business by further developing its distribution networks for consumer goods and pharmaceuticals. This strategy will allow the Group to address one of the risks to which it is exposed, namely, the steady fall in tobacco consumption in developed countries.

Certain market trends observed in these sectors present opportunities for sustainable and profitable growth. These include the growing importance of local distribution networks for consumer goods, the significant increase in the volume of pharmaceuticals dispensed by hospital pharmacies, the relative rise in demand for OTC and personal care products in pharmacies and the shift towards e-commerce, with the associated transportation needs. This is one of Logista's four strategic objectives.



Competitive advantage in the regulatory environment

Due to the regulatory context in the tobacco and pharmaceutical sectors, there are increasingly exhaustive checks on the distribution of those products, and companies therefore need to be able to comply with those requirements if they wish to continue operating in the future. Logista not only conforms to these requirements, but endeavours to anticipate them by offering new services in each of its distribution sectors. The Group also has the benefit of significant financial capacity and extensive market experience, which helps foster client loyalty and presents a barrier to entry for new competitors – due to, for example, the high investment costs associated with conforming to regulatory requirements.



Next-Generation Products

New tobacco products are emerging, with many more choices available to consumers than just a few years ago. The Group offers manufacturers the fastest and most effective route to consumers in southern Europe, thanks to its extensive presence in each of its national markets and its expert market knowledge.

Logista actively participates in and supports the strategic transformation of the sector by offering consumers alternatives to traditional tobacco products, potentially with fewer health impacts.

In its capacity as the preferred distribution partner for these kinds of products, the Group also works to foster a responsible approach to how they are sold.

5

Creating value for shareholders and investors

Logista maintains a commitment to creating short, medium and long-term value for its shareholders and investors.

To do this, it safeguards business profits, managing financial and non-financial risks carefully and responsibly, while maintaining open and transparent dialogue with shareholders, investors and financial analysts as one of the foundations for long-term sustainability.

Logista's Information and Communications Policy concerning shareholders, the securities markets and public opinion stipulates the company's information, communication and contact tools, and outlines the criteria for action when communicating with and contacting shareholders, analysts and large investors.

Logista manages the relationship with shareholders and the wider financial community through the Investor Relations department, with a commitment to maximum information transparency and a steadfast adherence to the relevant legislation.

Logista therefore offers the investor community key information about the Company in relation to its strategy, activities and results, through the information published on its website, and through meetings, person-to-person contacts, participation in conferences and seminars, etc.

Since March 2020, due to the COVID-19 pandemic, our 'roadshows' and participation in conferences and seminars have been virtual; and person-to-person contacts have primarily been via telephone instead of in person. From June 2020, we began to hold face-to-face contacts with any investors requesting such a meeting, although the majority of communications have continued to be by telephone or online.

Dividends allocated to the 2020 financial year

€1.18
PER SHARE

+ 9.8% CAGR
2015-2020

Earnings per share

€1.19
PER SHARE

+ 7.7% CAGR
2015-2020

Firms covering Logista

12

Strong buy recommendation

1

Buy recommendations

11

No hold and sell recommendations

Median target price

> €23

Price-sensitive and other key information reported to the Spanish Securities Market Commission (CNMV) in 2020

Press release announcing results for Q3 2020
Announcement of results for Q3 2020
Distribution of dividends

Agreements approved by the Ordinary General Shareholders' Meeting on 24 March 2020
Supplementary notice of call to the Ordinary General Shareholders' Meeting: Confirmation of the Meeting
Supplementary notice of call to the Ordinary General Shareholders' Meeting

Share buyback (days 07, 13, 20, 28)
Press release announcing results for Q1 2020
Announcement of results for Q1 2020

Appointment of Director
Press release announcing results for the 2019 financial year
Presentation of results for the 2019 financial year
Announcement of results for the 2019 financial year

JUL.
2020

MAR.
2020

JAN.
2020

NOV.
2019

SEP.
2020

Modification of the Board of Directors Regulations
Extension of share buyback programme
Appointment of Director
Death of Director

APR.
2020

Press release announcing results for H1 2020
Presentation of results for H1 2020
Announcement of results for H1 2020
New Internal Code of Conduct on matters relating to the securities market
Notice of audio webcast announcing H1 2020 results

FEB.
2020

Notice of General Shareholders' Meeting
Notice of next General Shareholders' Meeting and Proposal of new Directors

DEC.
2019

Share buyback (days 18 and 26)
Composition of the Board of Directors

OCT.
2019

Appointment of the first managing director of Logista
CEO Announcement
Notice of presentation of the results for the 2019 financial year

There were no Inside Information communications during the financial year.

Investor calendar:

28 August 2020: Interim dividend 2020 (€0.39/share)
22 July 2020: Announcement of Q3 2020 results (Oct-Jun)
29 April 2020: Announcement of H1 2020 results (Oct-Mar)
27 March 2020: Additional dividend 2019 (€0.81/share)
24 March 2020: General Shareholders' Meeting
29 January 2020: Announcement of Q1 2020 results (Oct-Dec)
5 November 2019: Announcement of 2019 financial year results

The Group's Information and Communications Policy concerning shareholders, the securities markets and public opinion also governs the information Logista provides to the media on the Group's results and business performance, on the signing of contracts, and on any other aspect considered relevant to the Group.

Logista and the Stock Market

Logista is listed on the Madrid Stock Exchange General Index, and the IBEX Top Dividend, which lists the 25 securities with the greatest dividend yield from those included in the IBEX 35, IBEX Medium Cap and IBEX Small Cap indexes, provided they demonstrate a history of payment of ordinary dividends for at least two years. It is also listed on the IBEX Medium Cap (the index listing the 20 largest securities after those listed on the IBEX 35 by market capitalisation adjusted for free float, provided the annualised turnover of securities on their free float is greater than 15%) and the FTSE4Good index, which lists companies that demonstrate sound environmental, social and corporate governance practices.

Since the 2014 financial year-end, the year in which the company was listed once again, Logista has maintained its value (+0.2% annually average appreciation), compared to an average annual decline of 8.2%, 4.5% and 4.8% on the Madrid Stock Exchange General Index, IBEX Top Dividend and IBEX Medium Cap respectively over the same period. At the 2020 financial year-end, the Logista share price stood at €14.6.

Dividends

Logista's dividends policy, subject to approval by the General Shareholders' Meeting, consists of distributing a payout of at least 90% of the Consolidated Net Annual Profit.

Logista therefore paid an interim dividend of 0.39 euros per share on 28 August 2020, allocated to the 2020 results and, in addition, the Company's Board of Directors intends to propose to the General Shareholders' Meeting distributing an additional dividend of 0.79 euros per share, to be paid at the end of Q2 2021.

The total dividend allocated to the 2020 financial year will therefore be 1.18 euros per share, same amount as that distributed in dividend allocated to the previous financial year, and representing a payout of 99.2%.

LOGISTA'S HISTORICAL SHARE DATA

	2014*	2015	2016	2017	2018	2019	2020
Capitalisation at financial year-end (€ million)	1,911.6	2,238.2	2,636.4	2,700.8	2,936.4	2,373.6	1,938.2
Closing price (€)	14.4	16.9	19.9	20.3	22.1	17.9	14.6
Maximum price (€)	14.4	20.2	21.6	24.2	23.7	22.8	21.3
Minimum price (€)	13.0	12.9	16.7	19.2	17.2	17.7	12.9
Total Volume (shares)	24,614,887	60,184,153	40,296,050	35,104,389	65,615,281	41,954,961	41,772,377
Average daily volume (shares)	431,840	236,016	156,186	137,127	258,327	164,529	163,173
Turnover (% of share capital)	18.5%	45.3%	30.4%	26.4%	49.4%	31.6%	31.5%

*Since 14 July 2014: initial listing. Source: Bloomberg

At the 2020 financial year-end, the Logista share price stood at

€14.6

Total dividend allocated to the 2020 financial year

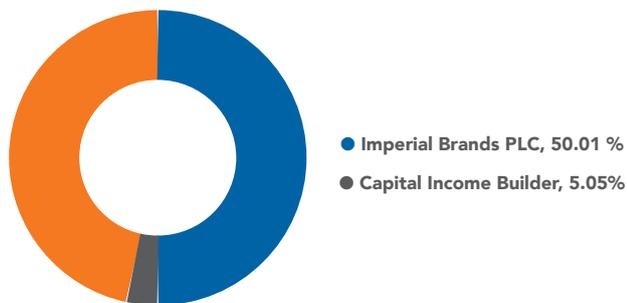
€1.18
PER SHARE

Capital structure

All Logista's shares belong to a single class and series with identical rights.

At the 2020 financial year-end, Logista had 522,273 treasury shares, to meet the share distribution commitments resulting from the Company's incentives plans.

SIGNIFICANT SHAREHOLDINGS TO 30 SEPTEMBER 2020



During the 2020 financial year, the most significant changes in the shareholder structure was the 5% increase in Capital Income Builder's ownership interest, and the 3% drop in the ownership interests of BlackRock, Santander Asset Management SA SCIIC and Allianz Global Investors GmbH.

Equal treatment

Every shareholder has the same rights, on an equal and equitable basis.

Logista encourages shareholders to participate in the General Shareholders' Meeting, the Company's highest body and fundamental forum for shareholders to take part in decision-making and share their opinions and concerns with the Board of Directors and other shareholders.

All Logista shareholders are entitled to attend the General Shareholders' Meeting on an equal and equitable basis, irrespective of the number of shares they own.

Logista provides all shareholders with information about the holding of the General Meeting on the Company website (www.logista.com), with access to the electronic forum for participation.

On this occasion, following recommendations from the competent authorities, in light of the situation caused by the pandemic, for the March 2020 General Shareholders' Meeting Logista recommended that shareholders and investors exercise their voting right using the remote voting tools it provided, namely postal voting and electronic voting.

In addition, and to enable the proceeds of the Meeting to be followed remotely by all shareholders, Logista broadcast the meeting live for the first time, through a webcast available at www.logista.com.

CAPITAL STRUCTURE

	2014	2015	2016	2017	2018	2019	2020
No. of Shares	132,750,000	132,750,000	132,750,000	132,750,000	132,750,000	132,750,000	132,750,000
Share Capital	26,550,550	26,550,550	26,550,550	26,550,550	26,550,550	26,550,550	26,550,550
Par Value	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Treasury Shares	-	40,614	275,614	391,432	425,496	486,013	522,273
Treasury Shares as % of share capital	-	0.03%	0.21%	0.29%	0.32%	0.37%	0.39%

6

Employee development

Logista regards its professionals and colleagues as a crucial and fundamental factor for achieving its objectives and generating value in the short, medium and long term. Respect, initiative, commitment and professionalism are the values that govern the conduct of both the 5,839 employees of more than 50 nationalities who work for the Group and the professionals who regularly work with Logista.



During the 2020 financial year, Logista continued to implement its 2018–2020 Human Resources Master Plan. This plan outlines the HR strategy based on the Group's objectives and the objectives of each of its businesses and boosts its efficiency and impact on those businesses and their employees.

This Human Resources Master Plan has four constituent parts:

- **The HR Roadmap:** sets out the Human Resources priorities, based on the objectives of the Group and of each of its businesses.
- **The Balanced Scorecard/BSC:** measures the degree of achievement in the HR Roadmap targets, decision-making and in the setting of action plans based on key human resources management metrics.
- **Centres of Excellence:** offer specialised services in recruitment, development, pay, employee communication, industrial relations and health and safety at work.
- **Shared Services Centres:** designed to boost the standardisation and efficiency of processes and systems, and the management of Big Data for the identification of potential areas for improvement, whether descriptive or predictive.

Logista manages talent with a view to achieving objectives and generating value in the short, medium and long term. During the 2020 financial year, with the aim of boosting efficiency in attracting and retaining talent in the Group, the Centre of Excellence for Recruitment continued to introduce of tried-and-tested competitive tools, as well as improve its processes and efficiency through the use of metrics analysis and by hiring experts, to attract and recruit the best candidates to the Group. Examples that stand out include the implementation of team management policies, participation in the main forums of business schools, universities and careers fairs in each country, the improvement and strengthening of selection procedure tools, the recruitment of junior roles through the 'Youners' project – with the aim that they develop their career at the Group – and plans for welcoming and integrating new employees.

Another Logista objective relating to its employees is the implementation of market-competitive remuneration and social benefit conditions, both individually and globally. To achieve this, the Group has a global pay policy and a series of local policies on social benefits in order to recruit and retain the finest professionals. The Group also produces market research and internal equity and external competitiveness studies (benchmarks) which facilitate decision-making and the management of teams in the various departments.

The main risk that Logista has detected in relation to social and staff issues is the retention of key staff and the ability to match personnel to posts (particularly in critical positions), since the loss of key staff and gaps in their training could increase the risk of the duties of that post not being adequately carried out.

Main mechanisms for talent management:

- Procedures to identify key employees who need to be retained, and the application of policies which encourage them to stay.
- Implementation of processes that identify critical posts and ensure efficient management of the people in them, ensuring robust succession plans for those positions.
- Review of development opportunities and adapting pay packages to the duties and skills of key employees to be retained.
- Implementation of a flexible Human Resources structure, for agility in adapting to the needs of the business.
- Globalised management of Human Resources that unifies the criteria applied in the different subsidiaries.
- Knowledge exchange initiatives between the different Human Resources areas, in order to increase the internal exchange of best practices: training initiatives on the management of the Company's governance code, training in pay and benefits, among other actions.

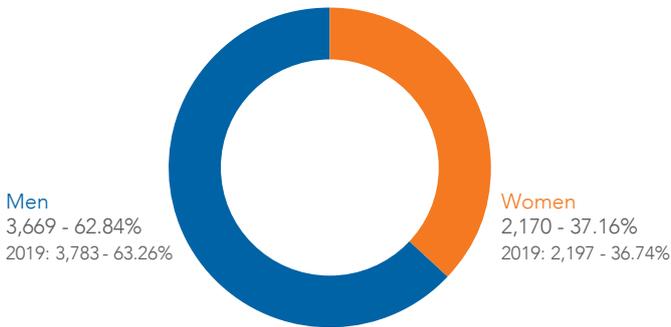


Employment

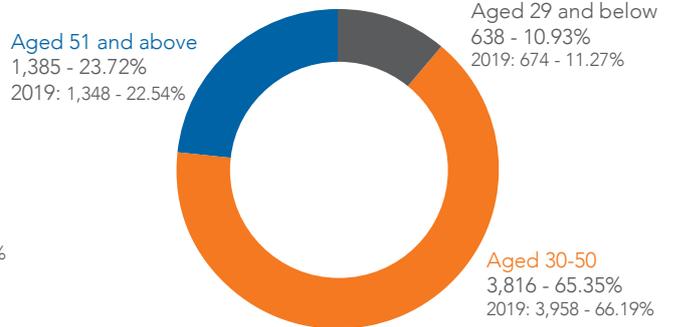
DISTRIBUTION OF EMPLOYEES BY GENDER, AGE, NATIONALITY AND ROLE



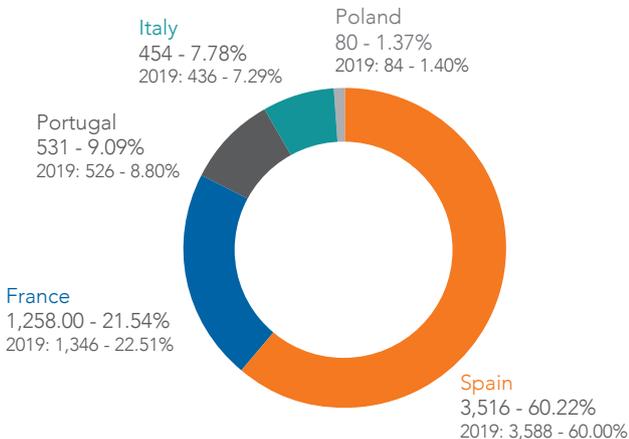
Employees by gender



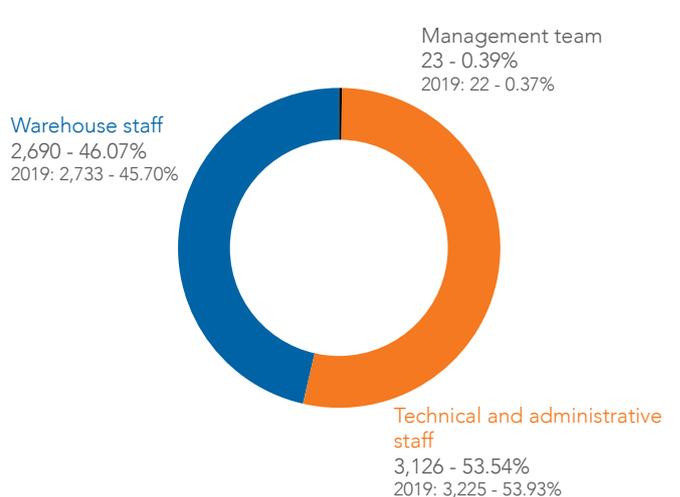
Employees by age



Employees by nationality



Employees by role

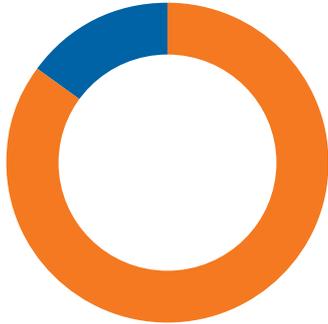


TOTAL NUMBER AND DISTRIBUTION OF WORK CONTRACT TYPES

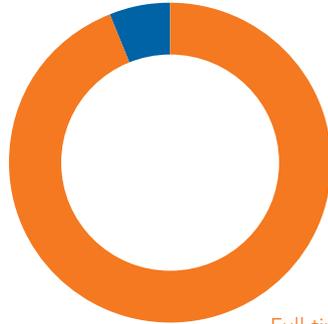


Distribution of work contract types

Temporary
858 - 14.69%
2019: 995 - 16.64%



Part-time
396 - 6.78%
2019: 144 - 2.41%



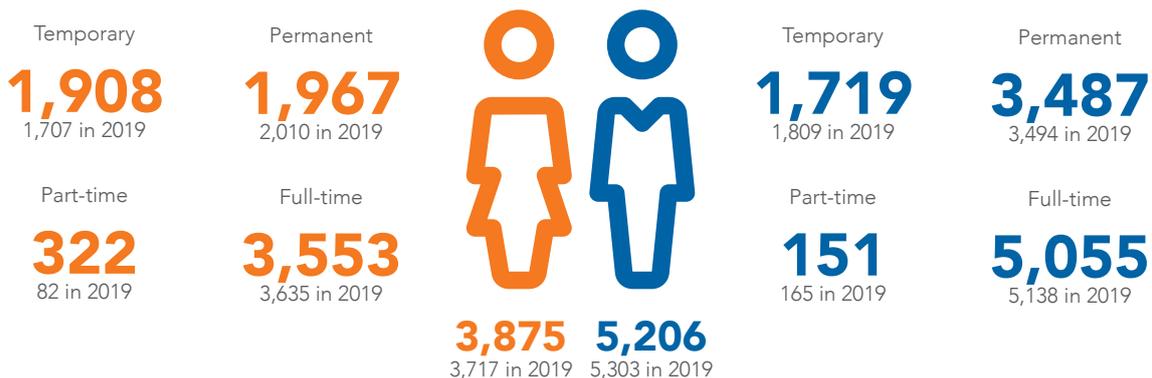
Permanent
4,981 - 85.31%
2019: 4,985 - 83.36%

Full-time
5,443 - 93.22%
2019: 5,836 - 97.59%

Logista fosters a long-term employment relationship with its employees in a working environment with high levels of motivation and job satisfaction.

ANNUAL AVERAGE OF CONTRACTS BY CONTRACT TYPE, GENDER, AGE AND ROLE

Annual average of contracts by gender



Annual average of contracts by age



Annual average of contracts by role



Temporary

0

0 in 2019

Permanent

27

23 in 2019

Temporary

661

799 in 2019

Permanent

3,119

3,212 in 2019

Temporary

2,966

2,717 in 2019

Permanent

2,308

2,269 in 2019

Part-time

0

0 in 2019

Full-time

27

23 in 2019

Part-time

228

80 in 2019

Full-time

3,552

3,931 in 2019

Part-time

245

167 in 2019

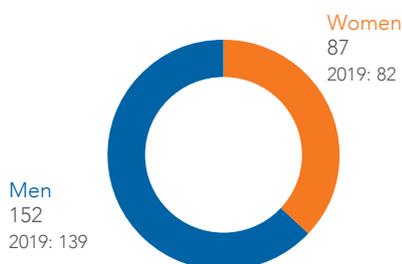
Full-time

5,029

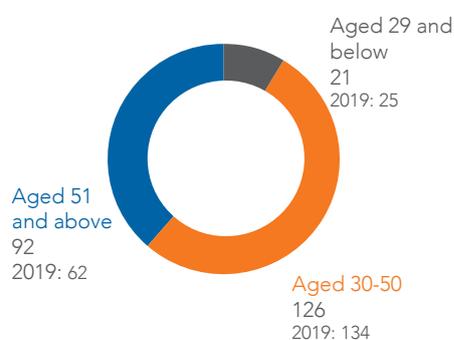
4,819 in 2019

NUMBER OF DISMISSALS BY GENDER, AGE AND ROLE

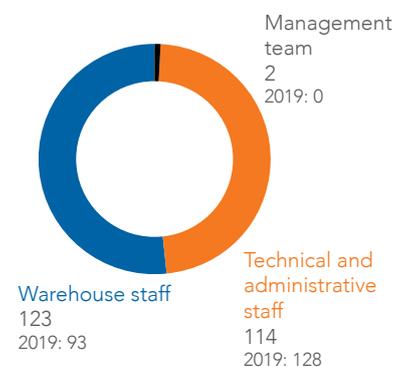
Dismissals by gender



Dismissals by age

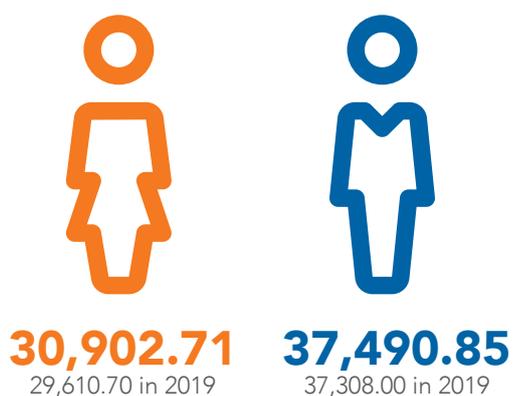


Dismissals by role



AVERAGE PAY* AND ITS EVOLUTION BY GENDER, AGE AND ROLE

Average remuneration by gender (€)



Average remuneration by age (€)



Average remuneration by role	2020	2019
Management team	372,202.56	532,056.68
Technical and administrative staff	39,211.03	38,113.88
Warehouse staff	27,315.42	26,234.79

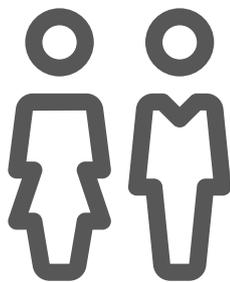
Average pay of Directors by gender (€)	2020	2019
Men	134,004	179,653
Women	78,056	111,467

Average pay of Management team by gender (€)	2020	2019
Men	405,879	562,839
Women	212,239	224,230

*Remuneration actually paid during the financial year

Gender pay gap

To analyse the gender pay gap, understood as the difference in pay between positions involving equal or similar duties and responsibilities, income from work received for the following items (remuneration actually paid during the financial year) has been taken into account: variable pay, allowances, benefits, contributions to long-term saving plans and any other payment received by the Group's entire organisational structure or hierarchical level, including Directors and Managers.



82.43%

79.37% in 2019

According to the information in the above table on gender pay gap at the Group, the salary of women appears to be 17.57% below that of men. However, it should be borne in mind that this difference reduces significantly in Warehouse staff positions, to 9.94%. This is due to the seniority salary supplement.

The Management team of the Company, taken as a whole, include Managers responsible for different departments and the Managing Directors of the countries and business areas. As part of the Management team, there is the Management Committee, composed -currently made up of 9 members, - to which two women have joined during this financial year, representing 22% of the same.

In 2020, Logista increased the number of women on the Board of Directors and on the Management Committee in line with supporting equality.

On the Board of Directors, 5 of the 12 members of the Board are women, i.e. 42%.

The average pay of directors includes remuneration commensurate with their duties and responsibilities as directors. The five proprietary directors do not receive any pay for their duties and responsibilities as directors and are therefore not included in the calculation of the average.

The average pay of male directors increases with respect to average pay of women directors, mainly, due to including the pay of the Chairman of the Board, which is higher due to his roles and responsibilities as Chairman.

The remuneration of Directors is included in greater detail in the 2019–2020 Annual Report on Director Remuneration.

In 2020, Logista increased the number of women on the Board of Directors and on the Management Committee in line with supporting equality.

Introduction of policies on the right to disconnect from work (digital disconnection)

On 7 December 2018, Spain's Organic Law 3 of 5 December 2018 came into force on data protection and on guaranteeing digital rights. Article 88 of this law governs the right of working people to disconnect from their digital devices outside their working day.

As a consequence of this Organic Law, a new article, Article 20a, was added to Spain's Workers' Statute, with the following wording:

'Workers have the right to privacy in the use of digital devices made available to them by their employer, the right to disconnect from their digital devices and the right to privacy in respect of the use of video-surveillance and geolocation systems, in accordance with prevailing legislation on the protection of personal data and the guarantee of digital rights'.

In line with these new regulations, Logista has developed a new policy on employees' rights to digital disconnection that will ensure this law is implemented. This policy is currently being implemented.



Organisation of work

Logista offers various options for the organisation of working hours, offering its employees the opportunity to request reduced working days and offering flexibility around the time they arrive at or leave the office. The aim of this is to reduce time spent commuting and improve employees' work-life balance, while also encouraging a long-term employment relationship in a stable and motivating work environment.

Notable measures adopted include: flexible working hours, compressed hours during summer months and the Christmas and Easter periods, reduced workdays with unbroken hours in legal guardianship circumstances, reduced working days and extended leaves of absence to care for a minor or a relative.

Due to the exceptional circumstances experienced this year due to COVID-19, the organisation of work has been adapted to this situation. The majority of the Group's activities have been classed as Essential Businesses, which has meant that warehouse workers have continued to carry out their duties in person, having at all times demonstrated a high commitment to ensuring service provision during the pandemic. Office employees have worked remotely, provided this is compatible with their duties.

Once the state of emergency ended, the Company carried out a phased return of its employees to offices, adopting the necessary measures to ensure employee safety vis-à-vis COVID-19.

Number of hours of absenteeism

Logista monitors the level of absenteeism on an ongoing basis, looking at absences from work due to sickness and accident with an impact for social security purposes. During the 2020 financial year, there were 623,339 hours of absenteeism, compared with 491,883.60 hours in the previous year. Absenteeism therefore increased by 26.7% during 2020 due to the pandemic experienced since March 2020.



Health and safety

Logista regards the health, safety and well-being of its employees as fundamental for the Group and is committed to providing a safe and secure working environment. The Centre for Excellence in Health, Safety and Well-Being focuses on the following core objectives:

- To achieve a gradual reduction in accident rates in the Group's businesses.
- To continue improving safety conditions and making work sites increasingly healthy.
- To promote a culture of excellence in terms of the safety, health and well-being of employees in the Group.

The Group has continued to consolidate its OHSAS 18001:2007 certification, the international standard for preventing risks in the workplace.

As such, its OHSAS 18001:2007 certifications are reviewed annually: 2007 for Logista Pharma, Nacex, Integra2, Logesta and Logista Libros in Spain. In Italy, Logista Italia, and the work sites at Bologna and Crespellano have this certification (OHSAS 18001:2007). In Portugal, the

certification of all the businesses and the site in Alcochete (Lisbon), have been reviewed. In Poland, the certification obtained by Logista Polska was reviewed two years ago.

In 2020, the Group's health and safety organisation had to focus all its efforts on managing the pandemic caused by COVID-19. An evaluation of the risk of COVID-19 infection was conducted at the Company, and preventive and protective measures have been established in the following areas:

- Organisational
- Collective protection
- Individual protection
- Especially vulnerable workers
- Case and contact tracing and management

The main health and safety indicators are as follows:

2020	Total	Men	Women
Accidents	125	87	38
Frequency index	11.84	13.12	9.69
Severity index	0.34	0.35	0.32
Confirmed occupational illnesses	0	0	0
Lost Time Accidents Rate	2.37	2.62	1.94

2019	Total	Men	Women
Accidents	121	88	33
Frequency index	11.83	13.65	8.74
Severity index	0.26	0.33	0.15
Confirmed occupational illnesses	0	0	0

Social relationships

Employees covered by collective bargaining agreements

Logista fully respects the working conditions established in the Collective Bargaining Agreements applicable to its companies. During the 2020 financial year, as in 2019, 99% of Logista's employees, all Group's Companies except those located in Poland, are covered by Sectoral or own Collective Agreements that improve the working conditions of their employees.



For information about channels of communication, consult the **Business model** section

Training

Logista promotes the management of talent and the professional development of its employees, with training being one of the most important aspects.

Logista bases its individual employee development plans on the 3Es model: Experience (70%), Exposure (20%) and Education (10%).

Logista is also committed to ensuring employees can easily move between roles and geographical locations, to boost their professional development. Several employees were selected during the year to be temporarily assigned to projects in other businesses and countries of the Group, and began new postings abroad in order to increase the international experience and cross-cutting vision of Logista's different businesses and areas, while also contributing to the homogenisation of the Group's policies, processes and procedures.

In addition, the Centre for Excellence in Development also rolled out other projects during the year, such as increasing talent (Talent Density) in the Group's critical positions, as well as strengthening succession plans for those positions, implementing individual action plans that incorporate different initiatives in terms of project allocation, development and pay; and not forgetting the 'Youners' Project referred to above.

Total hours of training by role	2020	2019
Management team	187	304
Technical and administrative staff	27,318	42,542
Warehouse staff	9,590	18,986

Policies implemented in training

Logista does not have a specific training policy. However, during the 2020 financial year, business objective-based training initiatives were devised and implemented relating to leadership, the role of sales, project management and technical knowledge, enhancing individual and collective talent.

Training is one of the main pillars for overcoming strategic challenges in terms of personnel that are cited in Horizon 2020, namely to attract, retain and develop talent.

Equality and universal access

The Group's Corporate Social Responsibility Policy expressly sets out Logista's commitment to diversity, equal opportunities and non-discrimination in all its variables.

- Diversity: over 50 different nationalities work at Logista.
- Equality: the number of women on the Board of Directors and on the Management Committee has increased.
- Non-discrimination: Logista continuously seeks to work proactively with a range of foundations and associations that support and employ those with disabilities who are at risk of exclusion, with the aim of helping to integrate them into the labour market. In 2020, Logista had 108 employees with different capacities (123 in 2019).

The Group's Code of Conduct enshrines these principles and lays down the general guidelines of conduct for all its employees. It is available on the Group's Intranet to ensure that it is disseminated and understood as widely as possible.

The Group continues to support sports initiatives, especially those focused on young people and the integration and participation of disabled athletes.

In Spain, Logista has had a Parity and Equality Commission since 2011. This establishes principles of equality and lays down the protocols that ensure Human Resources are managed in accordance with principles of:

- Non-discrimination on grounds of gender or sexual orientation, or for any other reason prohibited by law.
- Respect for people above all other considerations.
- Professional conduct in relations between employees and with Management.

- The promotion of a fair work climate that encourages professional development based on professional merit and on training.

These are the principles that underpin Logista's Equality Plan in Spain.

The following initiatives have been carried out in this area at several of the Group's businesses:

- Initiatives to raise awareness on equality, including the distribution of leaflets.
- The creation of a protocol to prevent harassment.
- The creation of an Equality Commission.
- The implementation of a top-up payment so that all workers on maternity or paternity leave receive 100% of their real pay.

7

Customer satisfaction

Clients are the core focus of Logista's business model.

To meet their needs, Logista has developed a business model that is unique in southern Europe, integrating all the services making up the distribution value chain into one single supplier. The company acts efficiently and sustainably and, with full transparency and traceability, offering advanced and specialist services for each sector and point of sale channel in which it operates.

Logista provides manufacturers and retailers with simple, effective and modern omnichannel solutions for a broad range of products and services, tailored to the point of sale and end consumer.

Excellence and the highest quality of service

Logista includes sustainability in its objective of offering the highest quality of service, always seeking efficiency in its operations, under the most suitable social and environmental conditions.

Logista therefore promotes ongoing open and transparent dialogue with its clients through a range of specific communication channels tailored to their circumstances (person-to-person contact, meetings, electronic mailboxes, call centres, etc.), or through shared

communications channels for different stakeholders, such as the Company's corporate website (www.logista.com) or the websites of its different businesses.

Logista also has a range of different systems for dealing with complaints and claims from consumers. These systems are set up by each business and are tailored to the latter's circumstances and to those of its consumers.

During the 2020 financial year, Logista received 12,860 claims and complaints from consumers (11,334 in 2019), 99.97% of which corresponded to operational incidents from the transport division, such as loss of goods, etc., accounting for just 0.03% of shipments and consignments handled by Logista throughout the year.

100% of claims and complaints from the transport division were resolved through agreement with the clients, always based on the contractual terms agreed in the service provision.

Stable, long-term relationships

Logista seeks to build relationships of trust with its clients and to maintain stable, lasting connections that are beneficial to both parties, while guaranteeing independent management and operational neutrality.

Logista applies its commitment to quality, sustainability and continuous improvement to all its activities and operations and has numerous certifications to confirm this.

MAIN CERTIFICATIONS

ISO 9001	Quality Management System in more than 300 facilities of different Group's businesses in Spain and Portugal (distribution of tobacco, distribution of pharmaceutical products, transportation services and distribution of convenience products) externally audited every year
GDP (Good Distribution Practices)	Distribution of medicines in accordance with European and Spanish regulations
GMP (Good Manufacturing Practices)	Correct handling, re-packaging and re-packing of medicines awarded by the Spanish health authorities
OEA (Authorised Economic Operator)	The Agencia Estatal de Administración Tributaria (State Tax Administration Agency, AEAT), in its most stringent Customs Simplification, Security and Safety procedure, has certified Logista's customs control, financial solvency and appropriate levels of security and administrative management to ensure satisfactory fiscal compliance
TAPA	Certifies Logesta's compliance with TAPA's FSR (Facility Security Requirements) and TSR standards (Trucking Security Requirements) designed to guarantee the safe and secure transit and storage of assets of any member of TAPA worldwide
ISO 14001	Environmental Management System
OHSAS 18001	Management system for preventing risks in the workplace
IFS Logistics	Certifies the quality of Integra2 in the food sector

New services and measures adopted due to COVID-19

Logista has developed new services and adopted new security and safety measures to continue operating during the COVID-19 pandemic, maintaining its high standard of service, quality and security in its operations.

For example, Logista Pharma introduced its direct-to-patient delivery service for patients taking part in clinical trials, ensuring the continuity of these trials despite the risks of patient infection and hospital overwhelm, and despite patients' mobility restrictions. In order to ensure continuity of treatment, the direct-to-patient delivery service was also effectively extended to other hospital medicines, particularly to chronic and high-risk patients.

In addition to activating its robust contingency and continuity of service plans, Logista Pharma also installed, in advance and effectively, a wide arsenal of specific prevention measures for COVID-19, successfully managing to ensure the regular supply of medicines in all pharmaceutical distribution channels. These measures include support for increasing safety stock levels, particularly for essential medicines, the provision of 24/7 emergency distribution channels, the reorganisation and special protection of employees, and extraordinary cleaning, monitoring and security measures in all warehousing, handling and order picking plants, as well as in pharmaceutical transport fleets.

Amid this new and complex situation and in response to soaring online demand, Logista Libros responded to the needs of booksellers and publishers by launching its new "dropshipping" service. This service allows customers to order books through their preferred physical or online store for direct home delivery.

Logista's high degree of digitalisation in recent years has enabled administrative divisions to work remotely during the pandemic almost without incident.

PDA processes have also been developed in Nacex deliveries, and its contactless delivery services has enabled them to maintain their service, guaranteeing client and worker safety.

8

Collaboration with suppliers



Logista manages the supply chain responsibly, establishing business relationships with reputable, trustworthy suppliers that have professional and ethical business practices.

Logista's General Principles of Conduct set out the minimum standards and basic rules of conduct that must govern the activities of suppliers in their dealings with the Group, with their own employees and with other third parties involved in carrying out their activities.

These principles of conduct must be understood and accepted by all the Group's suppliers, and compliance is mandatory. To ensure they are public knowledge, they are published on the Group's corporate website and translated into the official languages of the countries in which the Group operates.

Logista's Procurement Policy also sets out Logista's guiding principles on ethics, labour, sustainability, quality and client focus, and form the basis for supplier tendering and selection through an objective and rigorous process.

Under the Group's Procurement Guidelines, tendering must also be governed by the Principle of Ethical and Professional Conduct.

To evaluate the degree of compliance with standards of quality, safety and professionalism, and with all other standards required by the Group, Logista carries out regular evaluations to assess its suppliers' capacity.

In 2020 financial year, Logista carried out 845 audits of suppliers, and did not identify any significant shortcomings in any of them.

The checks form part of the control systems in operation in each of the businesses. The regular checks include the evaluation of certified quality control systems, a review of the degree of compliance with regulatory strategies, and the monitoring and evaluation of area directors and other commercial representatives by means of unannounced inspection visits.



Resource optimisation

All significant purchases of goods and services corresponding to general purchases, supplies, maintenance services and information and communications technologies, as well as CAPEX, are centralised, in order to optimise and streamline resources.

There is also procurement of goods and services that, due to their nature or low cost, are not suitable for centralised management. In these cases, the established procurement process is followed, to comply with the general procurement guidelines set out in the Procurement Policy and to ensure transparency, efficiency and equity in those purchases.



OBJECTIVES

AREA

SCOPE

<p>Principles of Ethical and Professional Conduct. Code of Conduct</p>	<p>Establishes ethical values and other guidelines and principles of responsible conduct, applicable to the Group's management</p>	<p>General. All Logista employees</p>	<p>Criminal activities, theft of products by clients/suppliers, bribery, fraud, falsification of company accounts or records, facilitating incorrect data or information, theft of company information, breaches of security/health and safety/environmental rules, discrimination</p>
<p>Procedure and Rules for Reporting Malpractice</p>	<p>The Code of Conduct created a whistleblowing channel for reporting conduct, facts, omissions or non-compliances (Malpractice) that constitute Infringements of the Code of Conduct</p>	<p>General. All Logista employees</p>	<p>n/a</p>
<p>Procurement Policy/Guidelines</p>	<p>i) Optimising and streamlining the use and availability of resources through centralisation (synergies, economies of scale)</p> <p>ii) Highlighting the importance of the procurement process (duties and responsibilities of those involved in the process)</p> <p>iii) Preventing risks of fraud in procurement processes</p> <p>iv) Establishing basic principles of procurement:</p> <ul style="list-style-type: none"> 1- competition 2- publicity 3- non-discrimination 4- preventing conflict of interest 5- ethical and professional conduct 6- reasoned decisions 7- separation of roles 8- General principles of supplier conduct <p>v) Creating a register of suppliers</p>	<p>Procurement Activities</p>	<p>Purchases included, purchases excluded</p>
<p>General Principles of Supplier Conduct</p>	<p>Minimum standards and basic rules of conduct that must govern the activities of Logista suppliers. Not just in relation to Logista, but also in terms of suppliers' relationships with their workers, third parties and the environment. Logista's principles are also principles that we expect of our suppliers</p>	<p>Suppliers</p>	<p>Compliance with laws, transparency in dealings with public authorities, freedom of competition, prevention of money laundering, compliance with tax and social security regulations, principles of honesty and transparency, confidentiality of information, respect for intellectual property rights, respect for personal and family privacy, compliance with labour obligations, respect for employees, safe and healthy working environment, protection of the environment</p>



Minimising environmental impact

Logista is committed to minimising the environmental impact of its activity.

Our Quality and Environment Master Plan and Quality, Environment and Energy Efficiency Policy establish guidelines and good practices for optimising the use of resources and preventing pollution from processes. These are in strict compliance with regulations and with the voluntary targets signed up to by the Group.

Logista is therefore involved in various initiatives that aim to control and manage the current and foreseeable impacts of its activity on the environment, and to address key environmental aspects.

Logista has specified the main environmental and quality indicators relevant to its sustainable development, and monitors and evaluates these regularly, carrying out energy audits in each country and for each business.

In addition, Logista promotes respect for the environment among its employees, customers, suppliers and society as a whole. Logista was one of the signatory companies to Spain's 'manifesto for a sustainable economic recovery' published in 2020. This declaration advocates a recovery towards a more sustainable and robust economy, calling for the establishment of alliances to ensure that, in addition to being effective from a socioeconomic perspective, stimulus policies that respond to the COVID-19 pandemic are aligned with sustainability policies and with the European Green Deal.

The Quality, Environment and Energy Efficiency Policy is available on the Group's Intranet and on its corporate website, so that all employees and other stakeholders can be familiar with it.

Pursuant to the ISO 14064 standard, Logista has also calculated its carbon footprint, using the methodology set out in the GHG Protocol. The Environmental Management System of Logista's businesses in Spain is also certified according to the ISO 14001 standard.

Logista is involved in various initiatives that aim to control and manage the current and foreseeable impacts of its activity on the environment, and to address key environmental aspects.

LIST OF ISO 14001-CERTIFIED CENTRES

Business Unit	Centre	Certifying body	Expiry date	Scope
INTEGRA2	CORPORATE HEADQUARTERS	BUREAU VERITAS	01/11/2020	Industrial parcel transport and distribution
INTEGRA2	SANT ANDREU DE LA BARCA	BUREAU VERITAS	01/11/2020	Industrial parcel transport and distribution
INTEGRA2	GETAFE	BUREAU VERITAS	01/11/2020	Industrial parcel transport and distribution
LOGESTA	LEGANÉS	AENOR	30/03/2022	Management of the national and international road transport of general goods.
LOGISTA SPAIN	LEGANÉS	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; lottery tickets; retail consumer goods; electronic transactions.
LOGISTA SPAIN	RIBA-ROJA	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; retail consumer products.
LOGISTA SPAIN	BARCELONA	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; retail consumer products.
LOGISTA SPAIN	LA RIOJA	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; retail consumer products.
LOGISTA SPAIN	LLANERA	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; retail consumer products.
LOGISTA SPAIN	SEVILLE	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; retail consumer products.
LOGISTA SPAIN	ANDUJAR	BUREAU VERITAS	24/07/2021	The storage and distribution of tobacco and complementary items; postage stamps; stamped documents; retail consumer products.
LOGISTA PHARMA	LEGANÉS	SGS	12/03/2022	Pharmaceutical and healthcare product logistics (handover, warehousing, order picking and shipping), reverse logistics (returns of pharmaceutical and healthcare products), partial manufacture of medicines and investigational medicines (secondary packaging), management of sample archives and management of promotional material logistics. Customer service.
LOGISTA PHARMA	PIERA	SGS	12/03/2022	Pharmaceutical and healthcare product logistics (handover, warehousing, order picking and shipping), reverse logistics (returns of pharmaceutical and healthcare products), partial manufacture of medicines and investigational medicines (secondary packaging), management of sample archives and management of promotional material logistics. Customer service.
LOGISTA PHARMA	LAS PALMAS ENTRERRIOS	SGS	12/03/2022	Pharmaceutical and healthcare product logistics (handover, warehousing, order picking and shipping), reverse logistics (returns of pharmaceutical and healthcare products), partial manufacture of medicines and investigational medicines (secondary packaging), management of sample archives and management of promotional material logistics. Customer service.
LOGISTA PHARMA	WAREHOUSE C	SGS	12/03/2022	Pharmaceutical and healthcare product logistics (handover, warehousing, order picking and shipping), reverse logistics (returns of pharmaceutical and healthcare products), partial manufacture of medicines and investigational medicines (secondary packaging), management of sample archives and management of promotional material logistics. Customer service.
LOGISTA PHARMA	LAS PALMAS DE GRAN CANARIA	SGS	12/03/2022	Pharmaceutical and healthcare product logistics (handover, warehousing, order picking and shipping), reverse logistics (returns of pharmaceutical and healthcare products), partial manufacture of medicines and investigational medicines (secondary packaging), management of sample archives and management of promotional material logistics. Customer service.
LOGISTADIS	MADRID CORPORATE HEADQUARTERS	BUREAU VERITAS	24/07/2021	The storage and distribution of food (excluding frozen products) and beverages
LOGISTADIS	CABANILLAS DEL CAMPO	BUREAU VERITAS	24/07/2021	The storage and distribution of food (excluding frozen products) and beverages
NACEX	HOSPITALET	AENOR	19/11/2022	The express documentation and parcel delivery service and associated activities (pickup, handling, storage, distribution and delivery)
NACEX	COSLADA	AENOR	19/11/2022	The express documentation and parcel delivery service and associated activities (pickup, handling, storage, distribution and delivery)
NACEX	BARBERÁ DEL VALLÉS	AENOR	19/11/2022	The express documentation and parcel delivery service and associated activities (pickup, handling, storage, distribution and delivery)



Environmental management

Logista includes environmental risks and opportunities in its multidisciplinary procedure for managing risks across the Group. The risk assessment process takes environmental risks and opportunities into account, including those arising from changes in regulations, the physical environment and other climate-related developments.

In 2020, for the first time, Logista incorporated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into the assessment of risks and opportunities related to climate change. Introducing the TCFD recommendations at Logista is a project that is currently underway and consists of two phases; the first of which has already been completed and whose results are presented in this report.

These recommendations apply not only to financial institutions but to any other organisation, particularly the four sectors potentially most affected by climate change: energy, transport, materials and buildings, and agriculture, food and forestry. The objective of this initiative is to provide information about the economic impact of climate change on the organisation, so that the Group's stakeholders (whether they are clients, lenders or investors) can understand the material risks ahead.

The TCFD analysis carried out by Logista has considered two sets of physical scenarios (low emissions and high emissions) and two sets of transition scenarios (Stated Policies Scenario and Future Policies for Sustainable Development).

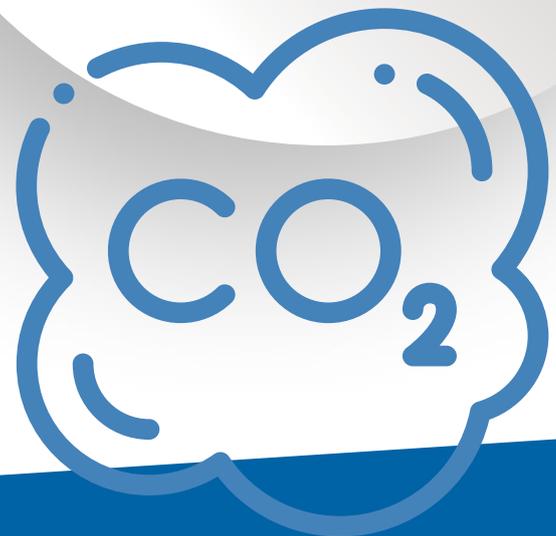
Emissions scenarios

a) Low emissions:

Logista has selected the RCP 4.5 scenario as the common scenario for lower emissions into the atmosphere. The outlook in the RCP 4.5 scenario sees major mitigation actions being taken and therefore emissions into the atmosphere peaking around the year 2040, then beginning to decline.

b) High emissions:

The company has chosen the RCP 8.5 scenario for analysing climate projections in a future with high emissions. In RCP 8.5, the outlook is a Business-as-Usual (BaU) scenario in which GHG emissions continue to rise at their current pace. This is a worst-case scenario of higher GHG emissions into the atmosphere and higher global warming.



Transition scenarios

a) Stated Policies Scenario (SPS): only policies that have been formally adopted by governments or are derived from current trends already observed in social, business, technological or market fields have been considered. For example, Spain's National Energy and Climate Plans.

b) Future Policies for Sustainable Development scenario: the scenario adopted is of more ambitious reductions than current policies, in which the rise in global temperatures is kept well below the 2°C indicated in the Paris Agreement.

Logista has analysed the above emissions and transitional scenarios outlined by the TCFD, through which it has identified future risks and opportunities.

Logista subsequently assessed the impacts in terms of economic parameters (impact on revenue, expenditure, assets, etc.), in line with the TCFD. The impacts on the Group's specific services (products and services, supply chain/value chain, adaptation and mitigation, investment in R&D and operations) were also assessed, together with the Group's resilience to impacts, i.e. its capacity to respond to physical and transitional risks and to take advantage of opportunities identified.

To be able to fulfil the requirements of the TCFD, a cross-cutting procedure has been implemented in the organisation that involves all members of the organisation in identifying and assessing risks.

Under Logista's risk management system, the identification and assessment of risks, including risks related to the environment, must be carried out at least once per year. In reality, the frequency is greater (weekly or more often) due to the ongoing monitoring and revision of the risk management process.

This risk management process is applied to all the Group's business areas, departments and in all countries in which it operates (Spain, France, Italy, Portugal and Poland).

The results of this risk identification and assessment process are reported to the Audit and Control Committee.

Procedure for prioritising climate-related risks and opportunities

Climate change risks and opportunities are prioritised on the basis of the ratings obtained from applying the corporate methodology. However, all climate-related risks and opportunities, not only those with a significant impact, are taken into account in the Company's strategy and objectives.

This methodology generally covers a period of between five and seven years, because a longer period would involve more uncertainties. However, depending on the type of risk, a longer period could be considered.

The procedure for prioritising environmental risks and opportunities follows the same stages as the risk management procedure across the Group.

Logista has also prepared a TCFD-compliant report on climate-related risks and opportunities, fulfilling the requirements of the four declarations (governance, strategy, risk management and objectives and metrics).

Resources allocated to the prevention of environmental risks (no. of people, with different allocation %)

84

67 in 2019

Resources allocated to environmental risk prevention (€)

€1,652,250

€1,464,469 in 2019

Given the Group's business activity, Logista does not have any environmental provisions or guarantees that could be significant in relation to the Company's assets, its financial position or results. However, Logista is insured, applying the precautionary principle, through a civil liability policy that covers claims for personal injury and damages accidentally caused by sudden or unexpected contaminating events.

Main environment-related risks and opportunities

TRANSITIONAL RISKS

Risk	Relevance	Explanation
Current regulations	Relevant	<p>Carbon taxes on fossil fuels are relevant for Logista, because although Logista sub-contracts vehicles for its transport activity, incorporating them into its activity, any carbon tax that is applied to fossil fuels will affect Logista's operational costs through its impact on the prices of transport providers sub-contracted by Logista.</p> <p>For this reason, this type of risk has been classified as relevant, with a high probability, and a moderate to low impact.</p>
New regulations	Relevant	<p>The Paris Agreement has been ratified by all the countries in which Logista operates, and the European Union requires all countries to stipulate and implement more ambitious climate plans. This could include a strategy for decarbonising the road transport sector.</p> <p>This will also be complemented by increasingly greater restrictions on vehicles' access to cities. It is envisaged that these restrictions, until now isolated and supported by local regulations, may become widespread in all cities, supported by a common regulatory framework.</p> <p>The Group may be indirectly affected by this risk, since its transport operations are sub-contracted, and account for more than 90% of all Logista's emissions.</p> <p>In addition, new environmental regulations are envisaged that levy taxes on non-reusable plastic packaging. These new regulations would have an impact on Logista, whether directly through the plastic packaging used in its own distribution processes, or indirectly from the plastic from products that the Company introduces to the market.</p> <p>This type of risk has been identified as relevant, with a high probability and a moderate to low impact.</p>
Technology	Relevant	<p>New technology designed to reduce carbon emissions from transport is relevant to Logista, since existing and future regulations are pushing in this direction, and 90% of the Company's emissions are generated by its transport division's activity.</p> <p>This type of risk has been identified as relevant, with a moderate probability and a moderate to low impact.</p>
Legal	Not relevant	<p>Legal risks have been identified as not relevant due to the nature of Logista's business activity.</p> <p>Moreover, the Group considers that there is little probability of this risk materialising and the impact if it did would be low.</p>
Market	Not relevant	<p>Logista distributes different types of products, and a change in consumer behaviour may affect the business of the Group in question.</p> <p>This risk has been identified as not relevant to Logista.</p>
Reputational	Not relevant	<p>This risk has been identified as not relevant to Logista, since the Group's business model helps to minimise the main climate-related impact.</p>

PHYSICAL RISKS

Risk	Relevance	Explanation
Acute physical	Relevant	<p>Acute physical risks mean those that are caused by events, including the greatest severity of extreme weather events such as cyclones, hurricanes and floods. Cyclones and hurricanes do not affect the countries in which Logista operates. Storms and floods are possible, although their probability is very low.</p> <p>Floods or storms could cause an interruption to distribution activity at the Group's warehouses.</p> <p>However, the number and frequency of these events is very low, having affected only two of Logista's more than 650 facilities in recent years. Logista's quick and effective response in the materialization of this risk resulted in a low impact. However, the fact that a service interruption may occur implies that the impact of this risk should be considered "medium".</p>
Chronic physical	Not relevant	<p>Temperature and rainfall patterns may change, affecting animal species such as <i>Lasioderma serricorne</i>, commonly known as the tobacco beetle. Logista stores and distributes the final tobacco product, so the probability and the impact of any plague is much lower than at the manufacturer's premises.</p> <p>This risk has therefore also been identified as not relevant.</p>

OPPORTUNITIES

Opportunity	Explanation
New regulations	Opportunity viewed as a competitive advantage in an increasingly ambitious environmental regulatory context. Logista has financial capacity and extensive experience of operating in strict regulatory contexts, such as the pharmaceutical sector, in which it not only complies with requirements but is able to anticipate them. When translated to the environmental context, this experience and capacity may offer the Company a competitive advantage.
Efficiency of resources	Reducing costs, a consequence of an increasingly stringent introduction of energy efficiency standards at the Company's premises and in its processes. Logista combines the construction of new facilities in accordance with more stringent energy efficiency standards with continuous improvements in the efficiency of its existing premises and processes.
Energy resources	Cost reductions resulting from falling production costs of electrical energy from renewable sources. Logista uses electricity from renewable sources at 99% of its premises.
Market	In terms of reputation and positioning, the Company's sound strategy for climate change management has a positive impact on Investment Groups and other stakeholders.



Climate change

The Group calculates and promotes the reduction of its carbon footprint, as part of its initiatives to minimise the environmental impact of its activity.

Logista calculates the carbon footprint of all its businesses and activities in the different countries in which it operates, including the majority of the Group's outsourced activities, such as 100% of the emissions resulting from transport and franchise operations, as well as indirect activities such as the purchase of goods and services, based on the emissions factors and standard for reporting Greenhouse Gases (GHG) of the Greenhouse Gas Protocol (GHGP) and on the UNEEN-16258 standard.

An independent accredited entity verifies the carbon footprint calculation under the UNE-EN ISO 14064 standard, confirming the figures, reliability and traceability of the process.

The Group's transport division also notifies its clients, free of charge, of the carbon footprint of their deliveries and travel.

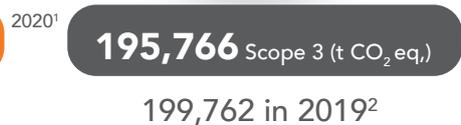
Logista has significantly improved its efficiency ratio through its continued efforts to optimise energy efficiency in its processes and premises, representing a decline of its emissions in absolute terms.

GREENHOUSE GAS EMISSIONS 2020

Direct stationary, mobile and fugitive GHG emissions

Indirect GHG emissions from imported energy

Indirect GHG emissions from the transport, purchase and use of goods and other sources

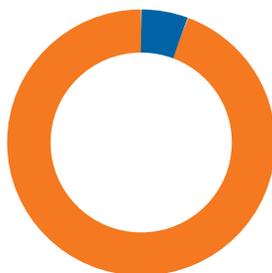


TOTAL EMISSIONS



- Scope 1
- Scope 2
- Scope 3

EMISSIONS BY ACTIVITY



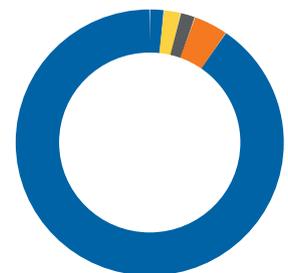
- Storage 6%
- Transport 94%

GHG EMISSIONS BY COUNTRY



- Portugal 7%
- Spain 79%
- France 8%
- Italy 4%
- Poland 2%

GHG EMISSIONS BY SOURCE



- Transport 94%
- Purchases 4%
- Energy 1%
- Waste 0%
- Other 1%

1 For the months in which no current data is available, a calculation has been made based on estimated forecasts and/or data from the previous year. 2 The reason for the variation between the '2019' data reported in the non-financial information statement (EINF) for the 2019 financial year compared with those reported in the 2020 EINF is due to the adjustment of estimated data from the previous year to the updated data obtained in 2020.



Noise and light pollution

Noise during daytime and night-time hours is measured at each of Logista's facilities as per the frequency stipulated by environmental regulations. If the measurements show values close to the legal limit, action plans have been established to correct the noise level.

Light pollution is not significant, so the Group has made no specific arrangements for this aspect.



Measures adopted to adapt to the consequences of climate change

The current risk management system provides for the analysis and definition of action plans to address the consequences that climate change may have for the Company in the short and medium term.



Measures adopted to reduce carbon emissions

The Group reduces emissions by continually optimising routes and renewing transport fleet agreements, including efficiency criteria, promoting a gradual increase in the fleet of vehicles that operate with less polluting fuels.

During this financial year, Nacex has also strengthened its network of delivery and collection points (Nacex.shop), offering an option for local delivery through retail outlets and Smart Lockers, and helping to reduce last-mile delivery with the consequent reduction in CO₂ emissions, in line with Logista's environmental strategy.

99% of the Group's premises use renewable electricity, including all the Group's directly managed centres in Spain, France, Italy and Portugal.

In addition, measures taken to improve energy efficiency and increase the use of renewable forms of energy, which are described below in Energy Consumption, also foster the reduction of greenhouse gas emissions.



Awards

Logista was once again recognised in 2020 as one of the global leaders in combating climate change, having been included in CDP's prestigious 'A list' on the basis of the company's 2019 climate report.

Logista is the only European distributor, and one of the only two global distributors, to be included in the 'A-List' for the fourth year running. Only 3 Spanish companies, and 30 worldwide, have managed to maintain this distinction for 4 consecutive years.

Every year, Logista sends CDP information about the Group's management of climate change at corporate level and at individual business level. This information can be viewed on CDP's website.

Emission reduction targets

Global emission reduction target

Logista has developed its own Sustainability Index to identify opportunities for reducing emissions, based on the Science-Based Target (SBT) initiative.

After analysing all the existing methodologies, Logista has taken the view that the GEVA method (Greenhouse gas emissions per value-added unit) is the most suitable method for its activity.

Logista has reviewed this methodology and adapted it to its transport activity, since it is the most pertinent in terms of emissions within the Group. The proposed unit must therefore take account of the distances covered.

This indicator shows the Overall Performance of Logista's emissions because it includes Scope 1 (which includes transport activities with operational control), Scope 2 and Scope 3 (which include all emissions related to transport activities without operational control: upstream and downstream emissions) emissions, as well as emissions from franchise transport.

Logista has considered CDP recommendations concerning year-on-year reduction and included an annual emissions reduction of 2.1%. Logista has also included the vast majority of Scope 3 emissions in its targets, following the GEVA recommendation referred to above, since 84% of Logista's emissions come from Scope 3 categories. The result is an Overall Target which accounts for and includes 95% of all Logista's emissions (considering Scopes 1+2+3).

Scope 1+2 (market-based)+ 3 (transport)

TmCO₂e per M€&Mkm

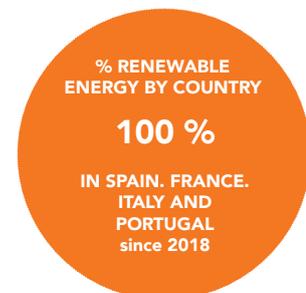


Logista is currently working on rolling out this emissions reduction target in its primary processes.

Renewable Energy Consumption Target

Committed to renewable energy, Logista aims to consume green energy in all its directly managed offices in Spain, France, Italy and Portugal (Poland is not included because its electricity consumption accounts for 2%).

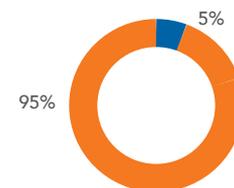
2020 target = 99% (achieved)



Sustainable use of resources

Logista is fully aware of how important the efficient use of resources is. As such, it compiles and analyses information about water consumption, waste and about the materials that are most important for the Group.

USE OF MATERIALS BY SOURCE



	2020 ¹ (Kg)	2019 ² (Kg)
● Renewable material	10,981,417	11,580,263
● Non-renewable material	596,018	603,670

The following categories are considered "Renewable material": Pallets, paper, cardboard boxes and lids.

The following categories are considered "Non-renewable material": Bags, wrapping film and airpad.

1 For the months in which no current data is available, a calculation has been made based on estimated forecasts and/or data from the previous year.

2 The reason for the variation between the '2019' data reported in the non-financial information statement (EINF) for the 2019 financial year compared with those reported in the 2020 EINF is due to the adjustment of estimated data from the previous year to the updated data obtained in 2020.

Water consumption

The discharging of wastewater is not considered a relevant aspect at Logista because, due to the Group's type of activity, this water is discharged into municipal water systems.

In the 2020 financial year, water accounted for 0.04% of the Group's environmental impact, because it is only used for sanitary purposes (0.01% in 2019).

In the 2020 financial year, 98,410* m³ of the supply network was consumed, in accordance with local limits. In 2019, water consumption from the supply network stood at 93,873 m³ and was in line with the established local limits.

* For the months in which no current data is available, a calculation has been made based on estimated forecasts and/or data from the previous year.

Consumption of raw materials

The principal raw materials consumed by the Group and their quantities are shown below:

	2020 ¹ (t)	2019 ² (t)
Airpad film	118	119
Cardboard boxes and lids	8,556	8,238
Pallets	2,142	3,005
Paper	283	337
Single-use plastic bags	14	19
Reusable bags	1	6
Wrapping film	463	460
Biodegradable bags	0	0

1 For the months in which no current data is available, a calculation has been made based on estimated forecasts and/or data from the previous year.

2 The reason for the variation between the '2019' data reported in the non-financial information statement (EINF) for the 2019 financial year compared with those reported in the 2020 EINF is due to the adjustment of estimated data from the previous year to the updated data obtained in 2020.

Efficiency measures

Efficiency measures for improving the use of raw materials include the recovery of reusable cardboard boxes through a system involving specific continuous improvement actions.

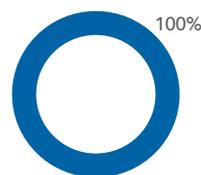
In addition, the Group's Environment, Quality and Energy Efficiency Policy includes, among its commitments, the implementation of policies and good practices for the rational use of resources, where the formula underpinning its processes is optimisation.

Circular economy, waste prevention and management

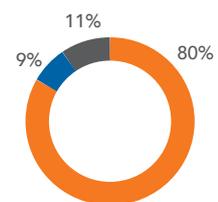
The Group has significantly reduced waste and emissions produced by its activity through the use and recovery of reusable cardboard boxes, via a system already implemented at Logista's centres in Spain, France, Italy and Portugal, and in its specialist express courier service for parcels and documents.

Due to the nature of its activity, the main types of waste currently generated by the Company are paper and cardboard, wood (pallets), municipal waste, plastics and oils.

HAZARD CLASSIFICATION 2020



CLASSIFICATION BY END USE 2020



	2020 ¹ (Kg)	2019 ² (Kg)
Hazard classification		
● Hazardous	9,686	14,829
● Not Hazardous	15,886,901	14,919,129
Classification by end use		
● Recycling	12,744,465	13,079,971
● Landfill	1,397,173	1,506,861
● Energy recovery	1,754,950	347,126

The following wastes are considered "Hazardous": batteries, accumulators, absorbent materials, contaminated packaging and oils.

The following wastes are considered "Non-Hazardous": tires, waste that can be classified and processed as urban waste, paper, cardboard, plastics and wood.

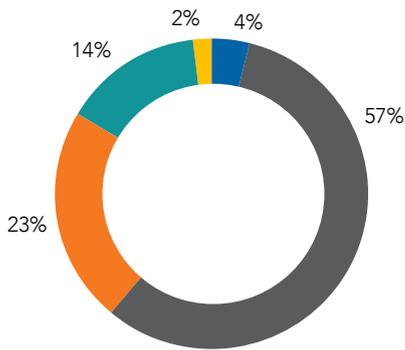
1 For the months in which no current data is available, a calculation has been made based on estimated forecasts and/or data from the previous year.

2 The reason for the variation between the '2019' data reported in the non-financial information statement (EINF) for the 2019 financial year compared with those reported in the 2020 EINF is due to the adjustment of estimated data from the previous year to the updated data obtained in 2020.

Energy management

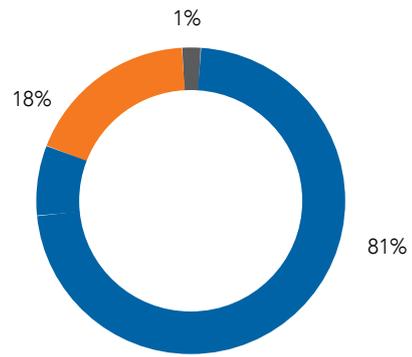
The main sources of energy consumption in the Company are electricity, natural gas, diesel and fuel oil. The quantities consumed are shown in the following table:

TOTAL ENERGY BY COUNTRY 2020



	2020 ¹	2019 ²
● Portugal	2,490,840	2,477,755
● Spain	35,599,118	36,454,178
● France	14,096,594	14,893,120
● Italy	9,004,673	8,938,481
● Poland	1,123,258	1,010,108

ENERGY CONSUMPTION 2020 (Kwh)



	2020 ¹	2019 ²
● Electricity consumption	50,248,755	51,296,225
● Natural gas	11,561,095	11,943,137
● Other energy consumption	504,632	534,281
	Diesel: 455,004	Diesel: 431,708
	Fuel oil: 49,628	Fuel Oil: 102,573

1 For the months in which no current data is available, a calculation has been made based on estimated forecasts and/or data from the previous year.
 2 The reason for the variation between the '2019' data reported in the non-financial information statement (EINF) for the 2019 financial year compared with those reported in the 2020 EINF is due to the adjustment of estimated data from the previous year to the updated data obtained in 2020.

STRATEGIC OBJECTIVE	ACTIONS	FY20 RESULTS	FUTURE ACTIONS
CO ₂ e emissions	<ul style="list-style-type: none"> Science-backed reduction targets approved by the Science Based Targets Initiative Monthly calculation and monitoring of emissions Calculation and reporting of emissions detailed in Scope 3 	<p>Target: -2.1% per year</p> <p>CO₂e/ MK M&M€</p> <p>✓</p>	<ul style="list-style-type: none"> Improving the emissions calculation methodology Rolling out of low-level reduction targets
Renewable energy	<ul style="list-style-type: none"> Purchasing electricity from renewable sources at all facilities managed by Logista in Spain, France, Italy and Portugal Monthly monitoring and control of energy consumption sources at the Group's facilities 	<p>Target: 100%</p> <p>Electricity from renewable sources</p> <p>✓</p>	<ul style="list-style-type: none"> Continuing consumption of electricity from renewable sources



Measures adopted to improve energy efficiency

Logista is implementing several action plans in order to achieve fuel and energy consumption savings, such as: optimising routes, upgrading fleets, adjusting the volume of existing infrastructure, setting local targets and reduction initiatives in our main warehouses, implementing energy efficiency criteria in new and existing premises, etc.

Energy audits are carried out regularly on the Group's principal processes and warehouses. The results are used to identify and prioritise actions to reduce consumption.

Other actions undertaken by Logista to reduce energy consumption include:

- LEED/BREAM certification for new premises.
- The continuous implementation of corporate and local projects (monitoring consumption, lighting replacements, improving insulation, updating equipment, etc.).



Measures adopted to improve renewable energy use

As a Group committed to renewable energy, Logista aims to consume green electricity in all its directly managed offices in Spain, France, Italy and Portugal.

In the 2019 financial year, Logista consumed 51,296 MWh, of which 50,942 MWh corresponded to the purchase of renewable energy. In the 2020 financial year, Logista's electricity consumption fell to 50,249 MWh, with the purchase of renewable energy accounting for 49,873 MWh. This renewable energy consumption entails an estimated saving of 13,866 metric tonnes of CO₂e compared with conventional energy consumption, taking into account the different emissions factors in each country.



Measures adopted to ensure sustainable mobility

Logista is part of the national mobility committee set up by Spain's General Traffic Directorate (DGT) and works on the 'Autonomous Ready' project driven by the DGT and Barcelona city hall. This project aims to lay the foundations for the testing and approval of autonomous vehicles and to define a regulatory framework that guarantees safe and sustainable urban mobility.

Meanwhile, temporary (remote working) and permanent (flexitime, compressed hours) measures introduced by Logista in 2020 are in line with calls by cities such as Madrid on the staggering of employee travel around times of peak traffic and congestion.

Protection of biodiversity

Logista's activity does not have a direct impact on protected areas. This is why biodiversity is not included in the Company's material considerations.

There was no significant impact on biodiversity during the 2020 financial year.

10

Impact on the community

Logista is committed to sustainable growth, both in economic terms and in terms of social well-being and environmental awareness in the areas in which it operates, managing its projects' impact on the community in four key areas.

1. Long-term employment relationship with its employees

Logista fosters a long-term employment relationship with its employees in a working environment with high levels of motivation and job satisfaction.

85%

of the Group's employees are permanent staff

2. Minimising environmental impact

Logista applies good environmental practices in order to minimise the environmental impact of its activity.

- Included in CDP's 'A List' for the fourth consecutive year
- Part of the FTSE4Good index, a list of companies that have demonstrated their soundness in environmental, social and corporate governance practices
- UNE-EN ISO 14064
- 99% of the Group's premises use renewable electricity
- LEED/BREAM certification for new premises



For more information about jobs, see [Employee development](#)



For more information about the environment, see [Minimising environmental impact](#)



3. Social initiatives

Logista is actively engaged in numerous social initiatives, mainly in its local areas

- Logista works with a range of foundations and associations that support and employ those with disabilities at risk of exclusion, with the aim of helping to integrate them into the labour market. In the 2020 financial year, 108 Logista employees had disabilities
- Contributions to foundations and non-profit organisations in the 2020 financial year amounted to €447,993 (€188,980 in 2019), the primary beneficiaries being those active in the areas of humanitarian response and social welfare and integration. These funds will be used to improve the quality of life of society's most vulnerable groups. The majority of these contributions take the form of donations of consumer goods and transport services for the collection, distribution and delivery of food, personal hygiene products, etc., to parishes, social canteens and other frontline support providers.
- Logista's Corporate Social Responsibility Policy is aligned with the United Nations Global Compact principles on human rights, labour, the environment and anti-corruption. This explicit commitment by the Company is integral to its business, and extends to all its employees, clients and suppliers, to respect and guarantee Human Rights compliance.

4. Fiscal reporting

Pre-tax profit/ (loss) (€ thousand)		
	2020	2019
Spain	79,203	87,359
France	24,254	24,040
Italy	104,012	90,890
Portugal	10,526	13,969
Poland	687	841
Total	218,682	217,099

Corporate Income Tax Paid (cash basis) (€ thousand)		
	2020	2019
Spain	70,226	(54,058)
France	23,925	24,678
Italy	24,616	31,862
Portugal	4,635	2,926
Poland	158	429
Total	123,560	5,837

In 2020, as in 2019, Logista did not receive any public subsidy.

Partnership and sponsorship initiatives

Logista is involved with different associations linked to the Group's activities, in order to collaborate on initiatives linked to its business area, or to promote transparency and corporate responsibility.

For example, Logista is a founding member of Grupo Español para el Crecimiento Verde (Spanish group for green growth), a sponsor of the Madrid Futuro association, and participates annually in CDP initiatives.

- Grupo Español para el Crecimiento Verde works to translate to society and to government its vision of a sustainable economic growth model compatible with the efficient use of natural resources.

- The Madrid Futuro non-profit association grew out of the desire of businesses and organisations to boost Madrid's recovery following the health and socioeconomic impact of the pandemic.

At sector level, Logista is also involved with associations such as the AESEG (Spanish association of generic drugs), the AEFI (Spanish Fintech association) and the AECOC (association of manufacturers and distributors).

About this report

In 2020, Logista is presenting its first integrated annual report, drafted in accordance with the guidelines set out in the International Integrated Reporting Council (IIRC)'s framework for the preparation of integrated reports and in line with the GRI standards framework. The aim is to report on the most significant aspects for the Company in the implementation of its core business activities, including detailed information on economic, social and environmental matters, on respect for human rights, combating corruption and bribery, and on corporate governance.

This report includes the updated statement on non-financial information and the annual CSR report, and has been subject to an independent external review. The independent assurance report, which includes the objectives and scope of the external review, as well as the procedures used and their conclusions, are attached as an appendix.

This document forms part of the 2020 consolidated Management Report of Compañía de Distribución Integral Logista S.A. and its subsidiary companies. It is subject to the same criteria for approval, deposit and publication as the Management Report. By drafting this report, Logista complies with the provisions of Articles 262 of the Spanish Companies Act and Article 49 of the Spanish Code of Commerce, as amended by Law 11/2018 of 28 December 2018 on non-financial information and diversity.

Scope of reporting

The report's quantitative data correspond to the year 2020 financial year – the period from 1 October 2019 to 30 September 2020.

The qualitative information included in the report explains the historical evolution and the evolution expected by the Company from analysis of the current context. It does not make a commitment to attaining those objectives, since they are subject to risks and uncertainties.

Scope

The quantitative and qualitative information in this report encompasses all the activities carried out by 100% of Logista's subsidiaries included in the scope of consolidation.

Materiality

To design the content of this report and select the significant aspects, Logista has carried out a materiality analysis to identify the most relevant aspects to report to its stakeholders, and to provide a response to non-financial information requirements under current regulations.

Materiality analysis

Logista has carried out a materiality analysis for the Company as a whole, taking into account each of the businesses within the Group.

The aim of this analysis is to understand the importance of the most relevant aspects from an internal vision of Logista's different businesses and corporate divisions, and from an external vision of the different stakeholders.

To gain a comprehensive overview of the importance of these aspects to the Company, members of the Management Committee were consulted about their importance (rating them from 0 to 10); while to gain a comprehensive overview of the importance of these aspects to the different stakeholders (employees, suppliers, clients, investors, society as a whole), the directors of the corresponding divisions were consulted, together with other personnel, to understand the views of stakeholders with whom we work closely.

Relevant aspects:

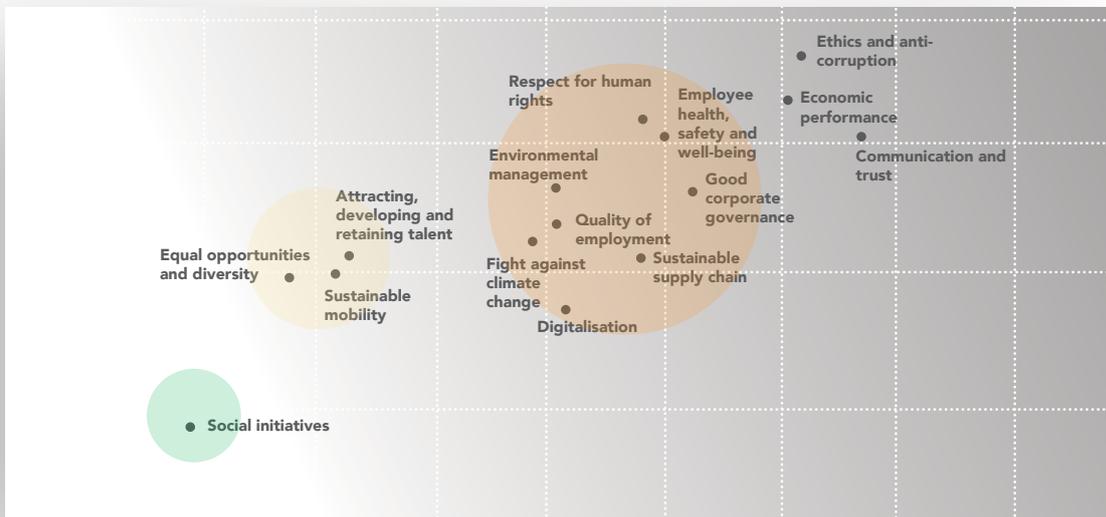


All these relevant aspects are marked with this icon throughout the report and the table below indicates the sections that provide more information about those aspects for ease of reference for readers.

Relevant aspect	Section of the integrated annual report
Economic performance	Logista At a Glance
Ethics and anti-corruption	Corporate governance
Good corporate governance	Corporate governance
Respect for human rights	Corporate governance
Equal opportunities and diversity	Employee development
Employee health, safety and well-being	Employee development
Environmental management	Minimising environmental impact
Sustainable mobility	Minimising environmental impact
Fight against climate change	Minimising environmental impact
Sustainable supply chain	Collaboration with suppliers
Quality of employment	Employee development
Attracting, developing and retaining talent	Employee development
Communication and trust	Client satisfaction
Social initiatives	Corporate governance
Digitalisation	Strategy

This report also covers the management approach for all aspects that are not material for Logista, but does not provide as much detailed information as it does for the relevant aspects.

MATERIALITY MATRIX



Connectivity

For further information on the 2020 financial year, Logista also publishes the following reports:

- Annual Accounts
- Annual Corporate Governance Report
- Annual Report on Director Remuneration

Contents required by Law 11/ 2018

Content	Reference	Reporting framework
BUSINESS MODEL		
- Entrepreneurial environment and business model	16-23	102-2
- Organization and structure	14-15	102-2
- Markets in which the company operates	8, 12	102-6
- Targets and strategies	22-23	102-15
- Factors and trends affecting evolution	20-23	102-15
POLITICS	It will be incorporated along those chapters related to the different topics.	102-15
RISKS	It will be incorporated along those chapters related to the different topics. Particularly, in Corporate governance / Risk and Opportunity Management	102-15
ENVIRONMENTAL ISSUES		
GLOBAL		
- Impact of the firm's activities on the environment, and health and security	62-73	Internal framework: Qualitative description of the main effects
- Environmental evaluation or certification procedures	62-63, 68	Internal framework: Qualitative description of evaluations and certificates
- Precautionary principle, quantity of provisions and guarantees regarding environmental risks	65	102-11
- Resources devoted to preventing environmental risks	65	Internal framework: Quantitative description of devoted resources
POLLUTION		
- Measures associated with carbon emissions	69	Internal framework: Qualitative description of main measures and acts
- Measures associated with light pollution, noise and others	69	Internal framework: Qualitative description of main measures and acts
CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT		
- Initiatives promoting circular economy	71	306-2
- Measures associated with waste management	71	306-2
- Actions combating food spoilage	Non material, taking into account the activity sector of the Company	n.a.
SUSTAINABLE USE OF RESOURCES		
- Water: consumption and supply	71	303-1
- Raw materials: consumption and measures	71	301-1
- Energy: consumption, measures and use of renewables	69-70, 72-73	302-1

Content	Reference	Reporting framework
CLIMATE CHANGE		
- Greenhouse gas emissions	68	305-1/ 305-2/ 305-3
- Measures for climate change adaptation	69-70	Internal framework: Qualitative description of measures
- Targets in reducing emissions	70	Internal framework: Qualitative description of goals
BIODIVERSITY		
- Prevention measures	73	Internal framework: Qualitative description of measures
- Impacts on protected areas	73	304-2
SOCIAL MATTERS AND PERSONAL-RELATED ISSUES		
EMPLOYMENT		
- Total number and distribution of employees by gender, age, country and professional category	48	102-8/405-1
- Total number and distribution of the different modalities of labour contracts	49	102-8
- Annual average of indefinite, temporal and partial contracts divided by gender, age and professional category	50-51	102-8/405-1
- Number of dismissals by gender, age and professional category	51	Internal framework: Total number of dismissals during the financial year by gender, age and role
- Average remuneration and evolution disaggregated by gender, age and professional category, or equal value	52	Internal framework: Average remuneration (including fixed and variable remuneration)
- Pay gap, remuneration of equal job positions or societal averages	53	Internal framework: (1-(Male average remuneration-Female average remuneration) / Male average remuneration)
- Average remuneration of Directors and Management team by gender	52	Internal framework: Average remuneration including fixed and variable remuneration
- Politics of occupational disconnection	54	Internal framework: Qualitative description of current policies
- Disabled employees	54, 57, 75	405-1
WORKTIME MANAGEMENT		
- Task management	54	Internal framework: Qualitative description of the worktime organization
- Number of absence hours	54	Internal framework: Number of absence hours
- Measures of familiar reconciliation	54	Internal framework: Qualitative description of measures

Content	Reference	Reporting framework
HEALTH AND SAFETY		
- Health and security conditions at work	55	403-2
- Work accidents by gender, highlighting their frequency and severity by gender	55	403-2 Internal framework: Frequency index = (Number of work accidents with sick leaves / Number of worked hours) * 1.000.000 Severity index= (Number of days lost due to work accident with sick leave / Number of worked hours) *1,000; Lost Time Accidents Rate = (Number of work accidents with sick leave / Number of worked hours) * 200,000
- Professional illnesses, separated by gender	55	403-2
SOCIAL RELATIONS		
- Organization of social dialogue	18, 56	Internal framework: Qualitative description of organization of social dialogue
- Percentage of employees covered by collective covenants by country	56	102-41
- Balance of collective covenants in work health and security	30	403-1
TRAINING		
- Implementation of politics related to training	56	Internal framework: Qualitative description of policies
- Total number of training hours by professional category	56	404-1
EQUALITY		
- Universal accesibility of disabled people	57	Internal framework: Qualitative description of measures
- Adopted measures to promote equality in treatment and opportunities between women and men	31, 53, 57, 76-77	Internal framework: Qualitative description of measures
- Plans for equality and measures for promoting employment, protocols against sexual and sex-based harassment	31, 57	Internal framework: Qualitative description of measures
- Policy against discrimination and in case, diversity management	57	Internal framework: Qualitative description of diversity management

Content	Reference	Reporting framework
HUMAN RIGHTS		
- Due diligence procedures in human rights matters and if required, in their mitigation, management and repair	30-31	102-16/102-17
- Complaints for the violation of human rights	30	406-1
- Promotion and compliance of covenants ILO associated with the freedom of association and collective negotiation	30-31	102-16
- Elimination of employment discrimination, forced and child labour	30-31	102-16
CORRUPTION AND BRIBERY		
- Adopted measures to prevent corruption and bribery	29	GRI 102-16/102-17
- Measures to fight money laundering	29	GRI 102-16/102-17
- Contributions to non-profit foundations and entities	29, 75	Internal framework: Amount of contributions in euros
SOCIETY		
BUSINESS COMMITMENTS WITH SUSTAINABLE DEVELOPMENT		
- Impact of activities on society: employment, local development, local populations and territory	9, 17, 74	Internal framework: Qualitative description of the impact
- Dialogue with local communities	18	Internal framework: Qualitative description of the relationships held
- Collaborative actions and sponsorship	75	102-12/102-13
SUBCONTRACTING AND SUPPLIERS		
- Inclusion of social aspects, gender equality and environmental matters in procurement policies	31, 60-61	102-9
- Consideration of environmental and social aspects in the relationships with suppliers and subcontractors	60-61	102-9
- Supervision systems and audits, and their respective results	60	308-2/414-2
CONSUMERS		
- Measures for health and security of consumers;	58-59	Internal framework: Qualitative description of measures
- Complaint system, received complaints and respective resolutions	58	102-17
TAX INFORMATION		
- Profits by country before taxes	75	Internal framework: Profits (losses) before corporation taxes by country
- Taxes over paid profits	75	Internal framework: Corporation tax paid by country
- Public subsidies received	75	201-4

Independent verification report

Independent Limited Assurance Report of the Integrated Annual Report
for the year ended September 30, 2020

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND
SUBSIDIARIES

INDEPENDENT LIMITED ASSURANCE REPORT OF THE INTEGRATED ANNUAL REPORT

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Shareholders of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Integrated Annual Report for the year ended September 30, 2020, of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. and Subsidiaries (hereinafter, the Group), which is part of the accompanying Consolidated Directors' Report of the Group.

The content of the Integrated Annual Report includes additional information to that required by prevailing mercantile regulation in relation to non-financial information that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in the chapter "Table of contents required by Law 11/2018" of the accompanying Integrated Annual Report.

Responsibility of the Board of Directors

The preparation of the Integrated Annual Report included in the Consolidated Directors' Report and its content is the responsibility of the Board of Directors of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. The Integrated Annual Report was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) selected, as well as other criteria described in accordance with that indicated for each subject in the chapter "Table of contents required by Law 11/2018" of the Integrated Annual Report.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of the Integrated Annual Report that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the Integrated Annual Report is obtained.

Our independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the Integrated Annual Report, reviewing the process for gathering and validating the information included in the Integrated Annual Report, and applying certain analytical procedures and sampling review tests as described below:

- ▶ Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- ▶ Analyzing the scope, relevance and integrity of the content included in the Integrated Annual Report based on the materiality analysis made by the Group and described in chapter "About this report", considering the content required by prevailing mercantile regulations.
- ▶ Analyzing the processes for gathering and validating the data included in the Integrated Annual Report for the year ended September 30, 2020.
- ▶ Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the Integrated Annual Report.
- ▶ Checking, through tests, based on a selection of a sample, the information related to the content of the Integrated Annual Report for the year ended September 30, 2020 and its correct compilation from the data provided.
- ▶ Obtaining a representation letter from the Board of Directors and Management.

Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group's Integrated Annual Report for the year ended September 30, 2020 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria of the selected GRI standards, as well as other criteria, described as explained for each subject matter in the chapter "Table of contents required by Law 11/2018" of the Integrated Annual Report.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(signed in the original version)

Alberto Castilla Vida

October 28, 2020