

**ANNUAL REPORT OF THE ACTIVITIES OF THE  
APPOINTMENTS AND REMUNERATION COMMITTEE**

**2017-2018**



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

**APPOINTMENTS AND REMUNERATION COMMITTEE**

**REPORT ON FUNCTIONS AND ACTIVITIES**

**FISCAL YEAR 2017-2018**

**1.- REGULATION**

The Company's Appointments and Remuneration Committee was constituted by the Company's Board of Directors in the meeting held on 4 June 2014, before the shares were approved for listing on Spain's Official Stock Exchanges.

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

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

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

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

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

- a) Assessing the skills, knowledge and experience required on the Board. To that effect, it will define the functions and skills required in the candidates who will fill each vacancy and will assess the time and dedication required to perform their tasks efficiently.
- b) Establishing a target representation for the sex which is the least represented on the Board of Directors and to create guidelines on how to achieve that target.

- c) Submitting to the Board of Directors the proposals for the appointment of independent Board Members for their co-opted nomination or submission to the decision of the General Meeting of Shareholders, together with the proposals for the re-election or removal of those Board Members by the Meeting.
- d) Reporting on the appointment, ratification, re-election or removal of non-independent Board Members, as well as the appointment and removal of the Chief Executive Officers and members of the Executive Committee and the permanent delegation of powers to them.
- e) Communicating the proposals for the appointment and removal of the Chairman, Vice-Chairman, Secretary and Vice-Secretary of the Board of Directors.
- f) Examining and organising, in such a way that it is easily understood, the succession of the Company's Chairman and chief executive and, where applicable, submitting proposals to the Board, so that the said succession takes place in an orderly and well-planned manner.
- g) Communicating the proposals for the appointment and removal of the senior executives proposed by the chief executive to the Board.
- h) Proposing to the Board of Directors, for approval by the General Meeting, the Remuneration Policy for Board Members as such, and that of the Board Members who carry out executive functions.
- i) Proposing the following to the Board for its approval:
  - i) The Annual Report on the Remuneration of Board Members, which the Board will submit to the General Meeting, for consultation purposes.
  - ii) The individual remuneration of Executive Directors and the other terms and conditions of their contracts.
  - iii) The Policy on the Remuneration of General Managers or those that carry out senior management functions, reporting directly to the Board of Directors, the executive Committee or the Chief Executive Officer, as well as the basic terms and conditions of their contracts.
- j) Ensuring compliance with the remuneration policy established by the Company.
- k) Ensuring that selection processes are not implicitly biased in such a way that the selection of female Board Members is prevented.
- l) Ensuring that conflicts of interest do not undermine the independence of any external advice provided to the Committee.

- m) Verifying the information about the remuneration of Board Members and members of Senior Management contained in the various corporate documents, including the Annual Report on Directors' Remuneration.
- n) Annually verifying compliance with the Policy on the Selection of Directors, and setting out its findings in the Annual Report on Corporate Governance.
- o) Drafting for the Board of Directors an Annual Report describing the activities of the Appointments and Remuneration Committee, on which the evaluation by the Board of Directors will be based. The Report will be published in the Company's website sufficiently well in advance of the Ordinary General Meeting.
- p) Any other competence or duty conferred by the Law, the Bylaws or the Board's Regulations.

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

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

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

## **2.- COMPOSITION**

At 30 September 2017, the Committee was composed as follows:

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

The following changes occurred in the composition of the Committee during the Fiscal Year:

- Mr. Stéphane Lissner, an independent Director and member of the Committee since 9 June 2014, resigned from his position on 24 April 2018, and was replaced as member of the Committee, on the same date, by Mr. Alain Minc, independent Director.
- Mr. Eduardo Zaplana Hernández-Soro, independent Director, and member of the Committee, resigned from his position on 29 May 2018, and was replaced as member of the Committee, on 25 September 2018, by Mr. Jaime Carvajal Hoyos, independent Director.

### **3.- ACTIVITIES**

During the 2017-2018 fiscal year, the Company's Appointments and Remuneration Committee held eight sessions:

#### **1<sup>st</sup> SESSION – 31 OCTOBER 2017**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. John Downing, Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro (Members) and Mr. Rafael de Juan López (Secretary, Non-Member).

The Appointments and Remuneration Committee discussed the following matters:

#### **- Proposal to the Board of Annual Report on the Remuneration of the Company's Directors 2016-2017**

The Board Secretary informed the Committee of the following:

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

- "1. The boards of directors of listed companies have to prepare, and publish annually, reports on the remuneration of their directors, including the remuneration which they receive or should receive in their capacity as such, and, if applicable, for their performance of executive functions.*
- 2. The annual report on directors' remuneration has to include complete, clear and understandable information about the policy on remuneration during the previous fiscal year, and also details of the remuneration earned under each heading by each director in the said year.*
- 3. The annual report on the directors' remuneration will be disseminated by the company as a relevant fact, simultaneously with the annual report on corporate governance.*

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

The Board Secretary explained to the Committee the basic content of the Annual Report on Directors' Remuneration for fiscal year 2016-2017, which had been prepared by the Company Secretariat, in collaboration with the Group's Corporate Human Resources Directorate.

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

The report is composed of four main sections:

- A. The Company's policy on remuneration for the current year.
- B. Section repealed ( by CNMV Circular letter 7/2015, of December 22<sup>nd</sup>)
- C. An overview of the way in which the policy on remuneration was applied during the previous fiscal year.
- D. Details of the remuneration earned by each director.

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

The Appointments and Remunerations Committee unanimously agreed:

- To report favourably on the Annual Report on the Remuneration of the Company's Directors in 2016-2017 and to propose its approval by the Board of Directors, who will, in turn, submit it to the next General Shareholders' Meeting for a consultative vote, and as a separate point in their Agenda.

**- Report on the Functions and Activities of the Appointments and Remuneration Committee during fiscal year 2016-2017**

The Committee analysed and unanimously agreed to approve the Report on the Functions and Activities of the Appointments and Remuneration Committee 2016-2017, which was presented to the Board, and was published in the corporate website, in due time, sufficiently in advance of the conclusion of the Ordinary General Shareholders' Meeting of the Company; all in accordance with the provisions of Article 18.2 of the Regulations of the Board of Directors.

**2<sup>nd</sup> SESSION – 28 NOVEMBER 2017**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. John Downing, Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary, Non-Member).

Also present was the Chief Executive Officer of the Company (Mr. Luis Egido Gálvez).

The Appointments and Remuneration Committee conducted the following activities:

**- System of Variable Remuneration. 2016-2017 Logista Group's Business Objectives: Evaluation of the Degree of Achievement. Setting of the Logista Group's Business Objectives for Fiscal Year 2017-2018**

The Corporate Director of Finances, Mr. Suárez, reported to the Committee on the degree of achievement of the Group's Business objectives and Total Return to the Shareholder (TRS), during fiscal year 2016-2017, fixed by the Board of Directors of 29 November 2016.

Taking into account the objectives set in Regulation 1/2011 of Variable Remuneration (the Group's EBIT and Working Capital), and the adjusted actual magnitudes of both objectives in fiscal year 2015-2016, the Corporate Director of Finances stated that the degree of achievement of the Group's Business objectives had been 100 per cent (97,5% Adjusted EBIT and 104% Working Capital).

The Appointments and Remuneration Committee unanimously acknowledged the information and agreed that this percentage of achievement should be applied to determine the variable remuneration for the 2016-2017 financial period.

The Director of Corporate Finances also explained to the Committee the Group's Business Objectives for fiscal year 2017-2018, which were based on the Group's Budget that had been approved by the Board of Directors on 26 September 2017. He also explained the table for measuring their achievement, that was unanimously acknowledged by the Committee, and proposed to the Board for its approval.

**- Individual Remuneration of Executive Directors**

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

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

### Short-term Variable Remuneration of the Executive Directors (Bonus) 2016-2017

With reference to the above, the Committee assessed:

- i) the degree of achievement of the Group's Business Objectives (EBIT and Working Capital), with regard to those estimated in the Group's Budget (Weighting of 60%, by Resolution of the Board of Directors of 20th December, 2016).
- ii) The Total Returns to the Shareholder (Weighting of 25%, by Resolution of the Board of Directors of 20th December, 2016).
- iii) The contribution and personal added value of each of the Executive Directors in obtaining the Group's overall results. (Weighting of 15%, by Resolution of the Board of Directors of 20th December, 2016).

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

Accordingly, the Appointments and Remuneration Committee unanimously agreed to propose to the Board of Directors the establishment of the 2016-2017 short-term Variable Remuneration (Bonus) for Executive Directors, with a degree of fulfilment of objectives of 100% for both the Chief Executive Officer and the Secretary Director.

### Fixed Remuneration for Executive Directors for 2018

In order to determine the 2017 Fixed Remuneration and the 2017 Short-term Variable Remuneration, the Committee assessed the personal contribution and value added by each Executive Director to the Group.

Accordingly, the Appointments and Remunerations Committee unanimously agreed to propose to the Board of Directors, for the 2018 fiscal year, a Fixed Remuneration of 675,086 euros for the Chief Executive Officer, and a Fixed Remuneration of 299,947 euros for the Board Secretary Director (an increase of 2.1% for both).

### The Executive Directors' Short-Term Variable Remuneration (Bonus) 2017-2018

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

- i) That the maximum Bonus in 2017-2018 should be 150% of the Fixed Remuneration in the case of the Chief Executive Officer, and 100% of the Fixed Remuneration in the case of the Board Secretary Director.
- ii) That the Objectives to be Achieved should be the Group's Business Objectives (in terms of EBIT and Working Capital) that were foreseen in its Annual Budget, approved by the

Board of Directors in its meeting of Sept 26, 2017, the Total Return for the Shareholders, and the personal contribution and value added by each of them to the achievement of the overall results, and to the total yield for the shareholders in the fiscal year.

iii) To maintain the weighting of the Objectives set by the Board of Directors on 20 December 2016 (60% Business Objectives, 25% Total Return to the Shareholders and 15% Personal Contribution)

iv) That the evaluation of the said Objectives should be carried out by the Appointments and Remuneration Committee, taking account of the metrics laid down in the regulations governing Variable Remuneration in the Company, for the results of the Logista Group, with regard to the Business Objectives, as well as the personal contribution and value added by each Executive Director in the achievement of the overall results of the Logista Group, and in the profitability for the Company's shareholders in the fiscal year, with regard to all the other Objectives to be Achieved, unanimously presenting a proposal to the Board of Directors in that regard.

### **- Report on, and Proposal for the Board's approval of, the Rules of the 2017 General and Special long-term Incentive Plans.**

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

#### Background

On 20th December, 2016, following a report and proposal from the Appointments and Remuneration Committee, the Board of Directors gave its initial approval of the 2017 General and Special Long-Term Incentive Plans (the "2017 General Plan" and the "2017 Special Plan"), and proposed that the General Shareholders' Meeting approve them.

The 2017 Plans continue the Company's policy on long-term remuneration. Their terms are of five years, and they are divided into three Consolidation Periods of three years each.

The General Shareholders' Meeting of 21st March, 2017:

- o Approved the implementation of the 2017 General and Special Plans, and
- o Empowered the Board of Directors to approve the rules for implementing and progressing both Plans.

#### Content of the Rules

Incorporated into the Rules for the 2017 General and Special Plans were the basic stipulations that had already been approved by the Board of Directors and by the General Meeting, and also the complementary aspects which were necessary for the implementation of both Plans, and

which were similar to those in the current Rules, which governed the previous General and Special Plans (those of 2014).

The Consolidation Objectives of both Plans – like those of the 2014 Plans – are set in relation to the Logista Group’s EBIT and Working Capital, determined for each three-year Consolidation Period, and also in relation to the Total Return to the Shareholder (TRS) and the Return compared with that of other companies used as references (the CRS), for each Consolidation Period.

The two most important innovations, which are incorporated into the Rules, and which were approved by the Board of Directors on 20th December, 2016, relate to:

- (i) the power of the Company’s Board of Directors to decide, at the beginning of each Consolidation Period, and depending on the Company’s free float, whether the settlement of the Number of Consolidated Shares should be effected in Company shares, in their cash equivalent, or in a combination of shares and cash, and
- (ii) the inclusion of “clawback” clauses and clauses relating to the holding of shares by the Group’s Executive Directors and Senior Managers, in line with European regulations and with the recommendations of the Code of Good Governance of the CNMV.

The Appointments and Remuneration Committee unanimously resolved to report in favour of the adoption of the following resolutions, and to propose it to the Board of Directors:

- i) To approve the Rules of the Logista Group’s 2017 Long-Term General Incentive Plan (the “2017 General Plan”), with the content shown in the Appendix to the minutes of the meeting.
- ii) To approve the Rules of the Logista Group’s 2017 Long-Term Special Incentive Plan (the “2017 Special Plan”), with the content shown in the Appendix to the minutes of the meeting.

**- Report on, and Proposal for the Board’s approval of, the Programme for the Re-Purchase of the Company’s Shares, in order to allocate them to the 2014 General and Special Share Plans (Third Consolidation Period – 1st October, 2016, to 30th September, 2019).**

The Secretary then reported to the Committee on the resolutions of the General Shareholders’ Meeting of 4th June, 2014, concerning the authorisations for the Board of Directors (Resolutions 10 and 11 of the GSM) to acquire the Company’s own shares, and to allocate all or some of the acquired shares, or earmark them for cession, to the Beneficiaries of the 2014 General and

Special Share Plans, consolidating their rights, in accordance with those Plans, to up to 2% of the share capital which existed at the time when both Plans were approved.

The Appointments and Remuneration Committee unanimously proposed that the Board adopt the following resolutions:

- i) To enlarge the Company's Programme for the Re-Purchase of its own Shares, by up to 169,044 shares, additional to the 391,432 shares currently owned, so that at the appropriate moment all or some of them can be ceded to the Beneficiaries of the First, Second and Third Consolidation Periods of the 2014 General and Special Share Plans, consolidating their rights to the cession, in accordance with the Rules of both Plans.
- ii) To empower LOGISTA's Corporate Director of Finances, Mr. Manuel Suárez Noriega, to make appropriate purchasing decisions, in implementation of the Re-Purchasing Programme, in accordance with the Internal Rules of Conduct in matters connected with the Company's Securities Markets, of 27th September, 2016, and to designate the member of the Market who will act as broker in the purchasing transactions.

### **3<sup>rd</sup> SESSION – 19 DECEMBER 2017**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. John Downing and Mr. Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan (Secretary, Non-Member). Mr. Lissner delegated Mr. Marañón to represent him.

Also present was the Chief Executive Officer of the Company (Mr. Luis Egidio Gálvez).

The Appointments and Remuneration Committee debated and agreed on the following subjects:

#### **- Weighting of the Executive Directors' Achievement Objectives for Short-Term Variable Remuneration in 2016-2017.**

In the absence of the Chief Executive Officer, Mr. Egidio, and the Secretary Director, Mr. de Juan, and in accordance with to the agreements made by the Committee, the Chairman proposed the weighting of the Achievement Objectives for Short-Term Variable Remuneration in 2016-2017 for the Executive Directors, as well as the weighting for each of the Objectives (Business Objectives, Total Return to Shareholders and Personal Contribution of the Executive Director).

The Appointments and Remunerations Committee unanimously approved the proposal and proposed that it be approved, in turn, by the Board of Directors.

## **- Proposal to the Board of Directors that it approve the Policy on the Selection of the Company's Board Members**

The Secretary of the Appointments and Remuneration Committee reported the following:

The Rules of the Board of Directors, of 26th January, 2016, lay down that the Board has the non-delegable power to approve the Policy on the Selection of Board Members (Article 5.3. xi)).

Directive 2014/95/UE of the European Parliament and Council, of 22nd October, 2014, by which Directive 2013/34/UE was amended in respect of the disclosure, by large companies and certain groups, of non-financial information and information about diversity, and whose period for implementation has already elapsed, so that it can be invoked directly, although the legislative process has already begun for its immediate incorporation into Article 540 of the Law of Capital Companies, expressly includes the principle of diversity – part of which, incidentally, is already included in Article 529 bis of the Law of Capital Companies – in connection with the incorporation of new Board Members, which directly extends to the Policy on the Selection of Board Members.

And Technical Guide 3/2017, relating to Audit Committees of Public-Interest Entities and published by the CNMV on 17th June, 2017, although it relates specifically to the requirements in terms of suitability of the members of the Audit Committee, extends in general to the members of the Board, and therefore also helps to shape the Policy on the Selection of Board Members.

The Policy on the Selection of Board Members contains the principles which have to govern the actions of the Board and its Committees, particularly that for Appointments and Remuneration, in the processes of search, evaluation, selection, proposal and appointment of those who will serve in the position of Board Member.

The purpose of the Policy is to try to ensure the suitability both of the Board Member considered individually and of the whole of the Board and of each of its Committees considered as collegiate bodies, establishing the requirements for the Board Members under the principle of diversity of training, professional experience, sectoral knowledge, and geographical origin, and taking account of the specialisations needed to fulfil the specific supervisory functions of each of the Board's Committees (accounting aspects, risk management and technological aspects ...), as well as the elimination of all sex discrimination.

The Policy covers the following subjects:

### 1) Requirements for Candidates

1.1 Categories of Board Members: Executive, Proprietary, Independent and Other External (in line with the Law of Capital Companies and the Rules of the Board of Directors).

## 1.2 Selection requirements for candidates

### 1.2.1 General requirements

The Board of Directors, the Appointments and Remuneration Committee and the other bodies responsible for selecting candidates for the position of Company Board Member will ensure, within the scope of their respective responsibilities, that the choice of candidates falls on people of recognized soundness, competence and experience, and who have the necessary availability to perform adequately in the rôle of Board Member, bearing in mind the needs and composition of the Board of Directors as a whole.

### 1.2.2 Individual requirements

- a) Suitable knowledge and professional experience
- b) Recognized soundness and competence
- c) Sufficient availability to exercise the function
- d) A commitment to fulfilling the duties and obligations of a Board Member
- e) The absence of conflicts of interest

## 1.3 Promotion of Diversity

## 1.4 Incompatibilities and Prohibitions

As in the Board's Rules.

## 1.5 Duties of Board Members

## 2) Bodies Responsible for the selection procedure

The Policy establishes the roles and responsibilities of the following bodies in connection with the selection, proposed appointment, confirmation or re-election of Board Members:

### 2.1 The Appointments and Remuneration Committee

Notwithstanding the competence of the Board of Directors in selecting Board Members, the following duties, among others, fall to the Company's Appointments and Remuneration Committee:

- a) Deciding what skills, knowledge and experience are needed on the Board. To that end, defining the functions and necessary aptitudes of the candidates who should fill each vacancy, and judging how much time and dedication they will need to perform their rôles efficiently.

- b) Submitting to the Board of Directors proposals for the appointment of independent Board Members by co-opting or for their submission for the approval of the General Shareholders' Meeting, and proposals for the re-election or cessation of those Board Members by the General Meeting.
- c) Reporting on the proposals for the appointment of the other Board Members by co-opting or for their submission for the decision of the General Shareholders' Meeting, and proposals for their re-election or cessation by the General Shareholders' Meeting.
- d) Ensuring that no conflicts of interests affect the independence of the external consultancy given to the Committee, where applicable.
- e) Ensuring that the selection procedures have no latent bias, by setting a target proportion of representation for the sex which has fewer representatives on the Board of Directors, and by giving guidance on the means of achieving that objective.
- f) Annually checking that this Policy on the Selection of Board Members has been implemented, and reporting on this in the Annual Report on Corporate Governance.

In the process of selecting candidates, the Appointments and Remuneration Committee may obtain internal advice, collaboration and access to necessary information, and also the attendance of any member of the Company's or Group's management team or other personnel in order to perform its functions as well as possible.

## 2.2 The Board of Directors

In accordance with current regulations and the Rules of the Company's Board of Directors, the following responsibilities fall to the Company's Board of Directors in connection with the selection of Board Members:

- a) The approval and modification of this Policy.
- b) The preparation of an explanatory report evaluating the competence, experience and merits of the candidate proposed for appointment or re-election as a Board Member, which in every case will have to accompany the proposal for appointment or re-election, and which will be attached to the minutes of the General Meeting or to those of the Company's own Board of Directors.
- c) Making proposals for the appointment or re-election of non-independent Board Members, which the Board will submit for consideration by the Company's General Meeting, and making decisions about appointments of Board Members through the system of co-opting, in accordance with the powers conferred by law.

- d) Ensuring that the procedures for selecting its members encourage diversity of sex, experience and knowledge, and have no latent bias which could involve discrimination of any kind.

### 2.3 The General Meeting

In the processes for selecting candidates, the Company's General Meeting will be the body responsible for:

- a) The appointment and re-election of Board Members, without prejudice to the power of the Board of Directors to agree to appointments by co-option, in accordance with the Law.
- b) Determining at any time the number of members of the Board of Directors, within the limits fixed by the Company's Bylaws and by Law.

### 2.4 Other responsible bodies

1. The Chairman of the Board of Directors and the Company's chief executive must be consulted by the Appointments and Remuneration Committee about matters connected with the appointment of Executive Directors.
2. In addition, the Board of Directors or any Board Member may ask the Appointments and Remuneration Committee to consider for Board vacancies potential candidates whom they judge to be ideal, and may also ask the Appointments and Remuneration Committee to present, whenever possible, proposals of several candidates for consideration by the Board of Directors.

### 2.5 Help from external professionals

In order to carry out its functions as well as possible, the Appointments and Remuneration Committee, as the body responsible for the process of selecting candidates for the Board, may obtain advice from external professionals, and in particular, may engage, for the account of the Logista Group, legal advisers and human resources specialists or other experts in the selection of Board Members.

### 3) Supervision of the Policy

The Company's Appointments and Remuneration Committee will be the body responsible for annually checking the implementation of this Policy, regularly evaluating its effectiveness and adopting appropriate measures to correct any deficiencies. It will report on all of this to the Company's Board of Directors.

In addition, the Committee will have to report on the implementation of the Policy in the Annual Report on the Company's Corporate Governance.

Finally, the Appointments and Remuneration Committee unanimously resolved:

To propose to the Board of Directors that it approve the 'Policy on the Selection of Board Members for the Compañía de Distribución Integral Logista Holdings, S.A.', with the content as shown in the Appendix to these minutes.

#### **4<sup>th</sup> SESSION - 23 JANUARY 2018**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary, Non-Member). Mr. Downing delegated Mr. Chairman to represent him.

Also present were the Chief Executive Officer of the Company (Mr. Luis Egido Gálvez), the Corporate Finance Director (Mr. Manuel Suárez Noriega) and the Corporate Director of Human Resources (Mr. Juan José Guajardo-Fajardo).

The Appointments and Remuneration Committee examined the following subjects:

#### **- Settlement of the First Consolidation Period (2014-2017) of the 2014 General Long-Term Incentive Plan**

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

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

#### **- Settlement of the First Consolidation Period (2014-2017) of the 2014 Special Long-Term Incentive Plan**

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

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

**- The 2017 General and Special Plans for Performance Shares of the Logista Group. First Consolidation Period (2017-2020).**

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

i) Background

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

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

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

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

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

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

ii) Consolidation Objectives and Consolidation Percentages for the First Consolidation Period (1st October, 2017, to 30th September, 2020).

- Consolidation Objectives

It was considered appropriate for the Appointments and Remuneration Committee to propose to the Board the maintenance, for the 2017-2020 Consolidation Period, of the same Share Consolidation Objectives as those set in the Rules of both Plans, namely:

- Criterion of 'Total Shareholder Return' (TSR)
- With this criterion, there would be consolidation of 25% of the Recognized Conditioned Shares under the General Plan, and of 35% of the Recognized Conditioned Shares under the Special Plan.
- Criterion of 'Comparative Shareholder Return' (CSR)
- With this criterion, there would be consolidation of 25% of the Recognized Conditioned Shares under the General Plan, and of 32% of the Recognized Conditioned Shares under the Special Plan.
- In addition, it is proposed to maintain the same Reference Group of the companies which will be compared with the Company's TSR, as shown in Appendix 1 B) to the Rules of both Plans.
- Criterion of Financial Profitability, determined by the Group's Operating Profit for the 2017-2020 Consolidation Period.

In accordance with this criterion, the remaining 50% of the Recognized Conditioned Shares under the General Plan, and the remaining 33% of the Recognized Conditioned Shares under the Special Plan, would be consolidated.

- Consolidation Percentages: TSR and CSR criteria

It was considered appropriate for the Appointments and Remuneration Committee to propose to the Board the maintenance, for the 2017-2020 Consolidation Period, of the same Consolidation Percentages for the Number of Conditioned Shares Recognized to Beneficiaries as those shown in Appendix 1 (TSR and CSR) and Appendix 2 (Operating Profit) to the Rules of both Plans.

Mr. Suárez left the meeting at this point.

iii) Proposal of Beneficiaries and of Shares to be recognized as theirs for the First Consolidation Period (2017-2020) of the 2017 General and Special Share Plans

Mr. Guajardo-Fajardo reported the following:

The Beneficiaries proposed for the 2017-2020 Consolidation Period, for both Plans, were the following:

- GENERAL PLAN: 58 Beneficiaries
- SPECIAL PLAN: 9 Beneficiaries

Number of Recognized Conditioned Shares

The total number of Recognized Shares for both Plans, for this First Consolidation Period, was 210,212 shares (0.16% of the share capital).

Finally, the Appointments and Remuneration Committee unanimously approved the above proposal, and reported in favour of the adoption by the Board of Directors of the appropriate resolutions for the First Consolidation Period (from 1st October, 2017, to 30th September, 2020), for both the 2017 General Plan and the 2017 Special Plan.

**- Remuneration Framework 2017-2018. Personal Variable Remuneration**

Mr. Guajardo-Fajardo reported that the degree of achievement of objectives by the Senior Management (members of the Management Committee, excluding the Executive Directors) was 86.78%, against 91.40% in fiscal year 2016.

With regard to the process of remunerating by Fixed Salary in 2018, it had been established by analysing the each employee's level of skill and their positioning within the salary range laid down for each 'family' of jobs:

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

Mr. Guajardo-Fajardo then left the meeting.

## **6. Report on the Ratification by the General Shareholders' Meeting of the Appointment, by co-option, of the Proprietary Director Mr. Richard Charles Hill**

The Appointments and Remuneration Committee, having noted that the criteria and circumstances which had prompted the appointment by co-option of Mr. Hill as Director had not been modified, and that he had been performing correctly in the role, unanimously reported in favour of a proposal from the Board of Directors, to the General Meeting, that the appointment of Mr. Richard Charles Hill as proprietary director should be ratified, and that the draft justificatory report should be presented to the Board of Directors.

## **7. Proposal to the Board and to the General Meeting in favour of the Re-Election of Independent Directors, and Proposal of the Justificatory Report.**

The Committee and Board Secretary reported that, by a decision of the then sole shareholder of the Company on 13th May, 2014, Mr. Stéphane Lissner, Mr. Gregorio Marañón y Bertrán de Lis and Mr. Eduardo Andrés Julio Zaplana Hernández-Soro, among others, were appointed Directors of the Company for the period – then in accordance with the Bylaws – of five years.

On 4th June, 2014, the Company's General Meeting also appointed as a Director of the Company Mrs. Cristina Garmendia Mendizábal, for the period, then statutory, of five years.

Under Article 529 duodecies 4 of the Law of Capital Companies, Mrs. Garmendia and Messrs. Lissner, Marañón and Zaplana are currently in the category of independent Directors.

Law 31/2014 of 3rd December modified Article 529 undecies of the Law of Capital Companies, fixing the maximum term of office of directors of listed companies at four years (as it is at present, under Article 33 of the Bylaws).

Furthermore, Transitional Provision 3 of the aforementioned Law 31/2014 stipulates that directors appointed before 1st January, 2014, may complete their terms of office even if they are of more than the four years stipulated by the current Article 529 undecies of the Law of Capital Companies. Obviously that is not the case for Mrs. Garmendia or Messrs. Lissner, Marañón or Zaplana, whose maximum term of office is four years. Consequently, their continuance as directors requires the agreement of the next General Meeting to re-elect them.

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

The Appointments and Remuneration Committee is also responsible for "*presenting to the Board proposals for the re-election, by the General Meeting, of independent Directors*" (Article 529 quindecies 3 c), Article 43 bis c) of the Bylaws, Article 18.2 c) of the Board's Rules and Article 5.1 b) of the Policy on the Selection of Directors of 19th December, 2017).

The Appointments and Remuneration Committee debated the matter, and concluded that the aforementioned Directors:

- i) fulfil the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest);
- ii) are not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors;
- iii) have performed as Directors of the Company with appropriate dedication, efficiency and quality of work; and
- iv) continue to fulfil the legal and statutory requirements for inclusion in the category of independent director.

Consequently, the Appointments and Remuneration Committee unanimously resolved:

- i) To propose to the Board of Directors and to the General Meeting the re-election of Mrs. Cristina Garmendia Mendizábal and Mr. Stéphane Lissner, Mr. Gregorio Marañón y Bertrán de Lis, and Mr. Eduardo Zaplana Hernández-Soro as an independent Directors for the statutory period of four years.
- ii) To propose to the Board of Directors the presentation to the General Shareholders' Meeting of the reports justifying the re-election of the aforementioned independent Directors, with the content shown in Appendices to these minutes.

### **8. Report on the Re-Election of Proprietary Directors, and Proposal to the Board of Directors of the Report to the General Shareholders' Meeting, justifying the Re-Election.**

The Secretary of the Committee and Board reported that, by a decision of the then sole shareholder of the Company, Mr. John Matthew Downing and Mr. David Ian Resnekov, among others, were appointed as Directors of the Company for a period – then in accordance with the Bylaws – of five years.

Messrs. Downing and Resnekov are currently proprietary directors, under Article 529 duodecies 3 of the Law of Capital Companies.

He also reported that Law 31/2014 of 3rd December which modified Article 529 undecies of the Law of Capital Companies, fixed the maximum term of office of Directors of listed companies at four years (as also currently laid down in Article 33 of the Bylaws).

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

- i) fulfil the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of the office, and absence of conflicts of interest);
- ii) are not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors;
- iii) have performed as Directors of the Company with appropriate dedication, efficiency and quality of work; and
- iv) continue to fulfil the legal and statutory requirements for inclusion in the category of proprietary director, in as far as they represent, on the Board, the Company's controlling shareholder, Imperial Brands PLC.

Consequently, the Appointments and Remuneration Committee unanimously resolved:

- i) To report in favour of proposing to the Board of Directors and to the General Meeting the re-election of Messrs. John Matthew Downing and David Ian Resnekov as proprietary Directors, for the statutory period of four years;
- ii) To propose to the Board of Directors the presentation to the General Shareholders' Meeting of the reports justifying the re-election of the said proprietary Directors, with the content which appears in Appendices to these minutes.

**- Report on the Re-Election of Executive Directors, and Proposal to the Board of Directors of the Report to the General Shareholders' Meeting, justifying the Re-Election.**

The Secretary of the Committee and Board reported that, by a decision of the then sole shareholder of the Company, Mr. Luis Alfonso Egido Gálvez and Mr. Rafael de Juan López, among others, were appointed Directors of the Company for the period – then in accordance with the Bylaws – of five years.

Messrs. Egido and De Juan are currently executive directors, under Article 529 duodecies 1 of the Law of Capital Companies.

He also reported that, under Law 31/2014 of 3rd December, which modified Article 529 undecies of the Law of Capital Companies, the maximum term of office of Directors of listed companies is four years (as also currently laid down in Article 33 of the Bylaws).

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

- i) fulfil the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of the office, and absence of conflicts of interest);
- ii) are not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors;
- iii) have performed as Directors of the Company with appropriate dedication, efficiency and quality of work; and
- iv) continue to fulfil the legal and statutory requirements for inclusion in the category of executive director, in view of Mr. Egido's capacity of Chief Executive Officer and Mr. De Juan's capacity of General and Board Secretary.

Consequently, the Appointments and Remuneration Committee unanimously resolved:

- i) To report in favour of proposing to the Board of Directors and to the General Meeting the re-election of Mr. Luis Alfonso Egido Gálvez and Mr. Rafael de Juan López as Executive Directors for the statutory period of four years.
- ii) To propose to the Board of Directors the presentation to the General Shareholders' Meeting of the reports justifying the re-election of the said Executive Directors, with the content which appears in Appendices to these minutes.

**- Proposal to the Board of Directors of the number of Members of the Audit and Control Committee, between the established minimum and maximum numbers, and Appointment of those Members.**

The Secretary of the Committee and Board, Mr. De Juan, informed the Committee that, in accordance with Article 43 of the Bylaws, Article 17 of the Rules of the Board of Directors of 26th January, 2016, and Article 3 of the Rules of the Audit and Control Committee of 19th December, 2017, the Audit and Control Committee must be composed of a minimum of three Members and a maximum of seven, all appointed by the Board of Directors, and all non-executive.

The General Shareholders' Meeting which is envisaged for 21st March this year would have to appoint or re-elect Members, because the terms of office of the majority of the current Members are due to end this year.

Furthermore, among the functions assigned to the Appointments and Remuneration Committee is that of *"evaluating the profiles of the people who are the most suitable to form part of the different Committees, and presenting relevant proposals to the Board"* (Article 15.2 of the Rules of the Board of Directors).

The Committee debated this matter, and unanimously resolved to propose that the Board of Directors:

- i) Set at four the number of members of the Audit and Control Committee (that number being within the statutory minimum and maximum), of whom three Directors will be independent and one will be proprietary.
- ii) Submit for appointment/re-election, by the next General Meeting, as Directors of the Company, and designate as members of the Audit and Control Committee, the following Directors:
  - Mrs. Cristina Garmendia Mendizábal, independent Director, to be ratified by the Committee itself as Chairperson of the Committee until the expiry of her initial term of office, in accordance with the Bylaws.
  - Mr. Gregorio Marañón y Bertrán de Lis, independent Director.
  - Mr. David Resnekov, proprietary Director.
  - Mr. Eduardo Zaplana Hernández-Soro, independent Director.

**- Proposal to the Board of Directors of the number of Members of the Appointments and Remuneration Committee, between the established minimum and maximum numbers, and Appointment of those Members.**

The Secretary of the Committee and Board, Mr. De Juan, informed the Committee that, in accordance with Article 43<sup>o</sup> bis of the Bylaws and Article 17 of the Rules of the Board of Directors of 26th January, 2016, the Appointments and Remuneration Committee must be composed of a minimum of three members and a maximum of seven, all appointed by the Board of Directors, and all non-executive.

The General Shareholders' Meeting which is envisaged for 21st March this year would have to appoint or re-elect Members, because the terms of office of the majority of the current Members are due to end this year.

Furthermore, among the functions assigned to the Appointments and Remuneration Committee, is that of *"evaluating the profiles of the people who are the most suitable to form part of the different Committees, and presenting relevant proposals to the Board"* (Article 15.2 of the Rules of the Board of Directors).

The Committee debated this matter, and unanimously resolved to propose that the Board of Directors:

- i) Set at four the number of members of the Appointments and Remuneration Committee (that number being within the statutory minimum and maximum), of whom three Directors will be independent and one will be proprietary.
- ii) Submit for appointment/re-election, by the next General Meeting, as Directors of the Company, and designate as members of the Appointments and Remuneration Committee, the following Directors:
  - Mr. Gregorio Marañón y Bertrán de Lis, independent Director, to be ratified as Committee Chairman by the Committee itself.
  - Mr. Eduardo Zaplana Hernández-Soro, independent Director.
  - Mr. Stéphane Lissner, independent Director.
  - Mr. John Downing, proprietary Director.

**- Proposal, to the Board of Directors, of the Policy on the Remuneration of Directors in 2019-2020, for Presentation to the General Shareholders' Meeting.**

The Secretary of the Committee and of the Board, Mr. De Juan, reported the following:

The current Policy on the Remuneration of Directors is the one which was included in the Annual Report on Directors' Remuneration for 2013-2014, which received the favourable vote of the General Meeting of 17th February, 2015.

In accordance with Article 529 novodecies of the Law of Capital Companies and Transitional Provision 2 A) of Law 31/2014 of 3rd December, which modifies the Law of Capital Companies to improve corporate governance, the approval of the General Meeting, in its advisory capacity, and expressed after 1st January, 2015, is understood to confirm the Remuneration Policy for the three following years, that is to say, in the case of the Company, for 2016, 2017 and 2018.

By a resolution of the General Meeting of 21st March, 2017, the Company's Remuneration Policy was modified in order to:

- i) include, in the contractual terms and conditions of executive directors, 'ex-post' adjustments to their short-, medium- and long-term variable remuneration, and also the obligation to keep Company shares received as a result of their participation in medium- or long-term variable remuneration plans, and
- ii) reconcile the receipt of both the fixed remuneration of the Chairman of the Board of Directors and the fixed remuneration of the Chairman of the Appointments and Remuneration Committee, even when both offices are discharged by the same person.

As the current Policy on the Remuneration of Directors expires this year, a new Policy, covering 2019, 2020 and 2021, must be proposed for the approval of the General Meeting.

The Secretary indicated the Articles of the Bylaws and of the Law of Capital Companies on which the Policy on the Remuneration of Directors is based.

In accordance with Article 39 of the Bylaws, the remuneration of Directors, in their capacity as such, will consist of a fixed monthly allowance in cash plus certain expenses to cover attendance at meetings of the Board of Directors and of its Committees.

The Remuneration Policy will be approved by the General Meeting at least every three years, and must include the maximum amount of the annual remuneration to be paid to the Directors as a whole, in their capacity as such.

It falls to the Board of Directors to determine the remuneration of each of the Directors, in their capacity as such. For that purpose, the Board will take account of the functions and responsibilities assigned to each Director, membership of Committees, and other objective circumstances which it considers relevant.

In addition, Directors may be remunerated with Company shares, the granting of rights of option over the same, or by any other system based on the value of the shares, the effective application of which will require a resolution of the General Meeting (this system of remuneration being restricted to Executive Directors, in accordance with Article 31 of the Board's Rules).

Executive Directors, regardless of their remuneration as members of the Board, will be paid a fixed amount in accordance with the services which they perform and the responsibilities which they assume, and also a variable amount, as well as being included in the pension and insurance schemes, including that of Social Security, and the incentive schemes for the Company's Senior Management.

It falls to the Board of Directors to fix the remuneration of the Directors who perform executive duties and the terms and conditions of their contracts, in accordance with the provisions of the Law, of the Bylaws, and of the Policy on the Remuneration of Directors approved by the General Meeting.

For their part, the Rules of the Board of Directors devote their Article 30 to the remuneration of the Board, in terms similar to those contained in the Bylaws.

The remuneration of directors is governed by the Law of Capital Companies, which lays down, among others, the following stipulations:

- The system for remunerating directors must conform to the system envisaged in the Bylaws (Art. 217.1).

- The remuneration system will specify the components of the remuneration of directors, in their capacity as such (Article 217.2), applying one or more of the criteria fixed by the Article itself.
- The maximum annual amount to be paid to the directors as a whole, in their capacity as such, must be approved by the General Meeting (Art. 217.2 and Art. 529 septdecies).
- The remuneration of its directors must always be reasonable in relation to the importance of the company, the economic situation and what is customary for comparable companies (Art. 217.3).
- Directors' remuneration for the performance of their executive functions must be in accordance with their contracts and with the Policy on the Remuneration of Directors, and the Board of Directors will be responsible for fixing it (Article 529 octodecies).
- The Policy on the Remuneration of Directors will conform to the statutory remuneration system, and must be approved by the General Meeting at least every three years (Art. 511 bis 1 c) and Art. 529 novodecies 1).
- Any remuneration which is linked to the Company's shares must be expressly foreseen by the Bylaws, and its payment will require a resolution of the General Shareholders' Meeting (Art. 219.1).
- The proposed Policy for the Remuneration of the Board of Directors must be justified, and must be accompanied by a report from the Appointments and Remuneration Committee. Both documents will be made available to the shareholders via the Company's website as soon as the General Meeting is called (Article 529 novodecies 2).

In accordance with the Rules of the Board of Directors of 26th January, 2016, it is the responsibility of the Appointments and Remuneration Committee to *"propose to the Board of Directors, for approval by the General Meeting, the Policy on the Remuneration of Directors, in their capacity as such, and the Policy for Executive Directors."* (Article 18.2 h).

In order to formulate the Remuneration Policy, the Appointments and Remuneration Committee had contracted, in previous years, the services of Garrigues Human Capital Services ("Garrigues"), who had been advising the Company on the requirements of the Law of Capital Companies and on the recommendations in relation to corporate governance.

To draw up the Policy, Garrigues used the following structure:

- (i) For the remuneration system for non-executive directors:
  - The principles and bases of the remuneration policy.

- The maximum amount of the annual remuneration to be paid to the directors as a whole, in their capacity as such, and the justification for it.
  - A description of, and justification for, the remuneration system for the directors in their capacity as such. The different components of the remuneration and the parameters used to fix it.
- (ii) For the remuneration system for executive directors:
- A determination of, and justification for, the amount of the fixed annual remuneration and its variation in the period to which the policy relates (three years).
  - A description of, and justification for, the different parameters used to fix the variable components:
    - The chosen criteria for evaluating performance.
    - The evaluation components and methods for determining whether or not the said evaluation criteria have been fulfilled.
    - Alignment of the variable remuneration with the Company's interests and those of its shareholders.
    - Ex-post adjustments, mechanisms for deferment, and clauses for the 'clawback' of variable remuneration.
    - The keeping of shares received in implementation of Variable Remuneration Plans.
  - The main terms and conditions of their contracts, particularly:
    - The duration.
    - Compensation for early cessation or for termination of the contractual relationship.
    - Agreements covering exclusivity and post-contractual non-competition.

The Committee debated this matter, and finally unanimously resolved:

- i) To propose to the Board of Directors the continuance of the remuneration of the Directors, in their capacity as such (fixed monthly remuneration plus allowances for attendance at meetings of the Board or of its Committees), exactly as fixed by the Board of Directors itself in its meetings of 18th July and 17th September, 2014, and of 31st October, 2017, which is within the limits laid down by the General Shareholders' Meeting of 17th February, 2015.
- ii) To propose to the Board of Directors that it submit the Policy on the Remuneration of Directors for 2019-2021, with the content shown in Appendix to these minutes, for the approval of the General Shareholders' Meeting.

- iii) To approve the Report justifying the proposed Policy on the Remuneration of Directors, which is in accordance with Article 529 novodecies 2, and whose content is shown in Appendix to these minutes.

### **5<sup>th</sup> SESSION- 21 MARCH 2018**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary, Non-Member). Mr. John Downing delegated Mr. Marañón to represent him.

The Appointments and Remuneration Committee examined the following subjects:

#### **- Constitution of the Appointments and Remuneration Committee**

The Committee's Secretary, Mr. De Juan, reminded those present that the Board of Directors, in its meeting of 23rd January, and at the proposal of the Appointments and Remuneration Committee, had resolved:

i) to maintain the current number of members of the Committee, which was between the statutory minimum and maximum, and

ii) subject to their re-election by the General Shareholders' Meeting as Directors of the Company, to designate the following Directors as Members of the Appointments and Remuneration Committee:

- Mr. Gregorio Marañón y Bertrán de Lis, Independent Director, to be ratified as its Chairman by the Committee itself.
- Mr. Eduardo Zaplana Hernández-Soro, Independent Director
- Mr. Stéphane Lissner, Independent Director
- Mr. John Downing, Proprietary Director

The General Shareholders' Meeting which had just been held had re-elected Messrs. Marañón, Zaplana, Lissner and Downing as Directors.

The above-mentioned Directors had accepted their positions, had declared that they were not involved in any prohibition or incompatibility, and had taken office at once, in that selfsame General Shareholders' Meeting, with the exception of Mr. Downing, who had done so in a written communication dated today, 21st March, 2018.

The re-elected Directors (of whom Messrs. Lissner, Marañón and Zaplana were present in person, and Mr. Downing was represented by Mr. Marañón) accepted their positions as Members

of the Appointments and Remuneration Committee, and declared that they were not involved in any prohibition or incompatibility that would prevent them from exercising that rôle.

Consequently, the Directors who were present or represented, members of the Committee, unanimously agreed to formally constitute the Appointments and Remuneration Committee, which would have the functions and responsibilities stipulated in Article 529 quaterdecies of the Law of Capital Companies, in Article 43º of the Bylaws, and in Articles 15 and 18 of the Rules of the Board of Directors.

It was expressly recorded that, in accordance with the provisions of the Bylaws and of Article 18 of the Board's Rules, the Committee was composed of non-executive Directors; of the four Directors, three were independent and one was proprietary.

#### **- Ratification of the Chairman of the Committee.**

The Secretary, Mr. De Juan, reported that, in accordance with Article 43º bis of the Bylaws and Article 18.1 of the Rules of the Board of Directors, it is the members of the Appointments and Remuneration Committee who elect a Chairman from among the independent Directors who compose it.

In its meeting of 23rd January, 2018, the Company's Board of Directors, without prejudice to the entitlement of the Committee Members to designate their Chairman, recommended that the Chairman of the Board, Mr. Gregorio Marañón y Bertrán de Lis, be ratified as Chairman of the Appointments and Remuneration Committee.

Mr. Marañón is classed as an independent Director.

Consequently, and with Mr. Marañón's abstention from voting, the Committee resolved to ratify as Chairman of the Appointments and Remuneration Committee, Mr. Gregorio Marañón y Bertrán de Lis.

Mr. Marañón, who was present, accepted this ratification of his position as Chairman of the Appointments and Remuneration Committee, and declared that he was not involved in any legal prohibition or incompatibility.

#### **- Ratification of the Committee's Secretary**

Article 15.1 of the Board's Rules stipulates that the Secretary of the Board of Directors will also be the Secretary of the Board's Committees.

The Committee had unanimously resolved to propose the re-election of Mr. Rafael de Juan López as Secretary of the Board, so, subject to that re-election, the Committee resolved to designate as Secretary (Non-Member) of the Appointments and Remuneration Committee, the Secretary of the Company's Board of Directors, Mr. Rafael de Juan López, who, being present, accepted

the position of Secretary of the Appointments and Remuneration Committee, and declared that he was not involved in any legal prohibition or incompatibility.

**- Report on the Re-Election of the Chairman of the Board of Directors**

The Secretary of the Board of Directors and of the Committee, Mr. De Juan, informed the Board Members that, in accordance with Article 529 sexties of the Law of Capital Companies, Article 34º of the Bylaws, and Articles 10 and 18.2 e) of the Rules of the Board, the Chairman of the Board of Directors has to be elected from among the Board Members, following a report from the Appointments and Remuneration Committee.

Furthermore, Article 33º of the Bylaws stipulates that, after being re-elected as Directors, the Chairman and the Secretary will continue to perform the duties which they had previously within the Board, without the need for an election, and without prejudice to the Board's powers in cases of resignation from those positions.

Notwithstanding the provisions of Article 33º of the Bylaws, the Appointments and Remuneration Committee, with the abstention of Mr. Marañón, evaluated Mr. Marañón's performance as Chairman favourably, and proposed that the Board ratify and re-elect Mr. Gregorio Marañón y Bertrán de Lis as Chairman of the Board of Directors.

**- Report on the Re-Election of the Secretary and Legal Advisor to the Board of Directors**

Again, the Secretary of the Board and of the Committee informed the Board Members that, pursuant to Article 529 octies of the Law of Capital Companies, Article 34º of the Bylaws, and Article 13 of the Board's Rules, the Board of Directors has to designate a Secretary, following a report from the Appointments and Remuneration Committee.

Although, according to Article 33º of the Bylaws, it is not necessary to hold a new election for the post of Secretary, as Mr. De Juan, the current holder of that position, has been re-elected as a Director by the General Shareholders' Meeting, the Committee unanimously, as required, and in accordance with Article 18.2 e) of the Board's Rules, reported in favour of the re-election of Mr. Rafael de Juan López as Secretary and Legal Advisor to the Board.

**- Report on the Appointment of Mr. Luis Egidio Gálvez as Chief Executive Officer, and Permanent Delegation of Powers from the Board**

The Secretary of the Committee reported that, in accordance with the Law of Capital Companies, the Bylaws and the Rules of the Board, the latter may appoint, from among its members, one or more Chief Executive Officers, who will have the powers which the Board itself delegates to them, except those which, according to the Law and the Bylaws, are non-delegable.

In accordance with Article 18.2 d) of the Board's Rules, it is the responsibility of the Appointments and Remuneration Committee *"to advise on the appointment of the Chief Executive Officer or Officers, and on the permanent delegation of powers to them."*

The Appointments and Remuneration Committee evaluated very positively the performance of his rôle by the current Chief Executive Officer, Mr. Luis Egidio Gálvez, who had been re-elected as a Director by the General Shareholders' Meeting, and consequently unanimously reported in favour of his appointment as the Company's Chief Executive Officer and of the Board's permanently delegating powers to him, and proposed to the Board that it adopt the following resolutions:

- i) To appoint Mr. Luis Egidio Gálvez as the Company's Chief Executive Officer.
- ii) To delegate jointly and permanently to the Chief Executive Officer, Mr. Luis Egidio Gálvez, all the powers of the Board of Directors, except those identified as being non-delegable by Articles 249 bis and 529 ter of the Law of Capital Companies, and those others which are legally or statutorily non-delegable, in particular, the powers which, in accordance with Article 38º of the Bylaws, require the adoption of resolutions of the Board of Directors with the favourable vote of at least 70% of its members.

### **6<sup>th</sup> SESSION- 24 APRIL 2018**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. John Downing, Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary, Non-Member).

The Appointments and Remuneration Committee examined the following subjects:

**- Proposal to the Board of Directors that it appoint, by co-option, an independent Director to fill the vacancy arising as a result of the resignation of another Director of the same category, together with a Report in support of that proposal.**

Mr. Lissner, the independent Director and member of the Appointments and Remuneration Committee, took the floor to inform the Committee that he had decided, for personal and professional reasons unconnected with the Company, to resign from his post as a Director of the Company, a resignation which he would make official in today's Board Meeting, and which, obviously, would also involve his cessation as a member of this Committee.

The Committee's Chairman, Mr. Marañón, warmly thanked Mr. Lissner for his contribution to the work of the Board and of the Appointments and Remuneration Committee, and for his work in defending and managing the Logista Group's interests in general.

Mr. Marañón then proposed to the Committee the candidature of Mr. Alain Minc to fill the vacancy arising on the Board of Directors as a result of Mr. Lissner's resignation.

Mr. Minc is a graduate of the *École Supérieure des Mines* of Paris and of the *École nationale d'administration*.

After a period of work as a tax inspector, Mr. Minc joined Saint-Gobain in 1979, as Financial Director.

In 1986 he was appointed Vice-Chairman of CIR International (*Compagnie Industriali Riunite International*) and General Manager of Cerus (*Compagnies Européennes Réunies*), which are non-Italian subsidiaries of the Benedetti Group.

In 1991 Alain Minc founded his own consultancy, *AM Conseil*.

He has been a member of the Boards of Directors of several companies and Chairman of the Supervisory Board of the leading French daily newspaper *Le Monde* (from 19/12/1994 until 11/02/2008).

He is currently Chairman of *AM Conseil* and *Sanef*, and Director, Chairman of the Audit Committee and Member of the Remuneration Committee at CaixaBank.

His distinctions include *Commandeur de la Légion d'Honneur* (France), Commander of the British Empire (Great Britain) and the *Gran Cruz de la Orden del Mérito Civil* (Spain).

Mr. Minc is the author of more than thirty books on different subjects (economic, historical, political and social, among others).

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

An appointment by co-option has to be ratified by the next General Meeting of the Company.

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

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

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

- i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest);
- ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and
- iii) fulfils the legal and statutory requirements for inclusion in the category of independent director.

Consequently, the Appointments and Remuneration Committee unanimously resolved:

- i) To propose to the Board of Directors the appointment by co-option of Mr. Alain Minc as an independent director, to fill the vacancy arising as a result of the resignation of the independent director Mr. Stéphane Lissner, for the statutory period of four years, subject to ratification by the next General Meeting of the Company's Shareholders;
- ii) To propose to the Board of Directors the Report justifying the appointment of Mr. Alain Minc as an independent director, with the content shown in the Appendix to these minutes.

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

The Committee's Secretary, Mr. De Juan, reported that on 28th March he had received a copy of the communication sent to the Chairman of the Board by the proprietary director Mr. David Resnekov, and stating that, with effect from that date he was resigning from his position as a Director of the Company because on 30th April, 2018, he would cease to provide Imperial Brands PLC ("IB") with his services.

Mr. Resnekov was a proprietary director because he represented IB – the Company's majority indirect shareholder – on the Board of Directors.

In a communication from the Secretary of IB's Board, addressed to the Chairman of the Company's Board on 3rd April, 2018, IB had proposed that the resulting vacancy be filled by Mr. Amal Pramanik.

Mr. Amal Pramanik is a graduate in Civil Engineering from the Indian Institute of Technology, Kharagpur, India, and holds an MBA (Marketing and Systems) from the Indian Institute of

Management, Ahmedabad, India, a Diploma in Non-Executive Directorship from the Australian Institute of Company Directors and a Certificate as an Executive Coach (The Preston Associates).

He is currently Director of Strategy for the Imperial Brands Group. Previously, he had performed various functions within the Imperial Group (Director, Growth Division, Managing Director in the United Kingdom and in Holland, and Marketing Director in Australia).

Prior to joining the Imperial Brands Group, he had performed various rôles in other companies: Gillette India, Pepsi Cola India and ITC India (BAT).

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

An appointment by co-option has to be ratified by the next General Meeting of the Company.

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

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

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

- i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest);
- ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and
- iii) fulfils the legal and statutory requirements for inclusion in the category of proprietary director, as he represents on the Board the Company's controlling shareholder, Imperial Brands PLC.

Consequently, the Appointments and Remuneration Committee unanimously resolved:

- i) To report in favour of the appointment by the Board of Directors, by co-option, of Mr. Amal Pramanik as a proprietary director, to fill the vacancy arising as a result of the resignation of the proprietary director Mr. David Ian Resnekov, for the statutory period of four years, subject to ratification by the next General Meeting of the Company's Shareholders;
- ii) To propose to the Board of Directors the Report justifying the appointment of Mr. Amal Pramanik as a proprietary director, with the content shown in the Appendix to these minutes.

**- Report/Proposal of the Board of Directors about the Appointment of a new independent Director as a Member of the Appointments and Remuneration Committee**

The resignation of the independent director Mr. Stéphane Lissner also resulted in a new vacancy on the Appointments and Remuneration Committee, of which he was a member.

The Committee's Chairman indicated that the vacancy had to be filled by an independent director, so as not to alter the current composition of the Committee in terms of categories of directors (three independent directors and one proprietary director). Mr. Alain Minc would therefore be the ideal candidate, once the Board had appointed him as a Director.

The Appointments and Remuneration Committee, pursuant to Article 15.2 of the Board's Rules, unanimously judged that Mr. Minc does indeed possess the knowledge, aptitudes and experience required of a member of the Committee, and therefore reported in favour of, and proposed to the Board of Directors, the appointment of the independent director Mr. Alain Minc as a member of the Appointments and Remuneration Committee.

**- Report/Proposal of the Board of Directors about the Appointment of a new Member of the Audit and Control Committee**

The resignation of the proprietary director Mr. David Ian Resnekov also resulted in a new vacancy on the Audit and Control Committee, of which he was a member.

The Committee's Chairman indicated that the vacancy had to be filled by a proprietary director, so as not to alter the current composition of the Audit and Control Committee in terms of categories of directors ((three independent directors and one proprietary director).

He therefore proposed that, at the request of Imperial Brands, the Appointments and Remuneration Committee consider proposing to the Board of Directors the appointment of the

proprietary director Mr. Richard Hathaway as a member of the Audit and Control Committee.

Mr. Hathaway has been a Director of the Company since 24th March, 2015, and, because of his professional training and experience, particularly in economic and financial matters and in risk management, he satisfies the conditions laid down in Article 3.2 of the Rules of the Audit and Control Committee, of 19th December, 2017, for the Committee's members.

The Appointments and Remuneration Committee, pursuant to Article 15.2 of the Rules of the Board of Directors, unanimously judged that Mr. Richard Hathaway does indeed possess the knowledge, aptitudes and experience required of a member of the Audit and Control Committee, and therefore reported in favour of, and proposed to the Board of Directors, the appointment of the proprietary director Mr. Richard Hathaway as a member of the Audit and Control Committee.

### **7<sup>th</sup> SESSION- 29 MAY 2018**

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

The Appointments and Remuneration Committee examined the following subject:

#### **- Report on the Resignation of the independent Director Mr. Eduardo Zaplana.**

Mr. Chairman informed the Committee that the Director Mr. Eduardo Zaplana Hernández-Soro, as was well known by the public, and as had already been reported to the directors on 23rd May, was being investigated under criminal law for the supposed commission of various offences, allegedly committed during the period (long before his appointment as a director of Logista) in which he held various institutional positions in the Community of Valenciana.

In view of his current situation, which is that of pre-trial detention, Mr. Zaplana, through his wife, Mrs. Rosa Barceló, informed Mr. Chairman on 26th May, 2018, that he was resigning from his position of Director.

Under Article 26.2 of the Board's Rules, Mr. Chairman indicated that it appeared necessary to accept Mr. Zaplana's resignation, since his remaining in the post, in view of the serious nature of the offences imputed to him and the media coverage already given to his procedural situation, "would place Logista's interests in jeopardy and could damage its credit and reputation."

Finally, the Appointments and Remuneration Committee, in accordance with Article 18.2 d) of the Board's Rules, reported favourably and recommended that the Board of Directors accept the resignation of the independent director Mr. Eduardo Zaplana Hernández-Soro, in application of Article 26.2 d) of the Rules of the Board of Directors of 26th January, 2016, given that he is being investigated in a criminal case, for the alleged commission of various offences.

***8<sup>th</sup> SESSION: 26 JUNE 2018***

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

The Appointments and Remuneration Committee examined the following subjects:

**- Proposal to the Board of Directors that it appoint, by co-option, an independent Director to fill the vacancy arising as a result of the resignation of another Director of the same category, together with a Report in support of that proposal.**

The Chairman informed the Committee that, as all the members were already aware, Mr. Eduardo Zaplana had tendered his resignation from the position of Company Director, for reasons which were public knowledge; a resignation which was accepted in the Board Meeting of 29th May, 2018, and which, obviously, also entailed his cessation as a member of this Committee and of the Audit and Control Committee.

Mr. Marañón said that he had been extremely careful when searching for the person to propose as an independent director, in the sense that the right person would need to have a clear curriculum vitae, to fulfil the requirements of independence in relation to the Company, to possess the personal aptitudes, knowledge and professional track record which matched the requirements of the various Businesses in the Group, and to perform, independently, the duties of a director in the manner expected of a person who would fill the vacancy for an Independent Director.

Mr. Marañón then proposed to the Committee the candidature of Mr. Jaime Carvajal Hoyos to fill the vacancy arising on the Board of Directors as a result of Mr. Zaplana's resignation.

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.

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

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

- ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and
- iii) fulfils the legal and statutory requirements for inclusion in the category of independent Director.

### **3. Succession Plan for Top-Level Directors**

The Corporate Director of Human Resources, Mr. Juan José Guajardo-Fajardo, presented the Plan, indicating the broad lines and principles which had governed its preparation:

- The work had been done together with the top-level directors who report directly to the Chief Executive Officer.
- Each of these executives had decided who would succeed him or her, and had informed the Chief Executive Officer and the Director of Human Resources of that decision.
- Each of them had considered their succession in three different scenarios or contingencies:
  - ✓ Immediate: Substitution for a maximum of two months.
  - ✓ Medium term: Substitution still temporary, for a maximum of one year.
  - ✓ Long term: Permanent and definitive replacement.
- PE (Pending Engagement) means that the replacement is being sought internally and externally.
- The Plan would be reviewed regularly and continuously.

He then announced, for each position covered by the Plan, the name of the person who could fill it in the short, medium and long terms.

Finally, he described the actions which are currently being taken to assure optimal coverage of the positions included in the Plan.

#### **A) Internal actions**

- Maximising the current talent and capabilities: By means of interviews conducted by the Chief Executive Officer and the Corporate Director of Human Resources with the directors concerned (principally those aged about forty), their individual career plans are being drawn up to complement their skills and knowledge with training and exposure to new experiences.

- Promoting internal mobility: As part of the process of organising our collective talent, increasing movements between functions, to expose individuals to new experiences which increase their capabilities and skills, preparing them for Level-C positions.
- Prioritising efforts: Paying special attention to talents which are situated in the short to medium term within the Succession Plan (1-3 years).

#### B) External actions

- Searching: A continuous search for new talent, and to identify strong candidates for Levels n-1 and n-2. (In 2018: three directors in the Pharma business, one director in the Resources area, two in Information Systems and one Director of Human Resources in Italy, the Group's Talent Management).
- Work was being done with several head-hunters, in order to obtain a greater coverage and greater diversification of profiles.

#### **- Strategic Talent Plan**

Mr. Guajardo-Fajardo began the presentation of this item of the agenda by enumerating all the services provided by HR to the Group, among which is the Talent Plan, which forms part of the HR strategy and is also aligned with the Group's business strategy.

He indicated the general principles which underlie and govern the HR strategy: Attractiveness, Development, Differentiation and Commitment. Each of these principles governs the services and specific actions in the Human Resources Department.

He then explained the priorities in the engagement of new staff, and in their development in the short and medium terms.

He referred to the following projects:

- Programme for Graduates and Training

Its aims are the following:

- In view of Logista's unique business model, this Programme for Graduates and Training will help staff to evolve from the lower levels.
- The creation of a Programme for Graduates and Training which is the same for everyone, is based on the same principles, and is adapted to local needs.

- The creation of a common strategy for the junior profiles, which will guarantee a reserve of talent for the future, an exportable channel of young internal talent, and coverage of vacancies in the various businesses.
- An improvement in the perception of the Logista Group as a modern and intelligent employer, through the creation of its image as an employer, and through recruitment in universities and business schools.

Mr. Guajardo then presented the calendar of actions required by the Programme and which will be implemented from the second half-year onwards.

- Programme for Managers

Its aims are the following:

- To ensure that the best skills are present within the organisation by developing the individual and identifying short- and long-term objectives for the benefit of the employee and the organisation.
- To implement and extend initiatives which help us to secure the Company's results by developing employees' skills profiles in real projects, professional activities and training programmes (the Three E's Programme: Experience, Exposure and Education).

The Programme will commence in October of this year, and will have three different levels: Junior, Senior and Executive.

- Key positions in the Group, and Succession Plan

The Plan's objectives are the following:

- To ensure that the organisation always has available several potential employees who possess the knowledge, abilities, skills, and experience which are required for its continued success, and who will support the strategy over two to five years.
- To ensure that successors of optimal performance are available to take over in the Company's critical positions (Density of Talent).
- To build a pool of 2-3 potential candidates who would be ready to join the Company (Map & Track).

122 key positions have been identified in the Group, 15% of which would be included in the Talent Plan, 62% are "Key", and seven are vacant.

**9th SESSION – 25 SEPTEMBER, 2018**

Present at this session were Mr. Gregorio Marañón y Bertrán de Lis (Chairman), Mr. John Downing, Mr. Stéphane Lissner and Mr. Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary) (Non-Member).

Also present was the Chief Executive Officer of the Company, Mr. Luis Egido Gálvez.

The Appointments and Remuneration Committee examined the following subjects:

**Proposal to the Board of Directors that it appoint, by co-option, a new independent director to fill the vacancy arising as a result of the resignation of another director of the same category, together with a report in support of that proposal.**

The Appointments and Remuneration Committee unanimously resolved:

- 2.1 To propose to the Board of Directors the appointment by co-option of Mr. Jaime Carvajal Hoyos, to fill the vacancy left by the resignation of the Independent Director Mr. Eduardo Zaplana Hernández-Soro, for the statutory period of four years, and subject to ratification by the next General Shareholders' Meeting.
- 2.2 To make final the Report justifying the appointment of Mr. Jaime Carvajal Hoyos as an Independent Director, with the content appended to the minutes of the Appointments and Remuneration Committee's meeting of 26th June, 2018.

**Report/Proposal to the Board of Directors concerning the nomination of the independent Director Mr. Alain Minc as a member of the Audit and Control Committee.**

The Appointments and Remuneration Committee, in accordance with Article 15.2 of the Rules of the Board of Directors, and with the abstention of Mr. Minc, judged that Mr. Alain Minc possesses the appropriate knowledge, skills and experience to be a member of the Audit and Control Committee, and consequently reported in favour of, and proposed to the Board of Directors, the nomination of the independent Director Mr. Alain Minc as a member of the Audit and Control Committee.

**Report/Proposal to the Board of Directors concerning the nomination of the independent Director Mr. Jaime Carvajal Hoyos as a member of the Appointments and Remuneration Committee.**

The Appointments and Remuneration Committee, in accordance with Article 15.2 of the Board's Rules, unanimously judged that Mr. Carvajal does indeed possess adequate knowledge, abilities and experience to be a member of the Committee, and therefore reported in favour of, and

proposed to the Board of Directors, the nomination of Mr. Jaime Carvajal Hoyos, Independent Director, as a member of the Appointments and Remuneration Committee.

### **- Self-evaluation of the Board's functioning in fiscal year 2017-2018**

The Committee, in accordance with the Bylaws, the Board's Rules of 26th January, 2016 (Art.19.7) and the Recommendations of the new Code of Good Governance, analysed the result of the self-evaluation of the functioning of the Board and its Committees, and of the performance of their duties by the Chairman of the Board, the Chief Executive Officer and the Board Secretary in fiscal year 2017-2018, and unanimously decided to submit to the Board a Plan of Actions for improvement.

### **Report, and proposal to the Board, concerning approval of the enlargement of the Company's Share Buy-Back Programme so that the shares may be used in the Company's 2014 and 2017 General and Special Share Plans.**

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

a) To expand the Programme for the Buy-Back of the Company's own shares so as to assign all or some of them, at the appropriate moment, for delivery to the Beneficiaries of the 2014 and 2017 General and Special Share Plans who affirm their right to the delivery in accordance with the Rules of both Plans.

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

- (i) In implementation of the Programme, the Company may acquire up to 215,876 shares.
- (ii) The maximum monetary amount assigned to the Expansion is 4,900,000 euros.
- (iii) The shares will be purchased at market price, under the terms governing price and volume laid down by EU Regulation 596/2014 of the European Parliament and Council, of 16th April, 2014, relating to Market Abuse, EU Delegated Regulation 2016/1052, of the Commission, of March, 2016, and in particular, in accordance with the terms of operation, applicable restrictions and obligations in relation to transparency laid down by this latter Regulation, and in the Internal Rules of Conduct relating to the Company's Securities Markets, of 27th September, 2016.
- (iv) The Buy-Back Programme will remain in force until 1st October, 2019, but will end on an earlier date if the Company has already acquired the indicated maximum number of shares, or if the agreed maximum monetary limit has been reached, or if any other circumstances make its termination advisable, in the opinion of the Board.

- (v) The approval, interruption, termination or modification of the Buy-Back Programme, and the share-purchasing operations in implementation of the same, will be notified to the *Comisión Nacional del Mercado de Valores* (National Securities Market Commission) with the frequency laid down by the regulations.
- b) To empower LOGISTA's Corporate Director of Finances, Mr. Manuel Suárez Noriega, to take the appropriate purchasing decisions in implementation of the Buy-Back Programme, in accordance with the provisions of the Internal Rules of Conduct relating to the Company's Securities Markets, of 27th September, 2016, and to designate the member of the market who will have to broker the purchasing operations.

The preceding report was unanimously approved by all the members of the Appointments and Remuneration Committee in the session held on 30 October 2018.

Leganés, on 30 October, 2018.

The Secretary of this Committee,

Rafael de Juan López