

**ANNUAL REPORT ON CORPORATE GOVERNANCE
OF LISTED PUBLIC LIMITED COMPANIES**

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ISSUER IDENTIFICATION DETAILS

FISCAL YEAR-END DATE: 30/09/2016

C.I.F.: A87008579

COMPANY NAME:
COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

REGISTERED OFFICE:
CALLE TRIGO 39 -POLÍGONO INDUSTRIAL POLVORANCA- 28914 LEGANÉS (MADRID)

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A OWNERSHIP STRUCTURE

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

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

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

Yes No

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

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights		% on total voting rights
		Direct owner of the holding	Number of voting rights	
IMPERIAL BRANDS PLC	0	ALTADIS SAU	92.925.001	70,00%
ALLIANZ GLOBAL INVERSTOR FUNDS	4.197.259	----	----	3.16%
ALLIANZ GLOBAL INVERSTOR GMBH	0		6.716.072	1.90%

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

Name (person or company) of the shareholder	Transaction Date	Transaction Description
FIDELITY INTERNATIONAL LIMITED	29/02/2016	Fell below the 1% share capital threshold

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

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights		% on total voting rights
		Direct owner of the holding	Number of voting rights	

Total % of voting rights held by the Board of Directors	
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Complete the following tables on the members of the Board of Directors who have rights over shares in the Company:

Name (person or company) of the shareholder	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	% on total voting rights
		Direct owner	Number of voting rights		
Luis Egido Gálvez	116,865	0	0	116,865	0.09%
Rafael de Juan López	50,970	0	0	50,970	0.04%

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

Name (person or company) of the shareholder	Kind of relationship	Short Description
	N/A	

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

Name (person or company) of the shareholder	Kind of relationship	Brief Description
Imperial Brands PLC	Contractual	<p><u>“ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT”, dated June 12, 2014.</u></p> <p>Imperial Brands PLC (formerly named Imperial Tobacco Group-ITG) undertakes to maintain and respect the freedom of management and decision making of the administrative and managerial bodies of the Company, and the neutrality principle in its commercial and services relations with third parties, also establishing the confidentiality of the business information of the Company and the separation of their respective IT systems.</p> <p>The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.</p>
Imperial Brands Enterprise Finance Limited	Contractual	<p><u>“INTRA GROUP LOAN FACILITY AGREEMENT”, dated June 12, 2014, and amended on December 1st, 2015</u></p> <p>Agreement on a reciprocal credit facility, for five</p>

		<p>years (with a yearly tacit renewal), with a maximum disposal limit of two thousand six hundred million euros.</p> <p>According to this agreement, Compañía de Distribución Integral Logista SAU (100% subsidiary of the Company) will daily lend IBEFL its cash excess, at the base rate of the European Central Bank, plus a margin of 0.75%. If Logista has to get into debt to meet the needs of its working capital, it can reciprocally borrow the amount from IBEFL.</p>
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A.6. State whether the company has been informed of any para-social agreements affecting the Company pursuant to the provisions of sections 530 and 531 of the Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes No

Participants in the para-social agreement	% of share capital affected	Brief description of the agreement
	N/A	

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

Yes No

Participants in concerted actions	% of share capital affected	Brief description of the action
	N/A	

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

A.7. State if there is any legal or natural person who exerts control or could exert control over the Company in accordance with section 5 of the Stock Exchange Act. If so, identify it/them:

Yes No

Name (person or company)
IMPERIAL BRANDS PLC
Remarks
INDIRECT PARTICIPATION OF 70% THROUGH ALTADIS SAU

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

At year-end closing:

Number of direct shares	Number of indirect shares (*)	Total % on share capital
275,614	-----	0.21%

(*) **Through:**

Name or Company name of the direct holder of the interest	Number of direct shares
N/A	
TOTAL	

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

Explain the significant changes
N/A

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

The General Meeting of Shareholders of June 4, 2014 authorised the Board of Directors to acquire Company's own shares in the following terms:

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

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

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

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

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

This authorization is granted for a five-year term, calculated as of the date of this General Meeting. To expressly allow, for the purposes of Article 146.1.a), last paragraph, of the Act on Capital Companies (“Ley de Sociedades de Capital”), that any share acquired by COMPAÑÍA DE

DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or its subsidiaries, further to this authorization, be used or attached, in whole or in part, for its transfer, amortization or delivery to directors of the Company, and managers and other employees of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. and its Subsidiaries Companies.”

A.9. bis Estimated floating capital

Estimated floating capital	% 24.73%
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A.10. State whether there is any restriction on the transferability of securities and/or any restriction on voting rights. Namely, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market:

Yes No

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

Yes No

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

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

Yes No

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

B GENERAL MEETING OF SHAREHOLDERS

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

Yes No

	Quorum % other than that established in article 193 of the ACC for general cases	Quorum % other than that established in article 194 of the ACC for special cases covered therein
Quorum required on 1 st call	N/A	
Quorum required on 2 nd call		
Description of the differences -----		

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

Yes No

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

	Qualified majority other than that established in article 201.2 ACC for cases set forth in article 194.1 ACC	Other instances in which a qualified majority is required
% established by the entity for the passing of resolutions	N/A	
Describe the differences		

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

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

B.4 Give the attendance figures for the General Meetings held during the year to which this report refers and the previous year:

Date GMS	Attendance data				Total
	% attendance in person	% attendance by proxy	% distance voting		
			Electronic Vote	Others	
17/02/2015	70.39%	12.56%	0.00%	0.00%	82.95%
16/03/2016	70%	20.91%	0.00%	0.00%	90.91%

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

Yes No

Number of shares required to attend the General Meeting	
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B.6 Section repealed

B.7 Indicate the address and means of access to the company’s website, to the information on corporate governance and other information on the General Meetings which must be made available to shareholders through the Company’s website.

The most relevant information on the Company’s corporate governance is available in the section “Shareholders and Investors”, sub-section “Corporate Governance” of the corporate website (<http://www.grupologista.com>). The information on the Annual General Meetings is also included in the same section, sub-sections “General Meeting” (for the current year) and “Previous General Meetings”.

C. ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors.

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

Maximum Number of Directors	15
Minimum Number of Directors	10

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

Name (person or company) of the Director	Representative	Type of Directorship	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
Gregorio Marañón y Bertrán de Lis		Independent	Chairman	13/05/2014	13/05/2014	GMS
Luis Egidio Gálvez	----	Executive	CEO	13/05/2014	13/05/2014	GMS
Rafael de Juan López	-----	Executive	Secretary Director	13/05/2014	13/05/2014	GMS
Cristina Garmendia Mendizábal	----	Independent	Director	04/06/2014	04/06/2014	GMS
Eduardo Zaplana Hernández-Soro	----	Independent	Director	13/05/2014	13/05/2014	GMS
Stéphane Lissner	----	Independent	Director	13/05/2014	13/05/2014	GMS
John Matthew Downing	----	Proprietary	Director	13/05/2014	13/05/2014	GMS
Nicholas James Keveth	----	Proprietary	Director	13/05/2014	13/05/2014	GMS
Richard Guy Hathaway	----	Proprietary	Director	24/03/2015	24/03/2015	By co-option
David Ian Resnekov	----	Proprietary	Director	13/05/2014	13/05/2014	GMS

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

Name (person or company) of the Director	Director type when the vacancy occurred	Date of termination
NONE		

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

EXECUTIVE DIRECTORS

Name (person or company) of the Director	Position in the organisational chart of the Company
LUIS EGIDO GÁLVEZ	CEO
RAFAEL DE JUAN LÓPEZ	SECRETARY

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

EXTERNAL PROPRIETARY DIRECTORS

Name (person or company) of the Director	Name (person or company) of the significant shareholder being represented or who has proposed the appointment
JOHN MATTHEW DOWNING	IMPERIAL BRANDS PLC
NICHOLAS JAMES KEVETH	IMPERIAL BRANDS PLC
RICHARD GUY HATHAWAY	IMPERIAL BRANDS PLC
DAVID IAN RESNEKOV	IMPERIAL BRANDS PLC

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

EXTERNAL INDEPENDENT DIRECTORS

Name (person or company) of the Director	Profile
GREGORIO MARAÑÓN Y BERTRÁN DE LIS	(1)
CRISTINA GARMENDIA MENDIZÁBAL	(2)
EDUARDO ZAPLANA HERNÁNDEZ-SORO	(3)
STÉPHANE LISSNER	(4)

(1) GREGORIO MARAÑÓN Y BERTRÁN DE LIS

Mr. Marañón is the Chairman of Compañía de Distribución Integral Logista Holdings S.A. He also currently serves as Chairman of Roche Pharma; Chairman of Universal Music (Vivendi); Director of Prisa and member of its Executive and Nominations and Remunerations Committees, and member of the Advisory Board of Aguirre Newman. He is Chairman of the Board and the Executive Committee of the Teatro Real opera house, and Vice-Chairman of the Ortega-Marañón Foundation. Mr. Marañón is also a member of the Madrid Bar Association. Before taking on these roles, Mr. Marañón was a member of the Board of Argentaria and BBVA (1994-2004), Director of Altadis (2004 – 4 June 2014), Director of VISCOFAN (2002- April 2014), General Manager at Banco Urquijo (1976-1983) and President of BANIF (1983-1984). Mr. Marañón received his Bachelor of Laws in 1964 from Complutense University of Madrid, and his Master in Advanced Management in 1979 from IESE Business School.

(2) CRISTINA GARMENDIA MENDIZÁBAL

Ms. Garmendia obtained a PhD in Biological Sciences, specialising in Genetics, from the Severo Ochoa National Centre of Molecular Biology. She completed her studies with an MBA from the IESE Business School of the University of Navarra. She was Minister of Science and Innovation in the Spanish Government during the whole of its IXth Legislature.

Before that appointment, she was chairperson of the biotechnology group Genetrix, which she herself founded in the year 2000, and founding partner of the risk capital entity YSIOS, specialised in human health. She was also chairperson of the *Asociación Española de Bioempresas* (ASEBIO) (Spanish Association of Biocompanies) and a Board member of CEOE.

Since leaving the Government, she has resumed her responsibilities at YSIOS and GENETRIX. She is chairperson at the Spanish/German biotechnology company SYGNIS and has founded the Science & Innovation Link Office (SILO) and Satlantis Microsats.

She is chairperson at the *Fundación COTEC* and a member of various advisory boards, such as the International Advisory Committee for the Programme for Productive Transformation of the Columbian Government, the Women for Africa Foundation, and university councils such as the social councils of the University of Seville and the European University of Madrid. She is also on the Boards of several companies, including Gas Natural Fenosa, *Corporación Financiera Alba* and Logista.

Her work and entrepreneurial vision have been recognized on several occasions with awards for research and innovation in business.

(3) EDUARDO ZAPLANA HERNÁNDEZ-SORO

Mr. Zaplana is a Director of Compañía de Distribución Integral Logista Holdings S.A. He is currently an Advisor to the President of Telefónica, S.A. Prior to his current roles, Mr. Zaplana held various positions in the Spanish Public Administration, including Mayor of Benidorm (Alicante) (1991-1994), Deputy in the Parliament of Valencia (1991-2002),); Spokesman for the Grupo Parlamentario Popular in the Parliament of Valencia (1991-1995), President of the Generalitat of Valencia (1995-2002), First Deputy Chairman of the Committee of the Regions and Speaker of the Delegation of the Committee of the Regions at the Convention on the Future of Europe (2002-2003), Minister of Labor and Social Affairs of the Spanish government (2002-2004), Senator for the Comunidad Valenciana (2002-2004), Government Spokesman Minister (2003-2004); Deputy for Valencia and Spokesman for the Grupo Parlamentario (2004-2008), as President and founder of Decuria Consulting, S.L. (2008-2014) in strategic consulting. Mr. Zaplana received his Bachelor of Laws in 1991 from the University of Alicante. He worked as a lawyer to 1991.

(4) STÉPHANE LISSNER

Mr. Lissner is a Director of Compañía de Distribución Integral Logista Holdings S.A. Currently, he is the General Manager of the Opéra Nationale in Paris. Prior to his present role, he served as Musical Director of the Wiener Fest Wochen in Vienna, General Manager and Artistic Director of the Teatro alla Scala in Milan; Director of the Festival International d'Aix-en-Provence (1998-2006); Co-Director of the Théâtre des Bouffes du Nord with Peter Brook in Paris (1998-2005), Director of the Teatro de la Opera de Madrid (1995-1996); General Director of the Orchestre de Paris (1993-1995), Administrator (1983-1988) and General Manager (1988) of the Théâtre du Châtelet in Paris, Professor of Management of Cultural Institutions at the Université Paris-Dauphine (1984), Director of the Printemps du Théâtre (1984), Director of the Centre Dramatique National in Nice (1978-1983); and Secretary General of the Théâtre d'Aubervillier (1977-1978). Mr. Lissner received his baccalauréat in 1971. He was appointed an Officier de l'Ordre National du Mérite, an Ufficiale Ordine al Merito of the Italian Republic, and a Chevalier de la Légion d'Honneur.

Total number of independent directors	4
Total % of Board members	40,00%

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

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

Name of Director (person or company)	Description of the relationship	Reasoned Statement
N/A		

OTHER EXTERNAL DIRECTORS

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

Name of Director (person or company)	Reasons	Company, officer or shareholder with whom the Director has ties
N/A		

Total number of other external Directors	N/A
Total % of Board members	

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

Name (person or company) of the shareholder	Variation date	Previous Category	Current Category
N/A			

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

	Number of female directors				% of total director of each type			
	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013
Executive	0	0	0	N/A	0%	0%	0%	N/A
Proprietary	0	0	0	N/A	0%	0%	0%	N/A
Independent	1	1	1	N/A	10%	10%	10%	N/A
Other external	0	0	0	N/A	0%	0%	0%	N/A
Total:	1	1	1	N/A	10.00%	10.00%	10.00%	N/A

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

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

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

Explanation of the measures
N/A

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

Explanation of the measures
N/A

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

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

Imperial Brands PLC is represented at the Board by four directors (Messrs. Downing, Hathaway, Keveth and Resnekov), in accordance with the Framework Agreement of June 12, 2014, which rules the relations between Imperial Brands and the Company.

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

C.1.8 Describe, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital:

Name of the shareholder (person or company)	Reasons
N/A	

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

Yes No

Name of the shareholder (person or company)	Justification
N/A	

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

Name of the Director (person or company)	Reason for standing down
N/A	

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

Name of the CEO (person or company)	Brief Description
LUIS EGIDO GÁLVEZ	He has been delegated all the faculties of the Board of Directors that can be delegated according to the Law and the Bylaws, excluding the faculties that, according to Article 38 of the Bylaws of the Company, require the approval of the resolution by, at least, the 70% of the members of the Board of Directors

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

Name (person or company) of the director	Company name of the entity of the Group	Position	¿Does he/she have executive functions?
LUIS EGIDO GÁLVEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU	CHAIRMAN	YES
LUIS EGIDO GÁLVEZ	LOGISTA ITALIA SpA	DIRECTOR	YES
LUIS EGIDO GÁLVEZ	BANCA ITB SpA	DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL DE PUBLICACIONES LOGISTA SAU	SECRETARY DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA PUBLICACIONES, S.L.U.	CHAIRMAN	NO
RAFAEL DE JUAN LÓPEZ	DRONAS 2002 SLU	DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	LOGISTA PHARMA	DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	LOGISTA ITALIA SPA	DIRECTOR	NO

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

Name of the director (person or company)	Name of listed company	Position
DON GREGORIO MARAÑÓN Y BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR
DOÑA CRISTINA GARMENDIA MENDIZÁBAL	CORPORACIÓN FINANCIERA ALBA	DIRECTOR
DOÑA CRISTINA GARMENDIA MENDIZÁBAL	GAS NATURAL SDG, S.A.	DIRECTOR
DOÑA CRISTINA GARMENDIA MENDIZÁBAL	SYGNIS AG	CHAIRWOMAN

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

Yes No

Explanation of the Rules

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Logista Group. Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by law, of a maximum of nine boards of directors of listed companies other than the Logista Group.

C.1.14 Section repealed

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

Remuneration of the Board of Directors (thousand euros)	3.842
Amount of overall remuneration corresponding to the rights accumulated by current Directors with respect to pensions (thousand euros)	2.331
Amount of overall remuneration corresponding to the rights accumulated by former Directors with respect to pensions (thousand euros)	0

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

Name (person or company)	Position
PASCAL AGERON	GENERAL MANAGER - TOBACCO, TELECOMS & STRATOR FRANCE
JAN BABST	CORPORATE DIRECTOR OF INFORMATION SERVICES
LAURENT BENDAVID	PRESIDENT GENERAL MANAGER – LOGISTA FRANCE
ANTONIO GARCÍA VILLANUEVA	CORPORATE RESOURCES DIRECTOR
MIGUEL GÓMEZ PRADO	CEO - LOGISTA PHARMA
RAFAEL MARTÍ FERNÁNDEZ	CORPORATE HUMAN RESOURCES DIRECTOR
GLORIA MARTÍN GIMENO	INVESTORS RELATIONS AND STRATEGIC ANALYSIS CORPORATE DIRECTOR
DAVID MARTÍNEZ FONTANO	CEO - LOGISTA ITALIA

FRANCISCO PASTRANA PÉREZ	GENERAL MANAGER - TOBACCO AND CONVENIENCE IBERIA
PABLO REBOLLO PERICOT	PRESIDENT NACEX & GENERAL MANAGER INTEGRA 2
MANUEL SUAREZ NORIEGA	CORPORATE FINANCE DIRECTOR
LAURA TEMPLADO MARTÍN	CORPORATE INTERNAL AUDIT DIRECTOR

Total remuneration senior managers (thousand euros)	5.160
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C.1.17 Identify, if appropriate, the members of the Board who also sit on the Board of Directors of companies of significant shareholders and/or in entities of their group:

Name of the director (person or company)	Name (person or company) of the significant shareholder	Position
Downing, John Matthew	ATTENDFRIEND LIMITED	Director
	BRITISH TOBACCO COMPANY LIMITED	Director
	IMPERIAL BRANDS ENTERPRISE FINANCE LIMITED	Director
	IMPERIAL BRANDS FINANCE PLC	Company Secretary
	IMPERIAL BRANDS PLC	Company Secretary
	IMPERIAL TOBACCO ALTADIS LIMITED	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (1)	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (2)	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (3)	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (4)	Director
	IMPERIAL TOBACCO GROUP LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS (1) LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS (2007) LIMITED	Company Secretary
	IMPERIAL TOBACCO HOLDINGS LIMITED	Company Secretary
	IMPERIAL TOBACCO INITIATIVES	Director
	IMPERIAL TOBACCO IRELAND UNLIMITED COMPANY	Director
	IMPERIAL TOBACCO LACROIX LIMITED	Director
	IMPERIAL TOBACCO LIMITED	Company Secretary
	IMPERIAL TOBACCO MANAGEMENT (1) LIMITED	Director
	IMPERIAL TOBACCO MANAGEMENT (2) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS (POLSKA) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (1) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (2) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED	Company Secretary
	IMPERIAL TOBACCO OVERSEAS	Director

	HOLDINGS LIMITED	
	IMPERIAL TOBACCO OVERSEAS LIMITED	Director
	ITG BRANDS LIMITED	Director
	JOSEPH & HENRY WILSON LIMITED	Director
	NEWGLADE INTERNATIONAL UNLIMITED COMPANY	Director
	PARK LANE TOBACCO COMPANY LIMITED	Director
	RIZLA UK LIMITED	Director

Keveith, Nicholas James	IMPERIAL BRANDS FINANCE PLC	Director
	IMPERIAL TOBACCO HOLDINGS (2007) LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS LIMITED	Director
	IMPERIAL TOBACCO LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED	Director
	IMPERIAL TOBACCO SOUTH AFRICA S.A.	Vice President
	ITG BRANDS LIMITED	Director

Resnekov, David Ian	ATTENDFRIEND LIMITED	Director
	BRITISH TOBACCO COMPANY LIMITED	Director
	CONGAR INTERNATIONAL UK LIMITED	Director
	IMPERIAL BRANDS ENTERPRISE FINANCE LIMITED	Director
	IMPERIAL BRANDS FINANCE PLC	Director
	IMPERIAL TOBACCO ALTADIS LIMITED	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (1)	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (2)	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (3)	Director
	IMPERIAL TOBACCO CAPITAL ASSETS (4)	Director
	IMPERIAL TOBACCO GROUP LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS (1) LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS (2007) LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS LIMITED	Director
	IMPERIAL TOBACCO INITIATIVES	Director
	IMPERIAL TOBACCO LACROIX LIMITED	Director
	IMPERIAL TOBACCO LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS (POLSKA) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (1) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (2) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS LIMITED	Director
	IMPERIAL TOBACCO PENSION TRUSTEES LIMITED	Director
	IMPERIAL TOBACCO SOUTH AFRICA S.A.	Chairman
	ITG BRANDS LIMITED	Director
	JOSEPH & HENRY WILSON LIMITED	Director

	LA FLOR DE COPAN UK LIMITED	Director
	PARK LANE TOBACCO COMPANY LIMITED	Director
	RIZLA UK LIMITED	Director
	TABACALERA DE GARCIA UK LIMITED	Director

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

Name (person or company) of the related Board member	Name (person or company) of the related significant shareholder	Description of the relationship
John Matthew Downing	IMPERIAL BRANDS, PLC	Company Secretary
Richard Guy Hathaway	IMPERIAL BRANDS, PLC	Director Of Finance Strategic Initiatives
Nicholas James Keveth	IMPERIAL BRANDS, PLC	Director of Finance and Planning Department
David Ian Resnekov	IMPERIAL BRANDS, PLC	Financial Controller

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

Yes No

Description of the amendments
The Regulations of the Board of Directors were amended by resolution of the Board of Directors meeting of January 26, 2016, basically to adapt them to the Recommendations of the new Good Governance Code, of February 18, 2015, and also to the new content of Article 529 quaterdecies of the Capital Companies Act (Article that was amended by Law 22/2015, of 20 July, on Accounts Audit), which refers to the composition and functions of the Audit and Control Committee.

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

Directors' Appointments

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

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

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

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

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

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

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

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

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

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

Eligibility. Incompatibilities.

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

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

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Company. Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by Law, of a maximum of nine boards of directors of listed companies other than the Company (Article 23 of the Board of Directors' Regulations)

Re-election of Directors

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

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

Term of office

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

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

Board Assessment

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

Debates and Voting

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

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

Description of the changes

On October 25th, 2016, the Company's Board of Directors approved an Action Plan for the Improvement of its functioning and that of its Audit and Control and Appointment and Remuneration Committees, as well as for the performance of the Chairman, the CEO and the Secretary of the Board, to be developed in the next financial year.

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

The Company, with the assessment of assessment KPMG Asesores, S.L, has evaluated:

1. The Board of Directors of the Company, in the followings aspects:

- General questions
- Meetings of the Board
- Functions and Responsibilities
- Overall valuation

2. The Audit and Control Committee, in the following aspects:

- Composition
- General questions
- Meetings

- Functions and Responsibilities
3. The Appointment and Remuneration Committee, in the following aspects:
- Composition
 - General questions
 - Meetings
 - Functions and Responsibilities
- 4.- The Chairman of the Board (Performance)
- 5.- The CEO (Performance)
- 6.- The Secretary of the Board (Performance)

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

KPMG-LOGISTA SAU: Litigation: 9.350 €
 KPMG-LOGISTA SAU: SCIIF Training: 2.500 €
 KPMG-LOGISTA HOLDINGS: Self-assessment of the Board of Directors: 20.000 €

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

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

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

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

C.1.22 Section repealed

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

Yes No

Where applicable, explain the differences.

Description of the differences

According to the provisions of Article 38 of the Company By-Laws, the Board shall approve resolutions by absolute majority of the Directors attending the meeting, either in person or via proxy. Notwithstanding the above, the adoption of any resolutions related to any of the matters set out below will require the positive vote of at least 70% of the Directors, as rounded up in case that the application of that percentage does not result in a whole number of Directors, that form part of the Board of Directors and will not be delegated:

- a) any increase or reduction in the share capital of the Company in accordance with article 7 of these By-laws, or the issuance by the Company of any bonds or securities pursuant to Title III of these By-laws.
- b) the approval of an annual plan in relation to the capital expenditure, investments and other funding commitments to be carried out by the Company in the following year (the “Annual Capex Plan”);
- c) the acquisition of all or part of any business of any third party whether by way of the purchase (whether direct or indirect) of shares, assets or other like interests of any third party (including by way of merger or business combination) by the Company or any member of its Group;
- d) the disposal of all or part of any business to any third party whether by way of the disposal (whether direct or indirect) of shares, assets or other like interests (including by way of merger or business combination) by the Company or any member of its Group;
- e) any decision of the Company to enter into any partnership or joint venture or any other arrangement to share or distribute profits or assets;
- f) any decision of the Company to incur or agree to incur, whether directly or indirectly, any capital expenditure, investment or other funding commitment in respect of any matter in excess of €1,000,000 in aggregate save to the extent that such capital expenditure, investment or other funding commitment (including the amount of such capital expenditure, investment or other funding commitment) is set out in the Annual Capex Plan for that period that has been approved in accordance with section (b) above;
- g) any decision of the Company to amend the terms of its borrowing or indebtedness in the nature of borrowing or grant guarantees, or to create or incur borrowing or indebtedness in the nature of new borrowing
- h) the creation of any mortgage, pledge, lien, charge, assignment of any of such securities, hypothecation or other security interest in relation to the Company, other than a security interest created by operation of law as a result of the ordinary course of business of the Company; and
- i) any decision to delegate any powers of the Board of Directors to a Managing Director, or to delegate any powers of the Board to any Committee of the Board.

For the purposes of counting the majority of members of the Board of Directors for the adoption of the abovementioned resolutions, the members of the Board that may be under a conflict of interest and that shall abstain from voting, shall be discounted from the total number of members of the Board on which shall be calculated said majority.

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

Yes No X

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

Yes No X

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

Yes No X

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

Yes No

C.1.28. State whether the Articles of Association or the Board of Directors’ Regulations establish specific rules for proxy voting in the Board of Directors, the way this must be done and, namely, the maximum number of proxies a director may hold and whether it has established any limit regarding the classes that may be delegated beyond the limits stipulated by legislation. If so, briefly describe such rules.

The Directors must attend Board meetings and, when they cannot do so in person, they shall arrange for their representation and vote to be granted in favour of another Board member, including appropriate instructions. The delegation may be made by letter, fax, telegram, e-mail, or by any other valid means acknowledged in writing. Non-executive Directors may do so only to another non-executive Director.

C.1.29. State the number of meetings that the Board of Directors has held during the financial year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present. Proxies granted with specific instructions shall be counted as attendance.

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

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

Number of Board meetings	N/A
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State the number of meetings held over the financial year by the different Committees of the Board:

Committee	Number of meetings
AUDIT AND CONTROL COMMITTEE	7
APPOINTMENTS AND REMUNERATION COMMITTEE	5

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

Number of meetings attended by all Directors	11
% of attendance over the total votes during the present year	100%

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

Yes No

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

Name	Position
N/A	

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

In accordance with the provisions of Article 46.4 of the Board of Directors' Regulations, the Audit and Control Committee shall supervise that Board of Directors can present the Company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should give a clear account to shareholders of their scope and content.

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

Yes No

C.1.34 Section repealed.

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

Relations of the Board with external auditors will take place via the Audit and Control Committee.

The Board of Directors shall refrain from hiring those audit firms whose projected fees including all items exceed five per cent of its total revenues during the previous financial year.

The Board of Directors shall make public the total fees paid to the audit firm for services other than auditing.

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

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

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

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

individually and as a whole, other than the legal audit, as regards independence of the auditors and regulations governing account audit activities.

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

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

Yes No

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

Yes No

	Company	Group	Total
Amount of work other than auditing (thousand euros)	88	297	385
Amount of work other than that of auditing / total amount charged by the audit firm (in %)	39,68%	22,80%	25,26%

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

Yes No

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

TO BE CONFIRMED	Company	Group
Number of consecutive years	3	17
Number of years audited by the present audit firm / Number of years that the company has been audited (%)	100%	100%

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

Yes No

Details of the procedure
In order to be assisted in performing their duties, External Directors may request that the Company hires the services of legal advisors, accountants, financial experts or others.
This commission must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of their duties.

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

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

Also, in accordance with the provisions of articles 17.5 and 18.5 of the Board Regulations, the Audit and Control Committee and the Appointments and Remuneration Committee may obtain external professional advice.

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

Yes No

Details of the procedure

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

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

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

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

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

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

With the aim of not disturbing the ordinary management of the Company, the exercise of information duties will be channelled through the Chairman, Managing Director or the Secretary of the Board of Directors, who will assist the Director's request providing the

information directly, facilitating contacts with the relevant department in the organisation or deciding on the measures so that examination tasks may be performed in situ.

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

Yes No

Explain the rules
<p>In accordance with article 26.2 of the Board Regulations, Directors must place their post at the disposal of the Board of Directors and formally resign as a Director, if the Board of Directors considers it appropriate based on the following counts:</p> <ul style="list-style-type: none">a) When they are removed from the executive posts to which their appointment as Directors was associated;b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage to its credibility and reputation. In particular, Directors should inform the Board of any criminal charges brought against them and the progress of any subsequent trial;e) The moment a Director is indicted or tried for any of the offences stated in Company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the Annual Corporate Governance Report.f) When, having been appointed on the proposal of a significant shareholder, the latter notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.

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

Yes No

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

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

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

Number of beneficiaries	14
Type of beneficiaries	Description of the resolution
CERTAIN SENIOR MANAGERS	<ul style="list-style-type: none"> • Compensation in the case of wrongful dismissal (11 agreements). The compensation to pay, depending on the case, will be of 3 months' salary, or of 1 or 2 years of fix and variable salary, unless the legal compensation is higher. • Compensation for post-contractual non-compete clause (14 agreements): 6 or 12 months of fix and variable salary. • Compensation in case of change of control (4 agreements): minimum of 24 months of fix and variable salary. <p>All these agreements, excepting one, were executed before the admission to listing of the Company's shares.</p>

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

	Board of Directors	Shareholders General Meeting
Decision-making body approving the provisions	YES	

	YES	NO
Is information about these clauses provided to the General Meeting of Shareholders?	----	X

C.2 Committees of the Board of Directors

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

AUDIT AND CONTROL COMMITTEE

Name	Office	Category
Cristina Garmendia Mendizábal	Chairwoman	Independent
Gregorio Marañón y Bertrán de Lis	Member	Independent
Eduardo Zaplana Hernández-Soro	Member	Independent
David Ian Resnekov	Member	Proprietary
% of proprietary directors	25.00%	

% of independent director	75.00%
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Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Audit and Control Committee has the following competencies:

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

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

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

- Information and Supervision of the Periodic Financial Information that the Company submits to the National Stock Market Commission (“CNMV”) and to the markets.
- Information and submission to the Board for its approval of the Board Regulations, the Internal Regulations for Conduct in the Securities Markets, the Risk Management Policy, the Corporate Governance Policy, the Corporate Social Responsibility Policy, the Whistleblowing Policy and other internal regulations.
- Appointment of the Internal Audit Manager.
- Approval and monitoring of the Internal Audit Plan 2015-2016
- Appointment proposal and determination of the fees of the External Auditors.
- Update of the Risk Map of the Group
- Monitoring of the internal control activities of the Group
- Corporate Governance Annual Report for the financial year 2014-2015
- Report on the Auditor independence
- Self-evaluation of its functions and composition.

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

Name of the Director with experience	David Ian Resnekov
Number of years of the Chairman in such position	1

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office	Category
Gregorio Marañón y Bertrán de Lis	Chairman	Independent
Eduardo Zaplana Hernández-Soro	Member	Independent
Stéphane Lissner	Member	Independent
John Matthew Downing	Member	Proprietary

% of proprietary directors	25.00%
% of independent directors	75.00%

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

The Appointments and Remuneration Committee has the following competencies:

- a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.
- b) Establishing a goal for under-represented sex on the Board of Directors, and developing guidance on how to achieve that goal.
- c) Propose the appointment, ratification, reappointment and removal of Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the CEO, and the permanent delegation of the Board relevant faculties.
- d) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.
- e) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.
- f) Reporting appointments and removals of Senior Managers which the first executive proposes to the Board of Directors.
- g) Proposing the following to the Board of Directors for its approval:
 - i) Compensation policies for Directors and senior management.
 - ii) The Annual Report on Remuneration of Directors
 - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.
 - iv) The basic conditions in the contracts of Senior Managers.
- h) Ensuring compliance with the Company's remuneration policies.
- i) Ensuring that selection processes are not implicitly biased in such a way that selecting female Directors is prevented.
- j) Verifying compliance with the Directors' selection policy.
- k) Any other competence or duty conferred by the Law, the By-Laws or Board Regulations.

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

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

Main activities of the Appointments and Remuneration Committee during financial year 2016:

- Proposal to the Board of the Annual Report on Directors' Remuneration 2014-2015.
- Evaluation of the degree of achievement of the Group's Business Objectives 2014-2015 (Bonus).
- Evaluation of the Variable Remuneration of the Executive Directors (2014-2015).
- Setting of the Fixed Remuneration of Executive Directors for 2016.
- Report on the functions and activities of the Appointments and Remuneration Committee.
- Report on the ratification by the General Shareholders' Meeting of the appointment by co-option of Mr. Richard Guy Hathaway as a Proprietary Director.
- Proposal to the Board of settlement of the Second Consolidation Period of LOGISTA, SAU 2011 Plan (General Plan and Special Plan).
- Proposal of Beneficiaries and Number of Shares granted, in the General and Special Plans for Performance Shares 2014/Second Consolidation Period.
- Report on the compensation schemes for Directors.
- Self-evaluation of the Company and functions.

- Proposal to the Board of its performance self-evaluation, as well as that of its President, CEO and Secretary Director.

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

	Number of female Directors							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	1	25.00%	1	25.00%	1	25.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed

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

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

On January 26, 2016, the Board of Directors modified certain articles of the Board Regulations, and approved a Consolidated Text, to adapt them to the Recommendations of the new Good Governance Code, and to the modification of the Capital Companies Act, by the Law of Account Audit of 20 June 2015, especially with regard to the Audit and Control Committee competencies.

Reports about the activities carried out by the Audit and Control Committee and by the Appointments and Remuneration Committee during the present financial year have been prepared and are available in the corporate web page of the Company (www.grupologista.com).

C.2.6. Section repealed

D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

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

Procedure to approve related-party transactions.

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

No authorisation of the Board of Directors shall be required in connection with Related-Party Transactions that simultaneously satisfy the following three conditions:

- (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to many customers;

- (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; (iii) that the amount thereof does not exceed one per cent of the Company's annual revenues.

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

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

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

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

Also, the Framework Agreement dated 12 June 2014, signed between the Company and Imperial Brands (formerly named Imperial Tobacco Group) establishes that all Related-Party Transactions and, in general, any transaction that may pose a conflict of interest affecting the Group and the IB Group should be arranged under market conditions that, according to the circumstances, would have been reasonably stipulated by two independent operators and in accordance with the principle of equal treatment of shareholders and the principle of neutrality established in that same Framework Agreement.

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

Name of the significant shareholder (person or company)	Name of the company or entity of its group (person or company)	Nature of the relationship	Type of Transaction	Amount (thousand euros)
ALTADIS SAU	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.U.	Commercial	Purchase of finished or not finished goods	377,274
ALTADIS SAU	LOGISTA-DIS, S.A.	Commercial	Purchase of finished or not finished goods	6,642
ALTADIS SAU	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.U.	Commercial	Sales of services	4,853
IMPERIAL TOBACCO GROUP PLC	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.U.	Contractual	Paid interests	12,392

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

N/A

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

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

N/A

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

613,877 (thousand euros)

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

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

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

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

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

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

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

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

Yes No

Identify the subsidiaries listed in Spain:

Listed subsidiaries

N/A

Indicate whether the respective areas of activity and any business relations between them, and any business relations between the listed subsidiary and other group companies, have been publicly and precisely defined

Yes No

Describe any business relations between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies.

N/A

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and the other companies of the group:

N/A

E RISK CONTROL AND MANAGEMENT SYSTEMS

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

The Corporate Risk Management System of the Company and its subsidiaries (hereafter, the Group) is set forth in the General Internal Control Policy of February, 8th 2012.

This policy establishes a general action framework for controlling and management of internal and external risks of any nature, which may affect the Logista Group, in accordance with the risk map in place at all times in the achievement of its objectives (Corporate Governance risks, market risks, financial risks, regulatory risks, business risks, operational risks, penal risks and reputational risks, among others) Risk Management General Policy, applicable both to each of the businesses and countries, and Corporate areas of the Group, sets up the guidelines to integrate all the information originating from the different functions and operations of the Group, with the purpose of providing to the Business Managers/Corporate Directorates, a holistic view, improving the Management capacity to manage risks in an efficient way and minimizing the impact in case the risks materialize.

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

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

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

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

The Board of Directors

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

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

Audit and Control Committee

Among others, the Audit and Control Committee shall have the following competencies:

i) Supervise the effectiveness of the internal control systems of the Logista Group, in particular those for financial information and the risk systems of Logista Group, reviewing the appointment and replacement of managers, and discuss with the auditors or audit firms the weaknesses of the internal control system, detected during the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding time frame for follow-up activities.

In particular, the Company shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

ii) Supervise compliance with corporate governance rules and the Internal Codes of Conduct of the Company. In particular, among others, the Audit and Control Committee shall Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

Internal Control Committee

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

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

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

The Logista Group Internal Control Committee is comprised of the Corporate Financial Directorate, who acts as Chairman, the Internal Control Director, the Human Resources Director, a representative of the Legal Department, the Corporate Resources Director as well as the General Managers of the 3 most important business units of the Group, acting the Internal Control Director as Secretary.

Corporate Internal Audit Directorate

Corporate Internal Audit Directorate role is promoting the implementation, development and coordination and documentation of the acts and tasks performed related to this subject, asking for the execution of risks evaluations to Process owners assigned and General Directorates of each businesses, following homogenised methodology and instructions for performing the process, as defined at the Risk Management Policy and Procedure.

Process Owner:

Employees responsible for the design, process development and detection of risks and opportunities that may affect them. They are also responsible for the implementation of policies and internal control standards. They should identify the Control Objectives and Control Activities to Control Owners, reporting on it all to the Internal Control Coordinators.

Internal Control Coordinators:

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

Control Owner:

Employees responsible for carrying out control on processes and informing, through reporting, on checks made to the Process Owner. They should suggest improvements and corrective actions to the Process Owner.

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

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

Environment Risks:

- Group's business could be adversely affected by the deterioration of the economic conditions in the markets in which it operates (mainly Spain, Portugal, France and Italy).
- Tobacco illicit trade and contraband impacting in distributed tobacco volumes.

Business Risks

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

Operational risks:

- Theft of tobacco in facilities and during transport associated to increases in insurance premiums
- Technological risks associated to the lack of (or faulty) availability of the Information Systems.
- Regulatory Compliance Risks: The Logista Group Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- European Directive 2014/40/UE (3 April 2014) establishes tighter rules for tobacco products, that could affect the volume sold, related among others, to labelling, ingredients, track and trace and cross-border trade. The transposition period in their respective member States ends on May, 20th 2016.
- Penal risk (commission of crimes within the company and/or in the benefit of the Group) or Risks associated to litigation in which the Groups is currently part, either as plaintiff or defendant

Financial Risks/ Tax Risks:

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

value

- Commercial credit risk derived from the usual business operations with customers

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

Group risk management methodology considers different risk tolerances when rating gross risks, both with quantitative and qualitative criteria, and assessing the risk impact which allocate each risk in the general scheme of risk appetite. Criteria used by the group are: regulatory compliance, financial-economical impact, safety and security, impact in processes and reputational impact.

These criteria, together with ratings over likelihood rating, and evaluation of risks tolerance for each risks Identified, are added to the tools used for risk management (risk register and risk map), on order to report and monitor and adequate follow-up of key risks by the corresponding bodies.

General Risk management Policy defined the position of the Company regarding a risk typology, Including tax-related risks, such as:

Group has a low tolerance regarding law and regulation compliance, including tax regulation,

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

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

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

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

Regular operational risks, in the ordinary course of business, particularly theft of tobacco in the company facilities and during transport, not affecting the Group's financial results as the merchandise was properly insured.

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

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

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

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

Environment Risks

- The markets most affected by the poor economic evolution, and the Businesses most exposed to its customer credit risks, are reinforcing the procedures for the recovery of debts to shorten the terms, as well as reducing and tightly monitoring the credit limits,

fostering the obtaining of bank guarantees.

- Regarding tobacco illicit trade and contraband, the Group is developing projects together with the manufacturers to establish more demanding track and trace protocols, in compliance with the European Directive of April, 3rd 2014.

Business Risks

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

Operational risks

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

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

- Follow up of maximum security standards.
 - Insurance Policies.
- Technological risks
 - Existence of Contingency Plans periodically tested, analyzed and monitored by the Information Security Committee.
 - The Group Data Centers are permanently monitored

Financial risks/ tax Risks

- Regarding the goodwill high carrying value, the Group undertakes impairment test according to the IFRS.
- Credit risks mitigated by periodical credit controls, hiring insurance policies in order to mitigate possible impacts of unpaid credits in the commercial transactions.
- In relation to Compliance and Crime Prevention within the Group's companies, the following controls currently exist:
 - The Group has a Code of Conduct and periodically asks employees to undertake training on its contents.
 - The Group has an Internal Channel for denounces and irregularities, with policies and procedures available to every employee in the Group intranet.
 - The Corporate Legal Department centralizes supervision of most significant contracts all across the Group.
 - There are Policies for investment, expenditures, indebtedness and other transactions, that require a strict approval and communication workflow.
 - Also, adapted to the specific characteristics of the penal codes in Spain and Italy, in addition to the Group Code of Conduct, there are specific Manuals for crime prevention in these countries according to which, in case of lack of compliance with the controls and general behavior principles stated in them and in the Group Code of Conduct, disciplinary actions could be taken against the offenders.
 - There are specific procedures for preventing money laundering in the Group, being the Regulatory Compliance Directorate the body in charge addressed as the valid interlocutor with the SEPBLAC.

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

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

F.1 The entity's control environment

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

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

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

Article 5 of the Rules of the Board of Directors of 26th January, 2016, entitled 'The general role of supervision', lays down as one of its responsibilities the definition and approval of the Logista Group policies and general strategies, and in particular, the policy on control and management of risks, including fiscal risks, and the supervision of the internal systems of reporting and control, and in particular, of financial reporting. It also defines the ultimate responsibility of the Board of Directors over the financial information which, as a quoted company, the Company has to publish regularly, and its responsibility to formulate the annual accounts and present them to the General Shareholders' Meeting.

In accordance with the provisions of Article 43 of the By-Laws, the Logista Group has an Audit & Control Committee, whose main responsibilities in relation to the ICOFR, according to Article 17.2 of the Board's Rules, are the following:

- To supervise the effectiveness of the internal control systems of Logista Group, in particular those for financial information and the risk systems of Logista Group, reviewing the appointment and replacement of managers, and discuss with the auditors or audit firms the weaknesses of the internal control system, detected during the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding time frame for follow-up activities.
- In particular, the Company shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.
- To report to the Board of Directors on the Logista Group Annual Accounts, and on the financial information which the Logista Group has to publish regularly and send to the bodies which regulate or supervise the markets.
- To keep watch over the compliance of the legal requirements and the correct application of the generally accepted accounting principles, and to report on the Management's proposals for the modification of accounting principles and criteria, and on the risks on and off the balance sheet.
- To supervise the process of drawing up and the integrity and submission of the required financial information, and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions, the

accurate demarcation of the consolidation perimeter, and the correct application of accounting principles

- To make proposals to the Board of Directors concerning the selection, appointment, re-election and replacement of the external auditor, and also the terms and conditions of his engagement, and to collect from him regular information about the Audit Plan and its execution, and also preserving his independence in the exercise of his functions.
- To supervise Supervising the services and activities of the internal audit unit and, in particular, monitor the independence of the unit handling the internal audit function, which shall report functionally to the Chairman of the Audit and Control Committee and will monitor the effectiveness of reporting and control systems; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receiving regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.
- The head of the unit handling the internal audit function should present an annual work programme to the Audit and Control Committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

In accordance with the Internal Control Policy of Logista Group, development and execution of the internal control system (in which ICOFR Is embedded), it is assigned to the Internal Control Committee of the Logista Group, acting under the supervision and dependency on the Audit Committee and Board of Directors, and which president is the Finance Corporate Directorate.

Among other functions, the Internal Control Committee establishes the responsibility to validate the proposals of the internal control process managers or co-ordinators, or of corporate or business managers, to define, update and develop new processes or sub-processes and the objectives of control and control activities, including all those which are related to the ICOFR.

The Finance Corporate Directorate is the body responsible for defining the systems of internal control over financial information. In this regard, it establishes and defines the policies, guidelines and procedures related to the generation of the said information, in order to guarantee the quality and authenticity of the financial information generated and monitors its compliance.

In addition, among the functions defined in the rules of Internal Auditing, the Management of the Internal Audit Department has that of providing the Logista Group, and in particular its Senior Management, its Board of Directors and its Audit and Control Committee, with a reasonable degree of assurance in relation to the following points:

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

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

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

According to Article 6 of its Rules, the general purpose of the Board of Directors of the Logista Group is to determine and supervise the Logista Group business and financial objectives, agreeing

on the strategy, the plans and the policies by which to achieve them, propelling and supervising the management of the Group and the achievement of the established objectives, and ensuring the existence of adequate management and organisation, under effective supervision of the Board.

Notwithstanding the foregoing, the policy of the Board is to delegate the ordinary management of the Group to the executive bodies and the management team, except in those matters which, according to the Law, the By-Laws or the Board's Rules, cannot be delegated.

For this reason, the Appointments and Remunerations Committee has the responsibility, among others, to advise on the proposals for the appointment or severance of senior directors which the Chief Executive proposes to the Board.

Among the roles of the senior management are the design and review of the organisational structure of the different units of corporate business, for the purpose of identifying needs, inefficiencies and areas for improvement in the design of those structures, and the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Directorate of Human Resources has procedures for updating the organisational structures at corporate level and of each of the Logista Group subsidiaries. These procedures are documented in organisation charts, which show the lines of authority up to a certain organisational level.

The Logista Group has a range of internal regulations governing the allocation and division of responsibilities and the segregation of functions in the different areas of the Company. The system of evaluation of the Logista Group performance contains, in an individualized manner, the main responsibilities of each job.

Specifically, the Corporate Financial Directorate has organisation charts showing the composition of the Financial Departments of each of the subsidiaries and business units; it also has regulations and procedures containing information about the tasks carried out by the different members of those departments, and in its systems for performance evaluation it has information about the responsibilities included in the jobs of the key personnel involved in the preparation of the financial statements.

Dissemination is through the corporate Intranet which is used for internal communications, and through which the Logista Group regulations and procedures, as well as information about the most important changes occurring in the organisational structure, are disseminated. Furthermore, in the Corporate Intranet Directory one may find complete information about each of the employees of the Logista Group, including the post occupied and the reporting lines.

According to Framework agreement of 12th June 2014, signed by the Company and Imperial Brands PLC, internal control systems of the Logista Group, including those over financial information and internal audit standards, are coordinated with systems and standards of Imperial Brands, if necessary, to facilitate Imperial Tobacco Group the developments and dissemination of their own regulated financial information.

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

The Logista Group has adopted the Code of Conduct issued by its controlling shareholder, Imperial Brands PLC, which has been approved by its Board of Directors. There is, in addition, a Code of Conduct which applies specifically to the Logista Group companies in Italy (the 'Código Etico'), approved by the Board of Directors of Logista Italia, S.P.A., within the framework of Legislative Decree 231/01, which governs the regulation of compliance in the matter of criminal risks, and which describes in detail all the processes of the Logista Group Italian companies, including the preparation of financial information, which are in turn analysed by the governing and control bodies legally required in Italy.

The Logista Group Code of Conduct may be consulted on the Corporate intranet.

All the employees of the Logista Group have to commit themselves to its compliance and as a prove of that, they must sign a ‘recognition’ document, confirming that they have read the Code of Conduct and will observe its provisions. The Group Logista has versions of this document in English, Spanish, French, Italian, Portuguese and Polish, so that it can be correctly disseminated and understood in all the countries in which it operates.

The Code of Conduct lays down the principles of responsible behaviour which all the employees have to observe, and offers a practical guide to the way in which important ethical and legal matters should be dealt with. As fundamental values it includes business integrity, responsible commercial practice, trust, respect and responsibility. Each of the general principles is elaborated on in the body of the Code.

In particular, within the principle of responsible commercial practice, there is a section on accuracy in accounting and the keeping of financial records and notifications, of which the main obligations are explained below:

- To report and record all our financial information accurately and objectively.
- To ensure that accurate and complete financial and commercial records are kept.
- To ensure that all the financial reports, notifications, forecasts and analyses for which we are responsible are transmitted honestly and accurately.
- To observe all of the laws, external requirements and procedures of the Company when transferring financial and commercial information.
- To co-operate openly with the Logista Group Compliance Department and with our external auditors.
- To strive to identify any potentially erroneous representation of the accounts, data or records, or any occurrence of potential fraud or deception, and to inform the local, regional or departmental heads of finances, the Director of Accounting, Forecasting and Taxation or the Logista Group Compliance Manager of any worry or doubt about the accuracy of the financial reports.

The Code of Conduct itself and its complaints procedure lay down a procedure for notifying, recording and investigating possible breaches of the Code of Conduct as well as the principles of the investigations and the disciplinary measures, including dismissal, and the rights of appeal.

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

- Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, the Regulations and the Logista Group’s governance rules, as well as putting forward proposals for its improvement.,

The complaints channel, which enables notifications of financial and accounting irregularities, of any possible breaches of the Code of Conduct, or of any irregular activities in the organisation to be made to Audit Committee, together with, if appropriate, information about their confidential nature.

The Logista Group has a Policy and Procedure on Complaints of Malpractice (“Whistleblowing”), which was approved by the Board of Directors on 26th April, 2016.

This Policy formalizes the existence of a channel for denouncing behaviour, deeds, actions, omissions or failure to observe the principles, ethical values, laws and internal regulations applicable to the Logista Group, and establishes the general principles which govern the notification of the complaint, as well as the subsequent actions that have to be taken by the Logista Group as a result of such a notification of complaint. The procedure develops the aspects or premises which require the Implementation and execution of the Policy.

One of the bodies competent to receive complaints and to investigate cases of malpractice is the

Audit Committee, when if, in the conduct, deeds, acts, omissions or non-compliance which constitute(s) the Malpractice, the participation or direct or indirect involvement of any Member of the Board, including its Secretary, or of a Company Director, or of the General Manager of a Business, is deduced. Immediate report will be given by the Secretary of the Whistleblowing committee or Internal Control Unit, to the President of the Audit Committee, or if implicated, to any member of the Board of those Commission,

Also, the Procedure states that the Directorate of Corporate Internal Auditing will prepare a report on cases that are relevant, of significant importance, of a financial or accounting nature, or serious, which will be forwarded to the Audit and Control Committee, which will, in addition, supervise the general observance of the Logista Group's Policy on Complaints, and of the provisions of this Procedure.

With regard to the confidentiality of complaints, the Policy states as one of its key principles the guarantee of Confidentiality and, as far as the applicable local legislation allows, the anonymity of the complaint.

The identity of the 'whistleblower' will not be disclosed to anyone other than the Bodies Competent to receive and investigate a complaint of Malpractice, in any of the stages of the Investigation Procedure, nor will the said identity be revealed to third parties or to the people being investigated.

As an exception, and under the applicable regulations, the identity of the 'whistleblower' can be revealed to the Administrative or Legal Authority which is handling the investigation procedure initiated by or resulting from the complaint of Malpractice.

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

Within the system for annually assessing performance, personal development is encouraged, and any need for training in the said subjects is detected and then reflected in the Annual Training Plan.

The Human Resources Department, in collaboration with each of the business units, is responsible for defining the Logista Group Annual Training Plan, in which the training needs of the staff, including those involved in the generation and issue of financial information, and the internal control and management of risks, are identified.

In this way, training courses are given annually to those of the staff who are involved in the preparation and reviewing of financial information. Specifically, there has been received external training on the following subjects: consolidation process, financial modeling, international accounting standards, and internal control/Internal audit risk analysis.

In order to ensure that the regulatory modifications and updating which are required to guarantee the reliability of financial information are understood and applied, the departments involved in the preparation and supervision of financial information keep themselves permanently informed of any such modification, through different institution's bulletins from external sources and attendance to conferences and seminars of specific topics.

During the year, a fully implementation of ICOFR training program has taken place, with the objective of keeping all key personnel involved at elaboration of financial information, monitoring and control; four internal training sessions have been held both at a Corporate level and also at subsidiary level.

Furthermore, on-line specific training about Global financial fraud has been give to all new employees belonging financial department, internal control and internal audit, and also to those persons who did not received that training before.

F.2 Evaluation of risks in financial reporting

Report on at least the following:

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

Whether the process exists and has been documented.

The Logista Group has a specific selection of policies for the process of identifying risks in the Group: "Internal Control Policy", "Risk Management Policy" and "Risk Management Procedure". These policies describe risk management as an interactive and continuous process, incorporated into strategy and planning process. The policy and the procedure together define the basic principles and methods to be followed in the Group, and they are reflected in the Logista Group map of risks.

The said map of risks is prepared from assessments of the impact and probability of each risk, made by those responsible for the processes in all the Logista Group companies, who take into consideration variables both quantitative and qualitative; there is a map of the Logista Group risks and there are also maps of specific risks for each company and business unit.

In the model that has been introduced for risk management, the important internal and external risks of a financial nature which can affect their activities have been identified and prioritized, using a pre-defined methodology. Among these, the risks of fraud and risk of error in valuation and financial reporting are considered to be relevant when categorizing the financial risks.

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

In the methodology used for the preparation of the risk and control matrices of the ICOFR, the Group has established the identification and description of each of the risks in the processes that are relevant for the purposes of the ICOFR, and their effect on the objectives of the financial assertions, which are to ensure that the transactions, facts and events fulfil: existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations.

The Logista Group has developed an instruction for "ICOFR documentation", in which premises to be followed are exposed in order to guarantee an adequate documentation maintenance. More explicitly, it is reflected that the review of these documentation must be a continuous and constantly updated process. Nevertheless, at least annually, at the beginning of the fiscal year, Internal Control Coordinator will do a general review of the documentation in order to guarantee a proper maintenance and communication. In case no update needs to be done to the current documentation, this fact will be communicated both to Internal Control Department and Internal Audit Department.

Those General Principles are explicitly formulated at the "Best practices of financial internal control" instruction, mandatory for all the Logista Group and in the Accounting Manual for the Logista Group.

The existence of a process of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special-purpose entities.

The Logista Group consolidation perimeter is determined monthly by the Financial Corporate Directorate, based on the consolidation procedure called "accounting principles, valuation rules and table of consolidated accounts". This procedure establishes the system to be followed to define the consolidation perimeter and to ensure that it is correctly updated, so that nothing is omitted from the consolidated financial information.

In the Group consolidated financial statements at the close of the financial year, in accordance with the methods of inclusion applicable in each case, all those companies belonging to the Logista

Group, joint businesses and companies associated with it were included in accordance with the content of the IFRS. For that purpose, the Consolidation Department has a detailed checklist of all the companies belonging to the Logista Group, and carries out a specific, regular analysis of the consolidation criteria to be applied.

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

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

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

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

The Entity's Governing Body which supervises the process.

The Board of Directors of the Company, through its Audit and Control Committee, is the body ultimately responsible for supervising the process of evaluating risks.

The Board of Directors Regulation mentions that the Logista Group shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

The mentioned control and management unit is represented by the Logista Group Internal Control

Committee, which activity regarding risk management is co-ordinated and supervised by the Corporate Internal Audit Directorate.

F.3 Control activities

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

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

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

The Logista Group has a series of procedures for closing and reporting, which define a series of manual and automatic checks that are used to verify financial information, prevent fraud, and ensure compliance with current legislation and the generally accepted accounting principles. There is also a formal procedure for accounts closure in which the financial information is prepared by each economic/financial manager of each subsidiary company or business, which is verified by the Consolidation and Reporting Department, and approved, before publication, by the Logista Group Corporate Management of Finances. It is also checked by the external auditors. Finally, it is analysed by the Audit and Control Committee, which reports to the Board of Directors, the latter being the body which finally approves it and agrees to its publication and dissemination to the markets, as explained in section F.1.1.

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

In addition, every quarter, the Financial Directors and Controllers of the Logista Group Businesses and/or Companies issue a certificate in which they declare that the Logista Group General Policy on Internal Control has been complied with as regards reconciliation of key accounts and controls. Every year, they also issue a representation letter in which they certify:

- That they were themselves responsible for preparing the financial statements reported at the close of the financial year, and for any other breakdown produced.
- That the financial statements were obtained from the Company's accounting records, which reflect all its transactions and its assets and liabilities.
- That the Company's accounting records correspond to what was produced by the consolidation tool in accordance with the local accounting standards plus the adjustments necessary to align them with the IFRS.
- That the concepts included in each account correspond to those in the Group's Accounting Plan and Manual.
- That the estimates and important decisions were made on the basis of the latest information available in the business and are sufficiently well documented and justified.
- That responsibility is accepted for the reliability of the information contained in the consolidated financial statements of the Company or subgroup (where applicable) at the close of the financial year.

Furthermore, and with regard to the documentation describing the flows of activities and controls of the different types of transaction which can materially affect the financial statements, the Logista Group has prepared the required documentation which describes the control activities which cover

all the purposes of controlling financial reporting for the Logista Group, by means of its corresponding ICOFR risk and control matrix, , narratives and flowcharts, in accordance with the recommendations made by the CNMV in its "*Guía de Control Interno sobre la Información Financiera de las Entidades Cotizadas*" (Internal control guide on the financial information of the listed companies).

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

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

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

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

The regulations relating to the internal control of the information systems are available to all the employees through the Logista Group intranet, and consist of:

- The General Policy on Internal Control
- The strategic framework of the Information Systems
- The Protection of the Information Systems
- The Policy governing the Security of the Information Systems
- The Security Procedure for the Information Systems
- The IS Standards Manual.

The General Policy on Internal Control establishes the guidelines and directives relating to the management of the risks associated with the management and use of information systems and, specifically, in areas such as the control of access, the management of changes, the implementation of the same, operational continuity and the segregation of functions. This General Policy on Internal Control is complemented by the pertinent internal regulations established for that purpose.

The control of access is based on the setting-up of mechanisms of identification and authentication, on the establishment of profiles based on the minimum and indispensable requirements of the workstations, and on the segregation of functions through the definition of the incompatibilities existing between the functions carried out by the business areas and the resulting complementary activities.

The creation, modification or revocation of users or profiles is subject to an authorisation procedure controlled by the managers concerned.

Changes in the information systems and their subsequent operation are regulated by an internal policy which defines the turning-points, the requirements and the bodies governing the life span of the changes, with the aim of ensuring continuity in the Logista Group operations and the reliability and confidentiality of the changes made.

The availability of the information systems and the continuance of their functioning following an incident are guaranteed by a recovery plan for use in cases of corporate disaster. The plan establishes levels of criticality for each of the information systems, based on the risk associated with it, and on the maximum times for recovery defined by the Logista Group. To prepare for the

eventuality of an incident, procedures have been designed and tested to identify the situations, in which the plan should be implemented, the scale of operation of each particular manager, and the method of implementing the plan. There is an annual calendar of tests of the plan for recovery from disasters affecting the Logista Group information systems.

The Logista Group has designed and implemented a matrix for the segregation of functions which segments the privileges of the users according to the minimum resources and information that are indispensable for the correct performance of the tasks associated with the workstations in the users' areas. In addition, and to complement the matrix for the segregation of functions, a set of measures and/or activities complementary to the segmentation of privileges has been established, such as the inclusion in the model of a group of users with greater privileges, with the aim, after an express request and while keeping track of the operations carried out, of supporting the operations of the corresponding users' area.

F.3.3. Policies and procedures of internal control designed to supervise the management of activities subcontracted to third parties, and of those aspects of evaluation, calculation or valuation entrusted to independent experts, and which can materially affect the financial statements.

For the current financial year, none of the processes resulting in the collection of financial information with a material impact on the individual or consolidated financial statements of the Logista Group have been externalised, so the Logista Group has not required reports about the effectiveness of the controls established by entities outside the Logista Group, other than the requirements of the policies for contracting third parties which the Logista Group uses in its Purchasing Policy.

However, as the result of the valuations is not significant, the Logista Group does repeatedly use reports of independent experts for the valuation of certain commitments to employees' benefits, and for the valuations of certain properties.

The Corporate Management of Finances monitors the work of those experts in order to check: competence, training, accreditation and independence, the validity of the data and methods used, and the reasonableness of the hypotheses used, if applicable.

F.4 Information and communication

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

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

The functions of the Management of Consolidation and Reporting, belonging to the Finance Corporate Directorate, are to define and communicate the accounting policies and keep them up-to-date, and it also has to answer enquiries about the accounting standards and their interpretation.

The Management of Consolidation and Reporting keeps abreast of changes in the accounting standards by means of communications with the external advisors and through the training which they themselves receive. These changes have to be analysed, and when they are applicable, the Accounting Policies defined in the accounting manual have to be updated.

The issue of all types of accounting standards is centralised in the Finance Corporate Directorate through their Management of Consolidation and Reporting department, which will be responsible for following and, if appropriate, applying, the modifications published in the regulations.

The Logista Group has a Manual of Accounting Policies, the purpose of which is to establish and describe the accounting policies and the Accounts Plan to which the financial information of all the Logista Group companies, the management information and the formation and formulation of the

Logista Group Individual and Consolidated Annual Accounts must mandatorily be submitted.

In this way, it is intended to ensure that the content of the financial information and of the Individual and Consolidated Annual Accounts of the Logista Group are homogenous, consistent, accurate and harmonised, and that they are prepared on time.

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

The Logista Group main ERP tool is the ‘SAP’, which is used to record, at individual level, the accounting transactions from which financial information is obtained for the subsidiaries of the Logista Group. All the companies which constitute the Logista Group work in accordance with the same plan of accounts, which is homogenous and common to the whole Logista Group, contained in the Accounting Manual, and updated continuously.

The consolidated financial statements are prepared centrally from the financial statements which are reported in the established format by each of the Logista Group subsidiaries. To do that, the Logista Group has HFM consolidation software, which the Logista Group subsidiaries and companies use for reporting, and which enables the data to be aggregated, homogenised and analysed at individual and consolidated levels. In the consolidation process there are checks to ensure the correctness of the consolidated financial statements.

In addition, the Consolidation and Reporting Department has a series of internal guidelines – such as the procedures for consolidation, for inter-company transactions and for reporting, which are applicable to all the companies which constitute the Logista Group – which establish the mechanisms for collecting and preparing financial information in homogenous formats, the general rules, rules for the insertion of entries, for the approval of manual entries, opinions and estimates (including valuations and relevant projections) and a system for communicating financial information to the senior management and ensuring the homogeneity of the process of drawing up financial information.

F.5 Supervision of the functioning of the system

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

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

The Audit and Control Committee has been informed of the degree of fulfillment of the said plan of action. In addition, the Audit and Control Committee has carried out the following activities during the year:

- Follow-up of the action plan in order to obtain a fully implementation of the ICOFR model in Logista Group.
- Follow-up of results came to light as a consequence of the results of the audits performed by the Corporate Internal Audit Department, and also the progress on action implementation resulted during the audit reports.
- Review of the information about the ICOFR which is included in the Annual Report on Corporate Governance.
- Review of the draft report of the External Auditor’s opinion on this subject,

The Logista Group has a Corporate Internal Auditing Department, with functional dependence on the Chairman of the Audit and Control.

In its Internal Audit Charter, approved by the Board through its Audit and Control Committee, the purpose, authority and responsibility of the activity of Internal Auditing, and its position within the organisation are defined. Among the responsibilities of the said function are the following (among others):

- To evaluate whether the processes, activities and aims of internal control which constitute the Logista Group System of Internal Control are adequate, effective and efficient, and guarantee the Group, the Audit and Control Committee, and the Board of Directors of the Logista Group the effective supervision of the system of management and control of risks, if necessary making recommendations, either directly or through the Logista Group Management of Internal Control, for its strengthening;
- In particular, to ensure that there is adequate supervision of the system of internal control of financial reporting (ICOFR).

With regard to planning, communication with the Audit and Control Committee, and implementation of corrective measures, the following responsibilities are defined in the Internal Audit Charter:

- In an open dialogue with the Management and the Audit and Control Committee, the drawing-up of an Annual Plan for Internal Auditing based on an appropriate method of risk management, and, if appropriate, on the needs expressed by the Businesses or Corporate Directorates. The work involved in the Annual Plan must be mainly orientated towards the GROUP's important risks. The Plan must envisage work for special, *ad hoc* requirements during the year. The Annual Plan, and any updating of the Plan, will be sent to the Audit and Control Committee for its approval;
- The performance of the work described in the approved Auditing Plan, and the activities of verification, inspection and review described in the Internal Auditing Plan;
- The preparation and despatch of regular (at least quarterly) summary reports to the Audit and Control Committee, on the results of the activity of Internal Auditing in fulfillment of the Annual Plan for Internal Auditing, or of other actions not included in the Plan, and on the monitoring by the Businesses and the Corporate Directorates or the Senior Management of the recommendations made;
- Collaboration with the Businesses and/or Corporate Directorates in the definition of the plans of action to comply with their recommendations, and supervision of their correct starting-up and implementation;

According to Internal Audit Plan, approved by the Audit Committee, activities related to ICOFR have been carried out. More specifically, a three years Plan 2015-2018 was done; in which all relevant processes of ICOFR purposes have been considered. Current fiscal year processes under review include purchase to pay processes of those businesses with significant impact on financial statements, and also Financial Statements' consolidation process.

As part of ICOFR evaluation process, which conclusions are included at audit reports for each business and process audited, internal audit verify that:

- Design of descriptive documentation of the processes under review is adequate and it is up to date.
- Operative efficiency of controls: this means that there are not significant control deficiencies related to financial information; If yes, the financial impact is measured, and corrective measures are set up in order to solve them resulting in action plans. Deficiencies are classified in the audit reports according to criticality, a responsible is appointed and they are monitored until its final solution.

During the current fiscal year, no internal control deficiencies have been detected with relevant impact on financial statements in those processes audited.

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

The Audit and Control Committee meets at least quarterly with the aim of obtaining and analysing the necessary information in order to fulfill the responsibilities entrusted to it by the Board of Directors. There is a plan of the subjects which have to be dealt with in the agendas of the Audit and Control Committees, including the sessions attended by the Management of Internal Auditing, the Accounts Auditor, and fiscal experts or other experts when this is considered necessary. In this regard:

- The external auditors are present at, and report on, all the sessions of the Committee in which regulated financial information and accounts formulations are analysed. In those sessions, the external auditor reports to the Committee on important Auditing and Accounting matters, and on the recommendations identified as those which would enable the internal control system to improve. He also presents the planning of the Accounts Auditing, its methodology, legislative innovations, and any other information considered to be useful.
- The Management of Internal Auditing has full access to the Audit Committee, attending its sessions as a guest, and issuing information, at least quarterly, both about detected significant weaknesses in internal control and about the state of the action plans arising out of the audits with a view to correcting the detected weaknesses in internal control.

In addition, the Chairman of the Audit and Control Committee has private discussions with the Management of Internal Auditing, in order to obtain information about the scope of their work, its results and the content of their reports, and any other information considered to be useful.

F.6 Other relevant information

N/A

F.7 The External Auditor's report

Report on:

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

The Logista Group has submitted for review by the external auditor the information about the ICOFR that was sent to the markets for financial year 2016. The scope of the auditor's review procedures was in accordance with Circular E14/2013 of 19th July, 2013, of the Instituto de Censores Jurados de Cuentas de España, in which the 'Guide to Action and Model Auditor's Report relating to the system of Internal Control of Financial Reporting (ICOFR) in quoted entities', which is attached as an annex, was published.

G DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED

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

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

Complies Explain

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

- a) Their respective areas of activity and any business dealings between them as well as between the controlled listed company and other companies belonging to the Group;**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies Complies in part Explain Not applicable

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

- a) Changes taking place since the previous annual general meeting.**
- b) The specific reasons for the company not following the Good Governance Code recommendations and any alternative procedures followed in its stead:**

Complies Complies in part Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies Complies in part Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation. When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies Complies in part Explain

The Company has never issued bonds or securities.

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

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

Complies Complies in part Explain

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

Complies Explain

The Board of Directors has not considered it necessary so far, due to the current floating capital (less than 25%).

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the

audit committee and the auditors should give a clear account to shareholders of their scope and content:

Complies Complies in part Explain

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

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

Complies Complies in part Explain

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

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

- 12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value. In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.**

Complies Complies in part Explain

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

Complies Explain

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

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

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

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

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

Complies Complies in part Explain

The Board of Directors has not approved during financial year 2015-2016 a Director Selection Policy, which is expected to be approved in the year 2016-2017.

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

Complies Complies in part Explain

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

This criterion can be relaxed:

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

Complies Explain

- 17. Independent directors should be at least half of all board members. However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or should occupy, at least, a third of board places.**

Complies Explain

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

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

Complies Complies in part Explain

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

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

Complies Explain

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

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

Complies Complies in part Explain

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

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

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

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

Complies Complies in part Explain

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

Complies Complies in part Explain

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

Complies Complies in part Explain

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain

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

Complies Explain Not applicable

The Company intends to perform refresher programmes during next financial year, in application of the Action Plan of Self-Assessment of the Board, approved the 25th of October of 2016.

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

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

Complies Complies in part Explain

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

Complies Complies in part Explain

- 33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief**

executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies Complies in part Explain

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

Complies Complies in part Explain Not applicable

The Chairman of the Board does not perform management functions.

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

Complies Explain

- 36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

- a) The quality and efficiency of the board's operation.**
- b) The performance and membership of its committees.**
- c) The diversity of board membership and competences.**
- d) The performance of the chairman of the board of directors and the company's chief executive.**
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

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

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

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

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

Complies Complies in part Explain

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programme, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

- c) **Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
- d) **Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.**
- e) **Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.**

Complies Complies in part Explain

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

Complies Complies in part Explain

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

Complies Complies in part Explain Not applicable

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

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

Complies Complies in part Explain

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

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

Complies Complies in part Explain

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

Complies Complies in part Explain

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

Complies Explain Not applicable

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

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

Complies Complies in part Explain

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

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

Complies Complies in part Explain

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

Complies Complies in part Explain

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

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**
- b) They should be chaired by independent directors.**
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.**

- d) **They may engage external advice, when they feel it necessary for the discharge of their functions.**
- e) **Meeting proceedings should be minuted and a copy made available to all board members.**

Complies Complies in part Explain Not applicable

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

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

Complies Complies in part Explain

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

- a) **The goals of its corporate social responsibility policy and the support instruments to be deployed.**
- b) **The corporate strategy with regard to sustainability, the environment and social issues.**
- c) **Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.**
- d) **The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.**
- e) **The mechanisms for supervising non-financial risk, ethics and business conduct.**

- f) **Channels for stakeholder communication, participation and dialogue.**
- g) **Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Complies Complies in part Explain

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

Complies Complies in part Explain

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

Complies Explain

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

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

Complies Complies in part Explain

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

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

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

Complies Complies in part Explain Not applicable

H OTHER INFORMATION OF INTEREST

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

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

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

3. The company may also state if it has voluntarily signed up to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, the company will declare if it subscribed the Code of Best Tax Practices, of 20 July 2010.

Regarding item 3, the Board of Directors, at its meeting of February 23rd, 2016, unanimously agreed the complete subscription of the Code of Best Tax Practices, which is currently being processed.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting of October 25th, 2016.

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

Yes No

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. FOR THE FISCAL YEAR ENDED ON SEPTEMBER 30th 2016

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

As requested by the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. ("the Entity") and in accordance with our proposal-letter of July 30th 2016, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30th 2016, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on September 30th 2016 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the consolidated Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

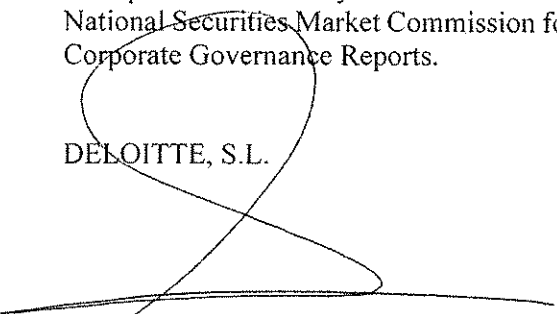
The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 7/2015 of December 22nd 2015.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 7/2015 of December 22nd 2015, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Jose Luis Aller
Partner
October 26th, 2016