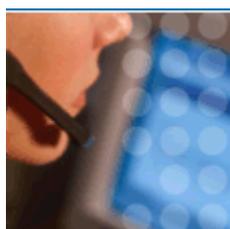


5. - STATUTORY AUDITOR INDEPENDENCE ANNUAL REPORT

AUDIT AND CONTROL COMMITTEE

2017-2018



1. INTRODUCTION

In accordance with the section 4 (f) of the article 529 fourteenth of the Corporate Law passed on the Law 31/2014 of December 3rd amending the Corporate Law for the corporate governance improvement, and by virtue of the provisions of the article 17.2 of the Rules of the Board of Directors, where it is established that: *“On an annual basis, prior to the audit report, issue a report containing an opinion on the independence of the auditors. This report in any event must cover the details of the provision of the additional services referred to in the preceding section, taken individually and as a whole, other than the legal audit, as regards independence of the auditors and regulations governing audits”.*

This document pronounces on the evaluation of the additional services rendered, individually and as a whole, others than the statutory audit, and related to the independence or to the applicable regulations affecting the Statutory Auditors, as well as the precautions observed in order to ensure its independence, according to the Law 22/2015 of June 20th of Accounts Auditing (“Audit Law” from now on). Consequently, the Audit and Control Committee prepares this report.

2. RECRUITMENT CONDITIONS

The Annual Shareholders' Meeting held on March 21st, 2017 agreed to appoint as auditors for the annual accounts of the Company and of its consolidated Group for the years 2017, 2018 and 2019 to Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L. in joint action.

The tender process of Deloitte and PricewaterhouseCoopers was carried out in accordance with the provisions of the Audit Act 22/2015, of July 20, which, in its article 40, establishes the rules on hiring, rotation and appointment of auditors; and in accordance with the provisions of Regulation (EU) No. 537/2014 of the European Parliament, of April 16, 2014.

Hiring process is set up before the beginning of the duties of the external auditors for the current fiscal year, and was previously informed by the Audit and Control Committee on April 25th, 2017.

Related to the terms and conditions of the audit contract, the Audit and Control Committee has verified that the obligation to rotate the Statutory Auditor is satisfied.

Fees related to audit services of the financial statements of the year 2017-2018, rendered to Logista Group by Deloitte amount € 828 Thousand, and those rendered by PricewaterhouseCoopers Auditores amounted € 497 Thousand. The update of said fees has been analyzed and approved by the Audit and Control Committee in its session of November 28th, 2017.

Regarding the audit services agreed both with Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L., the Audit and Control Committee considers that they have not been influenced or affected by the rendering of other additional services or based on any contingency or condition other than the changes in the context discussed to set the audit fees, according to stated at the Audit Law, and according to what the auditors have expressed in their Independence Report.

3. COMMUNICATION WITH THE AUDITOR

The Audit and Control Committee has maintained the opportune relations with the co-auditors to receive information on issues that may pose a threat to their independence and any other related to the process of developing the audit of accounts, as well as those other communications foreseen in the legislation of audit of accounts and in the technical norms of audit.

During the 2017-2018 financial year, the co-auditors of accounts have not informed the Audit and Control Committee of any issue that could put their independence at risk.

4. NON- AUDIT FEES RENDERED BY DELOITTE INCLUDED IN THE CONSOLIDATION OF THE LOGISTA GROUP

The breakdown of the services invoiced during the fiscal year 2017-2018, not considering the fees for the account auditing are presented in the following table:

	<u>Thousand Euros</u>
Other Verification Services	32
Transfer Pricing	115
Other services	11
Total	158

4.1. OTHER VERIFICATION SERVICES

This heading includes:

- Fees paid for the limited review of the half-year financial statements of the Compañía de Distribución Integral Logista Holdings, S.A. and its subsidiaries, according to the half-year financial statements review international regulations of the independent auditor of the ISRE 2410, in joint action, amounting € 17 Thousand.
- Fees paid for reviewing and issuing, in joint action, the report on the Internal Control over Financial Reporting Framework (ICOFR) released to the market for the fiscal year 2016-2017, included in the Corporate Governance Annual Report, amounting € 10 Thousand. The scope of the review

procedures used by the auditor shall be defined according to the circular note E14/2013, of July 19th 2013, of the " Instituto de Censores Jurados de Cuentas" of Spain.

- The execution of the required verifications on the disclosure of containers and packaging that has to be annually sent to ECOEMBES, to be attached to the self-assessment of the related taxes, amounting € 5 Thousand.

It should be noted that the nature of these works, such as the half-year limited review of the Consolidated Accounts or the review of the Internal Control System of Financial Information, is closely related to the audit of accounts, not involving a risk or threat to the independence of the accounts audit itself.

Regarding the relationship of the verification on the declaration of ECOEMBES, the typology of this type of service supposes the verification of certain control mechanisms (consistency of the information relative to the unit weight of the packaging) and verification of the agreement of the declarations of containers for the benefit of the conservation of the environment, having no impact neither on the internal control systems, nor on the financial statements, nor on the process of elaboration thereof, and therefore not meaning a threat to the independence.

4.2. TRANSFER PRICING

- Fees paid for assistance in the transfer pricing supporting the documentation update for the different entities of the Group.

This service is limited to assist the Logista Group in complying with its documentation obligations regarding transfer pricing in the countries in which the Group is present, focusing mainly on assistance in the preparation and / or review of the documentation of transfer pricing. The scope and content of the service does not include the provision of tax advisory services, nor assistance to the Group in defending its transfer pricing policies to the tax authorities of the countries concerned.

4.3. OTHER SERVICES

Detail of other services fees invoiced during the current fiscal year are the following:

- Social contribution tax in Logista France (€ 4.5 thousand): Report on the verification of the information prepared by Logista France on the calculation of the social solidarity contribution for the 2016-2017 period for three tobacco manufacturers.
- Review of the translation of the Annual Account reports of Compañía Integral de Distribución Logista S.A.U. and Compañía Integral de Distribución Logista Holdings, S.A. from Spanish to English, amounting € 6 Thousand.

Regardless of the small amount of fees for these services, the service related to the revision of the calculation of the social contribution tax is limited to verifying the agreement of this rate, having no impact whatsoever on the internal control systems, nor in the financial statements, or in the process of preparing

them. On the other hand, we consider that a quality review of the translation is a supplement that in no way poses a threat to its independence and does not mean, therefore, a threat to it.

Therefore, the hiring of these services to Deloitte has been done according to stated at art. 14. Incompatibility causes of Audit Law, not being included in the prohibited services according to that Law. There have not been neither incompatible services rendered in the period covered between the beginning of the first year before the fiscal year belonging the Annual Accounts, according to stated at Article 21. Duration of incompatibilities, of Law 22/2015 of June 20th.

5. NON- AUDIT FEES RENDERED BY PRICEWATERHOUSECOOPERS INCLUDED IN THE CONSOLIDATION OF THE LOGISTA GROUP

The breakdown of the services invoiced during the fiscal year 2017-2018, not considering the fees for the account auditing are presented in the following table:

	<u>Thousand Euros</u>
Reporting package to Imperial Brands, PLC	128
Other verification services	30
Other services	37
Total	195

5.1. REPORTING PACKAGE AND OTHER VERIFICATION SERVICES

This heading includes:

- Review of the consolidation reporting package sent to Imperial Brands, PLC. of Compañía Integral de Distribución Logista Holdings, S.A, with regards to the audit and intermediate review of the consolidation package to Imperial Brands at 30th September, 2017, and also for the six-month period review ended March 31st, 2018, amounting € 128 Thousand.
- Fees paid for the limited review of the half-year financial statements of the Compañía de Distribución Integral Logista Holdings, S.A. and its subsidiaries, according to the half-year financial statements review international regulations of the independent auditor of the ISRE 2410, in joint action, amounting € 18 Thousand.
- Fees paid for reviewing and issuing, in joint action, the report on the Internal Control over Financial Reporting Framework (ICOFR) released to the market for the fiscal year 2016-2017, included in the Corporate Governance Annual Report, amounting € 12 Thousand. The scope of the review procedures used by the auditor shall be defined according to the circular note E14/2013, of July 19th 2013, of the " Instituto de Censores Jurados de Cuentas" of Spain.

It should be noted that the nature of these works, such as the half-year limited review of the Consolidated Accounts or the review of the Internal Control System of Financial Information, is closely related to the audit of accounts, not involving a risk or threat to the independence of the accounts audit itself.

5.2. OTHER SERVICES

This amount fully corresponds to invoiced services related to obtaining a report "SSAE16 SOC 1 Type 2", -a standard report to prove the efficiency of the controls of activities subcontracted to third parties-, intended for a customer of the subsidiary of Logista Italia in relation to the storage and supply activities of one of its work centers.

It has been considered as a compatible service given that no design or implementation services are provided in relation to the internal control system over the financial information of Grupo Logista, but rather the service is provided to assess the adequacy of the relevant controls for the Logista Italia customer and not for its own internal control system. In addition, the calendar of the insurance report is based on the client's closing process (31.12.2017) and not on the closing period of Logista Group (30.09.2017).

Therefore, the hiring of these services to PricewaterhouseCoopers has been done according to stated at art. 14. Incompatibility causes of Audit Law, not being included in the prohibited services according to that Law. There have not been neither incompatible services rendered in the period covered between the beginning of the first year before the fiscal year belonging the Annual Accounts, according to stated at Article 21. Duration of incompatibilities, of Law 22/2015 of June 20th.

6. PROPORTION OF INCOME

In the Rules of the Board, section 46.2 "Relations with Auditors", exposes that *"The Board of Directors shall refrain from hiring those audit firms whose projected fees including all items exceed five per cent of its total revenues during the previous financial year" and "The Board of Directors shall make public the total fees paid to the audit firm for services other than auditing"*.

During the fiscal year 2017-2018, Logista Group has hired audit services and other non-audit services:

- To Deloitte, amounting a total of € 986 Thousand, which represent a 0.0016 % of the annual revenues disseminated by Deloitte global for its fiscal year 2017-2018.
- To PricewaterhouseCoopers Auditores, amounting a total of € 692 Thousand, which represent a 0.0020 % of the annual revenues disseminated by PricewaterhouseCoopers Auditores, S.L. global for its fiscal year 2017-2018.

7. INDEPENDENCE DISCLOSURE FROM THE STATUTORY AUDITOR

On October 30th, 2018, the audit partners in charge of the issuance of the statutory audit report for the consolidated accounts of Compañía de Distribución Integral Logista Holdings, S.A., have confirmed to the Audit and Control Committee their independence.

The document developed by the Group Statutory Auditors, attached as Annex to this report, contains the written confirmation of their independence in relation to the Group and its subsidiaries, as well as the information regarding the additional services other than the Statutory audit, considered both individually and as a whole, rendered to the aforementioned companies by the auditors or related persons.

During fiscal year 2017-2018, the Statutory Auditors have not revealed in the Audit and Control Committees any issue that could impair their independence. In addition, Deloitte and PricewaterhouseCoopers have declared that, in application of their internal procedures, they have not identified circumstances that, individually or as a whole, could result in a significant threat to their independence and, therefore, could be grounds for incompatibility.

8. CONCLUSION

The Audit and Control Committee unanimously agrees sending to the Board of Directors of the Compañía de Distribución Integral Logista Holdings, S.A. the present report, where it is certified that the Statutory Auditors, Deloitte S.L. and PricewaterhouseCoopers Auditores, S.L., have been and acted independently, in relation to the issuance of the report after the examination and evaluation of the annual accounts, individual and consolidated, of the Compañía de Distribución Integral Logista Holdings, S.A., regarding the fiscal year 2017-2018.

Furthermore, it has been concluded that there are no objective reasons that would allow contesting the Statutory Auditors independence, and that such independence has not been threatened or impaired during the fiscal year 2017-2018, due to the rendering of non-audit services. In particular:

- PricewaterhouseCoopers and Deloitte have confirmed in writing their independence in accordance with the provisions of Regulation (EU) No. 537/2014 of April 16, 2014 on the specific requirements for the legal audit of entities of public interest, Law 22 / 2015, of July 20, of Audit of Accounts, the Royal Decree 877/2015, of October 2 that approves the Regulation of the Law of Audit, and in the technical norms of audit issued by the Institute of Accounting and Audit of Accounts.
- The fees corresponding to the audit services are set by the auditor prior to the start of their duties for the entire period in which they must perform them. The fees are not influenced or determined by the provision of additional services, nor are they based on contingencies or conditions other than changes in the circumstances that serve as the basis for setting the fees.
- Fees for the services provided do not constitute a significant percentage of the total annual income of the auditor.

- During the fiscal year 2017-2018, the Audit and Control Committee has established the appropriate relationships with the firms Deloitte and PricewaterhouseCoopers (Co-auditors) in order to receive information on those issues that could put their independence at risk.
- In the information obtained through the aforementioned communication channels, no aspects have been identified that question compliance with the auditor's regulatory norms regarding the auditor's independence and, in particular, no aspects of the audit have been identified. This nature is related to the provision of additional services, individually considered and as a whole, other than the legal audit.
- The Audit and Control Committee has analyzed all the proposals for contracting services with the Accounts Auditor in the fiscal year 2017-2018, other than the account audit service, in order to ensure that they are not incompatible with his work as auditors, thus not calling into question his independence, in accordance with the limitations established in the current legislation.

The current report is the one that has been approved by the Audit and Control Committee in its session held on October 30th, 2018.

Leganés, October 30th, 2018

D. Rafael de Juan López
Audit and Control Committee Secretary

Confirmation of independence letter

30 October 2018

Compañía de Distribución Integral Logista Holdings, S.A.
Calle Trigo 39
Leganés (Madrid)

To the Audit and Control Committee of Compañía de Distribución Integral Logista Holdings, S.A.

Dear Sirs,

On 21 March 2017, we were appointed co-auditors of the separate and consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries ("Logista Group") for the years ended 30 September 2017, 2018 and 2019.

In relation to this appointment as auditors and as required by International Standard on Auditing (Spanish adaptation of ISA 260) NIA-ES 260 (Revised), Communication with Those Charged with Governance, for public-interest entities (PIEs) which, solely for the purposes of the provisions of the audit regulations, are defined in Article 15 of Royal Decree 1517/2011, of 31 October (amended by Royal Decree 877/2015, of 2 October), approving the regulations implemented by the Consolidated Spanish Audit Law, and taking into account the provisions of Article 529 quaterdecies.4.e) of the approving the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July (amended by Final Provision Four of the Spanish Audit Law 22/2015, of 20 July), we confirm to you that:

1. The team in charge of the audit engagement and Deloitte, S.L. with the extensions applicable to them, have complied with the Independence requirements applicable under the Spanish Audit Law and Regulation (UE) No. 537/2014, of 16 April.
2. Following is a detail of the fees (excluding expenses) charged to the Logista Group and/or to the companies included in its chain of control (Imperial Brands Plc Group) for both audit and non-audit services in the year ended 30 September 2018 by Deloitte and its network, in order to facilitate your assessment thereof within the framework of our independence (in thousands of euros):

Item	Amount
LOGISTA GROUP:	
Audit services in Spain	828
Other attest services	32
Total audit and related services	860
Tax services	115
Other services	11
TOTAL LOGISTA GROUP	986
COMPANIES IN THE CHAIN OF CONTROL:	
Imperial Brands Group (a)	
Tax advisory services (*)	1,105
TOTAL COMPANIES IN THE CHAIN OF CONTROL	1,105

(*)Fees billed in pounds. Exchange rate: 1,127 €/GBP

(a) *Per our analysis, these services do not have any impact on the consolidated or separate financial statements of Compañía de Distribución Integral Logista Holdings, S.A. since they are provided to companies that are not included in its scope of consolidation.*

The itemised detail of "Other Attest Services", "Tax Advisory Services" and "Other Services" provided to the Logista Group companies is shown in Appendix I.

3. We have implemented internal policies and procedures designed to provide you with reasonable assurance that Deloitte and its personnel remain independent as required by the applicable legislation. These procedures include those aimed at identifying and evaluating threats that might arise from circumstances related to audited entities, including those that might cause incompatibility and/or, where applicable, those that might require the application of the necessary safeguards to reduce the threats to an acceptable level.

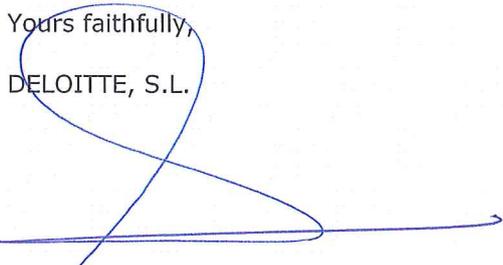
In our professional judgement, in connection with the aforementioned audit and for the reporting period covered by the financial statements and up to the date of issue of this letter, no circumstances have been identified that, either individually or as a whole, might pose a material threat to our independence or that, therefore, might require the application of safeguards or might indicate the existence of situations of incompatibility. Also, in those cases in which we have identified threats, including when such threats are not significant, we have applied the required safeguard measures to eliminate or reduce them to an acceptably low level.

This letter is for the exclusive information of and use by Logista Group's Audit and Control Committee for the aforementioned purpose and, therefore, it may not be used by third parties or for any purposes other than that mentioned above.

Should you intend to publish or reproduce in any way this letter of confirmation of independence in a document containing other information, you undertake to: (a) furnish us with a draft of the document for our perusal; and (b) seek our approval for the inclusion of our letter therein, before the document is published and distributed.

Yours faithfully,

DELOITTE, S.L.



José Luis Aller

APPENDIX I - ITEMISED DETAIL

Following is the detail -in relation to point 2 of the confirmation of independence- of the information on additional services of any type provided by the various member firms of the Deloitte worldwide organisation to Logista Group companies and the related fees (in thousands of euros):

Other attest services

Description	Amount
Fees paid for the preparation of and resulting <u>Report on Limited Review of Interim Financial Statements</u> of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries under IAS 34, in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as part of a joint audit.	17
Fees paid in relation to the review and issuance of the <u>Report on the system of internal control over financial reporting (ICFR)</u> for the period 2016-2017 included in the Annual Corporate Governance Report and sent to the markets. The scope of the auditor's review procedures was established in accordance with Spanish Institute of Certified Public Accountants Circular E14/2013, of 19 July 2013.	10
Verification of the <u>Annual Packaging Declaration</u> to be submitted on a yearly basis to ECOEMBES, for the attachment thereof to the self-assessment form for related duties and taxes.	5
Total	32

Tax counselling services

Description	Amount
Provision of advice on the update of documentation relating to the dossiers supporting the 2017 transfer prices.	115

Other services

Description	Amount
Report about social contribution tax in France	5
Review of the translation of the financial statements of Compañía Integral de Distribución Logista S.A.U. and Compañía Integral de Distribución Logista Holdings, S.A. from Spanish to English.	6
Total	11



30 October 2018

Compañía De Distribución Integral Logista Holdings, S.A.
 C/ Trigo, 39
 28914 Leganés (Madrid)

To the Audit and Control Committee of Compañía de Distribución Integral Logista Holdings, S.A.

Dear Sirs:

On 21 March 2017, we were appointed joint auditors of the stand-alone and consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries (“Logista Group”) for the year ended 30 September 2018.

In relation to this appointment as auditors and as required by International Standard on Auditing (Spanish adaptation of ISA 260) NIA-ES 260 (Revised), Communication with Those Charged with Governance, for public-interest entities (PIEs) which, solely for the purposes of the provisions of the audit regulations, are defined in Article 15 of Royal Decree 1517/2011, of 31 October (amended by Royal Decree 877/2015, of 2 October), approving the regulations implemented by the Consolidated Spanish Audit Law, and taking into account the provisions of Article 529 quaterdecies.4.e) of the approving the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July (amended by Final Provision Four of the Spanish Audit Law 22/2015, of 20 July), we confirm to you that:

- The team in charge of the audit engagement, the audit firm and other persons belonging to the audit firm and, when applicable, other firms of the network, with the extensions applicable to them, have complied with the Independence requirements applicable under the Spanish Audit Law and Regulation (UE) No. 537/2014, of 16 April.
- Following is a detail of the fees charged to the entity and to the related entities included in its chain of control, disclosed by concept, for both audit and non-audit services, in the year ended 30 September 2018 by the audit firm and its network, in order to facilitate your assessment thereof within the framework of our independence:

	Thousands of Euros
Logista Group	
○ Audit fees	497
○ Reporting package to Imperial Brands, PLC	128
○ Report on limited review on interim consolidated financial statements	18
○ Report on the “Information relating to the System of Internal Control over Financial Reporting (ICFR)”	12
Total audit and related services	655
○ SSAE 16 Report SOC 1 – Type 2	37
Total services	692
Related entities in its chain of control: Imperial Brands PLC Group	
○ Work performed on Corporate Social Responsibility reporting (*)	111
○ Other services (*)	77
Total related entities in its chain of control	188

(*) Fees billed in pounds. Exchange rate 1,127 €/GBP

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
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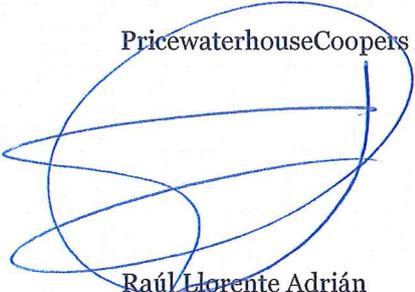
- We have implemented internal policies and procedures designed to provide you with reasonable assurance that the audit firm and its personnel remain independent as required by the applicable legislation. These procedures include those aimed at identifying and evaluating threats that might arise from circumstances related to audited entities, including those that might cause incompatibility and/or, where applicable, those that might require the application of the necessary safeguards to reduce the threats to an acceptable level.

In our professional judgement, in connection with the aforementioned audit, no circumstances have been identified that, either individually or as a whole, might pose a material threat to our independence or that, therefore, might require the application of safeguards or might indicate the existence of situations of incompatibility.

This letter is for the exclusive information of and use by Logista Group's Audit and Control Committee for the aforementioned purpose and, therefore, it may not be used for any purposes.

Yours faithfully,

PricewaterhouseCoopers Auditores, S.L.



Raúl Lorente Adrián