



# 2015 ANNUAL REPORT

## Remuneration of Directors

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**ISSUER IDENTIFICATION DETAILS**

FISCAL YEAR-END DATE

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COMPANY NAME

Compañía de Distribucion Integral Logista Holdings, S.A.

REGISTERED OFFICE

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28914 Leganés (Madrid)

# ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

## A. THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

### A.1 Explain the company's remuneration policy. Included under this heading will be information about:

- The principles and general basis of the remuneration policy.
- The most significant changes made in the remuneration policy compared with the one applied last year, and the modifications made during the year which affect the exercise of options already granted.
- The criteria and composition of groups of comparable companies examined to establish the company's remuneration policy.
- The relative importance of the variably remunerated items compared with those of fixed remuneration, and the criteria used to determine the different components of the directors' remunerative packages (the remunerative mix).

### Explain the remuneration policy

#### A.1.1 The principles and general basis of the remuneration policy

The remuneration policy of Compañía de Distribución Integral Logista Holdings, S.A. (hereinafter equally called 'the Company') and of its associated companies (hereinafter jointly called 'Grupo Logista' or 'the Group'), has the basic purpose of attracting, retaining and motivating the best professionals. This policy has to be adjusted to suit the circumstances at any given moment, and has to take particular account of changes in regulations, the best practices in the market, and the recommendations and directives on corporate governance.

The principles of the Company's remunerative system are the following:

- (i) The creation of value for the shareholder in a manner which is sustainable in time.
- (ii) External competitiveness.
- (iii) To give rewards commensurate with levels of responsibility and professional careers.
- (iv) A reasonable balance between the fixed and the variable elements of remuneration, which combines an adequate management of risk with the achievement of defined objectives.
- (v) A link between remuneration and results: a significant part of the total remuneration of Executive Directors is variable, and its payment is linked to the achievement of objectives that are financial, business-related, value-creating, pre-determined, specific, quantifiable, and in line with the Business Plan of the Grupo Logista.

#### A.1.2 The most significant changes made in the remuneration policy compared with the one applied last year, and the modifications made during the year which affect the exercise of options already granted

The General Meeting of the Company on 17th February, 2015, adopted the following agreements:

- i) To modify, among other things, Article 39 of the Articles of Association, concerning the Remuneration of the Directors.

- ii) To approve, in consultative voting, the Annual Report on the Remuneration of the Company's Directors. In accordance with the aforementioned Transitional Provision of Law 31/2014, the Company's remunerations policy, contained in the same, was approved as the Policy on the Remunerations of the Directors for the next three years.
- iii) To fix the maximum amount of the annual remuneration, to be paid to the whole group of Directors in their capacities as such, at 1,300,000 euros, by fixed allowances and daily allowances for attendance at meetings of the Board and of its Delegated or Consultative Committees.

The Board of Directors of the Company, in its meetings of 18th July and 17th September, 2014, fixed the remuneration of the Chairman and those of the other Directors, by fixed remuneration plus daily allowances for attendance at meetings of the Board and of its Committees which are within the limits laid down by the General Meeting of Shareholders on 17th February, 2015.

The General Meeting of 4th June, 2014, also agreed on the introduction of the 2014 Long-Term General and Special Incentive Plans and on their basic characteristics which are listed in section A.4.

### **A.1.3 The criteria used to establish the Company's remuneration policy**

The Board, at the proposal of the Appointment and Remuneration Committee, considered the following points in order to formulate its remuneration policy:

- i) What is laid down in the Articles of Association and the Board's Regulations: In accordance with what is indicated in both regulatory texts, the remuneration of the Directors, in their capacity as such, will consist of a fixed monthly amount in cash and certain daily allowances for attendance at meetings of the Board and of its Committees, within the maximum annual amount fixed by the General Meeting as the remuneration to be paid to the whole group of Directors, in their capacities as such.

Additionally, the Directors can be remunerated in shares of the Company, the granting of options on the same, or by any other system related to the value of the shares, the effective application of which will require the agreement of the General Meeting.

Regardless of the remuneration which they receive by virtue of their status as Directors, Executive Directors are remunerated for performing executive functions within the Company or the Group.

- ii) The applicable regulations.
- iii) The objectives set by the Group's Business Plan, and which, among other things, enable the establishment of the metrics to which the variable annual and long-term remunerations are linked.
- iv) Market data.

The remunerations policy, within the framework described above, seeks to remunerate the Directors appropriately, in accordance with their actual commitment and the functions and responsibilities assigned to each of them, their membership of the Board's Committees, and other objective circumstances which the Board considers as relevant in relation to the position which they hold on the Board and/or the Committees, and the contributions that they make.

### **A.1.4 The relative importance of the variably remunerated items compared with those of fixed remuneration, and the criteria used to determine the different components of the directors' remunerative packages (the remunerative mix)**

The total remuneration of Executive Directors consists basically of: (i) a fixed salary, (ii) short-term variable remuneration, (iii) long-term variable remuneration, (iv) benefits and payments in kind.

With regard to the remunerative mix (fixed remuneration + short-term variable remuneration + long-term incentives), it can be shown that, in a scenario of standard achievement of objectives, for the Chief Executive Officer approximately 30% of the total remuneration would be fixed and approximately 70% would be variable. For the Board Secretary/Director, the proportions would be 40% fixed and 60% variable.

**A.2 Information about the preparatory work and the decision-making process that were involved in the determination of the remuneration policy, and the role played, when necessary, by the Remuneration Committee and other controlling bodies in its formulation. This information will include, when appropriate, the mandate given to the Remuneration Committee, its composition, and the identity of the external advisors whose services were used to define the remuneration policy. Information will also be given, if applicable, about the kind of Directors who intervened in the definition of that policy.**

**Explain the process of defining the remuneration policy**

**A.2.1 Preparatory Work and Decision-making**

During financial year 2014 the Appointment and Remuneration Committee, as part of the regular review of the policy governing the Board's remuneration, undertook an exercise of analysis of the remuneration of the Chairman, the Executive Directors and the External Directors.

With regard to the Executive Directors, the Committee, in order to determine the Company's referencing market, fixed a series of objective criteria which were used to select the comparable companies, and which were as follows: (i) a sufficient number of companies to obtain results that were representative and statistically reliable and solid; (ii) information about size: turnover, market capitalisation, assets and number of employees; (iii) extent of responsibility: companies quoted both on the IBEX35 and on the continuous market; (iv) distribution by sector: a multi-sectorial sample with a homogenous distribution among sectors of activity.

In connection with the design of the 2014 General and Special Long-Term Incentive Plans, on 4th June, 2014, the Company's Board Meeting had the benefit of advice from Garrigues Human Capital Services – engaged, at that time, by Compañía de Distribución Integral Logista, S.A.U. (hereinafter, Logista or Logista S.A.U.) – who, taking into consideration the recommendation of the European Union of 30th April, 2009, the Spanish Unified Code of Good Governance, the recommendations of the Association of British Insurers and the policy applied by Spanish companies quoted on the IBEX 35, ratified both of the Plans presented by Logista, the definitive versions of which were, obviously, referred to the Company, and their basic content was included in the Informative Prospectus of the Public Offering for Sale of the Company's shares. The Board also proposed their approval to General Meeting of Shareholders, and the granting to the Executive Directors, in each of the Consolidation Periods of both Plans, of the maximum Initial Incentive proposed by each of them. The General Meeting of Shareholders of 4th June, 2014, approved both proposals.

During financial year 2014-2015, the Appointment and Remuneration Committee met four times.

**A.2.2 Remuneration Committee: Mandate**

The Appointment and Remuneration Committee played a significant part in the definition of the remuneration policy of Grupo Logista. During fiscal year 2014-2015, the most relevant actions of that Committee in connection with the said Policy were the following:

- i) Proposals to engage managers.
- ii) Carrying out an analysis of the market and entrusting services to external advisors on the remuneration of the Chairman and of the Directors.
- iii) Proposing a remuneration policy for the Chairman and the Directors consisting of a fixed amount plus attendance allowances.
- iv) Proposing to the Board the approval of the Regulations governing the 2014 General and Special Long-Term Incentive Plans.
- v) Assessing the degree of achievement of the Group's Business Objectives in financial year 2013-2014.
- vi) Proposing to the Board the approval of the 2013-2014 Annual Report on the Directors' Remunerations.

- vii) A proposal to the Board concerning the fixing by the General Meeting of the maximum annual amount of the remunerations of the Directors in their capacities as such.
- viii) Proposing to the Board the settlement of the First Consolidation Period (2011-2014) of Logista's 2011 General and Special Long-Term Incentive Plans.
- ix) Proposing to the Board the Benefits and Shares to be recognized as being due to the Executive Directors and other Beneficiaries, in accordance with the Company's 2014 General and Special Plans for Shares (First Consolidation Period (2014-2017)).
- x) Reporting on the appointment by the Board, by co-opting, of a new Proprietary Director.
- xi) The setting of the Group's Business Objectives for 2014-2015.
- xii) Evaluation of the Executive Directors' Short-term variable Remuneration in 2013
- xiii) Proposal of Salary and Short-term variable Remuneration of the Executive Directors for financial year 2014-2015.

### A.2.3 Remuneration Committee: Composition

In accordance with Article 43 bis of the Articles of Association and Article 18 of the Regulations of the Board of Directors, the Committee will be composed exclusively of Executive Directors, of whom at least two will be independent Directors.

Currently, most of the members of the Appointment and Remuneration Committee (three out of four) are Independent.

The Committee is currently composed of the following: Mr. Gregorio Marañón y Bertrán de Lis (Chairman/Independent Director); Mr. John Matthew Downing (Proprietary Director); Mr. Stéphane Lissner (Independent Director); Mr. Eduardo Andrés Zaplana Hernández-Soro (Independent Director).

### A.2.4 The external advisors that have rendered services to the Committee are the following:

- (i) Towers Watson, who advised the Committee on the preparation of the remuneration benchmark of the Chairman, the Executive Directors and the External Directors; (ii) Garrigues Human Capital Services, who advised the Committee on matters connected with the design of the 2014 General and Special Long-Term Incentive Plans.

### **A.3 Indicate the amount and the nature of the fixed elements, with a breakdown, if appropriate, of the remuneration for the performance by the executive directors of senior management functions, of the additional remuneration for performing the duties of Chairman or Member of a committee of the Board, of the daily allowances for participation in meetings of the Board or its committees, and of other fixed remuneration of directors, as well as an estimate of the resulting total fixed annual remuneration. Identify other benefits which are not paid in cash and the fundamental factors for which they are granted.**

#### **Explain the fixed elements of the remuneration**

The Directors' Remuneration, for their activities as Directors, consists of the following remunerative elements:

- a) A fixed monthly amount in cash, in conformity with the standards of the market, and in accordance with the responsibilities which they hold within the Board and its Committees, as detailed below:
  - (i) For the Chairman of the Board, the fixed monthly remuneration amounts to 30,000 €. That amount includes the fixed remuneration foreseen for the Chairman of the Appointment and Remuneration Committee, given that that function is currently performed by the Chairman of the Board.

- (ii) The fixed monthly remuneration for the Board Members for their membership of the Board of Directors amounts to 5,000 €.
  - (iii) The fixed monthly remuneration of the Chairman of the Appointment and Remuneration Committee is 1,666.66 €.
  - (iv) The fixed monthly remuneration of the Chairman of the Audit and Control Committee is 1,666.66 €.
- b) Allowances for attendance at meetings:
- (i) Of the Board of Directors: 2,000 € per session.
  - (ii) Of the Audit and Control Committee: 1,600 € per session.
  - (iii) Of the Appointment and Remuneration Committee: 1,000 € per session.

Currently, the Non-Executive Directors, because of their status as such, do not receive any remuneration at all by way of pensions or life assurance, nor do they participate in remuneration plans related to the market value of the Logista share, even though that form of remuneration is considered in the Company's Articles of Association.

As mentioned earlier, the four External Proprietary Directors do not receive any remuneration for their membership of the Company's Board.

On the other hand, and as previously mentioned, for the performance of executive functions in the Company, the Executive Directors receive from Logista a salary which is paid monthly. The amounts paid for the whole of financial year 2014-2015 were the following: Mr. Luis Egido Gálvez: 560,856 euros; Mr. Rafael de Juan López: 281,289 euros.

The Executive Directors participate in : (i) Logista's 2011 General Long-Term Incentive Plan; (ii) Logista's 2011 Special Long-Term Incentive Plan; (iii) the Company's 2014 General Long-Term Incentive Plan; (iv) the Company's 2014 Special Long-Term Incentive Plan; (v) Logista's Employment Pensions Plan; (vi) the Directors' Welfare Plan, to which Logista makes contributions based on a percentage of the fixed and variable remuneration of each Director.

They also receive the following benefits and payments in kind: (i) life assurance; (ii) health insurance; (iii) a Company vehicle.

#### **A.4 Explain the amount, the nature and the main characteristics of the variable components of the remunerative systems.**

In particular:

- Identify each of the remunerative plans of which the directors are beneficiaries, their scope, the date of their approval, date of introduction, validity period and main characteristics. In the case of plans including options on shares and other financial instruments, the general characteristics of the plan will include information about the conditions for the exercise of the said options or financial instruments for each plan.
- Indicate any remuneration by way of participation in profits or bonuses, and the reason for which it is granted.
- Explain the fundamental parameters and the basis of any scheme of annual bonuses.
- The types of directors (executive directors, proprietary external directors, independent external directors or other external directors) who are beneficiaries of remunerative schemes or plans which incorporate a variable remuneration.



- The basis of the said schemes of variable remuneration or plans, the criteria chosen for the evaluation of performance, the components and methods of evaluation to determine whether or not the said evaluation criteria have been fulfilled, and an estimate of the total amount of the variable remuneration to which the current remunerative plan gives rise, depending on the degree of achievement of the hypothesis or objectives taken as the reference.
- If appropriate, the periods laid down for deferral or postponement of payment and/or any periods of retention of shares or other financial instruments will be notified.

#### Explain the variable elements of the remuneration schemes

On the date of issue of this Report, the remunerative policy for Executive Directors, in relation to the variable components, was the following:

i) Short-term variable remuneration:

At their meeting of 16th December, 2014, the Board of Directors, at the proposal of the Appointment and Remuneration Committee:

- Fixed the degree of achievement of objectives for the Executive Directors at 100% of the 2013-2014 Fixed Salary, in the case of the CEO, and at 93.5% of the maximum previously indicated, in the case of the Secretary Director.
- Fixed the Objectives to be achieved for the short-term variable remuneration in financial year 2014-2015, and the corresponding metrics.
- Decided that the Short-term variable remuneration of the Executive Directors for financial year 2014-2015, payable in this financial year 2016, would be limited to a maximum of 100% of the salary for Mr. Luis Egido Gálvez and to 66.66% of the salary for Mr. Rafael De Juan López.

Specifically, a matrix has been designed which combines the following metrics: the Group's working capital and its EBIT.

ii) Logista's 2011 General and Special Long-Term Incentive Plans

The Executive Directors participate as Beneficiaries in both Plans. The settlement of the First Consolidation Period (2011-2014) of both Plans, for the Chief Executive Officer was 306,770 € (General Plan) and 273,278 € (Special Plan), and for the Secretary/Director it was 170,054 € (General Plan) and 160,714 € (Special Plan).

iii) 2014 General and Special Long-Term Incentive Plans

The Executive Directors, with the agreement of the General Meeting and of the Board of Directors, are Beneficiaries of the Company's 2014 General and Special Long-Term Share Incentive Plans.

1. 2014 General Long-Term Incentive Plan

See Section E.

The numbers of the Company's shares recognized as the entitlements of the Chief Executive Officer and the Secretary/Director, for the First Consolidation Period (2014-2017) of the General Plan, were, respectively, 35,412 and 13,304.

2. 2014 Special Long-Term Incentive Plan

This plan is intended only for Executive Directors and certain other senior managers who make valuable contributions to the Group. Its duration will be identical to that of the General Plan.

The maximum Recognized Initial Incentive will be a certain percentage of the fixed annual salary of each Beneficiary, to be determined in each cycle, and will be a maximum of 75% in the case of Executive Directors and of 50% in the case of the other Beneficiaries.

The requirements, Consolidation Objectives and Consolidation Percentages for the period 2014-2017 are the same as those laid down for the General Plan, but the percentages of the Number of Recognized Shares for the Beneficiaries who consolidate in accordance with the criteria of TSR, CSR and EBIT are respectively 35%, 32% and 33%.

The numbers of the Company's shares recognized as the entitlements of the Chief Executive Officer and the Secretary/Director, for the First Consolidation Period (2014-2017) of the Special Plan were, respectively, 26,559 and 16,024.

**A.5 Explain the main characteristics of the schemes for long-term savings, including retirement and other survivor benefits, that are partially or wholly financed by the Company, whether they be granted internally or externally, with an estimate of their amount or equivalent annual cost, indicating the type of plan, whether it is of defined contribution or defined benefit, the conditions for consolidation of the financial rights in favour of the directors, and their compatibility with any type of compensation for early termination or ending of the contractual relationship between the Company and the director.**

Also show the contributions for the director's benefit to defined-contribution pension plans; or the increase in the director's consolidated rights, in the case of contributions to defined-benefit pension plans.

#### **Explain the long-term savings schemes**

The Executive Directors participate in Logista's Employment Pensions Plan. It is a defined-contribution plan, and the monthly contributions made by the Company are of 8.3% of the base salary.

The Executive Directors also participate in the Directors' Welfare Plan, to which the Group makes contributions of approximately 10% of the annual Salary plus Short-term variable remuneration of each Director.

**A.6 Indicate the compensation agreed or paid on the termination of the director's functions.**

#### **Explain the compensation payments**

No payment of any kind of compensation to Directors is foreseen in cases of termination of their functions as such. The payment of compensation is only foreseen in cases of termination of executive functions which, if applicable, could be carried out as detailed in section A.7 below.

There are no contracts with members of the administrative, management or supervisory bodies of Logista Holdings or of any of its associated companies in which benefits are envisaged for those people as a consequence of the termination of their positions and functions.

**A.7 Indicate the obligatory conditions of the contracts of anyone who, as an executive director, performs senior management functions. Among other things, they must contain information about the duration, the limits to the amounts of compensation, the minimum contract term, the notice periods and the payments in lieu of such notice, and any other clause relating to joining bonuses, compensation or redundancy payments for early termination of the contractual relationship between the Company and the executive director. They must also include the agreements relating to non-competition, exclusivity, and term of post-contractual loyalty and non-competition.**

#### **Explain the terms and conditions of executive directors' contracts**

The most important terms and conditions of the contracts signed by Executive Directors with Logista are described below:

- a) Change-of-control clauses: if there is a change of control, the Board Secretary would be able to invoke this clause, which allows him to receive the same compensation as in cases of termination by unfair dismissal. The amount laid down amounts to double the remuneration (fixed salary plus variable remuneration). Moreover, the base salary for the calculation of the compensation cannot be less than that which would have been used to calculate the compensation in 2008, when Imperial Tobacco Group PLC became a shareholder of Logista.

- b) 'Golden Parachute' clauses: the Chief Executive Officer and the Board Secretary have the right to receive compensation in case of cessation of the relationship due to unfair dismissal, or if the termination of the contract is requested by the director himself or herself under Article 50 of the Estatuto de los Trabajadores (Workers' Statute) or, in the case of the Board Secretary, because of retirement. In these circumstances, the compensation consists of one year's remuneration (fixed salary and variable remuneration) for the Chief Executive Officer, and two years' remuneration (fixed salary and variable remuneration) for the Board Secretary. In either case, this provision will only apply if the legal compensation for the director concerned would be less than that shown in these clauses.

The contracts of the Chief Executive Officer and of the Board Secretary provide for a payment in cases of death or disability, to be paid to the director or his heirs, and from which the amount received from the employer's life assurance policy is deducted.

- c) Non-competition clauses: the Board Secretary's contract includes a clause relating to postcontractual non-competition for 24 months. This agreement carries with it a remuneration, which is the compensation for the restriction of non-competition, and which amounts to 12 months' fixed and variable salary. It will be paid monthly during the period of the non-competition restriction.

In addition, the contracts of each Executive Director contain other clauses which are normally included in this type of contract, and which conform to the usual market practices in this matter: confidentiality and professional secrecy, notice periods, compliance with internal regulations, etc.

**A.8 Explain any supplementary remuneration earned by directors as consideration for services provided which are different from those inherent in their positions.**

**Explain the supplementary remuneration**

As at the date of issue of this Report, no supplementary remuneration had been earned by Directors as consideration for services provided which are different from those inherent in their positions.

**A.9 Indicate any remuneration in the form of advances, credits or guarantees granted, with an indication of the rate of interest, their essential characteristics and the amounts that may have been returned, and also the obligations assumed by each recipient by way of guarantee.**

**Explain the advances, credits and guarantees granted**

As at the date of issue of this Report, no advances, credits or guarantees had been granted to any Director.

**A.10 Explain the principal characteristics of remuneration in kind.**

**Explain the remuneration in kind**

As part of their remuneration in kind, the Executive Directors have the following benefits:

- (i) a Company vehicle;
- (ii) life assurance covering death and disability;
- (iii) health insurance.

**A.11 Indicate the remuneration earned by the director by virtue of the payments which the quoted company makes to a third entity in which the director provides services, when the purpose of those payments is to remunerate the latter for his or her services in that company.**

**Explain the remuneration earned by the director by virtue of the payments which the quoted company makes to a third entity in which the director provides services**

As at the date of issue of this Report, no remuneration of this kind had been earned.

**A.12 Any remunerable concept other than the foregoing, whatever may be its nature or the entity in the Group which pays it, especially when it can be considered as a related transaction or when its issue distorts the true picture of the total remuneration earned by the director.**

**Explain the other remunerative concepts**

As at the date of issue of this Report, no remunerative concept other than those explained in the foregoing sections was envisaged within the Directors' remunerative system.

**A.13 Explain the actions taken by the Company, in connection with the system of remuneration, to reduce exposure to excessive risks and to adapt the system to the Company's long-term objectives, values and interests. Included will be, as applicable, references to the measures envisaged to ensure that the remunerative policy is adapted to the Company's long-term results; to measures which establish an appropriate balance between the fixed and variable components of the remuneration; to measures adopted in relation to those of the staff whose professional activities have a material repercussion on the entity's 'risk profile'; to recovery formulae or clauses for claiming the return of the variable components of remuneration based on results when such components have been paid on the basis of data whose inaccuracy was manifestly demonstrated later; and to measures envisaged for the avoidance of any conflicts of interest.**

**Explain the actions taken to reduce risks**

A.13.1 The remunerative policy of the Company and of the Group is designed to take into consideration the Group's long-term strategy and results:

- a) The total remuneration of the Executive Directors is composed of different remunerative elements, basically consisting of: (i) a Salary (ii) Short-term variable remuneration and (iii) Long-term variable remuneration.
- b) The Plans for Long-term variable remuneration fit into a pluri-annual framework, in order to guarantee that the process of evaluation is based on long-term results which take account of the underlying economic cycle of the Company and of its Group. This remuneration is, and will be in the future, in the form of shares in the Company.

A.13.2 The remunerative policy of the Company and of its Group establishes an appropriate balance between the fixed and variable components of the remuneration:

- a) The design of the scheme of remuneration represents a balanced and efficient relationship between the fixed and variable components, as shown in section A.1.4 above.
- b) In this way, the variable components of the remuneration have enough flexibility to allow them to be adjusted even to the point where they are completely eliminated. In a scenario in which the objectives linked to the variable remuneration were not achieved, the Executive Directors and Senior Management would receive their salary only.

With regard to the measures adopted in relation to those categories of staff whose professional activities have a material repercussion on the entity's 'risk profile':

- (i) The Appointment and Remuneration Committee is responsible for proposing to the Board the remunerative policy for Directors and Senior Managers, and the remuneration of the individual Executive Directors. In practice, the Committee's purview extends to about 150 managers who participate in the system of Short-term variable remuneration. Included in this group are those professionals whose activities could have a material repercussion on the entity's 'risk profile'.
- (ii) It should also be noted that the Company's Audit and Control Committee participates in the taking of decisions related to the Short-term variable remuneration of the Executive Directors, by checking the economic/financial data which could form part of the objectives set in connection with the said remuneration, because, in the first place, it is that Committee which first has to check the results of the Company and of the Group as the basis for calculating the corresponding objectives.

The Appointment and Remuneration Committee is composed of four members, two of whom are also members of the Audit and Control Committee. Specifically, the Chairman of the Appointment and Remuneration Committee is also a member of the Audit and Control Committee. The 'cross-presence' of Directors on these two Committees ensures that, in the deliberations of those Committees and in their proposals to the Board, the risks associated with remuneration are taken into consideration, both in the setting of the annual and pluri-annual incentives and in the process of their evaluation.

**A.13.3 With regard to recovery formulae or clauses for claiming the return of the variable components of remuneration based on results when such components have been paid on the basis of data whose inaccuracy was manifestly demonstrated later, and to measures envisaged for the avoidance of any conflicts of interest, the following is indicated:**

- (i) The Board Regulations contain no specific provision in this regard. However, the Appointment and Remuneration Committee has full powers to decide whether exceptional circumstances of this kind can even result in the termination of relations with the person or people responsible, and to propose to the Board the adoption of the appropriate measures.
- (ii) With regard to conflicts of interests, the Board Regulations lay down that:
  1. A Director must notify the Board of Directors of any situation which he or she, or the people linked with him or her, could have, which would be directly or indirectly conflictive with the interests of Grupo Logista.
  2. A Director must reveal any direct or indirect holding which he or she personally, or the people linked with him or her, may have in the share capital of a company with a type of activity which is the same as, analogous to, or complementary to the activity which constitutes the corporate purpose, as well as the positions which they hold or the functions which they perform in that company, and the performance, for their own account or that of a third party, of a type of activity which is the same as, analogous to, or complementary to the activity which constitutes the corporate purpose.
  3. A Director may not directly or indirectly perform professional or commercial transactions with Grupo Logista without first giving information about any situation that involves a conflict of interests, and without the Board's giving its approval of the transaction, following a report from the Audit and Control Committee.

The duty of Directors to reveal any case of conflict of interests is also established in the Internal Code of Conduct in Matters connected with the Securities Market.

## B. POLICY ON REMUNERATION ENVISAGED FOR FUTURE YEARS

### **B.1 Make a general forecast of the policy on remuneration for future years, with regard to: fixed elements and allowances and remuneration of a variable nature, the relation between remuneration and results, welfare schemes, terms of contracts for executive directors, and a forecast of the most significant changes in the remunerative policy compared with that of previous years.**

#### General forecast of the policy on remuneration

The policy governing the remuneration of the Company's Directors is the one contained in the Annual Report on the Remuneration of Directors, 2013-2014, which, as indicated in A.1.1. above, was approved by the General Meeting. This policy will remain in force until financial year 2017-2018, pursuant to Article 529 novodecies of the Law of Capital Companies. Consequently, the principles and criteria governing the present policy on remuneration, which is described in the foregoing sections, remain without substantial change, unless the General Meeting agrees to modify them if circumstances of a regulatory, strategic, financial or other nature make modification advisable. It is for that reason that, as explained previously, the Appointment and Remuneration Committee regularly reviews the said policy and the elements included in it.

### **B.2 Explain the decision-making process in the shaping of the policy on remuneration that is foreseen for future years, and, if applicable, the role of the Remuneration Committee.**

#### Explain the decision-making process in the shaping of the policy on remuneration

It is expected that the decision-making process in the shaping of the policy on remuneration for future years, and, if applicable, the role of the Appointment and Remuneration Committee, will be similar to those described in sections A.1. and A.2, without any changes being envisaged.

### **B.3 Explain the incentives created by the Company in the system of remuneration to reduce exposure to excessive risks and to adapt it to the Company's long-term objectives, values and interests.**

#### Explain the incentives created to reduce risks

Throughout the year, the Appointment and Remuneration Committee monitors the objectives which are linked to the annual and pluri-annual incentives.

In this function of monitoring and evaluation, the Committee has the support of the Economic and Financial Management responsible for the Group's management control, which provides the audited results. The final evaluation, on the basis of the results for the whole of the measured period concerned, also considers the quality of the results in the long-term, and any associated risk. The Audit and Control Committee will have previously checked those of the Group's results which are taken into account for the calculation of the objectives set for the receipt of the Short-term variable remuneration (the bonus).

The Appointment and Remuneration Committee is composed of four members, two of whom are also members of the Audit and Control Committee.

Among the functions of the Audit and Control Committee is the supervision of the effectiveness of the Company's internal control and risk management systems. In this regard, it has to propose to the Board the policy for control and risk management, which will identify, at least,

- a) the types of risks that the Company faces;
- b) the level of risk that the Company considers acceptable;
- c) the measures to mitigate the impact of the identified risks in the event of their materializing;
- d) the systems of control and information that will be used to control and manage the said risks.

The 'cross-presence' of Directors on these two Committees ensures that, in the deliberations of those Committees and in their proposals to the Board, the risks associated with remuneration are taken into consideration, both in the setting of the annual and pluri-annual incentives and in the process of their evaluation.

## C. SUMMARY OF THE WAY IN WHICH THE POLICY ON REMUNERATION WAS APPLIED DURING THE COMPLETED FINANCIAL YEAR

### C.1 Explain in summary form the main characteristics of the structure and remunerative concepts of the policy on remuneration that was applied during the completed financial year, which gives rise to the details of the individual remuneration earned by each of the directors, reflected in section D of this report, together with a summary of the decisions taken by the Board for the application of the said concepts.

Explain the structure and remunerative concepts of the policy on remuneration that was applied during the financial year

1st With regard to the Executive Directors, details of the structure and the remunerative concepts of the policy on remuneration that was applied during financial year 2014-2015 are given below:

- (i) Salary: The Executive Directors received the Salaries that resulted from the application of their current contracts signed with Logista.
- (ii) Fixed remuneration: Mr. Luis Egido Gálvez and Mr. Rafael de Juan López earned a fixed Remuneration for their membership of the Board of the Company.
- (iii) Daily Allowances: Mr. Luis Egido Gálvez and Mr. Rafael de Juan López earned Daily Allowances for their attendance at the Board Meetings of the Company.
- (iv) Short-term variable remuneration: This is fixed at 100 per 100 of the Salary in the case of the Chief Executive Officer, and at 66.66 per 100 of the Salary in the case of the Board Secretary. At its meeting on 16th December, 2014, the Board of Directors, at the proposal of the Appointment and Remuneration Committee, assessed the degree of achievement of the Executive Directors' Objectives, for the purpose of determining the Short-term variable Remuneration for 2013-2014, as 100% for the Chief Executive Officer and 93.5% for the Board Secretary/Director, of the above indicated limits.
- (v) Long-term variable remuneration: The Executive Directors are Beneficiaries of Logista's 2011 General Long-Term Incentive Plan (PILP) and of Logista's 2011 Special Long-Term Incentive Plan (PEILP).

The first Consolidation Period of both plans is of three years. It began on 1st October, 2011, and ended on 30th September, 2014.

In accordance with the Rules of Logista's 2011 Long-Term General and Special Incentive Plans, the Operating Profit obtained by the Group in the 2014-2017 Consolidation Period has been determined, and the Appointment and Remuneration Committee, in accordance with those rules, then calculated the Degree of Achievement of Objectives for the Consolidation of the Incentives, arriving at 98.9% (General Plan) and 83% (Special Plan).

In the meeting of 29th January, 2015, the Board of Directors, at the proposal of the Appointment and Remuneration Committee, recognized, in consequence, a Consolidated Incentive for Mr. Luis Egido Gálvez, in the Consolidation Period indicated, of 306,770 euros (General Plan) and 273,278 euros (Special Plan), and for Mr. Rafael de Juan López, of 170,054 euros (General Plan) and 160,714 euros (Special Plan).

Additionally, the Board of Directors, in implementation of the Agreement of the General Meeting of Shareholders of 4th June, 2014, included the Chief Executive Officer, Mr. Luis Egido Gálvez, and the Secretary/Director, Mr. Rafael de Juan López, as Beneficiaries of the Company's 2014 General and Special Share Plans, recognizing, for the First Consolidation Period (2014-2017), their respective Conditional Entitlement to the numbers of Free Shares in the Company that are shown below, the requirements, periods and objectives laid down in both Plans having been fulfilled:

**A) General Share Plan 2014**

Mr. Luis Egido Gálvez	35,412
Mr. Rafael de Juan López	13,304

**B) Special Share Plan 2014**

Mr. Luis Egido Gálvez	26,559
Mr. Rafael de Juan López	16,024

(vi) Benefits: Logista's Employment Pension Plan; Logista's Managers' Welfare Plan; Company vehicle; life assurance; health insurance.

2nd With regard to the Directors, in their capacity as such, details of the structure and the remunerative concepts of the policy on remuneration that was applied during financial year 2014-2015 are given below:

Board and Committees of the Company:

- i) Fixed remuneration for membership of the Board:  
Chairman: 30,000 euros per month.  
Other Directors (except Proprietary Directors): 5,000 euros per month.
- ii) Fixed remuneration for the Chairman of the Audit and Control Committee: 1,666.66 euros per month.
- iii) Daily allowance for attendance at Board Meetings:  
Chairman and Directors (except Proprietary Directors): 2,000 euros per attendance.
- iv) Daily allowance for attendance at meetings of the Audit and Control Committee:  
Chairman and Member/Directors: 1,600 euros per attendance.
- v) Daily allowance for attendance at meetings of the Appointment and Remuneration Committee:  
Chairman and Member/Directors: 1,000 euros per attendance.



## D. DETAILS OF THE REMUNERATION EARNED BY EACH DIRECTOR INDIVIDUALLY

NAME	TYPE	PERIOD OF EARNINGS IN FISCAL YEAR 2015
Adam Britner	Proprietary	From 01/10/2014 until 30/09/2015
Cristina Garmendia Mendizábal	Independent	From 01/10/2014 until 30/09/2015
David Ian Resnekov	Proprietary	From 01/10/2014 until 30/09/2015
Eduardo Zaplana Hernández-Soro	Independent	From 01/10/2014 until 30/09/2015
Gregorio Marañón Y Bertrán De Lis	Independent	From 01/10/2014 until 30/09/2015
John Downing	Proprietary	From 01/10/2014 until 30/09/2015
Luis Egido Gálvez	Executive	From 01/10/2014 until 30/09/2015
Nicholas James Keveth	Proprietary	From 01/10/2014 until 30/09/2015
Rafael De Juan López	Executive	From 01/10/2014 until 30/09/2015
Stéphane Lissner	Independent	From 01/10/2014 until 30/09/2015
Richard Guy Hathaway	Proprietary	From 01/10/2014 until 30/09/2015

**D.1 Complete the charts below relating to the individual remuneration earned by each director (including the remuneration for exercising executive functions) during the financial year.**

a) Remuneration earned in the company which is the subject of this report:

i) Remuneration in cash (in thousands of €)

NAME	SALARY	FIXED REMUNERATION	DAILY ALLOWANCES	VARIABLE SHORT-TERM REMUNERATION	VARIABLE LONG-TERM REMUNERATION	REMUNERATION FOR MEMBERSHIP OF THE BOARD'S COMMITTEES	COMPENSATION	OTHER ITEMS	TOTAL FISCAL YEAR 2014/2015	TOTAL FISCAL YEAR 2013/2014
Gregorio Marañón Y Bertrán De Lis	0	360	22	0	0	17	0	0	399	96
Luis Egido Gálvez	0	60	22	0	0	0	0	0	82	28
Rafael De Juan López	0	60	22	0	0	0	0	0	82	19
Cristina Garmendia Mendizabal	0	72	22	0	0	13	0	0	107	27
Eduardo Zaplana Hernandez-Soro	0	60	20	0	0	18	0	0	98	33
Adam Britner	0	0	0	0	0	0	0	0	0	0
John Downing	0	0	0	0	0	0	0	0	0	0
Nicholas James Keveth	0	0	0	0	0	0	0	0	0	0
David Ian Resnekov	0	0	0	0	0	0	0	0	0	0
Stéphane Lissner	0	60	20	0	0	4	0	0	84	26
Richard Guy Hathaway	0	0	0	0	0	0	0	0	0	0

ii) Remuneration schemes based on shares

iii) Long-term savings schemes

b) Remuneration earned by the Directors of the Company for their membership of the Boards of other companies in the group:

i) Remuneration in cash (in thousands of €)

NAME	SALARY	FIXED REMUNERATION	DAILY ALLOWANCES	VARIABLE SHORT-TERM REMUNERATION	VARIABLE LONG-TERM REMUNERATION	REMUNERATION FOR MEMBERSHIP OF THE BOARD'S COMMITTEES	COMPENSATION	OTHER ITEMS	TOTAL 2015	TOTAL 2014
Luis Egido Gálvez	561	0	0	460	580	0	0	140	1,741	1,328
Rafael De Juan López	281	0	0	173	331	0	0	81	866	1,090
Gregorio Marañón Y Bertrán De Lis	0	0	0	0	0	0	0	0	0	134
Stéphane Lissner	0	0	0	0	0	0	0	0	0	45
Eduardo Zaplana Hernandez-Soro	0	0	0	0	0	0	0	0	0	48
Cristina Garmendia Mendizabal	0	0	0	0	0	0	0	0	0	0
Nicholas James Keveth	0	0	0	0	0	0	0	0	0	0
David Ian Resnekov	0	0	0	0	0	0	0	0	0	0
Adam Britner	0	0	0	0	0	0	0	0	0	0
John Downing	0	0	0	0	0	0	0	0	0	0
Richard Guy Hathaway	0	0	0	0	0	0	0	0	0	0

ii) Remuneration schemes based on shares

iii) Long-term savings schemes

NAME	YEAR'S CONTRIBUTION BY THE COMPANY (THOUSANDS OF €)		AMOUNT OF ACCUMULATED FUNDS (THOUSANDS OF €)	
	FISCAL YEAR 2015	FISCAL YEAR 2014	FISCAL YEAR 2015	FISCAL YEAR 2014
Luis Egido Gálvez	105	81	1,657	1,566
Rafael De Juan López	51	51	494	423

iv) Other benefits (in thousands of €)

NAME	REMUNERATION IN THE FORM OF ADVANCES, CREDITS GRANTED		
	RATE OF INTEREST FOR THE TRANSACTION	ESSENTIAL CHARACTERISTICS OF THE TRANSACTION	ANY AMOUNTS EARNED
Luis Egido Gálvez	0.00	N/A	N/A
Rafael De Juan López	0.00	N/A	N/A

NAME	LIFE ASSURANCE PREMIUMS		GUARANTEES GIVEN TO THE DIRECTORS BY THE COMPANY	
	FISCAL YEAR 2015	FISCAL YEAR 2014	FISCAL YEAR 2015	FISCAL YEAR 2014
Luis Egido Gálvez	4	3	N/A	N/A
Rafael De Juan López	5	-	N/A	N/A

c) Summary of the remuneration (in thousands of €):

The amounts of all the remunerative concepts contained in this Report, and which were earned by the directors, must be shown in the summary, in thousands of euros.

In the case of the Long-Term Savings Schemes, the contributions or provisions made to this type of scheme must be included:

NAME	REMUNERATION EARNED IN THE COMPANY			
	TOTAL REMUNERATION IN CASH	VALUE OF SHARES AWARDED	GROSS PROFIT OF THE OPTIONS EXERCISED	TOTAL FISCAL YEAR 2015 - COMPANY
Luis Egido Gálvez	82	0	0	82
Rafael de Juan López	82	0	0	82
Gregorio Marañón y Bertrán de Lis	399	0	0	399
Stéphane Lissner	84	0	0	84
Eduardo Zaplana Hernández-Soro	98	0	0	98
Cristina Garmendia Mendizábal	107	0	0	107
Adam Britner	0	0	0	0
David Ian Resnekov	0	0	0	0
John Downing	0	0	0	0
Nicholas James Keveth	0	0	0	0
Richard Guy Hathaway	0	0	0	0
<b>TOTAL</b>	<b>852</b>	<b>0</b>	<b>0</b>	<b>852</b>

**D.2 Report on the relation between the remuneration obtained by the directors and the results or other measurements of the entity's performance, explaining, if appropriate, how the variations in the Company's performance influenced the variation in the directors' remuneration.**

As indicated in section C above, the Short-term and Long-term variable remuneration of the Executive Directors is directly related to the degree of achievement of the Group's audited objectives.

**D.2.1 Short-term variable remuneration**

The Board of Directors, at the proposal of the Appointment and Remuneration Committee, assessed the degree of achievement of the Executive Directors' Objectives, for the purpose of determining the Short-term variable Remuneration for 2013-2014, as 100% and 93.5% for the Chief Executive Officer and the Board Secretary/Director respectively, of the maxima indicated in paragraph A.4.

**D.2.2 Long-term variable remuneration**

The consolidation of the Recognized Initial Incentive for the Executive Directors in Logista's General and Special Long-Term Incentive Plans depends, for the Consolidation Period which began on 1st October, 2011, and ended on 30th September, 2014, on the degree of achievement of the Group's target EBIT, set for the said period at 666.2 million euros.

In accordance with the regulations which govern these Plans, the degree of achievement of objective was calculated at 98.9% for the General Plan, and 83% for the Special Plan (see C.1 above).

## REMUNERATION EARNED IN COMPANIES IN THE GROUP

## TOTAL

TOTAL REMUNERATION IN CASH	VALUE OF SHARES AWARDED	GROSS PROFIT OF THE OPTIONS EXERCISED	TOTAL FISCAL YEAR 2015 - GROUP	FISCAL YEAR 2015	FISCAL YEAR 2014	CONTRIBUTION TO SAVINGS SCHEME DURING FISCAL YEAR
1,741	0	0	1,741	1,823	1,356	105
866	0	0	866	948	1,109	51
0	0	0	0	399	230	0
0	0	0	0	84	71	0
0	0	0	0	98	81	0
0	0	0	0	107	27	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
2,607	0	0	2,607	3,457	2,874	156

**D.3 Report on the result of the consultative vote of the General Meeting on the annual report on remuneration in the past year, indicating the number of negative votes cast, if any:**

	Number	% of the total
Votes cast	110,126,268	82.95%
<hr/>		
	Number	% of the total
Votes against	1,035,624	0.78%
Votes in favour	109,031,574	82.13%
Abstentions	59,070	0.04%

## E. OTHER INFORMATION OF INTEREST

If there are any relevant aspects of the directors' remuneration which could not be included in the other sections of this report, but which should be included in order to present more complete and reasoned information about the Company's remunerative structure and practices in relation to its directors, please mention them briefly.

### Section A4

#### 1. 2014 General Long-Term Incentive Plan

This is intended for Executive Directors and certain of the Group's senior management and employees who are characterized by high achievement and future impact. The total duration will be five years, which will be divided into three Consolidation Periods of three years, with annual awards being made in financial years 2014, 2015 and 2016.

The maximum Recognized Initial Incentive will be the variable annual remuneration earned by each Beneficiary during the financial year immediately preceding the date of award of the Incentive, divided by the weighted average of the quoted price of the Company's shares in the thirty trading sessions prior to the date of Recognition.

The number of the Company's shares which will be awarded to each Beneficiary will depend on:

- (i) the Beneficiary's tenure in the Group: it will be necessary for the relevant Consolidation Period to have been completed, and for an employment relationship or, if applicable, a commercial/employment relationship with the Company or its associated companies to have been maintained throughout it;
- (ii) the achievement of the objectives set for consolidation with shares in each of the Consolidation Periods;
  - a) 25% of the Number of Recognized Shares are consolidated according to the Total Shareholder Return (TSR). The TSR is the sum of (i) the appreciation in the price of the Company's share during the Consolidation Period and (ii) the dividends per share distributed during that same period.

The Board has set the TSR for the Consolidation Period 2014-2017 at 4.3 € per share.

- b) A further 25% of the Number of Recognized Shares are consolidated in accordance with the criterion of the Comparative Shareholder Return (CSR) of the Company compared with that of other companies. The CSR relates the TSR of the Company to the TSR of companies operating in the same or a similar sector of activity.

The Board has decided that the Comparison Group for the Consolidation Period 2014-2017 should be composed of the following companies: Philip Morris International Inc.; British American Tobacco p.l.c.; Japan Tobacco International SA; Imperial Tobacco Group PLC; MARR S.p.A; STEF; Deutsche Post AG; Norbert Dentressangle; Red Eléctrica de España, S.A.U.; Telecom Italia S.p.A.; Total S.A.; CTT – Correios de Portugal, S.A.

- c) The remaining 50% of the Number of Recognized Shares are consolidated in accordance with one or several internal criteria, of a financial or operational nature, and related to the level of achievement of the objective during the Consolidation Period, compared with the forecast for that objective in the business plans of Grupo Logista.

For the Consolidation Period 2014-2017, the Board of Directors has set the criterion as the Operating Profit (EBIT) and has quantified it as 729.3 million euros.

- (iii) the achievement, in the minimum proportion laid down, of the Objective for Consolidation (the "Percentage of Consolidation").

The Percentages of Consolidation laid down by the Plan's Regulations are the following:

<b>a) CRITERION TSR</b>		<b>b) CRITERION CSR:</b>	<b>c) CRITERION OPERATING PROFIT (EBIT):</b>	
DEGREE OF ACHIEVEMENT OF OBJECTIVE	PERCENTAGE OF CONSOLIDATION OF SHARES	PERCENTILE RANK OF THE COMPANY'S CSR AND PERCENTAGE OF CONSOLIDATION	DEGREE OF ACHIEVEMENT OF OBJECTIVE	PERCENTAGE OF CONSOLIDATION OF SHARES
<75.00%	0.00%	Below the median of the reference group 0%.	<90.00%	0.00%
75.00%	60.00%		90.00%	50.00%
77.50%	64.00%	From the median of the reference group 40%.	90.50%	52.50%
80.00%	68.00%		91.00%	55.00%
82.50%	72.00%	From the third quartile of the reference group 90%.	91.50%	57.50%
85.00%	76.00%		92.00%	60.00%
87.50%	80.00%	From percentile 90 of the reference group 100%.	92.50%	62.50%
90.00%	84.00%		93.00%	65.00%
92.50%	88.00%		93.50%	67.50%
95.00%	92.00%		94.00%	70.00%
97.50%	96.00%		94.50%	72.50%
100% or more	100%		95.00%	75.00%
			95.50%	77.50%
			96.00%	80.00%
			96.50%	82.50%
			97.00%	85.00%
			97.50%	87.50%
			98.00%	90.00%
			98.50%	92.50%
			99.00%	95.00%
			99.50%	97.50%
			100% or more	100.00%

**2. Described below are the characteristics of Logista's 2011 General and Special Long-Term Incentive Plans.****a) Logista's 2011 General Long-Term Incentive Plan (PILP)**

The Plan is applicable to Executive Directors, senior managers and certain employees of Logista who are characterized by high achievement and future impact.

Its purposes are: (i) to encourage its participants to achieve the objective of progressive creation of value for Logista, and (ii) to retain and motivate 'key' members of Logista's staff who are characterized by excellence in the performance of their work and a high degree of commitment to the achievement of the Company's business objectives.

The Plan is composed of three Consolidation Periods of three years each (2011-2014, 2012-2015 and 2013-2016).

Each Beneficiary has the right to receive, in cash, a certain percentage of the bonus earned in the previous year (never more than 100% of it), called the Recognized Initial Incentive.

The payment of the Recognized Initial Incentive is conditional upon, and subject to (i) the Beneficiary's remaining in Grupo Logista; (ii) the completion of the Incentive's Consolidation Period; and (iii) the degree of achievement of the Operating Profit obtained by Grupo Logista in each of the Plan's three Consolidation Periods.

The amount which may be consolidated by any Beneficiary of this Plan may not exceed 1.2 times the Recognized Initial Incentive, unless the Board of Directors fixes a different limit.

**b) Logista's 2011 Special Long-Term Incentive Plan (PEILP)**

The Plan is only applicable to the Executive Directors and certain Grupo Logista's senior managers who make valuable contributions to the Group.

The Plan is composed of three Consolidation Periods of three years each (2011-2014, 2012-2015 and 2013-2016).

Each Beneficiary has the right to receive, in cash, a certain percentage of the fixed salary which will be determined each year (a maximum of 75% of the fixed salary in the case of Executive Directors and 50% of the fixed salary in the case of the other Beneficiaries), called the Recognized Initial Incentive.

The payment of the Recognized Initial Incentive is conditional upon, and subject to (i) the Beneficiary's remaining in Logista; (ii) the completion of the Incentive's Consolidation Period; and (iii) the degree of achievement of the Operating Profit obtained by the Group in each of the Plan's three Consolidation Periods.

In addition, one needs to consider that, in accordance with the internal regulations governing the 2011 Incentive Plans (the General Plan and the Special Plan), the maximum amount that any Beneficiary may cash in, from the combined Plans in any one year, will be 1.3 times that Beneficiary's fixed salary on the date of cashing-in.

This annual report on remuneration was approved by the Company's Board of Directors at its meeting on 24th November, 2015.

Indicate whether there were any directors who voted against the approval of this report, or who abstained.

No X
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