

Compañía de Distribución Integral Logista Holdings, S.A.

**Financial Statements for the
year ended 30 September 2018
and Director's Report together with
Independent Auditors' Report**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

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

Independent Auditors' Report on Financial Statements
at 30 September 2018

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

Independent Auditors' Report on Financial Statements

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Compañía de Distribución Integral Logista Holdings, S.A. (the Company), which comprise the balance sheet as at 30 September 2018, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended ("2018").

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 30 September 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Valuation of non-current investments in Group companies</i></p> <p>At 30 September 2018, the Company was the sole shareholder of Compañía de Distribución Integral Logista, S.A.U., as indicated in Note 5.1 to the financial statements.</p> <p>This investment represents the principal item in the Company's financial statements, accounting for approximately 93% of the total assets.</p> <p>As indicated in Note 4.1 to the financial statements, the Company assesses the existence of possible impairment losses by comparing carrying amount with recoverable amount, which is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment. The measurement of the aforementioned investment requires the use of significant judgements and estimates by management, both in determining the valuation method and in considering the key assumptions established for each method chosen.</p> <p>The materiality of the investment owned, which amounted to EUR 974 million at the reporting date, led us to determine the situation described as a key matter in our audit.</p> <p>As described in Note 4.1 to the financial statements, management concluded that the aforementioned investment is not impaired.</p>	<p>Our audit procedures included, among others, a review of the process implemented by the Company to assess the potential impairment of the investment in Compañía de Distribución Integral Logista, S.A.U.</p> <p>We reviewed the cash flow projections of the principal businesses integrated in the investment and its subsidiaries, and the process used to prepare them, which included comparing the projections with the latest plans approved by the Board from which they are derived. Also, we evaluated the methodologies and hypothesis used by the Company.</p> <p>As a result of our procedures, we consider that management's conclusions regarding the absence of impairment are adequate and are supported by the available evidence.</p> <p>Lastly, we ascertained that the disclosures included in Note 5.1 to the accompanying financial statements in connection with this matter are in conformity with the applicable accounting regulations.</p>

Other Information: Directors' Report

Other information comprises only the directors' report, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

- a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the directors' report and if not, we are required to report that fact.
- b) A general level applicable to the rest of the information included in the directors' report that consists of evaluating and reporting on the consistency between that information and the annual accounts as a result of our knowledge of the Entity obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the information mentioned in paragraph a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that contained in the annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the audit regulations in force 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 financial statements.

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee 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 with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Compañía de Distribución Integral Logista Holdings, S.A.

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Company's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated on 5 November 2018.

Engagement Period

The Annual General Meeting held on 21 March 2017 appointed us as joint auditors for a period of three years from the year ended 30 September 2017.

Previously, Deloitte, S.L. had been designated pursuant to a resolution of the General Meeting for the period of three years from the year ended 30 September 2014, the first year following the Company's incorporation.

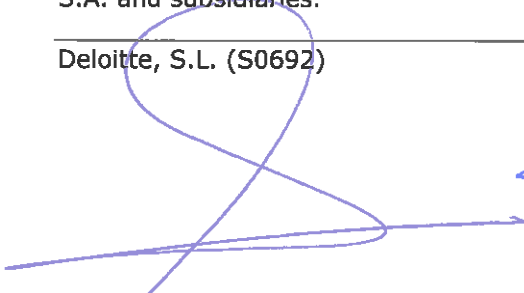
Services Provided

The services other than financial audit services provided to the audited entity were those described in Note 8.3 to the accompanying financial statements for 2018.


In relation to non audit services provided to subsidiaries, see the audit report dated on 5 November 2018 over consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. and subsidiaries.

Deloitte, S.L. (S0692)

PricewaterhouseCoopers Auditores, S.L. (S0242)



José Luis Aller (nº ROAC 17072)



Raúl Llorente Adrián (nº ROAC 20613)

5 November 2018

Compañía de Distribución Integral Logista Holdings, S.A.

Financial Statements for the
year ended 30 September 2018
and Director's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

COMPANÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

BALANCE SHEET AT 30 SEPTEMBER 2018 AND 2017
(Thousands of Euros)

ASSETS	Notes	30-09-2018	30-09-2017	EQUITY AND LIABILITIES		Notes	30-09-2018	30-09-2017
NON-CURRENT ASSETS:				EQUITY:				
Non-current investments in Group companies and associates- Equity instruments	Note 5.1	973,904 973,904 973,904	974,054 974,054 974,054	SHAREHOLDERS' EQUITY:	Note 6	1,023,612 1,023,612	1,012,744 1,012,744	1,012,744 1,012,744
				Share capital		26,550	26,550	26,550
				Share premium		867,808	867,808	867,808
				Reserves		20,330	20,330	11,293
				Legal reserves		5,310	5,310	5,310
				Other reserves		15,020	15,020	5,983
				Other contributions of the shareholders		6,266	6,266	5,415
				Interim dividend		(46,314)	(46,314)	(39,708)
				Treasury shares		158,321	158,321	(7,716)
				Profit for the period				149,102
				NON - CURRENT LIABILITIES:				
				Deferred tax liabilities	Note 7.5	4,460	4,460	13,560
				CURRENT LIABILITIES:				
Current tax receivables		78,465	64,399	Debts with Group Companies and Associates	Note 9	24,297	24,297	2,149
Current investments in Group companies and associates	Note 7 Note 9	78,403	23,409	Trade and other payables-		19,642	19,642	2,149
Cash and cash equivalents-			30,979	Payable to suppliers		4,655	4,655	106
Cash		62	11	Staff		734	734	58
		62	11	Other debts with public authorities	Note 7.1	58	58	1
TOTAL ASSETS		1,052,369	1,028,453	TOTAL EQUITY AND LIABILITIES		1,052,369	1,028,453	1,028,453

The accompanying Notes 1 to 14 and Appendix I are an integral part of the balance sheet at 30 September 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND 2017
(Thousands of Euros)

	Notes	2018	2017
Revenue:			
Income from investments in equity instruments	Notes 5.1 & 8.1	150,893	143,370
Staff costs:		150,893	143,370
Wages, salaries and similar expenses	Note 8.2	(881)	(917)
Other Operating expenses		(881)	(917)
PROFIT FROM OPERATIONS		(734)	(909)
		149,278	141,544
Finance costs:			
On debts to Group companies and associates	Note 9	(614)	(264)
FINANCIAL LOSS		(614)	(264)
PROFIT BEFORE TAX		(614)	(264)
Income tax	Notes 7.3 & 7.4	148,664	141,280
PROFIT FOR THE YEAR		9,657	7,822
		158,321	149,102

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2018 income statement.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND 2017

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	2018	2017
PROFIT PER INCOME STATEMENT	158,321	149,102
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	-	-
TOTAL TRANSFERS TO PROFIT OR LOSS	-	-
TOTAL INGRESOS Y GASTOS RECONOCIDOS	158,321	149,102

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2018 statement of recognised income and expense.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

COMPANÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND 2017
 B) STATEMENT OF CHANGES IN TOTAL EQUITY
 (Thousands of Euros)

	Share Capital	Share Premium	Reserves	Other Contributions of the Shareholders	Interim Dividend	Treasury Shares	Profit / (Loss) for the Period	Total
BALANCE AT 30-09-2016	26,550	867,808	8,098	2,733	(33,119)	(5,032)	122,807	989,845
Total recognised income and expense	-	-	-	-	-	-	149,102	149,102
Transactions with shareholders:	-	-	(477)	2,682	-	477	-	2,682
Equity-instrument-based transactions	-	-	-	-	-	(3,161)	-	(3,161)
Operations with treasury shares	-	-	3,672	-	33,119	-	(122,807)	(86,017)
Distribution of profit 2016	-	-	-	-	(39,708)	-	-	(39,708)
Dividends	-	-	-	-	(39,708)	-	-	(39,708)
BALANCE AT 30-09-2017	26,550	867,808	11,293	5,415	(39,708)	(7,716)	149,102	1,012,744
Total recognised income and expense	-	-	-	-	-	-	158,321	158,321
Transactions with shareholders:	-	-	(1,107)	(149)	-	2,733	-	1,477
Equity-instrument-based transactions (Notes 6.5 and 6.7)	-	-	-	-	-	(3,366)	-	(3,366)
Operations with treasury shares	-	-	10,144	-	39,708	-	(149,102)	(99,250)
Distribution of profit 2017	-	-	-	-	(46,314)	-	-	(46,314)
Dividends	-	-	-	-	(46,314)	-	-	(46,314)
BALANCE AT 30-09-2018	26,550	867,808	20,330	5,266	(46,314)	(8,349)	158,321	1,023,612

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2018 statement of changes in total equity.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of Euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		96,176	142,190
Profit for the year before tax		148,664	141,280
Adjustments for-		614	264
Finance costs	Note 9	614	264
Changes in working capital-		2,506	910
Trade and other payables		2,506	910
Other cash flows from operating activities-		(55,608)	(264)
Interest paid		(614)	(264)
Collection/Payments for income tax		(54,994)	
CASH FLOWS FROM FINANCING ACTIVITIES:		(96,125)	(142,192)
Proceeds and payments relating to equity instruments-	Note 6	(633)	(3,161)
Acquisition of treasury shares		(633)	(3,161)
Proceeds and payments relating to financial liability instruments-	Note 9	50,072	(13,306)
Proceeds from issue of borrowings from Group companies and associates		198,617	109,501
Repayment of debts to group companies		(148,545)	(122,807)
Dividends payment and remuneration of other equity instruments-		(145,564)	(125,725)
Dividends payment		(145,564)	(125,725)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		51	(2)
Cash and cash equivalents at beginning of year		11	13
Cash and cash equivalents at end of year		62	11

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2018 statement of cash flow.

Compañía de Distribución Integral Logista Holdings, S.A.

Notes to the annual Financial Statements for the year ended 30 de September de 2018

1. Company activity

Compañía de Distribución Integral Logista Holdings, S.A., 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 Group PLC. On 26 May 2014, the Company was registered in the Mercantile Registry as a sole-shareholder company.

The Company's registered office is at Polígono Industrial Polvoranca, calle Trigo, número 39, Leganés (Madrid).

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 offering of shares in the 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 (see Note 6).

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 2017 will hereinafter be referred to as "2017"; the period ended 30 September 2018 as "2018", and so on.

The activity performed by the Company since its incorporation has been that of a holding company. The company is the Parent of a distributor and logistics operator Group, which provides various distribution channels with a wide range of value added products and services, including tobacco and tobacco by-products, convenience goods, electronic documents and products (such as mobile phone and travel card top-ups), drugs, books, publications and lottery tickets. In order to provide these services, the Group has a complete infrastructure network, which spans the whole value chain, from picking to POS delivery.

The Company, as parent of a group of subsidiaries, prepares consolidated financial statements separately in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The consolidated financial statements of Logista Group for 2018 were formally prepared by its directors at the Board of Directors meeting held on 30 October 2018.

In comparison with these separate financial statements, the consolidated financial statements for the year ended 30 September 2018 reflect an increase in assets and revenue of EUR 5,812,821 thousand and EUR 9,325,591 thousand, respectively, and a decrease in profit or loss of EUR 1,865 thousand. This effect also includes the impact of the application of EU-IFRSs on the consolidated financial statements.

In turn, Altadis, S.A.U., the Company's parent, belongs to the Imperial Brands Group PLC, 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 Group PLC for 2017 were formally prepared by its Directors at the Board of Directors meeting held on 7 November 2017.

2. Basis of presentation of the financial statements

2.1 Regulatory financial reporting framework applicable to the Company

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

- a. The Spanish Commercial Code and all other Spanish corporate law.
- b. Law on Corporations consolidated text.
- c. The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and the amendments thereto introduced by Royal Decrees 1159/2016 and 602/2016.
- d. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- e. All other applicable Spanish accounting legislation.

2.2 Fair presentation

The financial statements for 2018, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for the corresponding period. These financial statements, which were formally prepared by the Company's Directors, will be submitted for approval by the General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2017 were approved at the Annual General Meeting held on 21 March 2018.

2.3 Accounting principles applied

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company'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 calculation of allowances for financial assets (see Note 4.1).
- The assessment of the long-term obligations to employees of the companies in the Group headed by the Company (see Note 4.4).
- The assessment of the income tax expense (see Note 4.3).

Although these estimates were based on the best information available at the close of 2018, it is possible that future events may require these to be raised or lowered in the coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.5 Comparative information

The information relating to 2017 included in these notes to the financial statements is presented solely for comparison purposes with that relating to 2018.

2.6 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7 Materiality

In preparing these financial statements the Company 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 conceptual framework applicable to the Company.

3. Distribution of profit

The proposed distribution of the profit for 2018, amounting to EUR 158,321 thousand, that the Company's Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euro
To legal reserve	10,117
Dividends	101,890
Interim dividend (Note 6.4)	46,314
	158,321

Pursuant to the legislation in force, the Company assessed the liquidity statement on the date of approval of the interim dividend. Based on this assessment, on 24 July 2018 the Company had EUR 46 million available for drawdown against the credit line granted by Compañía de Distribución Integral Logista, S.A.U. to the Company (the drawable limit of which is EUR 114 million and against which the Company has drawn down EUR 68 million).

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2018, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Financial instruments

4.1.i Financial assets

Equity investments in Group companies

Group companies are deemed to be those related to the Company as a result of a relationship of control.

These investments are measured at cost or contribution value net, where appropriate, of any accumulated impairment losses. The method used to determine the value of the shares received through the non-monetary contribution made by Altadis, S.A.U. was to maintain the carrying amount of the contributed shares in the separate financial statements of the contributing company at the date of contribution.

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 corresponding write-down is recognised through the income statement.

Value in use is calculated on the basis of an estimate of the future cash flows generated by each cash-generating unit, discounted at a rate which reflects the current value of money and the specific risks associated with the assets. Fair value is considered to be the value at which the asset in question could be disposed of under normal conditions, and it is determined on the basis of market data, comparable transactions, etc.

Impairment losses and, where appropriate, their reversal, are recognised as an expense or as income, respectively, in the income statement.

At 30 September 2018 and 2017, the Company's Directors had not tested for impairment the ownership interest in Compañía de Distribución Integral Logista, S.A.U. (see Note 5.1).

Loans and receivables

The loans granted are measured at their amortised cost, which is understood to be the initial value plus accrued interest and repayment premiums based on the effective interest rate, minus the principal and interest repayments, while also considering possible reductions due to impairment or uncollectibility.

Cash and cash equivalents

Cash includes both cash and demand deposits.

The Company derecognises 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.

4.1.ii Financial liabilities

Trade payables, loans received and other accounts payable are initially recognised at fair value, which generally coincides with their nominal value, reduced by transaction costs, and are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.1.iii Equity instruments

Equity instruments issued by the Company are recognised in equity at the proceeds received, less issue and arrangement costs.

The acquisition by the Company of treasury shares is disclosed separately at cost as a reduction of equity in the balance sheet. No gain or loss is recognised in income statement on transactions involving own equity instruments.

4.2 Revenue and expense recognition

Revenue and expenses are recognised 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. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

4.3 Income tax

Tax expense (or tax income) comprises current tax expense (or current tax income) and deferred tax expense (or deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

In general, deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are 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 assets are 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.

From 2017 onwards, the Company is the parent of the tax group, with tax Group number 548/17 assigned.

4.4 Pension and other employee benefit obligations

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.

The terms of these plans recognise the right of certain workers of companies in the Group headed by the Company to receive a given number of Company shares at the end of the third year from commencement of each of the three blocks into which the plan is divided, taking into account the degree of achievement of certain internal financial and operating benchmarks, total shareholder return and profitability compared with other companies.

On 29 January 2015, the Board of Directors approved the list of beneficiaries (47 included in the general plan and 10 in the special plan) and made an estimate of the cost of the first block (2014-2017). The total estimated cost of the first tranche of the plan was EUR 2,856 thousand.

On 26 January 2016, the Board of Directors approved the second tranche of the 2014 Long-Term Incentive Plan (the General Plan and the 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 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 second tranche numbered 56 for the General Plan and 9 for the Special Plan. The total estimated cost of the second tranche is EUR 2,623 thousand.

On 20 December 2016 the Company'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 Company'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.

In order to cater for the two tranches of the equity-settled 2014 long-term incentive plan and the first branch of the 2017 incentive plan, and by virtue of the authorisation granted by the Board of Directors, the Group acquired 588,161 treasury shares for EUR 11,559 thousand (EUR 3,366 thousand in 2018, EUR 3,161 thousand in 2017 and EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015) and (see Note 6.6).

On 23 January 2018, the 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 for no consideration of a total of 137,022 shares amounting to EUR 2,705 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding. The Company 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 Board of Directors extended to 1 October 2018 the Company's Extended Share Repurchase Programme (up to 560,476 shares, 0.42% of the share capital), to include them in the second and third tranches of the 2014 long-term incentive plan and the first tranche of the 2017 long-term incentive plan.

Lastly, on 25 September 2018 the 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 second and third tranches of the 2014 long-term incentive plan and the first tranche of the 2017 long-term incentive plan.

4.5 Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.6 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimize environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activity does not have a significant environmental impact.

4.7 Current and Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realized within twelve months from the end of the reporting period, held-for-trading financial assets, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, held-for-trading financial liabilities and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

4.8 Revenue

For accounting purposes, the Company classifies the dividends received as a result of its ownership interest in Compañía de Distribución Integral Logista, S.A.U. in revenue, since this ownership interest and the activities connected therewith constitute the Company's revenue-producing activity.

5. Financial assets

5.1 Non-current investments in Group companies

The detail of "Non-Current Investments in Group companies and associates" at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Equity instruments	973,904	974,054
	973,904	974,054

In 2018 the Company recognised as an increase in its investment in Compañía de Distribución Integral Logista, S.A.U. the amount vested as a result of the 2014 and 2017 long-term incentive plans amounting to EUR 2,838 thousand and recognised as a decrease in the aforementioned investment the settlement of the First Vesting Period (2014-2017) of the 2014 Incentive Plan amounting to EUR 2,987 thousand (2017: the increase in the investment amounted to EUR 2,684 thousand).

The most significant information in relation to the Group company at 30 September 2018 is as follows:

Company	Address	Direct % of Ownership	Thousands of Euro					Carrying Amount Cost
			Data on the Companies					
			Share Capital	Profit for the Year		Reserves and Others	Total Equity	
Operating Profit	Profit							
Compañía de Distribución Integral Logista, S.A.U.	C/ Trigo, 39 Polígono Industrial Polvoranca. Leganés	100	26,550	56,547	187,144	83,850	297,544	973,904

On 19 September 2018, the Board of Directors of Compañía de Distribución Integral Logista, S.A.U. approved the distribution of dividend out of profit for 2018 amounting to EUR 110,625 thousand. In addition, the Annual General Meeting of Compañía de Distribución Integral Logista, S.A.U., held on 23 February 2018, approved the definitive distribution of the profit for 2017 and resolved to distribute a dividend in addition to the interim dividends paid in 2017 amounting to EUR 40,268 thousand.

5.2 Financial risk exposure

The management of the financial risks to which the Company is exposed in the course of its business activities constitutes one of the basic pillars of its activities aimed at preserving the value of its assets and its shareholder's investment.

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

The Company's financial risk management is centralised in Logista Group's Finance Division. This Division has established the mechanisms required to control based on the structure and financial position of the Company and on the economic variables of the business- exposure to interest rate and exchange rate fluctuations and credit and liquidity risk.

a. Credit risk:

The Company's main financial assets are cash and loans to Group companies. In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

b. Liquidity risk:

The Company, 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 balance sheet, together with the credit and financing facilities obtained through the cash assignment agreement entered into with Imperial Brands Group, PLC. (see Note 9).

c. Market risk (including interest rate, foreign currency and other price risks):

In relation to its cash and cash equivalents the Company is exposed to interest rate fluctuations that could have an effect on its results and cash flows, although due to the Company's financial structure, management considers that this impact would not be material in any event.

The level of exposure of the equity and income statement to the effects of future changes in prevailing exchange rates is not significant.

The Company does not have any direct or indirect significant investments in foreign entities that operate in currencies other than the euro and does not perform significant transactions in countries with currencies other than the euro.

6. Equity

6.1 Share capital

At 30 September 2018 and 2017, the Company'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 per value each, all of which are 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 0.2 par value each, all of the same class, which were fully subscribed and paid in cash by the Parent's sole shareholder, Altadis, S.A.U

On 4 June 2014, Altadis, S.A.U. approved a capital increase of EUR 26,490 thousand at the Parent, which was subscribed by means of a non-monetary contribution through the issue of 132,450,000 new shares of EUR 0.2 par value each, with a total share premium of EUR 942,148 thousand. The shares issued were of the same class as the outstanding shares, and they were fully subscribed and paid by Altadis, S.A.U. by means of the contribution to the Parent of the 44,250,000 registered shares representing the entire share capital of Compañía de Distribución Integral Logista, S.A.U. (which was, until that time, the Parent of the Logista Group). In this connection, it should be noted that the aforementioned non-monetary contribution was subject to the requisite appraisal by an independent expert appointed by the Mercantile Registry, in accordance with the Consolidated Spanish Limited Liability Companies Law and the Mercantile Registry Regulations.

The offering of shares in the 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.

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 Company's share capital at 30 September 2018 was Altadis, S.A.U., with an ownership interest of 50.01% (60% at 30 September 2017).

At 30 September 2018, all shares of the Company have the same voting and dividend rights.

6.2 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.

6.3 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.

At 30 September 2018, the legal reserve has reached the legally stipulated minimum.

6.4 Interim dividends

On 24 July 2018, the Company's Board of Directors approved the distribution of an interim dividend out of 2018 profit amounting to EUR 46,314 thousand, which has already been paid (EUR 39,708 thousand in 2017) (See Note 3).

6.5 Other reserves

These reserves are unrestricted. The changes in 2018 relate to the distribution of profit for 2017 not distributed to the shareholders of EUR 10,144 thousand and the negative effect of the settlement of the First Vesting Period (2014-2017) of the 2014 Incentive Plan amounting to EUR 1,103 thousand and of a beneficiary of the plan amounting to EUR 4 thousand (see Note 4.4).

6.6 Treasury shares

The Company has 425,496 treasury shares amounting to EUR 8,349 thousand in order to cover the long-term incentive plan described in Note 4.4., representing 0.3% of share capital.

6.7 Other shareholder contribution

In 2018 the Company recognised to this line item a credit amounting to EUR 2,838 thousand (2017: EUR 2,684 thousand) and a charge of EUR 2,987 thousand relating to the long-term incentive plans (see Notes 4.4 and 5.1).

7. Tax matters

As indicated in Note 4.3, since 18 September 2017 the Company has been head of a consolidated tax group and responsible for its obligations; therefore, the amount receivable of EUR 78,403 thousand in 2018 (2017: EUR 23,409 thousand) arising from the consolidated tax group's tax return for 2018 is presented under "Other Accounts Receivable from Public Authorities" in the balance sheet as at 30 September 2018.

7.1 Current tax receivables and payables

The detail of the current tax receivables at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Non-resident income tax withholdings	3,795	1,964
Income Tax	68	78
	3,863	2,042

7.2 Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit to the taxable profit for income tax purposes is as follows:

	Thousand of Euros	
	2018	2017
Accounting profit before taxes	148,664	141,280
Permanent differences:		
Dividends (Note 8.1)	(150,893)	(143,370)
Non-deductible Expenses	2	-
Adjusted taxable profit (fiscal result)	(2,227)	(2,090)

In 2018 and 2017 the Company applied the treatment provided for in Article 21.1 of the new Spanish Income Tax Law in relation to the dividends received from its subsidiary and, therefore, considered them to be exempt from inclusion in the income tax calculation.

7.3 Reconciliation of accounting profit to the income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of Euros	
	2018	2017
Accounting profit for the year before tax	148,664	141,280
Permanent differences	(150,893)	(143,370)
Non-deductible Expenses	2	-
Adjusted taxable loss	(2,227)	(2,090)
Tax charge (25% of taxable loss)	(557)	(522)
Corporate tax adjustment (Note 7.4)	(9,100)	(7,300)
Income tax profit	(9,657)	(7,822)

7.4 Breakdown of income tax profit

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousand of Euros	
	2018	2017
Current tax	(557)	(522)
Deferred tax (Note 7.5)	(9,100)	(7,300)
Income tax profit	(9,657)	(7,822)

In the income tax settlement for 2015 the Company applied Article 30 of the Consolidated Spanish Income Tax Law and excluded from the tax base a portion of the dividends received in that year. It also recognised an item of deferred tax based on the ownership interest in Altadis, S.A.U. that was sold in the public offering in 2014 (see Note 1).

7.5 Changes in deferred tax liabilities

The changes in deferred tax liabilities in 2018 and 2017 were as follows:

Fiscal year 2018

	Thousand of Euros		
	2017	Reductions	2018
Deferred tax liabilities	(13,560)	9,100	(4,460)
	(13,560)	9,100	(4,460)

Fiscal year 2017

	Thousand of Euros		
	2016	Reductions	2017
Deferred tax liabilities	(20,860)	7,300	(13,560)
	(20,860)	7,300	(13,560)

7.6 Tax credit carryforwards

At 30 September 2018, the Company has tax credit carryforwards amounting to EUR 4,426 thousand.

7.7 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. The Company has the last four years open for review for all applicable taxes.

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 as might arise would not have a material effect on the accompanying financial statements.

8. Income and expenses

8.1 Revenue

In 2018 and 2017 the Company received the dividends described in Note 5.1 from Compañía de Distribución Integral Logista, S.A.U, amounting to EUR 150,893 thousand and EUR 143,370 thousand, respectively.

8.2 Staff costs

The balance of "Staff Costs" in the income statement for 2018 and 2017, amounting to EUR 881 and EUR 917 thousand, respectively, includes the expenses incurred directly by the Company in respect of remuneration of the Board of Directors. At 30 September 2018 and 2017, the Company did not have any employees.

Remuneration of Senior Executives

The functions of Senior Executives are discharged by the members of the Logista Group's Management Committee. The remuneration earned in 2018 by the members of the Logista Group's Management Committee (excluding the executive directors), which is recognised in the financial statements of Compañía de Distribución Integral Logista, S.A.U., amounted to EUR 5,463 thousand (30 September 2017: EUR 5,175 thousands).

The period contributions to the pension plans for members of the aforementioned Management Committee for 2018 and 2017 amounted to EUR 48 thousand and EUR 52 thousand, respectively.

8.3 Audit fees

In 2018 and 2017 the fees for financial audit services provided by the auditor of the Company's financial statements, or by companies related to the auditor as a result of a relationship of control, common ownership or common management, were as follows:

	Thousand of Euros			
	2018		2017	
	PwC	Deloitte	PwC	Deloitte
Total audit and related services				
Audit services	11	11	10	12
Other attest services	30	27	18	32
Total audit and related professional services	41	38	28	44
Other services	-	-	-	6
Total professional services	41	38	28	50

From the reporting date until the date of preparation of these consolidated financial statements, the co-auditors did not bill any fees for non-audit services.

9. Balances and transactions with related parties

In 2018 and 2017 the Company received the dividends described in Note 5.1 from Compañía de Distribución Integral Logista, S.A.U.

As of 12 June 2014, Imperial Brands Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a new 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 2,600 million. The purpose of this agreement is to govern the terms and conditions under which group companies will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited for the purpose of optimizing its cash flow, and the loans from Imperial Brands 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.

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).

The daily balance of this internal current account earns interest at the European Central Bank interest rate, plus a spread of 0.75%. Interest is calculated daily on a 360-day basis and is added to the nominal value of the debt quarterly.

Under the aforementioned agreement, the Company has committed not to incur in any financial indebtedness with third parties not to pledge any of its assets but under qualified approval by the Board of Directors.

On 18 June 2014, Compañía de Distribución Integral Logista, S.A.U. and the Company entered into a credit line and cash pooling agreement, the amount and maturity of which were amended in addenda to the agreement. The drawable limit is EUR 114 million, and the maturity date is 30 September 2018. At the date of preparation of these financial statements, the parties had agreed to extend this agreement for an additional year. At 30 September 2018, the Company has a balance payable to Compañía de Distribución Integral Logista, S.A.U. of EUR 711 thousand (2017: EUR 30,979 thousand of surplus).

The average daily balance held under the aforementioned agreement has a cost equal to the European Central Bank rate plus a spread of 2.2% (with a 2.2% minimum) for credit drawdowns and earns interest at the same benchmark rate plus a spread of 0.75% for surplus cash loans. In 2018, the interest expense incurred as a result of the aforementioned agreement amounted to EUR 614 thousand (2017: EUR 264 thousand).

Also, the Company is head of, and responsible for the obligations of, the consolidated income tax group. Consequently, the Company recognised an account payable to Compañía de Distribución Integral Logista, S.A.U. of EUR 18,931 thousand under "Debts with Group Companies and Associates" (see Note 7).

Remuneration of the Board of Directors

In 2018 and 2017 the remuneration received by the members of the Board of Directors in their capacity as directors or members of the Board's standing committees, recognized under "Staff Costs" in the income statements, together with the remuneration received by directors who are also executives through Compañía de Distribución Integral Logista, S.A.U amounted to EUR 5,092 thousand and EUR 4,120 thousand, respectively.

In addition, corporate contributions to pension plan for 2018 and 2017 corresponding to executive directors amounted to EUR 11 thousand each year.

The life insurance premium for the Group Executive Directors for 2018 and 2017 amounted to EUR 15 thousand each year.

The Company a long-term incentive plans that concern the members of the Logista Group's Management Committee, the cost and characteristics of which are detailed in Note 4.4.

In 2018 the directors' third-party liability insurance amounted to EUR 45 thousand (2017: EUR 46 thousand).

In 2018 and 2017 the Company did not perform with the directors any transactions outside the ordinary course of business or other than on an arm's length basis.

The Board's composition is nine male Directors and one female Director.

Information on conflicts of interests on the part of Directors

As per art.229 of the Law on Corporations, no Director has informed any situation of direct nor indirect conflict of interests with the Company.

Composition of the Logista Group

As indicated in Note 1, the Company is the parent of the Logista Group. The Group is organised as detailed in Appendix I.

10. Guarantee commitments to third parties and other contingent liabilities

The Company does not have guarantee commitments to third parties nor other contingent liabilities identified at 30 September 2018 and 2017.

11. 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.

As permitted by the Single Additional Provision of the aforementioned Resolution, since this is the first reporting period in which it is applicable, no comparative information is presented.

	Days	
	2018	2017
Average period of payment to suppliers	21	15
Ratio of transactions settled	21	15
Ratio of transactions not yet settled	19	-

	Thousands of Euros	
	2018	2017
Total payments made	680	906
Total payments outstanding	29	51

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.

The figures shown in the foregoing table relate to suppliers of goods and services and, therefore, they include the figures relating to "Payable to Suppliers" and "Sundry Accounts Payable" under current liabilities in the balance sheet.

The maximum payment period applicable to the Company in 2018 under Law 11/2013, of 26 July, on combating late payment in commercial transactions, was 30 days unless the parties have entered into an agreement for a maximum period of 60 days.

12. Information on the environment

In matters concerning the environment, the Company complies strictly with all the requirements of applicable legislation and also looks for the best ways of reducing its environmental impact (waste reduction awareness campaigns and improvement of waste management; policies aimed at reducing atmospheric emissions and the use of water, electricity and paper; reduction of the use of containers and packaging by improving manufacturing processes, etc.). During the year ended at 30 September 2018 and 2017 the Company has not incurred in any expenses or performed any investment to protect and improve the environment.

13. Events after the reporting period

No significant events have occurred subsequent since the end of the year ended 30 September 2018.

14. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

Companies compromised within Logista Group

2018

Company	Auditor	
Compañía de Distribución Integral Logista, S.A.U. Compañía de Distribución Integral de Publicaciones Logista, S.L.U. Distribérica, S.A.U. Publicaciones y Libros, S.A. Distribuidora del Noroeste, S.L. Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	Deloitte Deloitte No audit Deloitte Deloitte No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Gandarón, 34 Interior- Vigo C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L.	Deloitte	Polígono Industrial Zal, Carretera de la Esclusa s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A.	No audit	C/ Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A. Distribuidora Valenciana de Ediciones, S.A.	No audit Deloitte	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U. Distribuidora del Este, S.A.U. S.A.U. Distribuidora de Ediciones Logista Libros, S.L.	No audit Deloitte Deloitte Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Calle Saturno, 11. Alicante C/ B, Sector B Polígono Zona Franca. Barcelona Avda. de la Veguilla, 12-A Cabanillas del Campo., Guadalajara
Midsid - Sociedade Portuguesa de Distribuição, S.A. José Costa & Rodrigues L.D.A	Deloitte PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal) Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U. Logesta Gestión de Transporte, S.A.U. Logesta Italla, s.r.l. Logesta Lusa Lda. Logesta Polska Sp. z.o.o. Logesta Deutschland GmbH Logesta France, S.A.R.L. Dronas 2002, S.L.U.:	Deloitte Deloitte Collegio Sindacale No audit No audit No audit Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Via Valadier, 37. Roma Expansao del area Ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal) Al.Jerozolimskie, 96, Warszawa (Polonia) Unsöldstrabe, 2, 20538, München (Alemania) 27 avenue des Murs du Parc, 94300 Vincennes Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
Logista Pharma Gran Canaria, S.A.U. (previously T2 Gran Canaria, S.A.U.) Logista Pharma, S.A.U. Be to Be Pharma, S.L.U Logista Italla, S.p.A. Terzla, S.p.A. Logista Transportes, Transitários e Pharma, Lda.	Deloitte Deloitte No audit PwC PwC Deloitte	Urbanización El Cebadal. C/ Enterríos, 3. Las Palmas de Gran Canaria Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Via Valadier, 37. Roma (Italia) Via Valadier, 37. Roma (Italia) Expansao del area Ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp.z.o.o. Logista France, S.A.S.: Supergroup S.A.S. Société Allumetière Française, S.A.S. Logista France Holding, S.A.S Logista Promotion et transport, S.A.S	Deloitte Deloitte y PwC Deloitte Deloitte Deloitte Deloitte	Al. Jerozolimskie, 96. Warszawa. Polonia 27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes

2017

Company	Auditor	
Compañía de Distribución Integral Logista, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribérica, S.A.U.	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Publicaciones y Libros, S.A.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Noroeste, S.L.	Deloitte	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.U.	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L.	Deloitte	Polígono Industrial Zal, Carretera de la Esclusa s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A.	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A.	No audit	Polígono P.O.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A.	Deloitte	Polígono Industrial Vara de Quart. c/ Pedraplquera, 5. Valencia
Cyberpoint, S.L.U.	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Este, S.A.U.	Deloitte	Calle Saturno, 11. Alicante
S.A.U. Distribuidora de Ediciones	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
Logista Libros, S.L.	Deloitte	Avda. de la Veguilla, 12-A Cabanillas del Campo., Guadalajara
Midsid - Sociedade Portuguesa de Distribuicao, S.A.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
José Costa & Rodrigues L.D.A	PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Gestión de Transporte, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.	Collegio Sindacale	Via in Arcione 98. Roma
Logesta Lusa Lda.	No audit	Expansao del area Ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o.	No audit	Al.Jerzollmskie, 96, Warszawa (Polonia)
Logesta Deutschland GmbH	No audit	Unsöldstrabe,2 , 20538, München (Alemania)
Logesta France, S.A.R.L.	No audit	27 avenue des Murs du Parc, 94300 Vincennes
Dronas 2002, S.L.U.:	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U.	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Be to Be Pharma, S.L.U	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A.	PwC	Vía Valadier, 37. Roma (Italia)
Terzia, S.p.A.	PwC	Vía Valadier, 37. Roma (Italia)
Logista Transportes, Transitários e Pharma, Lda.	Deloitte	Expansao del area Ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp.z.o.o.	Deloitte	Al. Jerzollmskie, 96. Warszawa. Polonia
Logista France, S.A.S.	Deloitte y PwC	27 avenue des Murs du Parc, 94300 Vincennes
Supergroup S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Société Allumetiére Française, S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Logista France Holding, S.A.S	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Logista Promotion et transport, S.A.S	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes

Compañía de Distribución Integral Logista Holdings, S.A.

Directors Report for financial year ended 30th September 2018

Evolution and position of the Company in 2018

Due to its Holding Company condition, the Company has not operations and carries out its activity through its operating company, Compañía de Distribución Integral Logista, S.A.U. and rest of the Group's companies.

Logista is the leading distributor of products and services to proximity retailers in Southern Europe, serving around 300,000 points of sale within capillary retail networks in Spain, France, Italy and Portugal, providing the best and fastest access to the market of tobacco and convenience products, electronic top-ups, pharmaceuticals, books, publications and lotteries. Logista, also, distributes tobacco products to wholesalers in Poland.

During the fiscal year 2018, compressing the period from October 1st, 2017 to September 30th, 2018, the share price of the Company registered a positive performance, increasing by 8.7% vs. a -9.6% decline of the IBEX 35 index in the same period.

During the fiscal year 2018, revenues were 150,893 thousand euros. The Company's revenues come from the distribution of dividends paid by Group's companies.

The Company paid a FY2017 final dividend amounted 99.3 million euros on March 28, 2018 and paid a 2018 interim dividend for slightly over 46.3 million euros on August 30, 2018. Also, the Company acquired 172,540 own shares during the fiscal year 2018, in the following dates:

Date	Price	Number of shares
26/03/2018	17.76	10,000
13/03/2018	18.35	10,000
02/03/2018	18.60	10,000
28/02/2018	18.80	10,000
22/01/2018	20.04	4,418
19/01/2018	20.14	4,418
18/01/2018	20.10	4,418
17/01/2018	20.15	4,418
16/01/2018	20.22	4,418
15/01/2018	19.99	4,418
12/01/2018	19.86	4,418

11/01/2018	19.69	4,418
10/01/2018	19.62	4,418
09/01/2018	19.54	4,418
08/01/2018	19.41	4,418
05/01/2018	19.40	4,418
04/01/2018	19.35	4,418
03/01/2018	19.28	4,418
02/01/2018	19.12	4,418
29/12/2017	19.15	4,418
28/12/2017	19.30	4,418
27/12/2017	19.24	4,418
22/12/2017	19.38	4,418
21/12/2017	19.51	4,418
20/12/2017	19.53	4,418
19/12/2017	19.79	4,418
18/12/2017	19.91	4,418
15/12/2017	19.82	4,418
14/12/2017	20.02	4,418
13/12/2017	20.22	4,418
12/12/2017	20.35	4,418
11/12/2017	20.56	4,418
08/12/2017	20.84	4,418
07/12/2017	20.99	4,418

RISK EXPOSURE

The Corporate Risk Management System of the Company is set forth in the Risks Management General Policy of September 29th 2015, with the purpose of providing to the Business Managers/Corporate Directorates, a holistic view, improving the Management capacity to manage risks in an efficient way and minimizing the impact in case the risks materialize.

In this Policy, different risk categories or factors are defined, in which, as part of the financial risks category, tax risks related to the current Company's activity are included.

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 the Group objectives.

The Company, considering its nature as entity of public interest due to its shares are trading in the Stock Market, and being the holding company of the Logista Group, presents as main risk the risk derived from a possible incompliance of the regulatory framework to which it is subject. However, the Company presents a low tolerance respect this risk and has established policies, procedures and controls that allow to identify, prevent and mitigate this risk, as well as to comply with the obligations imposed by the various legislations applicable to it.

On the other hand, from a financial perspective, the main financial risks that the Company faces can be summarized in:

The Company's main financial assets are cash and cash equivalents, credits to public administration and credits to Group's companies that represent the Company's maximum exposure to credit risk. In general, the Company deposits its cash and cash equivalents in entities holding a high credit rating. Likewise, the Company presents an exposure to credit or counterparty risk with Imperial Brands by virtue of the subscribed treasury agreements.

The Company estimates that at 30 September 2018 the level of exposure to credit risk of its financial assets is not significant.

To ensure the liquidity and be able to pay all its payments commitments derived from its usual activities, the Company maintains enough cash and cash equivalents, as well as, credit lines through the subscribed treasury agreements, ultimately, with Imperial Brands Enterprise Finance PLC, entity belonging to the Imperial Brands Group, PLC Group.

Respect the exposure to interest rate risk, considering the no-financial debt of the Company, the Management considers the impact from a potential increase in interest rates which could have in the attached annual accounts is not significant.

Also, the level of exposure to the net equity and the P&L account in terms of future changes in the current exchange rates is not relevant.

From a fiscal point of view, the main risk that the Company faces is derived from the possibility of modifications in the tax regulations, than might impact directly in the results and cash management of the Company.

Likewise, Fiscal strategy described at Fiscal Policy of Logista Group, of which the Company is the head, states, as part of its key objectives the following:

- To minimize the fiscal risks associated with the operations and strategic decisions of each company, 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.

Associated risks and expected impacts on the business's strategy and activities due to the decision of UK to leave the European Union

The Company belongs to the Imperial Brands Group that has its registered office in the United Kingdom. In this sense, the Company has valued the risks from the political and economic uncertainty and the high financial markets volatility derived from the result of the Brexit referendum, and the possible impact that it might occur.

As the Company has not significant investments, directly or indirectly, in foreign companies that operate in currency other than the euro, and does not carry out significant operations in countries with currency

other than the euro, the possible effects from a cooling British economy might not have a highly impact in the development of the Logista Group's activities.

On the other hand, the contribution of the share capital by the shareholder Imperial Brands, as well as the credit line that maintains with the majority shareholders is in euro currency. In that sense, the Company does not have any type of financing by its shareholder in euros or in sterling. Therefore, it is not impacted from interest rate variations.

Uncertainty on the European directives on taxation remains, pending of the impact assessment, as well as the application of EU freedoms that will ultimately depend on the exit model of the United Kingdom of the EU.

SIGNIFICANT EVENTS FOR THE COMPANY AFTER THE REPORTING PERIOD

No events significantly affecting the accompanying financial statements took place after the end of the fiscal year 2018.

OUTLOOK FOR THE COMPANY

As the Company is a holding company, the Company's outlook is linked to the performance of the companies that form the Logista Group.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not make any investments in research and development activities in the fiscal year 2018.

TREASURY SHARES

At 30 September 2018, the Company holds 425,496 own shares.

USE OF FINANCIAL INSTRUMENTS

The Company does not perform transactions with financial instruments that might affect the correct measurement of the assets or liabilities recognised in the balance sheet.

ANNUAL REPORT ON CORPORATE GOVERNANCE

It is included as a separated section of the Directors Report.

Certificate on the issuance of the financial statements

Financial Statements and Directors Report for the year ended 30 September 2018 (1 October 2017 to 30 September 2018), have been formally prepared by the Board of Directors, Compañía de Distribución Integral Logista Holdings, S,A, at its meeting on 30 October 2018 in order to be audited and approved by the Shareholders.

Corporate Governance Annual Report for the year ended 30 September 2018, which is part of Directors Report, is included below as a Directors Report separate section.

Financial Statements and Directors Report are set forth on 26 sheets, on the obverse only, all of which are signed by the Chairman and Secretary of the Board of Directors, who in witness whereof, have signed below:

D. Gregorio Marañón y Bertrán de Lis
Chairman

D. Luis Egido Gálvez
Chief Executive

Mr. Alain Minc
Director

D^a. Cristina Garmendia Mendizábal
Director

D. Jaime Carvajal Hoyos
Director

Mr. John Matthew Downing
Director

Mr. Richard Guy Hathaway
Director

Mr. Amal Pramanik
Director

Mr. Richard Charles Hill
Director

D. Rafael de Juan López
Director and Secretary of the Board

Leganés, 30 October 2018

ANNEXE 1

ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED PUBLIC LIMITED 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.

ISSUER IDENTIFICATION DETAILS

FISCAL YEAR-END DATE: 30/09/2018

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 REPORT ON CORPORATE GOVERNANCE
OF LISTED PUBLIC LIMITED COMPANIES**

A OWNERSHIP STRUCTURE

A.1. Complete the following table about the share capital of the company:

Date of last amendment	Share Capital (€)	Number of shares	Number of voting rights
04/06/2014	26,550,000.00	132,750,000	132,750,000

State whether there are different classes of shares with different rights attached thereto:

Yes No

A.2. List the direct and indirect owners of significant holdings in your company at the date of the financial year end, excluding the Directors:

Name (person or company) of the Shareholder	Number of direct voting rights	Number of indirect voting rights	% on total voting rights
Imperial Brands PLC	0	66,385,001	50.01%
Capital Research and Management Company	0	7,088,202	5.34%
Allianz Global Investors GmbH	0	6,605,632	4.98%
BlackRock, Inc	0	6,082,739	4.58%

Name (person or company) of the indirect owners of shareholding	Through: Name (person or company) of direct owner of shareholding	Number of voting rights
Imperial Brands PLC	Altadis S.A.U.	66,385,001
Capital Research and Management Company	Other Investor's Companies	7,088,202
Allianz Global Investors GmbH	Allianz Global Investors Fund	4,197,259
Allianz Global Investors GmbH	Other Investor's Companies	2,408,373
BlackRock, Inc	BlackRock Investment Management (UK) Limited	4,772,363
BlackRock, Inc	Otras Sociedades del Inversor	1,310,376

State the most significant movements in the shareholding structure that have taken place over the financial year:

Name (person or company) of the shareholder	Transaction Date	Transaction Description
Imperial Brands PLC	31/07/2018	Fell below the 60% share capital threshold
Capital Research and Management Company	31/07/2018	Exceeds the 5% share capital threshold

A.3. Complete the following tables on the members of the Board of Directors of the Company, who have voting rights attached to shares in the company:

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights	% on total voting rights
Mr. Luis Egidio Gálvez	261,992	0	0.20
Mr. Rafael de Juan López	83,936	0	0.06
Mr. Gregorio Marañón y Bertrán de Lis	0	21,832	0.02

Name (person or company) of the indirect owners of shareholding	Through: Name (person or company) of direct owner of shareholding	Number of voting rights
Mr. Gregorio Marañón y Bertrán de Lis	Cigarral de Inversiones, S.L.	21,832

Total % of voting rights held by the Board of Directors	0.28%
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A.4. State, where applicable, the family, business, contractual or corporate relationships existing between the owners of significant holdings, to the extent that they are known by the Company, unless these be scarcely relevant or stem from the ordinary course of trade:

N/A

A.5. State, where applicable, the business, contractual or corporate relationships existing between the owners of significant holdings and the Company and/or its group, unless these be scarcely relevant or stem from the ordinary course of trade:

<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 IT 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 12 th, 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.

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

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

A.6. State whether the company has been informed of any para-social agreements affecting the Company pursuant to the provisions of sections 530 and 531 of the Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes No

State whether the Company knows of the existence of concerted actions among its shareholders. If so, give a brief account thereof:

Yes No

In the event that during the year any modification or breaking of those pacts or agreements or concerted actions has occurred, state it expressly:

N/A

A.7. State if there is any legal or natural person who exerts control or could exert control over the Company in accordance with section 4 of the Stock Exchange Act. If so, identify it/them:

Yes No

Name (person or company)
Imperial Brands PLC
Remarks
Indirect participation of 50.008% through Altadis S.A.U.

A.8. Complete the following tables on the treasury stock of the company:

At year-end closing:

Number of direct shares	Number of indirect shares (*)	Total % on share capital
425,496	0	0.32%

(*) Through: N/A

Detail the significant changes, in accordance with the provisions of Real Decreto 1362/2007, occurred during the financial year:

Explain the significant changes
No significant variation

A.9. Give details of the conditions and term of the current mandate given by the Annual General Meeting to the Board of Directors to issue, buy back or transfer own 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.9. bis Estimated floating capital

	%
Estimated floating capital	34.77%

A.10. State whether there is any restriction on the transferability of securities and/or any restriction on voting rights. Namely, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market:

Yes No

A.11. State whether the Annual General Meeting has resolved the taking of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007:

Yes No

Describe, if applicable, the approved measures and the terms on which the restrictions will become ineffective.

N/A

A.12 State whether the company has issued securities that are not traded on a Community regulated market.

Yes No

Specify, if applicable, the different classes of shares, and the rights and obligations attached to each class of shares.

N/A

B GENERAL MEETING OF SHAREHOLDERS

B.1 Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Act on Capital Companies (ACC) in connection with the quorum required to hold a valid General Meeting of Shareholders.

Yes No

B.2 Indicate and, if applicable, explain whether there are differences with the rules provided by the Act on Capital Companies (ACC) for the passing of corporate resolutions:

Yes No

Describe how they differ from the rules established in the ACC.

N/A

B.3 Indicate the rules applicable to amendment to the Articles of Association. Namely, report the majorities established to amend the Articles of Association, and, if any, the rules to safeguard shareholders' rights when amending such Articles.

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 the attendance figures for the General Meetings held during the year to which this report refers and the previous year:

Date GMS	Attendance data				Total
	% attendance in person	% attendance by proxy	% distance voting		
			Electronic Vote	Others	
21/03/2017	70.36%	18.45%	0.00%	0.00%	88.81%
21/03/2018	60.13%	24.52%	0.00%	0.00%	84.65%

B.5 Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.

Yes No

B.6 Section repealed.

B.7 Indicate the address and means of access to the company's website, to the information on corporate governance and other information on the General Meetings which must be made available to shareholders through the Company's 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 Meetings" (for current fiscal year), or "Previous General Meetings".

C. ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors.

C.1.1 Maximum and minimum number of directors provided in the Articles of Association

Maximum Number of Directors	15
Minimum Number of Directors	10

C.1.2 Complete the following table with the members of the Board

Name (person or company) of the Director	Representative	Type of Directorship	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
Mr. Gregorio Marañón y Bertrán de Lis	---	Independent	Chairman	13/05/2014	21/03/2018	GMS
Mr. Luis Egido Gálvez	----	Executive	CEO	13/05/2014	21/03/2018	GMS
Mr. Rafael de Juan López	-----	Executive	Secretary Director	13/05/2014	21/03/2018	GMS
Ms. Cristina Garmendia Mendizábal	----	Independent	Director	04/06/2014	21/03/2018	GMS
Mr. Alain Minc	----	Independent	Director	24/04/2018	24/04/2018	By co-option
Mr. Jaime Carvajal Hoyos	----	Independent	Director	25/09/2018	25/09/2018	By co-option
Mr. John Matthew Downing	----	Proprietary	Director	13/05/2014	21/03/2018	GMS
Mr. Richard Guy Hathaway	----	Proprietary	Director	24/03/2015	24/03/2015	By co-option
Mr. Richard Charles Hill	---	Proprietary	Director	25/04/2017	25/04/2017	By co-option
Mr. Amal Pramanik	----	Proprietary	Director	24/04/2018	24/04/2018	By co-option

Total number of Directors	10
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Indicate the vacancies occurred on the Board of Directors during the period:

Name (person or company) of the Director	Type of Directorship	Date of cessation
Mr. David Ian Resnekov	Proprietary	24/04/2018
Mr. Stéphane Lissner	Independent	24/04/2018
Mr. Eduardo Zaplana Hernández-Soro	Independent	29/05/2018

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

EXECUTIVE DIRECTORS

Name (person or company) of the Director	Position in the organisational chart of the Company
Mr. Luis Egido Gálvez	CEO
Mr. Rafael de Juan López	Secretary Director

Total number of executive Directors	2
% on total Board members	20.00%

EXTERNAL PROPRIETARY DIRECTORS

Name (person or company) of the Director	Name (person or company) of the significant shareholder being represented or who has proposed the appointment
Mr. John Matthew Downing	Imperial Brands PLC
Mr. Richard Guy Hathaway	Imperial Brands PLC
Mr. Richard Charles Hill	Imperial Brands PLC
Mr. Amal Pramanik	Imperial Brands PLC

Total number of external proprietary Directors	4
% on total Board members	40.00%

EXTERNAL INDEPENDENT DIRECTORS

Name (person or company) of the Director: Mr. Gregorio Marañón y Bertrán de Lis

Profile:

Mr. Gregorio Marañón y Bertrán de Lis, Marqués de Marañón, is the Chairman of Compañía de Distribución Integral Logista Holdings S.A.. He also serves as Chairman of Universal Music; Chairman of Air City Madrid Sur, and member of the Board of Patrimonio Nacional. He is Chairman of the Board and the Executive Committee of the Teatro Real opera house, Honorary President of the Real Fundación de Toledo; Chairman of the Teatro de la Abadía, Funding Trustee of the Ortega-Marañón Foundation; Trustee of the Museo del Ejército; Trustee of the Centro Internacional de Toledo para la Paz; Permanent Member of the Real Academia de Bellas Artes de San Fernando and of the Académie Européenne des Sciences et des Arts. He was awarded the Grand Cross of Alfonso X el Sabio; the Gold Medal for Merit in Fine Arts; and the Gold Medal of Castilla-La Mancha Region. He was appointed Commandeur de la Légion d'Honneur Française and Commendatore della Ordine de la Stella della Repubblica Italiana.

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

Name (person or company) of the Director: Ms. Cristina Garmendia Mendizábal

Profile:

Ms. 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 also chairperson at the Spanish/North American company Satlantis Microsats. and at the listed biotechnology Spanish/German company Expedeon (former Sygnis AG).

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, Corporación Financiera Alba 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 (person or company) of the Director: Mr. Alain Minc

Profile:

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

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

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

In 1991, Alain Minc founded its own consultancy firm AM Conseil.

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 and he is also Director, Chairman of the Audit Committee and Member of the Remuneration Committee of CaixaBank.

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

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

Name (person or company) of the Director: Mr. Jaime Carvajal Hoyos

Profile:

Mr. Carvajal holds a degree in Physics from Princeton University (New Jersey, USA).

Mr. Carvajal has provided services to various entities involved in analysis and financial investment management (Lehman Brothers and Iberacción), as well as to banking entities (The World Bank and Banco de Sabadell).

He is a member of the Board of Directors of AllFunds Bank and non-executive Chairman of Evo Banco.

He is currently a partner and the CEO of the investment bank Arcano Partners.

Total number of independent directors	4
Total % of Board members	40.00%

Indicate whether any director considered as an independent director receives from the company or from its group any amount or benefit on any grounds other than the remuneration for his/her directorship, or maintains or has maintained over the last year, a business relationship with the company or any company in its group, either in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained any such relationships.

Where applicable, include a reasoned statement from the board with the reasons why it deems that such director can perform his/her duties as an independent director.

N/A

OTHER EXTERNAL DIRECTORS

Other external Directors will be identified and the reasons why they will not be considered proprietary or independent will be listed, as well as their ties, whether with the company, its officers or its shareholders:

N/A

Indicate the variations that, where appropriate, have occurred during the period in the category of each Director:

N/A

C.1.4 Complete the following table with information about the number of female directors over the last 4 years, as well as the nature of their directorship

	Number of female directors				% of total director of each type			
	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015
Executive	0	0	0	0	0,00%	0,00%	0,00%	0,00%
Proprietary	0	0	0	0	0,00%	0,00%	0,00%	0,00%
Independent	1	1	1	1	10,00%	10,00%	10,00%	10,00%
Other external	0	0	0	0	0,00%	0,00%	0,00%	0,00%
Total:	1	1	1	1	10,00%	10,00%	10,00%	10,00%

C.1.5 Explain the measures, if any, that have been taken to try to include on the Board of Directors a number of female directors that would mean reaching a balanced presence of women and men.

Explanation of the measures
As stated in section k) of Article 18.2 of the Board of Directors Regulations, the Appointments and Remuneration Committee shall ensure that selection processes are not implicitly biased in such a way that female directors' selection is prevented.

C.1.6 Explain the measures, if any, taken by the Appointments and Remuneration Committee to ensure that selection processes are free from any implied bias hindering the selection of female directors and that the Company deliberately seeks and includes potential female candidates who meet the professional profile sought:

Explanation of the measures
N/A

When despite any measures that might have been taken, the number of female directors is low or zero, explain the reasons:

Explanation of the measures
N/A

C.1.6 bis Explain the conclusions of the Appointment and Remuneration Committee regarding verification of compliance with the Director selection policy. And, namely, explain how this policy is fostering the goal by 2020 to have the number of female board members represent at least 30% of the total number of members of the Board of Directors.

N/A

C.1.7 Explain the form of representation in the Board, of shareholders with significant stakes:

Imperial Brands PLC is represented at the Board by four directors (Messrs. Downing, Hathaway, Resnekov (until 24/04/18), Hill and Pramanik (since 24/04/2018)), in accordance with the Framework Agreement of June 12, 2014, which rules the relations between Imperial Brands PLC and the Company.

All other shareholders with a significant stake in the Company are not represented at the Board.

C.1.8 Describe, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 3% in the share capital:

N/A

State whether formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied:

Yes No

C.1.9 State whether any director has stood down before the expiry of his/her term of office, whether the director has given reasons to the Board and by through which channels, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

N/A

C.1.10 Indicate, in the event that there are any, the powers that have been delegated to the Chief Executive Officer(s):

Name of the CEO (person or company):

Mr. Luis Egido Gálvez

Brief description:

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

C.1.11 Identify, where appropriate, the members of the Board who hold the position of director or officer in other companies that are part of the group of the listed company:

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

C.1.12 List in detail, where appropriate, the directors of your company that are members of the Boards of Directors of other companies that are listed on official stock markets in Spain that are not part of the group, whose aforementioned membership has been communicated to the company:

Name of the director (person or company)	Name of listed company	Position
Ms. Cristina Garmendia Mendizábal	Corporación Financiera Alba	Director
Ms. Cristina Garmendia Mendizábal	Mediaset España Comunicación, S.A.	Director
Ms. Cristina Garmendia Mendizábal	Expedeon AG (former Sygnis AG)	Chairwoman
Mr. Alain Minc	CAIXABANK	Director

C.1.13 State and, if applicable, explain whether the Board of Directors' Regulation has established rules regarding the number of boards on which its directors may sit:

Yes No

Explanation of the Rules
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.

C.1.14 Section repealed

C.1.15 State the overall remuneration for the Board of Directors:

Remuneration of the Board of Directors (thousand euros)	5,092
Amount of overall remuneration corresponding to the rights accumulated by current Directors with respect to pensions (thousand euros)	2,760
Amount of overall remuneration corresponding to the rights accumulated by former Directors with respect to pensions (thousand euros)	0

C.1.16 Identify the senior managers who are not also Directors and indicate the total remuneration accrued in their favour during the fiscal year:

Name (person or company)	Position
Mr. Pascal Ageron	General Manager - Tobacco, Telecoms & Strator France
Mr. Jan Babst	Corporate Director Of Information Services
Mr. Laurent Bendavid	President General Manager – Logista France
Mr. Antonio García Villanueva	Corporate Resources Director
Mr. Miguel Gómez Prado	CEO - Logista Pharma
Mr. Juan José Guajardo-Fajardo Villada	Corporate Human Resources Director
Ms. Gloria Martín Gimeno	Investors Relations And Strategic Analysis Corporate Director
Mr. Francisco Pastrana Pérez	General Manager - Tobacco and Convenience Iberia
Mr. Pablo Rebollo Pericot	General Manager Nacex and Integra2
Mr. Manuel Suarez Noriega	Corporate Finance Director
Ms. Laura Templado Martín	Corporate Internal Audit Director

Total remuneration senior managers (thousand euros)

5,463

C.1.17 Identify, if appropriate, the members of the Board who also sit on the Board of Directors of companies of significant shareholders and/or in entities of their group:

Name of the director (person or company)	Name (person or company) of the significant shareholder	Position
Mr. John Matthew Downing	Attendfriend Limited	Director
	British Tobacco Company Limited	Director
	Hypofill Limited	Director
	Imperial Brands Enterprise Finance Limited	Director
	Imperial Brands Finance PLC	Company Secretary
	Imperial Brands PLC	Company Secretary
	Imperial Tobacco Altadis Limited	Director
	Imperial Tobacco Capital Assets (1)	Director
	Imperial Tobacco Capital Assets (2)	Director
	Imperial Tobacco Capital Assets (3)	Director

Mr. John Matthew Downing

Imperial Tobacco Capital Assets (4)	Director
Imperial Tobacco Group Limited	Director
Imperial Tobacco Holdings (1) Limited	Director
Imperial Tobacco Holdings (2007) Limited	Director
Imperial Tobacco Holdings Limited	Director
Imperial Tobacco Initiatives	Director
Imperial Tobacco Ireland Unlimited Company	Director
Imperial Tobacco Lacroix Limited	Director
Imperial Tobacco Limited	Director
Imperial Tobacco Management (1) Limited	Director
Imperial Tobacco Management (2) Limited	Director
Imperial Tobacco Overseas (Polska) Limited	Director
Imperial Tobacco Overseas Holdings (1) Limited	Director
Imperial Tobacco Overseas Holdings (2) Limited	Director
Imperial Tobacco Overseas Holdings (3) Limited	Director
Imperial Tobacco Overseas Holdings Limited	Director
Imperial Tobacco Overseas Limited	Director
Imperial Tobacco Ventures Limited	Director
ITG Brands Limited	Director
Joseph & Henry Wilson Limited	Director
Nerudia (Ireland) Limited	Director
Nerudia Compliance Limited	Director
Nerudia Consulting Limited	Director
Nerudia Limited	Director
Nerudia Trading Limited	Director
Newglade International Unlimited Company	Director
Park Lane Tobacco Company Limited	Director

	Rizla UK Limited	Director
	Sensus Investments Limited	Director
	Sinclair Collis Limited	Company Secretary
Mr. Richard Guy Hathaway	Imperial Brands Ventures Limited	Director
	Reemtsma Kyrgyzstan Ojsc	Chairman
Mr. Richard Charles Hill	Fontem Holdings 1 B.V.	Director
	Fontem Holdings 2 B.V.	Director
	Fontem Holdings 3 B.V.	Director
	Fontem Holdings 4 B.V.	Director
	Fontem Holdings B.V.	Director
	Fontem Ventures B.V.	Director
Mr. Amal Pramanik	Imperial Brands Ventures Limited	Director

Detail, if appropriate, the relevant affiliations other than those considered in the above paragraph that link Board members to significant shareholders and/or companies in their group:

Name (person or company) of the related Board member	Name (person or company) of the related significant shareholder	Description of the relationship
Mr. John Matthew Downing	Imperial Brands PLC	Group Company Secretary
Mr. Richard Guy Hathaway	Imperial Brands PLC	Director of Finance Strategic Initiatives
Mr. Richard Charles Hill	Imperial Brands PLC	Group Commercial Director, E-Vapour
Mr. Amal Pramanik	Imperial Brands PLC	Group Strategy Director

C.1.18 State whether the Regulations of the Board of Directors have been amended during the fiscal year:

Yes No

On December 19, 2017, articles 15, 17 and 45 were amended, in order to adapt them to those of the Technical Guide on Audit Committees of public-interest entities.

C.1.19 Indicate the procedures for the selection, appointment, re-election, assessment and removal of directors. Give details of the authorised bodies, the procedures to follow and the criteria to be used in each of the procedures:

Directors' Appointments

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

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

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

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

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

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

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

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

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

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

Eligibility. Incompatibilities.

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

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

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

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

Re-election of Directors

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

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

Term of office

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

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

Board Assessment

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

Debates and Voting

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

C.1.20 Explain to what degree the annual evaluation of the Board has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of the changes

On September 26th, 2017, the Company's Board of Directors approved an Action Plan for the Improvement of its functioning and that of its Audit and Control and Appointments and Remuneration Committees, as well as for the performance of the Chairman, the CEO and the Secretary of the Board. As a consequence of such Plan:

1. The Board has strengthened its attention to long-term and strategic matters.
2. The Appointments and Remuneration Committee has proposed to the Board for its approval the Policy on the Selection of Directors, that was finally adopted on December 19, 2017.
3. The Audit and Control Committee has paid special attention to the supervision of Technological Disruption Risks, and their impact in the Company's medium term.
4. The CEO, together with the Appointments and Remuneration Committee, have proposed to the Board for its approval a Succession Plan for the Group Key Directors; approval that was adopted on June 26, 2018.
5. The information sent to Board members prior to the meeting is sent earlier. .
6. The Board's intervention in, and debating of, matters related to the Group's risks have been strengthened.

C.1.20 bis Describe the assessment process and the assessed areas conducted by the Board of Directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the Board of Directors and Chief Executive of the company, and the performance and contribution of each board member.

The Board of Directors of October 30th, 2018 has evaluated, in relation to fiscal year 2017-2018, the following:

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

This self-assessment was carried out, on the proposal of the Appointments and Remuneration Committee, at its session of September 25, 2018, and includes a Plan for Improvements of the functioning of the Board and its Committees.

C.1.20 ter Break down, where appropriate, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances under which directors must resign:

In accordance with the provisions of Article 26 of the Board Regulations, Directors shall leave their posts when the term for which they were appointed ends and when is so decided at the General Meeting of Shareholders, or when the Board of Directors requests it according to circumstances detailed below, in the use of the attributes accorded them by Law or by the By-Laws.

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

- a) When they are removed from the executive posts to which their appointment as Directors was associated;

- b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;
- c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;
- d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage to the Company's good name.
- e) When, having been appointed on the proposal of a significant shareholder, the latter notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.

C.1.22 Section repealed

C.1.23 Are enhanced majorities, other than the legal majorities, required for any type of decision?

Yes No

Where applicable, explain the differences.

Description of the 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.1.24 Explain whether there are any specific requirements other than those relating to the Directors, in order to be appointed Chairman of the Board of Directors:

Yes No

C.1.25 Indicate if the chairman has a casting vote:

Yes No

C.1.26 Indicate if the Articles of Association or the Board of Directors' regulations establish any age limits for the directors:

Yes No

C.1.27 Indicate if the Articles of Association or the Board's Regulations establish a limited term of office for independent Directors, other than those established by law:

Yes No

C.1.28. State whether the Articles of Association or the Board of Directors' Regulations establish specific rules for proxy voting in the Board of Directors, the way this must be done and, namely, the maximum number of proxies a director may hold and whether it has established any limit regarding the classes that may be delegated beyond the limits stipulated by legislation. If so, briefly describe such 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.1.29. State the number of meetings that the Board of Directors has held during the financial year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present. Proxies granted with specific instructions shall be counted as attendance.

Number of Board meetings	11
Number of Board meetings without the presence of the Chairman	0

If the Chairman is an executive director, state the number of meetings held without an executive director being present or represented and chaired by the Lead Independent Director

Number of Board meetings	0
--------------------------	---

State the number of meetings held over the financial year by the different Committees of the Board:

Committee	Number of meetings
Audit and Control Committee	8
Appointments and Remuneration Committee	9

C.1.30 Indicate the number of meetings held by the Board of Directors during the fiscal year attended by all its members. In calculating this number, proxies granted with specific instructions will be counted as attendances:

Number of meetings attended by all Directors	11
% of attendance over the total votes during the present year	100.00%

C.1.31 Indicate if the individual and consolidated annual accounts that are presented for approval to the board are previously certified:

Yes No

Identify, if pertinent, the person or persons certifying the individual and consolidated annual accounts of the company for their formulation by the Board:

N/A

C.1.32. Explain, where appropriate, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts being presented to the Annual General Meeting with qualifications in the auditors' report.

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.

C.1.33. Is the Secretary of the Board of Directors a director?

Yes No

C.1.34 Section repealed.

C.1.35. State, where appropriate, the mechanisms established by the Company to preserve the independence of the auditor, the financial analysts, investment banks and credit rating agencies.

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 auditing.

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

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

thereto, pursuant to the Laws on auditing accounts. The Committee shall ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

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

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

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

C.1.36 Indicate whether during the fiscal year the Company has changed its external auditors. Identify, where appropriate, the external auditor and the outgoing one:

Yes No

In the case of disagreements with the outgoing auditor, explain what they were about:

Yes No

C.1.37 Indicate if the audit firm carries out work for the company and/or its group other than that of auditing and, in such case, declare the amount of the fees received for said work and the percentage that it represents of the fees charged to the company and/or its group:

Yes No

	Company	Group	Total
Amount of work other than auditing (thousand euros)	57	382	439
Amount of work other than that of auditing / total amount charged by the audit firm (in %)	72%	19%	25%

C.1.38 State whether the audit report on the Annual Accounts for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications:

Yes No

C.1.39 Indicate the number of consecutive fiscal years that the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate the percentage that represents the number of years audited by the current audit firm over the number of years in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	5	19
Number of years audited by the present audit firm / Number of years that the company has been audited (%)	100.00%	100.00%

C.1.40 Indicate and where appropriate give details whether there is any procedure for directors to get external advice:

Yes No

Details of the procedure

In order to be assisted in performing their duties, External Directors may request that the Company hires the services of legal advisors, accountants, financial experts or others.

This commission must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of their duties.

The decision to hire such experts must be reported to the Company's Chairman and may be rejected by the Board of Directors if there is evidence of the following:

- a) it is not necessary for the correct performance of the duties commissioned to the External Directors;
- b) its cost is not reasonable in relation to the significance of the problem and the Company's assets and revenues,
- c) the technical assistance which is sought may be adequately provided by the Company's own experts and technical professionals; or
- d) there is a risk for preserving the confidentiality of the information that must be given to the expert. (Article 29 of the Board Regulations).

Also, in accordance with the provisions of articles 17.7 and 18.6 of the Board Regulations, the Audit and Control Committee and the Appointments and Remuneration Committee may obtain external professional advice.

C.1.41 Indicate and, where appropriate, give details if there is a procedure to enable the directors to have the necessary information to prepare the meetings of the administrative bodies in a timely manner:

Yes No

Details of the procedure

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

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

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

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

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

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

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

C.1.42 Indicate and, where applicable give details, whether the Company has established any rules requiring Directors to inform –and, if applicable, resign– under circumstances that may undermine the credit and reputation of the Company:

Yes No

Explain the rules

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

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

C.1.43 State whether any member of the Board of Directors has informed the Company that he has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for any offences covered in Section 213 of the Act on Capital Companies:

Yes No

C.1.44 Detail significant agreements reached by the company that come into force, are amended or terminated in the event of a change in control of the company stemming from a public takeover bid, and its effects.

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

C.1.45 Identify in aggregate terms and indicate in detail any agreement between the company and its directors, manager or employees which include any indemnity, severance or golden parachute clauses, for cases of resignation or wrongful dismissal or if the contractual relationship comes to an end as a result of a public takeover bid or other kinds of transactions.

Number of beneficiaries: 11

Type of beneficiaries:

Certain senior managers

Description of the resolution:

- Compensation in the case of wrongful dismissal (11 agreements). The compensation to pay, depending on the case, will be of 3 months' salary, or of 1 or 2 years of fix and variable salary, unless the legal compensation is higher.
- Compensation for post-contractual non-compete clause (9 agreements): 6 or 12 months of fix and variable salary.
- Compensation in case of change of control (4 agreements): minimum of 24 months of fix and variable salary.

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

Indicate whether these contracts have to be notified and/or approved by the company's bodies or those of its group:

	Board of Directors	Shareholders General Meeting
Decision-making body approving the provisions	Yes	No

Is information about these clauses provided to the General Meeting of Shareholders?	Yes	No
	—	X

C.2 Committees of the Board of Directors

C.2.1 Give details of all the committees of the Board of Directors, their members and the proportion of proprietary and independent directors in such committees:

AUDIT AND CONTROL COMMITTEE

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

% of proprietary directors	25.00%
% of independent directors	75.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

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

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

Main activities of the Audit and Control Committee during financial year 2016-2017:

- 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.
- Supervision of the Degree of Compliance with the Model for the Prevention of Risks from Crime
- Approval and quarterly and annual monitoring of the Internal Audit Plan 2017-20187.
- Proposal to the Board for the amendment of the Board of Directors Regulations, and the approval of the Audit and Committee Rules, following the recommendations of the Technical Guide on Audit Committees of public interest entities.
- Proposal to the Board of Directors for the approval of the Logista Group’s General Policy on Information Security.
- Proposal to the Board of Directors for the approval of the Logista Group’s Data Protection Policy, in application of the Regulation (EU) 2016/679.
- Update of the Risk Map of the Group.
- Report to the Board of the extension, until 2024, of the “Intra-Group Loan Facility Agreement” with Imperial Brands.
- Monitoring of the internal control activities of the Group.
- Annual Report on the Corporate Social Responsibility.
- Corporate Governance Annual Report for the fiscal year 2016-2017.
- Report on the Auditor independence.
- Report on the functions and activities of the Committee during fiscal year 2016-2017.
- Self-assessment of its functions and composition.

Identify the Director sitting on the Audit Committee who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the number of years the Chair has been in office.

Name of the Director with experience	Mr. Richard Guy Hathaway
Number of years of the Chairman in such position	4

APPOINTMENTS AND REMUNERATION COMMITTEE

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

% of proprietary directors	25.00%
% of independent directors	75.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

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

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

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

Main activities of the Appointments and Remuneration Committee during financial year 2017-2018:

- Submission to the Board of the Annual Report on Directors' Remuneration 2016-2017.
- Evaluation of the degree of achievement of the Group's Business Objectives 2016-2017 (Bonus) and Proposal of Setting of the Group's Business Objectives 2017-2018.
- Evaluation of the Short-Term Variable Remuneration of the Executive Directors (2016-2017).

- Setting of the Fixed Remuneration of Executive Directors for 2018.
- Report- Proposal of approval of the Regulations of the General and Special Plans 2017, to be applied in three Consolidation Periods, of three years each, starting the first of them on October 1st, 2017.
- Proposal to the Board of Directors for the approval of the Policy on the Selection of Board Members.
- Reports on the cessation and appointment of Senior Managers.
- Report on the ratification by the General Shareholders' Meeting of the appointment by co-option of Mr. Richard Charles Hill.
- Proposal to the Board of Directors and to the General Shareholders' Meeting of the re-election of the independent Directors Mr. Gregorio Marañón y Bertrán de Lis, Mrs. Cristina Garmendia Mendizábal, Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro.
- Report on the re-election of the proprietary Directors Mr. John Matthew Downing and Mr. David Ian Resnekov.
- Report on the re-election of the executive Directors Mr. Luis Egido Gálvez and Mr. Rafael de Juan López.
- Report on the re-election and faculties delegation of the CEO Mr. Luis Egido Gálvez.
- Proposal of the appointment by co-option of the independent Director Mr. Alain Minc.
- Report on the appointment by co-option of the proprietary Director Mr. Amal Pramanik.
- Proposal on the appointment by co-option of the independent Director Mr. Jaime Carvajal Hoyos.
- Proposal to the Board of Directors of the Policy on the Directors Remuneration for 2019-2020, to be submitted to the General Shareholders Meeting.
- Proposal to the Board of settlement of the First Consolidation Period of the Company 2014 Plan (General Plan and Special Plan).
- Proposal of Beneficiaries and Number of Shares to be granted, in the General and Special Plans for Performance Shares 2017 of the Company/First Consolidation Period (2017-2020).
- Report and Proposal to the Board on the Group's Talent Management Plan/Group's Succession Plan for Top-Level Directors.
- Self-assessment of its composition and functions, and proposal to the Board of improvement actions.
- Proposal to the Board of self-assessment of the Board performance, as well as that of its President, CEO and Secretary Director.
- Report on the functions and activities of the Appointments and Remuneration Committee 2016-2017.

C.2.2 Complete the following table with information on the number of female directors sitting on Board Committees over the last four years:

	Number of female Directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
Audit and Control Committee	1	25.00%	1	25.00%	1	25.00%	0	0.00%
Appointments and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed

C.2.5. State, where appropriate, the existence of rules for the Board's Committees, the place where they are available for consultation and any modifications introduced during the year. In turn, please State if an annual report has voluntarily been prepared on the activities of each Committee.

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

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

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

C.2.6. Section repealed

D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure, if any, to approve related- party and intra-group transactions:

Procedure to approve related-party transactions.

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

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

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

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

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

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

Also, the Framework Agreement dated 12 June 2014, signed between the Company and Imperial Brands (formerly named Imperial Tobacco Group) establishes that all Related-Party Transactions and, in general, any transaction that may pose a conflict of interest affecting the Group and the IB Group should be arranged under market conditions that, according to the circumstances, would have been reasonably

stipulated by two independent operators and in accordance with the principle of equal treatment of shareholders and the principle of neutrality established in that same Framework Agreement.

D.2 Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the significant shareholders of the Company:

Name of the significant shareholder (person or company)	Name of the company or entity of its group (person or company)	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	352,620
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Services performance	6,459
Imperial Brands PLC	Compañía de Distribución Integral Logista, S.A.U.	Contractual	Collected interests	5,528
Imperial Brands Finance Limited	Compañía de Distribución Integral Logista, S.A.U.	Contractual	Collected interests	8,136

D.3 Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the directors or officers of the Company:

N/A

D.4 Give details of the significant transactions carried out with other companies belonging to the same group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the company as regards its object and conditions.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens:

N/A

D.5 State the amount of the transactions carried out with other related parties.

528,437 (thousand euros).

D.6 Give details of the mechanisms established to detect, determine and resolve any potential conflicts of interest between the Company and/or its group and its directors, officers or significant shareholders.

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

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

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

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

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

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

D.7 Is more than one company of the Group listed in Spain?

Yes No

Identify the subsidiaries listed in Spain:

N/A

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Detail the scope of the company's Risk Management System, including risks of a tax-related nature.

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

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

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

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

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

On the other hand, the Group's Internal Control General Policy of April 25th, 2017, establishes a general action framework for controlling and management of internal and external risks of any nature, which may affect the Logista Group, in accordance with the risk map in place at all times in the achievement of its

objectives (Corporate Governance risks, market risks, financial risks, regulatory risks, business risks, operational risks, penal risks and reputational risks, among others).

E.2 Identify the bodies responsible for preparing and implementing the Risk Management System, including tax-related risks.

The Board of Directors

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

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

The Audit and Control Committee

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

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

The Internal Control Committee

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

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

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

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

The Corporate Internal Audit Directorate

The Corporate Internal Audit Directorate has the responsibility of:

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

Process Owner:

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

Internal Control Coordinators:

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

Control Owner:

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

E.3 Indicate the main risks, including tax-related risks, which may prevent the company from achieving its targets.

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

Environment Risks:

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

Business Risks

- Liberalization in the main markets where the Group operates as tobacco products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.

- The growth strategy of the Group relies, among others, on other business activities different from tobacco. As long as the Group won't be able to achieve a sustainable increase of that business, the Group results would be affected.

Operational risks:

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

Regulatory Compliance Risks:

- The Logista Group Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- European Directive 2014/40/UE (3 April 2014) established tighter rules for tobacco products, related among others, to labelling, ingredients, track and trace and cross-border trade, that could affect the tobacco volume sold. The Directive has already been incorporated by all member States where the Group operates.
- Penal risk (commission of crimes within the company and/or in the benefit of the Group) or Risks associated to litigation in which the Group is currently part, either as plaintiff or defendant.

Financial Risks/ Tax Risks:

- Changes in the group's payment cycles could oblige it to seek external sources of finance to fulfil its obligations: As with any other wholesale business, the payment cycles for products acquired from manufacturers and the collection cycles of the points of sale do not coincide. For this reason alone, the Logista Group's payment to the tax authorities is made in a cycle which is different from that of the manufacturers and the points of sale.
- Furthermore, possible changes in the fiscal regulations could impact directly on the Group's results and cash management (excise duties, Corporation Tax, income tax, etc.).
- Risk of impairment of fair value of assets, in relation with goodwill high carrying value.
- Commercial credit risk derived from the usual business operations with customers.

E.4 Identify if the company has a risk tolerance level, including tax-related risks.

Group risk management methodology considers different risk tolerances when rating gross risks, both with quantitative and qualitative criteria, and assessing the risk impact which allocate each risk in the general scheme of risk appetite.

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

These criteria, together with ratings over likelihood rating and evaluation of risks tolerance for each risks identified, are added to the tools used for risk management (risk register and risk map), in order to

report and monitor and adequate follow-up of key risks by the corresponding bodies.

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

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

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

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

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

E.5 Identify any risks, including tax-related risks, which have occurred during the year.

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.

Liabilities for the resolution of fiscal litigation processes, ruled against the Group, not affecting significantly the Group's financial results, as they were properly provisioned.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax-related risks.

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

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

Environment Risks

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

Business Risks

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

Operational risks

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

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

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

Regulatory Compliance risks

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

Financial/Tax risks

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

F INTERNAL SYSTEMS FOR THE CONTROL AND MANAGEMENT OF RISKS RELATED TO THE PROCESS OF FINANCIAL REPORTING (ICOFR)

Describe the mechanisms which constitute the systems for the control and management of risks related to the process of financial reporting (ICOFR) in your entity.

F.1 The entity's control environment

Report on the following as a minimum, indicating their main characteristics:

F.1.1 The bodies and/or departments responsible for (i) the existence and maintenance of adequate and effective ICOFR; (ii) the implementation of those ICOFR and (iii) the supervision of those ICOFR.

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

Article 5 of the Rules of the Board of Directors of 26th January, 2016, modified at December 19th 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 Logista Group 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 (ICOFR).
- Supervising compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting on the proposals for modification of accounting principles and criteria suggested by Management, and of the risks on and off the balance sheet.
- Ensuring that the Board of Directors arranges to submit the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in the unlikely event of there being qualifications, that both the Chairperson of the Audit and Control Committee and the auditors clearly explain to the shareholders the nature and extent of those limitations or qualifications.

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

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

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

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

In accordance with the Internal Control General Policy of Logista Group, it is assigned to the Internal Control Committee of the Logista Group, which President is the Finance Corporate Director, the mission to drive forward and monitor the Internal Control System (in which ICOFR 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 ICOFR.

The Finance Corporate Directorate is the body responsible for defining the systems of internal control over financial information. 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, among the functions defined in the rules of Internal Auditing, the Management of the Internal Audit Department has that of providing the Logista Group, and in particular its Senior Management, its Board of Directors and its Audit and Control Committee, with a reasonable degree of assurance in relation to the following points:

- That the significant risks of the Logista Group are identified and managed effectively and efficiently, and that proposals are made to the competent bodies of any strengthening measures that are considered necessary in any of the component parts of the Logista Group Internal Control System (Control Environment, Risk Evaluation, Control Activities, Information and Communication, and Supervision);
- That in particular, there is adequate supervision of the system for the internal control of financial reporting (ICOFR).

F.1.2. If the following elements exist, especially in connection with the process of preparing financial information:

- **Departments and/or mechanisms entrusted with: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and roles; and (iii) ensuring that the procedures for disseminating this information throughout the entity are sufficient.**

According to Article 6.2 of its Rules, the general purpose of the Board of Directors of the Logista Group is to determine and supervise the Logista Group 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 Group 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 which, 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.

Among the roles of the Senior Management are the design and review of the organisational structure of the different units of corporate business, 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.

- **The code of conduct, the approving body, the degree of dissemination and instruction, the principles and values included (with an indication of whether there are specific references to the record of operations and the preparation of financial information), the body responsible for analysing breaches and proposing corrective actions and sanctions.**

The Logista Group has 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.

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.

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.

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

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

- Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, the Regulations and the Logista Group’s governance rules, as well as putting forward proposals for its improvement.
 - **The complaints channel, which enables notifications of financial and accounting irregularities, of any possible breaches of the Code of Conduct, or of any irregular activities in the organisation to be made to Audit Committee, together with, if appropriate, information about their 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.

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.

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.

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.

- Programmes for the training and regular updating of staff involved in the preparation and reviewing of financial information, and in the evaluation of the ICOFR, covering at least the following: accounting principles, auditing, internal control and management of risks.

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: internal audit of prevention systems in money laundering, Certified Internal audit, advanced accounting, practical accounting, corporate defence, dashboards and reporting, program on certification in internal control (COSO), quick sense for finance and accounting and workshop of the IT audit universe.

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: tax and

accounting innovations, practical application of the robotics to the activities of the control of risks and compliance, national meeting on risks management.

Furthermore, on-line specific training to all employees about Crime Prevention Risks has been given.

F.2 Evaluation of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the process of identifying risks, including those of error or fraud, in relation to:

- **Whether the process exists and has been 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 of external or internal risks of whatever kind, which could affect the Group.

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

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

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

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

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

- **Whether the process covers all of the objectives of the financial assertions (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and if so, how often.**

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 ICOFR Scope Matrix, which determine relevant process for ICOFR 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 ICOFR. This analysis is documented at the ICOFR risks and control matrix.

The Corporate Financial Directorate developed in 2016 an instruction for "ICOFR 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 of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental 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.

- Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

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

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

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

- **The Entity's Governing Body which 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 risk control and management unit, which will have, among other duties, that of ensuring that the risk control and management systems are functioning correctly, and in particular, that the major risks to which the Company is exposed are correctly identified, managed and quantified; that of actively participating in the preparation of risk strategies and in key decisions about their management; and that of ensuring that the risk control and management systems are mitigating risks effectively within the framework of the policy established by the Board of Directors.

The mentioned control and risk management unit is represented by the Logista Group Internal Control Committee, which has the functions stated in the preceding section E.2.

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

F.3 Control activities

Indicate whether the entity has at least the following, and if so, indicate their main characteristics:

F.3.1. Procedures for the review and authorisation of the financial reporting and the description of the ICOFR, for publication in the securities markets, identifying their managers, and documents describing the flows of activities and controls (including those related to the risk of fraud) of the different types of transaction which can materially affect the financial statements, including the procedure for accounts closure and the specific review of the relevant opinions, estimates, valuations and projections.

The regulated financial information to be sent to the markets complies with the provisions of Royal Decree 1362/2007 of 19th October, and Circular 1/2008 of 30th January of the CNMV (*Comisión Nacional del Mercado de Valores*: National Securities Market Commission).

The Logista Group has an "Accounting Policy Manual, which defines a series of manual and automatic checks that are used to verify financial information, prevent fraud, 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.

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

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.

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 ICOFR risk and control matrix, narratives and flowcharts, in accordance with the recommendations made by the CNMV.

The aforementioned risk and control matrix, narratives and flowcharts contain information about, among other matters, the activity of control, the risk which has to be reduced, how often it has to be carried out and by whom, and the definition of critical control and fraud control.

F.3.2. Policies and procedures for the internal control of information systems (including security of access, management of changes, and implementation of the same, operational continuity and segregation of functions) which support the entity's processes connected with the preparation and publication of financial information.

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

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

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

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

The General Policy on Internal Control establishes the guidelines and directives relating to the management of the risks associated with the management and use of information systems and, specifically, 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. Policies and procedures of internal control designed to supervise the management of activities subcontracted to third parties, and of those aspects of evaluation, calculation or valuation entrusted to independent experts, and which can materially affect the 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

Indicate whether the entity has at least the following, and if it has, indicate their main characteristics:

F.4.1. A specific function to define the accounting policies and to keep them up-to-date (an area or department of accounting policies) and to resolve doubts or conflicts arising from their interpretation, while maintaining fluid communication with those responsible for the operations in the organisation, and a manual of accounting policies which is updated and communicated to the units through which the entity 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, the purpose of which is to establish and describe 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.

F.4.2. Mechanisms for collecting and preparing financial information in homogenous formats, for application and use by all the units in the entity or the Group, and which support the principal financial statements and the notes, and the information given about the ICOFR.

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, and annually updated.

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 the functioning of the system

Report on at least the following, indicating their main characteristics:

F.5.1. The supervisory activities of the ICOFR carried out by the Auditing Committee, and whether the entity has an internal auditing function which has among its responsibilities that of supporting the Committee in its work of supervising the system of internal control, including the ICOFR. Also report on the scope of the evaluation of the ICOFR that was carried out during the financial year, and on the procedure by which the person responsible for carrying out the evaluation communicates its results, on whether the entity has a plan of action which details any necessary corrective measures, and on whether its impact on the financial reporting has been considered.

Through the Internal Audit Corporate Directorate, the Audit and Control Committee has carried out the following supervision activities during the fiscal year:

- Approval of the audit activities related to ICOFR to be executed according to Annual Internal Audit Plan for 2018.
- Quarterly monitoring of the results of the ICOFR reviews performed by the Internal Audit Corporate Directorate, as well as the progress on the action plan implementation resulted during the audit reports.

- Review of the information about the ICOFR 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.

In its Internal Audit Policy, approved by the Board of Directors through its Audit and Control Committee on 2015, 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;
- In particular, to ensure that there is adequate supervision of the System of Internal control of Financial Reporting (ICOFR).

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 Charter:

- 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, and the activities of verification, inspection and review described in the Internal Auditing Plan;
- 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 Internal Audit Plan, approved by the Audit and Control Committee, activities related to ICOFR supervision have been carried out. More specifically, a three years Plan 2015-2018 was done; in which all relevant processes of ICOFR purposes have been considered. Current fiscal year processes under review include most of Sales Management processes of those businesses with significant impact on financial statements, and also corporate processes of Tax, Human Resources and non-inventory purchases.

As part of ICOFR evaluation process, which conclusions are included in audit reports for each business and process audited, it is verified the operative efficiency of the controls described at the existing ICOFR 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 relevant impact on financial statements in those processes audited, although it has been communicated to the Audit and Control Committee those adjustments or reclassifications, not significant, raised as a result of the audit reviews.

F.5.2. Whether the entity has a discussion procedure by which the accounts auditor (in accordance with what is established in the NTA), the function of internal auditing and other experts can inform the senior management or the entity's administrators of the significant weaknesses in internal control that were identified during the annual review of the accounts or during any other processes that were entrusted to them. And also, whether the entity has a plan of action aimed at correcting the weaknesses observed or mitigating their effect.

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 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 weaknesses in internal control, 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 Chair 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 External Auditors and the Corporate Director of Internal Audit, hold private meetings with the Chair of the Audit and Control Committee, to discuss the scope of the work, its conclusions, the information to present in the Audit Committee, as well as any other information deemed appropriate.

F.6 Other relevant information

N/A

F.7 The External Auditor's report

Report on:

F.7.1. Whether the information about the ICOFR that has been sent to the markets was subject to review by the external auditor, in which case the entity should include the corresponding report as an annex. If it was not reviewed, the entity should explain the reasons for this.

The Logista Group has submitted for review by the external auditors the information about the ICOFR that was sent to the markets for fiscal year 2018.

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 (ICOFR) in quoted entities', which is attached as an annex, was published.

G DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED

State the degree of conformance of the Company to the Recommendations of the Good Governance Code of listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

Complies Explain

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

a) Their respective areas of activity and any business dealings between them as well as between the controlled listed company and other companies belonging to the Group;

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

Complies Complies in part Explain Not applicable

3. During the annual general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following the Good Governance Code recommendations and any alternative procedures followed instead:

Complies Complies in part Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies Complies in part Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies Complies in part Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) **Report on auditor independence.**
- b) **Reviews of the operation of the audit committee and the appointment and remuneration committee.**
- c) **Audit committee report on third-party transactions.**
- d) **Report on corporate social responsibility policy.**

Complies Complies in part Explain

7. The company should broadcast its general meetings live on the corporate website.

Complies Explain

The Board of Directors has not considered it necessary so far, due to the current floating capital (37%).

8. The audit committee should strive to ensure 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 committee and the auditors should give a clear account to shareholders of their scope and content:

Complies Complies in part Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies Complies in part Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) **Immediately circulate the supplementary items and new proposals.**
- b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**
- c) **Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**
- d) **After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Complies Complies in part Explain Not applicable

11. Where a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies Complies in part Explain Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the environment.

Complies Complies in part Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies Explain

14. The board of directors should approve a director selection policy that:

- a) Is specific and ascertainable.
- b) Ensures that the appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies Complies in part Explain

15. Proprietary and independent directors should constitute an ample majority in the Board of Directors and the number of executive Directors is the minimum necessary number, bearing in mind the complexity of the corporate Group and the percentage interest held by the executive Directors in the company's share capital.

Complies Complies in part Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or or concertedly controlling over 30 percent of capital, independent Directors should occupy, at least, a third of Board places.

Complies Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.**
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) Dates of their first appointment as a board member and subsequent re-elections.**
- e) Shares held in the company, and any options on the same.**

Complies Complies in part Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies Complies in part Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies Complies in part Explain Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Complies Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies Complies in part Explain

23. **Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies Complies in part Explain Not applicable

24. **Directors who give up their office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Complies Complies in part Explain Not applicable

25. **The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complies Complies in part Explain

26. **The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complies Complies in part Explain

27. **Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Complies Complies in part Explain

28. **When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Complies Complies in part Explain Not applicable

29. **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Complies Complies in part Explain

30. **Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Complies Explain Not applicable

- 31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies Complies in part Explain

- 32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complies Complies in part Explain

- 33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Complies Complies in part Explain

- 34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vicechairmen, if any, give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Complies Complies in part Explain Not applicable

The Chairman of the Board does not perform management functions.

- 35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

Complies Explain

- 36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**
- a) The quality and efficiency of the board's operation.**
 - b) The performance and membership of its committees.**
 - c) The diversity of board membership and competences.**
 - d) The performance of the chairman of the board of directors and the company's chief executive.**
 - e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies Complies in part Explain

- 37 When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Complies Complies in part Explain Not applicable

- 38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Complies Complies in part Explain Not applicable

- 39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Complies Complies in part Explain

- 40. The Company should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Complies Complies in part Explain

- 41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.**

Complies Complies in part Explain Not applicable

- 42. The audit committee should have the following functions over and above those legally assigned:**

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit

service; propose the service's budget; approve its priorities and work programme, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any potentially significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements, if any, arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) 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.

Complies X Complies in part Explain

- 43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Complies X Complies in part Explain

- 44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Complies X Complies in part Explain Not applicable

- 45. Risk control and management policy should identify at least:**

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complies X Complies in part Explain

- 46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:**

- a) **Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**
- b) **Participate actively in the preparation of risk strategies and in key decisions about their management.**
- c) **Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

Complies Complies in part Explain

- 47. Appointees to the appointments and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.**

Complies Complies in part Explain

- 48. Large cap companies should operate separately constituted nomination and remuneration committees.**

Complies Explain Not applicable

- 49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.**

When there are vacancies on the board, any director may approach the appointment committee to propose candidates that it might consider suitable.

Complies Complies in part Explain

- 50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:**

- a) **Propose to the board the standard conditions for senior officer contracts.**
- b) **Monitor compliance with the remuneration policy set by the company.**
- c) **Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) **Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- e) **Verify the information on director and senior officers' remuneration contained in corporate documents, including the annual directors' remuneration report.**

Complies Complies in part Explain

- 51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Complies Complies in part Explain

- 52. The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations, including:**

- a) **Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**
- b) **They should be chaired by independent directors.**

- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies Complies in part Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups. g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies Complies in part Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies Complies in part Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies Complies in part Explain

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards on-going achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies Complies in part Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies Complies in part Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies Complies in part Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies Complies in part Explain Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies Complies in part Explain Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies Complies in part Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. If there is any other relevant aspect as regards corporate governance in the company or in group entities that has not been covered in this Report, but is necessary to include, to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. In this section, any other information, clarification or nuance may be included that is related to the previous sections of the report, to the extent that they are relevant and not reiterative.

In particular, state if the company is subject to different legislation than the Spanish legislation in corporate governance matters and, where appropriate, include the information that the company is obligated to provide which is different to that required in this report.

3. The company may also state if it has voluntarily signed up to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing.

Note to Section C.1.37

The amount of non-audit work exceeds 70 per cent in the Company since, as a Holding entity, it supports the verification services of the consolidated Group, such as the interim condensed consolidated financial statements for the period ended 31 March 2018 of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries, prepared according to IAS34 "Interim Financial Information", and the auditing of the Internal Control System of the Financial Information.

Note to Section C.1.39

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

In consequence, Deloitte, S.L. has been auditing the Company's accounts for 5 consecutive years, and the Group's accounts for 19, and PricewaterhouseCoopers Auditores, S.L. for 2 fiscal years, both Company's and Group's accounts.

The percentage that represents the number of years that the Company has been audited by Deloitte, S.L., over the number of years in which the annual accounts have been audited is 100%, and by PricewaterhouseCoopers Auditores, S.L. is 40%. For the Group's accounts, the percentages are 100% for Deloitte, S.L. and 10.5 % for PricewaterhouseCoopers Auditores, S.L.

Regarding item 3 of this section H, the Board of Directors, at its meeting of February 23rd, 2016, unanimously agreed the complete subscription of the Code of Best Tax Practices.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at its meeting of October 30th, 2018.

State whether any Directors voted against or abstained in connection with the approval of this Report.

Yes No